

**For Publication**

**NON-DOMESTIC RATES ESTIMATED FOR 2017/18**

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Meeting:                      Employment and General Committee

Date:                              23<sup>th</sup> January 2017

Report by:                      Director of Finance & Resources

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**For publication**

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**1.0 PURPOSE OF REPORT**

1.1 To approve the National Non-Domestic Rates (NNDR) estimates and NNDR1 Return for 2017/18.

**2.0 RECOMMENDATIONS**

2.1 That the estimated National Non Domestic Rates estimates as recorded on the NNDR1 Return (Appendix A) be approved.

2.2 That delegated authority be given to the Director of Finance to make any subsequent changes to the NNDR1 return that are identified before the final submission date of the 31<sup>st</sup> January 2017.

**3.0 BACKGROUND**

3.1 The Local Authorities (Calculation of Tax Base) Regulations 1992 (as amended) require the Borough Council as Billing authority to calculate the Tax Base for the Borough and the Parishes and to notify the Major Precepting Authorities (Derbyshire County Council and Derbyshire Fire Authority), and those Parishes which request it, by 31st January each year.

- 3.2 Section 84 of the Local Government Act 2003 amended the tax setting regulations so that the tax base calculation no longer has to be approved by the full Council. The calculation of the tax base is a procedural matter which, should be delegated to a non-executive committee. The Council agreed (17<sup>th</sup> December 2003) to delegate the function to the Employment and General Committee.
- 3.3 With the introduction of the Business Rates Retention Scheme from April 2013 there is a new requirement for the Council to formally approve the Business Rates Tax Base. The approval process must be the same as that used for the approval of the Council Tax Base. The estimate of the Business Rates base and yield is included in a return to the Government known as the NNDR1 return. The NNDR1 return shows have the estimated yield is to be distributed, including the amount to be retained by the Council.

#### **4.0 NNDR INCOME ESTIMATES**

- 4.1 The Local Government Finance Act introduced the part-retention of income from Business Rates from April 2013. The income generated is to be shared between the Government (50%), the County Council (9%), the Fire Authority (1%) and the Borough Council (40%). The Council will then have to pay a tariff from its share of the income into a national pool (£10,887,543 in 2017/18). If Council's share of the income is above a specified threshold (£3,150,422 in 2017/18) the excess amount is then subject to a Levy at the rate of 50%. The Council joined a Derbyshire Pool in 2015/16 which will have the benefit of retaining the Levy within the County rather than paying it to Central Government.
- 4.2 The Council must complete and approve a form, known as the NNDR1 Return, which shows how the estimated income has been calculated and how it is to be shared. The form must then be sent to those entitled to a share of the income by 31<sup>st</sup> January (i.e. the County Council and the Fire Authority).
- 4.3 The copy of the NNDR1 return for approval is included as Appendix A. **Completing the form has again been difficult this year due to the ongoing uncertainties around estimating the likely impact of back dated rating appeals and future rating appeals arising from the 2017 revaluation.** Appendix A is, therefore, based on the best available information at this point in time and may have to be revised if further changes are

identified after this meeting but prior to submission on 31<sup>st</sup> January 2017.

**4.4 Parts of the NNDR1 form are based on factual data at a given point in time but officers have been required to make their own estimates about future events such as new buildings, demolitions and the outcome of appeals, both new and outstanding. The amount to be retained and paid over to other to those entitled to a share of the income will be fixed at the start of the year based on the estimate on the NNDR1 return, therefore, it is important that the income forecast is not overstated. It is anticipated that the forecasting of income will improve in future years as experience is gained, as the current back log of appeals is cleared and as a result of the change introduced in the 2014 Autumn Statement to limit refunds on appeals received after 31<sup>st</sup> March 2015 to the current year only i.e. no back dating.**

4.5 The NNDR1 return (Appendix A) shows that the estimated net rate yield is £36.3m (Part 1A, Line 14) and that this will be shared as follows:

<b>Paid to:</b>	<b>Income Part 1B Line 14 £'000</b>	<b>Fund Deficit Part 1B Line 25 £000</b>	<b>Share %</b>
Central Government	18,157	133	50%
Retained by CBC	14,525	106	40%
Derbyshire County Council	3,268	24	9%
Derbyshire Fire Authority	363	3	1%
<b>Total</b>	<b>36,313</b>	<b>266</b>	<b>100%</b>

4.6 From the Council's retained share of £14,525k it will have to pay a Tariff of £10,888k to the Government and a Levy of £620k into the Derbyshire Pool. It will receive grant income of £983k (Part 1C Line 35) towards the cost of various reliefs to leave a retained amount of £3,882k. For budget purposes it has also been assumed that £300k of the Levy paid into the Derbyshire Pool will be returned to the Council.

#### 4.7 Collection Fund Surplus/Deficit

Billing Authorities are required to calculate the estimated surplus or deficit on the NNDR element of the Collection Fund each year.

The estimated surplus or deficit must be allocated to the organisations in the same proportions and the major preceptors should then take this surplus/(deficit) into account when calculating their Council Taxes for the following financial year.

The NNDR element of the Collection Fund is estimated to be a deficit of £266k by the 31<sup>st</sup> March 2017. The table in para. 4.5 shows how the estimated deficit will be shared, with the Council being charged 40% of the total i.e £106k.

### **5.0 LEGAL IMPLICATIONS**

5.1 Paragraph 43 Schedule B of the Local Government Finance Act 1988 requires the Council to formally approve details of the provisional contributions for NNDR each year using the statutory NNDR1 form by 31<sup>st</sup> January. The form has been completed in accordance with the relevant regulations.

### **6.0 RISK MANAGEMENT**

6.1 The key risks associated with the setting of the tax bases are summarised in the table below:

<b>Description of risk</b>	<b>Current Risk Rating Impact / Likelihood</b>	<b>Mitigating Actions</b>	<b>Target Risk Rating Impact / Likelihood</b>
Business rate income under/over estimated	High / Likely  (4 x 4 = 16)  (Red)	Prudent assumptions are built into income forecast. The income will be monitored during the year.	Medium / Possible  (3 x 3 = 9)  (Amber)

## **7.0 RECOMMENDATIONS**

- 7.1 That the estimated National Non Domestic Rates estimates as recorded on the NNDR1 Return (Appendix A) be approved.
- 7.2 That delegated authority be given to the Director of Resources to make any subsequent changes to the NNDR1 return that are identified before the final submission date of the 31<sup>st</sup> January 2017.

## **8.0 ALTERNATIVE OPTIONS TO BE CONSIDERED**

- 8.1 None

## **9.0 REASONS FOR RECOMMENDATION**

- 9.1 To fulfil the statutory requirements to approve the estimated Business Rates income. The information is required by the Government and by the Council and the other precepting authorities to enable them to set their Council Taxes.

### **Document information**

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<b>Background documents</b> These are unpublished works which have been relied on to a material extent when the report was prepared.	
<b>Appendices to the report</b>	
Appendix A	NNDR1 Return