

Cabinet – 16th January 2013

Business Rates Income Forecast 2013/2014

Report of the Executive Director of Commercial and Corporate Services

1. Purpose of Report

- 1.1 This report details the new regulations of the Local Government Finance Act 2012 that require billing authorities from 2013/14 to have Cabinet and full Council approve their NNDR1 form which estimates the business rates income for the coming financial year by 31 January.

2. Description of Decision:

- 2.1 Cabinet is recommended to recommend to Council that the Council approves the attached NNDR1 form (Appendix 1) estimated business rates income for the year 2013/14 in accordance with new regulations which will form the basis of the necessary allocation of the estimated total business rate income for the year in the following proportions:

- Amount of NNDR to be paid to Central Government - £41,868,381;
- Amount of NNDR to be retained by Council - £41,067,939
- Amount of NNDR to be passed to Tyne and Wear Fire and Rescue Authority - £838,121

3. Introduction and Background Information

- 3.1 The Local Government Finance Bill was made law on 21st November 2012 and its requirements are due to come into effect from 1st April 2013 and therefore apply to the 2013/2014 Budget.
- 3.2 Under the new legislation, 50% of Non-Domestic Rates (NDR) more commonly referred to as business rates will be retained locally by billing authorities and 2% of this total will be shared with the Tyne and Wear Fire and Rescue Authority. Currently all NDR collected is paid to the Government under the national funding and pooling arrangements.
- 3.3 The remaining 50% balance of business rate income collected, adjusted for technical adjustments in respect of Enterprise Zones will be paid over to central Government as the central share to fund Revenue Support Grant and the Police and other core grants.
- 3.3 Currently, Officers complete a return known as the NNDR1 form before the start of each financial year which is returned to the Department for Communities and Local Government (DCLG). This form provides the local tax

base for business properties in the area for the forthcoming year and forms part of the national pool.

- 3.4 Under the Business Rates Retention Scheme the NNDR1 form becomes a key document in the budget setting process. An initial submission to Government of the provisional NNDR1 form for 2013/14 was required by 7th January 2013. A final version "signed-off by the Council" must be approved and returned to the DCLG no later than 31 January 2013.

4. Issues / Proposals

- 4.1 The need to obtain sign-off of the NNDR1 form is a new requirement and is date critical. Officers prepared and submitted the provisional return on 7th January 2013 in line with requirements set out in legislation. The provisional return is attached to this report as Appendix 1.

Page 2 of the NNDR 1 return summarises the position as follows:

- £41,868,381 - NNDR income collected to be paid to Central Government being 50% of net rate yield excluding transitional arrangements less government defined technical adjustment for enterprise zones;
- £41,067,939 - NNDR income collected to be retained by the Council being 49% of net rate yield excluding transitional arrangements;
- £838,121 - NNDR income collected to be passed to Tyne and Wear Fire and Rescue Authority being 1% of net rate yield excluding transitional arrangements.

- 4.2 The cycle of Council meetings can accommodate the submission of the final return to DCLG in January following Cabinet and Council approval. If prior to Cabinet on 16th January, any changes arise to the provisional submission of 7th January (as shown at Appendix 1 attached), an amended NNDR 1 form will be tabled at the meeting.
- 4.3 The provisional submission assumes agreement to the proposed changes to the Review of the Non-Domestic Rates Discretionary Relief Policy to Academy and Voluntary Aided Schools which are reported elsewhere on today's Cabinet agenda. The draft submission will be amended in light of any change in approach following Cabinet / Council prior to final submission.
- 4.4 Although no exact process has been specified for the sign-off process, DCLG and the Chartered Institute of Public Finance and Accountancy (CIPFA) have indicated that they would expect Councils to adopt a similar process to the one used for approving the Council Tax Base.
- 4.5 The provisional and final figures must be reported to the DCLG and any relevant precepting authorities. In the case of the Council it must formally notify the Tyne and Wear Fire and Rescue Authority of their proportionate share of the Councils total estimated business rates income for 2013/14.
- 4.6 Full Council in January will approve the final agreed estimated Retained Business Rate Income for 2013/14 for inclusion in the Council budget.

5. Equality

- 5.1 The council has to have regard to the elimination of unlawful discrimination and harassment and the promotion of equality under the Equality Act 2010 and related statutes.
- 5.2 There are no implications.

6. Privacy

- 6.1 There are no implications.

7. Sustainability

- 7.1 None specific from this report. More widely, the system of funding Councils from retained business rates emphasise the importance of continuing to support business growth.

8. Crime and Disorder

- 8.1 Under the Crime and Disorder Act 1998, the council has to have regard to the need to reduce crime and disorder in exercising any of its functions.
- 8.2 There are no implications

9. Reasons for Decision

- 9.1 To comply with new Government regulations that require Cabinet and full Council to approve the NNDR1 return on an annual basis from 2013/14. The final estimated Business Rates Income Return figures for 2013/14 have also to be formally notified by 31st January 2013 to both the Government and the Tyne and Wear Fire and Rescue Authority.

10. Alternative Options

- 10.1 No alternative options are proposed.

11. List of Appendices

Appendix 1 – NNDR1 (Provisional) Return for 2013/2014

12. Background Papers

None

