

<b>CABINET MEETING – 13 JANUARY 2016</b>  <b>EXECUTIVE SUMMARY SHEET – PART I</b>
<b>Title of Report:</b> Business Rates Income Forecast 2016/2017 and Projected Business Rates Income Outturn 2015/2016
<b>Author(s):</b> Director of Finance
<b>Purpose of Report:</b> This report details the arrangements for estimating; <ul style="list-style-type: none"> <li>• the forecast outturn for business rates income for 2015/2016 and</li> <li>• the business rates income for 2016/2017</li> </ul> to be included in the NNDR1 return which must be submitted to Government by 31 <sup>st</sup> January 2016 in accordance with the Non Domestic Rating (Rates Retention) Regulations 2013
<b>Description of Decision:</b> Cabinet is recommended to note the draft NNDR1 form (to be circulated separately as Appendix A) which sets out <ul style="list-style-type: none"> <li>• the forecast outturn for business rates income for 2015/2016</li> <li>• total estimated business rates income before transitional arrangements for the year 2016/2017</li> </ul> <p>Cabinet is asked to provide delegated authority to the Director of Finance, in consultation with the Leader of the Council and Cabinet Secretary, to approve the final version of the NNDR1 form to be submitted to DCLG by 31<sup>st</sup> January 2016 in accordance with regulations, and which will form the basis of the necessary apportionment of the estimated total business rate income for 2016/2017 in the following proportions:</p> <ul style="list-style-type: none"> <li>• 50% to the Government</li> <li>• 1% to the Tyne and Wear Fire and Rescue Authority</li> <li>• 49% to the Council</li> <li>•</li> </ul>
<b>Is the decision consistent with the Budget/Policy Framework?</b> Yes  <b>If not, Council approval is required to change the Budget/Policy Framework</b>

**Suggested reason(s) for Decision:**

To comply with Government requirement to submit the NNDR1 return containing the estimated Business Rate Income for 2016/2017 by 31<sup>st</sup> January 2016 to both the Government who receive 50% of the total figure and also to the Tyne and Wear Fire and Rescue Authority who receives 1% of the total. The Council will retain the remaining 49%

**Alternative options to be considered and recommended to be rejected:**

There are no alternative options recommended for approval.

**Impacts analysed:**

Equality ☒ Privacy ☒ Sustainability ☒ Crime and Disorder ☒

**Is the Decision consistent with the Council's co-operative values? Yes**

**Is this a "Key Decision" as defined in the Constitution? Yes**

**Is it included in the 28 day Notice of Decisions? Yes**

## **CABINET – 13TH JANUARY 2016**

### **BUSINESS RATES INCOME FORECAST 2016/17 AND PROJECTED BUSINESS RATES INCOME OUTTURN 2015/16**

#### **Report of the Interim Head of Paid Service and Director of Finance**

#### **1. Purpose of Report**

1.1 This report details the arrangements for estimating

- the forecast outturn for business rates income for 2015/2016 and
- the business rates income for 2016/2017

to be included in the NNDR1 return which must be submitted to Government by 31<sup>st</sup> January 2016 in accordance with the Non Domestic Rating (Rates Retention) Regulations 2013.

#### **2. Description of Decision:**

2.1 Cabinet is recommended to note the draft NNDR1 form (to be circulated separately as Appendix A) which sets out:

- the forecast outturn for business rates income for 2015/2016;
- total estimated business rates income before transitional arrangements for the year 2016/2017.

Cabinet is asked to provide delegated authority to the Director of Finance, in consultation with the Leader of the Council and Cabinet Secretary, to approve the final version of the NNDR1 form to be submitted to DCLG by 31<sup>st</sup> January 2016 in accordance with regulations, and which will form the basis of the necessary apportionment of the estimated total business rate income for 2016/2017 in the following proportions:

- 50% to the Government
- 1% to the Tyne and Wear Fire and Rescue Authority
- 49% to the Council

#### **3. Introduction and Background Information**

3.1 The Non Domestic Rating (Rates Retention) Regulations 2013 set out the regulations in relation to the Business Rates Retention Scheme (BRRS) introduced from 1 April 2013. Under the regulations, 50% of Non-Domestic Rates (more commonly known 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.

- 3.2 Councils must submit a return known as the NNDR1 form 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 determines the value of income from Non Domestic rates between central government, the council and the Tyne and Wear Fire Authority. As such the NNDR1 form is a key document in the budget setting process.
- 3.3 In addition to estimating the rates position for 2016/2017, the NNDR1 form requires the Council to confirm their best estimate of the NDR collection fund position as at 31 March 2016 i.e. to the end of the prior financial year 2015/2016. This is required in order to demonstrate whether a surplus or deficit on the Collection Fund in relation to NDR is anticipated at that date. Where a deficit is anticipated, payment will be required from central government and the Fire Authority, conversely where a surplus is anticipated payment will be required to be made by the Council to central government and the Fire Authority. These payments are required to be included in the Councils budget position for 2016/2017.
- 3.4 The NNDR1 figures must be reported to the DCLG and to 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 2016/2017, and the forecast outturn position for 2015/2016.
- 3.5 The NNDR1 form must be certified by the Section 151 Officer and returned to the DCLG no later than 31 January 2016. The final NNDR1 implications on the 2016/2017 Budget will be incorporated into the Revenue Budget and proposed Council Tax for 2016/2017 report which will be reported to Cabinet in February 2016.

#### **4. Autumn Statement and Spending Review Announcements**

- 4.1 The Autumn Statement delivered on the 25<sup>th</sup> November 2015, set out two measures that will impact on Business Rates Retention for 2016/2017. These include:
- extending the doubling of Small Business Rate Relief for a further year (2016/2017);
  - removing the temporary £1,500 discount for shops, pubs and restaurants with rateable values below £50,000 for 2016/2017

The Council will continue to be refunded by way of Section 31 grant for the loss in business rates receipts as a result of extending the small Business Rate Relief measures. This grant will be payable through the General Revenue Fund (rather than the Collection Fund).

The removal of the retail discount will reduce the Section 31 grant received by the council, but this should be compensated on a like for like basis by increased rates income through the Collection Fund.

- 4.2 The government confirmed previous announcements around proposals to change the way local government is funded through 100% retention for local government and the ending of uniform business rates, including through powers for elected mayors to raise Business rates for investment and infrastructure. The Government is to consult on the detail in early 2016.
- 4.3 In addition the government confirmed that the review of the future structure of business rates will be reported on as part of the Budget 2016.

## **5. NNDR1 Form**

The Draft NNDR1 return will be circulated separately as Appendix A. This sets out:

### **5.1 Forecast Outturn 2015/2016**

- 5.1.1 The most significant variable impacting on the Business Rates position continues to be the position with regard to appeals. The council took a prudent approach to setting aside a provision in the 2014/2015 collection fund which accounted for appeals lodged during 2014/2015. However, due to the restriction on appeals introduced in the 2014 Autumn Statement there was a significant increase in appeals lodged late 2014/2015. Due to the numbers of appeals there remain a significant number of appeals lodged that require attention by the VOA, so increasing the uncertainty around the final outturn position. The position is being kept under close review and the VOA is providing quarterly updates.
- 5.1.2 A further variable relates to empty property rates. There is an increasing issue with property owners trying to by-pass payment of rates through a number of avoidance tactics which is a national issue. The government has recently undertaken a Business rates review consultation which included reference to this issue. Pending any government action on this issue, the Council continues to forecast on a prudent basis.

### **5.2 Forecast Business Rates Income 2016/2017**

- 5.2.1 The Forecast position for 2016/2017 included in the NNDR1 includes the
- best estimate of the appeals position based on VOA data and with reference to the existing provision position.
  - the impact of announcements made by the government as part of the autumn statement detailed above.

## **6. Reason for Decision**

- 6.1 To comply with the Government requirement to submit the NNDR1 return containing the estimated Business Rates Income for 2016/2017 by 31<sup>st</sup> January 2016 to both the Government who receives 50% of the total figure and also to the Tyne and Wear Fire and Rescue Authority who receives 1% of the total. The Council will retain the remaining 49%.

**7. Alternative Options**

7.1 No alternative options are proposed.

**8. Background Papers**

None