

# **FOR PUBLICATION**

## **NON-DOMESTIC RATES ESTIMATES FOR 2014/15**

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MEETING:	EMPLOYMENT & GENERAL COMMITTEE
DATE:	30 <sup>TH</sup> JANUARY 2014
REPORT BY:	HEAD OF FINANCE
WARD:	ALL
COMMUNITY FORUM:	ALL

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FOR PUBLICATION BACKGROUND PAPERS FOR PUBLIC REPORTS:	None
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### **1.0 PURPOSE OF REPORT**

- 1.1 To approve the National Non-Domestic Rates (NNDR) estimates and NNDR1 Return for 2014/15.

### **2.0 RECOMMENDATION**

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

### **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 Police 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.
- 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.
- 4.3 The copy of the NNDR1 return for approval is included as **Appendix A**. Completing the form has been difficult because the regulations which set out how it should be completed and a final version of the form to complete have been issued late. 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 made after this meeting but prior to submission on 31<sup>st</sup> January 2014.
- 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 overly optimistic. It is anticipated that the forecasting of income will improve in future years as experience is gained and when there will be more time available for modelling options.

4.5 The NNDR1 return (Appendix A) shows that the estimated net rate yield excluding transitional arrangements is £35.8m (cell 13) and that this will be shared as follows:

Table 1			
<b>Paid to:</b>	<b>2014/15 NDR Income £'000</b>	<b>2013/14 Surplus £000</b>	<b>Share %</b>
Central Government	17,889	57.6	50%
Retained by CBC	14,312	46.1	40%
Derbyshire County Council	3,220	10.4	9%
Derbs. Fire Authority	358	1.1	1%
<b>Total</b>	<b>35,779</b>	<b>115.2</b>	<b>100%</b>

#### 4.6 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. 2013/14 is the first year that the calculation has been required,

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 surplus of £115,200 for 2013/14. The Borough Council will receive 40% of the surplus i.e £46,080.

4.7 Further details of financial implications and risks of the Business Rates Retention Scheme will be included in the budget report to the Cabinet in February.

### **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:

Description of risk	Impact	Likelihood	Mitigating Actions
Business rate income under estimated	Low	Possible	Prudent assumptions are built into income forecast. The income will be monitored during the year. An increase will create a surplus in the Collection Fund which will be distributed in the following year; the Council will receive only a 20% share.
Business rate income over estimated – comes in lower.	High – To £225k below Baseline Funding Level before Safety Net triggered.	Possible	Prudent assumptions made re growth and successful appeals. The Council’s required Working Balance will be reviewed to take account of this risk.

## 7.0 **RECOMMENDATION**

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

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

8.1 None

## 9.0 **REASON FOR RECOMMENDATION**

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

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