

Taunton Deane Borough Council

Executive – 16 January 2013

Business Rates Retention and NNDR1 2013/2014

Report of the Financial Services Manager (Southwest One)

(This matter is the responsibility of Executive Councillor Williams, Leader of the Council)

1 Executive Summary

Under the new Business Rates Retention funding system, the Executive is requested to recommend approval by Full Council of the National Non-Domestic Rates Return 1 (NNDR1) for 2013/2014. This includes an **Estimated Net Rate Yield** excluding transitional arrangements but after rate retention adjustments of **£38,778,327**.

The draft Business Rate Retention Regulations does not include a specific approval process for the forecast and NNDR1, and the steer from Government is that this is to be determined through local governance arrangements. This report therefore proposes that the NNDR1 is approved by Full Council this year, and Full Council is recommended to delegate this decision to the Executive in subsequent years.

2 Background

- 2.1 The purpose of this report is to request approval of the National Non-Domestic Rates Return 1 (NNDR1) for 2013/14, which is attached at the end of this report.
- 2.2 This return includes the Estimated Net Rate Yield for 2013/14, which is to be used for budget setting purposes, and will determine the budget amount for business rates income kept by Taunton Deane Borough Council, Somerset County Council and Devon and Somerset Fire and Rescue Authority under the new Business Rates Retention system, which is introduced in April 2013.
- 2.3 The Draft Business Rates Retention Regulations were issued for consultation by Government between 25 October and 23 November 2012. At the point of writing this report, Government is still analysing the consultation responses.

- 2.4 Although the final Business Rates Retention Regulations have not yet been enacted through Parliament, Government have necessarily provided a Return form template to enable billing authorities to prepare the information required. A provisional NNDR1 is to be returned to Government by 7 January 2013, with the final approved form to be returned by 31 January 2013. The final return is to be certified by the Chief Finance Officer.
- 2.5 Following extensive work by the project group to prepare the NNDR1 (comprising staff from Revenues and Benefits, Finance Advisory, and Performance and Client), the Provisional NNDR1 was certified by the Strategic Director/s151 Officer on 19 December 2012 and submitted to Government in advance of the deadline. The form is now submitted to Executive to recommend formal approval by Full Council at its meeting on 22 January 2013.
- 2.6 The Regulations do not include a specific approval process for the forecast and NNDR1, and the steer from Government is that this is to be determined through local governance arrangements. It is therefore proposed that the NNDR1 is approved by Full Council this year, and Full Council is recommended to delegate this decision to the Executive in subsequent years (similar to the arrangements for the Council Tax Base).

3 Preparing the Forecast

- 3.1 The NNDR1 is essentially the net business rates income forecast for 2013/14, which is to be used for budget setting purposes.
- 3.2 The forecast starts by taking into account the Rateable Value of the number of hereditaments (business premises) as at 30 September 2012. This information is provided to the Revenues and Benefits Service by the Valuation Office Agency (VOA), and provides the Gross Calculated Rate Yield – the total amount of business rates owed by businesses before reliefs (Line 3 of the form).
- 3.3 This gross yield is then adjusted for reliefs to give the Gross Rate Yield after Reliefs (Line 20 of the form):
- Mandatory Reliefs (for small businesses, charities, community amateur sports clubs, rural general stores, post offices, public houses, petrol filling stations and food shops, and empty premises)
 - Discretionary Reliefs (for charities and non-profit bodies, community amateur sports clubs, rural general stores, post offices, public houses, petrol filling stations and food shops, and other rural businesses). These are applied in line with TDBC policies.

- 3.4 The gross yield is then reduced/offset by cost of collection and allowance for bad debts (Lines 21 and 22). Cost of collection is based on a set formula, and bad debts estimates have been based on recent trends.
- 3.5 Under the (draft) Business Rates Retention Regulations, adjustments are proposed related to Enterprise Zones and New Development Deals – these are not applicable for TDBC in 2013/14.
- 3.6 A further adjustment that is relevant under Section 2 of the Return is Renewable Energy Schemes (e.g. power generating stations that use wind, water or solar as their primary source of energy). Under the proposed Regulations, 100% of business rates yield – for schemes that commence on or after 1 April 2013, or the amount of increase in yield for existing schemes on or after 1 April 2013 – can be retained wholly by TDBC i.e. the Government and major precepting authorities will not take a share. For budget purposes in 2013/14 this is assumed to be nil.
- 3.7 The above calculations provide the Net Rate Yield before transitional arrangements and rate retention.
- 3.8 A key new requirement with the NNDR1 is the need to estimate any changes in the Rateable Value (e.g. for new businesses, change of use) and also to estimate adjustments related to appeals. For changes in rateable value (Line 33) we have based this estimate on the trend for changes in the past two years (2010/11 and 2011/12). For appeals, we have looked at historic trends and also obtained information from the VOA related to current appeals lodged but not yet resolved, and used this to help form our estimate for the future impact.
- 3.9 Section 3 of the return relates to Transitional Arrangements. These arrangements phase in changes to rateable values (increases and decreases) to smooth the impact for businesses. The scheme is designed by Government, and is identified separately on the NNDR1 as Government will make direct payments to and from local authorities for the financial implications.

4 Business Rates Yield and Retention

- 4.1 The key information needed for business rates retention and budget setting is Line 36 of the NNDR1 Return – the **Net Rate Yield** excluding transitional arrangements. This has been estimated at **£38,778,327** for 2013/14.
- 4.2 Under the Business Rates Retention Draft Regulations, as confirmed by a Policy Statement issued by Government on 21 November 2012, the Net Rate Yield will be shared as follows:

	%	£
Share paid to central government	50	19,389,164
Share retained by Taunton Deane Borough Council	40	15,511,331
Share passed to Somerset County Council	9	3,490,049
Share passed to Devon and Somerset Fire Authority	1	387,783
Net Rate Yield		38,778,327

- 4.3 As set out in the Provisional Finance Settlement for 2013/14, issued by Government on 19 December, a large proportion of the share retained by TDBC is to be paid to Government in the form of a Tariff, to fund a system of tariffs and top ups. The final amount to be retained by TDBC will be in accordance with the Council's Start-up Funding Assessment for 2013/14, as issued with the Finance Settlement. Further information in this respect has been included in the Confidential Members' Budget Consultation Pack, and will be included in the budget setting reports to Corporate Scrutiny on 24 January 2013, and subsequently to the Executive and Full Council in February.

5 Finance Comments

- 5.1 This is a finance report and there are no additional comments.

6 Legal Comments

- 6.1 The Business Rates Regulations are expected to be passed through Parliament before 31 January 2013, which will be the statutory deadline by which authorities must approve the NNDR1.

7 Links to Corporate Aims, Environmental and Community Safety Implications, Equalities Impact, Risk Management, and Partnership Implications

- 7.1 Not applicable.

8 Recommendations

- 8.1 The Executive is requested to recommend to Full Council the approval of the NNDR1 Return with a Net Rate Yield of £38,778,327 for 2013/14 excluding transitional arrangements.
- 8.2 The Executive is requested to recommend to Full Council that authority to approve the NNDR1 and Net Rate Yield be delegated to the Executive in future years.

Contact Officers:

For Rates Retention and Budget matters:
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Department for
Communities and
Local Government

**NATIONAL NON-DOMESTIC RATES RETURN 1
NNDR1 2013-14**

Please e-mail to : nndr.statistics@communities.gsi.gov.uk

Please enter your details after checking that you have selected the correct authority name.

Please check the figures shown in the cells with a blue border and enter your own figures if you disagree with those suggested.

**A provisional version of the form should be returned to the Department for Communities and Local Government by
Monday 7 January 2013**

The final version of this form, including a signed copy, must also be sent to the Department for Communities and Local Government by
Thursday 31 January 2013

Select your local authority's name from this list:

Tameside
Tamworth
Tandridge
Taunton Deane
Teignbridge
Telford and the Wrekin

Check that this is your authority :

Taunton Deane

Check that this is your E Code :

E3333

Local authority contact name :

--

Telephone number of local authority contact :

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Fax number for local authority contact :

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E-mail address of local authority contact :

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Ver 1.3

1. Number of hereditaments on the rating list on 30 September 2012

3,757

2. Aggregate rateable value on the rating list on 30 September 2012

£
101,419,865

GROSS CALCULATED RATE YIELD

3. Enter line 2 x small business non-domestic rating multiplier (0.462)

£
46,855,977.63

MANDATORY RELIEFS

Small business rate relief

£

4. Additional yield generated to finance the small business rate relief scheme

709,531.95

5. Cost of small business rate relief for properties within billing authority area

2,529,606.78

6. Net cost of the small business rate relief (Line 5 minus Line 4)

1,820,074.83

7. Cost of relief to charities

3,119,116.37

8. Cost of relief to Community Amateur Sports Clubs

45,224.01

9. Cost of relief for rural general stores, post offices, public houses, petrol filling stations and food shops

29,978.19

10. Cost of relief for partly occupied premises

0.00

11. Cost of relief for empty premises

890,979.58

12. Total mandatory reliefs (Sum of lines 6 to 11)

5,905,372.98

DISCRETIONARY RELIEFS

13. Cost of relief to charities

35,187.25

14. Cost of relief to non-profit making bodies

30,760.95

15. Cost of relief to Community Amateur Sports Clubs

0.00

16. Cost of relief for rural general stores, post offices, public houses, petrol filling stations and food shops

7,224.74

17. Cost of relief to other rural businesses

9,451.36

18. Other Section 47 reliefs (Localism Act discounts)

0.00

19. Total discretionary reliefs (Sum of lines 13 to 18)

82,624.30

20. Gross Rate Yield after reliefs (Line 3 minus lines 12 & 19)

40,867,980.35

21. Estimate of 'losses in collection'

239,442.12

22. Allowance for Cost of Collection

163,257.23

23. Special Authority Deductions - City of London Offset

0.00

NATIONAL NON-DOMESTIC RATES RETURN 1 2013-14		Taunton Deane
Ver 1.3		
Section 2		
Enterprise Zones		
24. Estimated level of discount to be awarded in 2013-14		£ 0.00
25. Estimated value of non-domestic rates in the Enterprise Zone area in 2013-14	0.00	
26. Enterprise Zone baseline	0.00	
27. Total estimated value of business rates to be retained in 2013-14 (Line 25 minus line 26)		0.00
New Development Deals		
28. Estimated value of non-domestic rates in the New Development Deals area in 2013-14	0.00	
29. New Development Deals baseline	0.00	
30. Total estimated value of business rates to be retained in 2013-14 (Line 28 minus line 29)		0.00
Renewable Energy Schemes		
31. Total estimated value of business rates to be retained in 2013-14		0.00
32. Net Rate Yield excluding transitional arrangements and rate retention (Line 20 minus the sum of lines 21 to 23, 27, 30 & 31)		40,465,281.00
Rate retention adjustments		
33. Estimate of the change in rateable value between 1 October 2012 and 30 September 2013		461,416.47
34. Estimate of the change in receipts as a result in the change in rateable value (line 33 times the multiplier)		213,174.41
This equates to a percentage change of	0.45	
35. Local authority's estimate of adjustment due to appeals		1,900,128.68
36. Net Rate Yield excluding transitional arrangements but after rate retention adjustments (Line 32 plus lines 34 and minus line 35)		38,778,327.00
Section 3		
Transitional arrangements		
37. Addition revenue received because reduction in rates have been deferred	187,786.78	
38. Revenue foregone because increase in rates have been deferred	116,139.50	
39. Net cost of transitional arrangements (Line 38 minus line 37)		-71,647.28
40. Net Rate Yield after transitional arrangements and rate retention (Line 36 minus line 39)		38,849,974.00

NNDR Summary for : Taunton Deane	
These figures show the percentage shares of the NNDR you estimate your authority will collect in 2013-14. They are based on line 36. See the <i>Tier Split</i> tab for full information	
Amount of NNDR to be paid to central government	£ 19,389,164.00
Amount to be retained by Taunton Deane under the rates retention scheme	15,511,331.00
Amount to be passed to Somerset	3,490,049.00
Amount to be passed to Devon and Somerset Fire Authority	387,783.00

Certificate of Chief Financial Officer

I certify that the entries in lines 3, 12, 19, 20, 36, 39 and 40 of this form are the best I can make on the information available to me and that the figures given in lines 1 and 2 used in the calculating the amount shown in lines 36 and 40 are, to the best of my knowledge and belief those shown in the rating list for my authority as at 30 September 2012, subject to any order made before 15 January 2013 under the Local Government Act 1972 implementing boundary changes. I also certify that the authority has made proper arrangements for securing efficiency and effectiveness in relation to the collection of non-domestic rates. I also certify to the best of my knowledge and belief that any amount included as legal costs in line 22 and discretionary relief in line 24 meet the conditions set out in the Non-Domestic Rating (Rates Retention) Regulations 2013.

Chief Financial Officer :

Date :