

For Publication

NON-DOMESTIC RATES ESTIMATES FOR 2018/19

Meeting: Employee and General Committee

Date: 22nd January 2018

Report by: Director of Finance & Resources

For publication

1.0 PURPOSE OF REPORT

- 1.1 To approve the National Non-Domestic Rates (NNDR) estimates and NNDR1 Return for 2018/19.

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 31st January 2018.

3.0 BACKGROUND

- 3.1 The Local Authorities (Calculation of Business Rates '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 business rates 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 (17th 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 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 currently shared between the Government (50%), the County Council (9%), the Fire Authority (1%) and the Borough Council (40%). A bid was submitted to DCLG in October 2017 for the current members of the Derbyshire Pool to become a 100% Business Rates Retention Pilot for 2018/19; this bid was successful.
- 4.2 The Derbyshire Pool Pilot (including Derby City) will be a 100% Business Rates Retention pilot authority for one year from 1st April 2018 (2018/19). The terms of the pilot includes a 'no detriment clause' which means that CBC will be no worse off financially than under the Derbyshire Pool arrangements.
- 4.3 As a result the income generated in 2018/19 will be shared between the Government (0%), the County Council (49%), the Fire Authority (1%) and the Borough Council (50%).
- 4.4 The draft Local Government Finance Settlement published in December 2017 set the Council's tariff at £13,733,487 and the baseline funding level at £4,104,263 for 2018/19. Therefore the Council will no longer receive RSG (£0 in 2018/19). The Pilot is for 2018/19 and DCLG has indicated we will revert back to the current Derbyshire Pool arrangements in 2019/20.
- 4.5 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 31st January 2018 (i.e. the County Council and the Fire Authority).

- 4.6 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 future rating appeals arising from the 2017 revaluation and the new "Check Challenge Appeal" system. 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 31st January 2018.
- 4.7 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 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 31st March 2015 to the current year only i.e. no back dating.
- 4.8 The NNDR1 return (Appendix A) shows that the estimated net rate yield is £36.2m (Part 1B, Line 14) and that this will be shared as follows:

Table 1: 2018/19 Share of BR Income and Fund Deficit

Paid to:	Income Part 1B Line 14 £000's	Fund Deficit Part 1B Line 25 £000's	Income Share 2018/19 %	Fund Deficit Share 2017/18 %
Central Government	0	360	0%	50%
Retained by CBC	18,114	288	50%	40%
Derbyshire County Council	17,752	65	49%	9%

Derbyshire Fire Authority	362	7	1%	1%
Total	36,228	720	100%	100%

- 4.9 From the Council's retained share of £18,114k it will have to pay a tariff of £13,734k to the Government and possibly a Levy into the Derbyshire Pilot. It will receive grant income of £2,035k (Part 1C Line 36) towards the cost of various reliefs to leave a retained amount of £5,209k. For CBC budget purposes it has been assumed at this point that there is no additional financial benefit from the Derbyshire Pilot 100% Business Rates retention scheme until further work is done by parties in the pilot on the financial implications.

4.10 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 £720k by the 31st March 2018. 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. £288k.

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 31st 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:

Description of risk	Current Risk Rating Impact / Likelihood	Mitigating Actions	Target Risk Rating Impact / Likelihood
Business rate income under/over estimated	High / Likely $(4 \times 4 = 16)$ (Red)	Prudent assumptions are built into income forecast. The income will be monitored during the year.	Medium / Possible $(3 \times 3 = 9)$ (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 Finance and Resources to make any subsequent changes to the NNDR1 return that are identified before the final submission date of the 31st January 2018.

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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Background documents

These are unpublished works which have been relied on to a material extent when the report was prepared.

Appendices to the report

Appendix A	NNDR1 Return
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