EXECUTIVE– 30 JANUARY 2013

REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

RE: NATIONAL NON DOMESTIC RATES BASELINE 2013/14

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1. PURPOSE OF REPORT

1.1 To inform Executive of the new approval requirements for the National Non Domestic Rates (NNDR) baseline and to gain approval of the NNDR1 form for 2013/14.

2. RECOMMENDATION

2.1 That Executive note the new requirements for approval of the NNDR1 form

2.2 To agree the proposed NNDR1 return for 2013/14

3. BACKGROUND TO THE REPORT

3.1 On 18 July 2011, the Department for Communities and Local Government (DCLG) published proposals for business rates retention, as part of the Local Government Resource Review. From 2013/14, billing authorities will pay over 50% of collected business rates to the DCLG to be returned as Revenue Support Grant (RSG). The remaining 50% will split between the billing authority (80%) and the precepting authorities (20%).

3.2 Currently each year, billing authorities provide details of expected business rates income for the following year on a NNDR1 form. Until 2013/14, this information has been submitted to the DCLG and used for budget setting purposes only. Section 59A of the Local Government Finance Act 1988, as amended by Section 1 of the Local Government Finance Act 2012 now makes it obligatory for this form to be formally approved through the same authority as the annual Council Tax base and communicated to precepting authorities by 31st January each year.

3.3 The proposed NNDR1 form has been attached in Appendix 1 and following approval will be authorized by the Deputy Chief Executive (Corporate Direction) as s151 officer before being submitted to precepting authorities and the DCLG. At the time of writing this paper, guidance on disclosure of appeals was being reviewed by all Leicestershire Districts. Any amendments to the proposed form will be communicated verbally to Executive.

3.4 The key assumptions and information used for this form are detailed below:

- *Rateable value:* In line with government guidance, the baseline is derived using the total "rateable value" of properties as at 30th September 2012. This provided by the Valuation Office and for this Council was £69,954,928

- *Reliefs:* The total rateable value is then adjusted to take into account the level of reliefs that will be provided for organizations such as charities and small businesses, as well as those properties that are empty. Following these adjustments, the net level of income has been calculated as £28,229,119.97. This represents the “gross rates yield”

- *Cost of /losses in collection:* A 1% loss in collection has been used. This is consistent with previous years assumptions and actual collection performance.

- *Enterprise Zone income:* The Council has reflected the rates due from the Enterprise Zone at MIRA. These are exempt from business rates retention

- *Appeals:* In order to allow for a prudent estimation, rates have been reduced by £1,250,000 for appeals. This is based on an average reduction of 5% in rateable value for those appeals that are currently in progress

- *Rate retention adjustments:* Given that the information for the NNDR1 is produced in September each year, an adjustment can be made to the form to reflect any movements in rateable value that are expected between 1st October 2012 and 30th September 2013. The movement of £ 1,325,205 represents large assessments that are expected during this period.

All assumptions have been reviewed by finance and compared to those of other Leicestershire Districts to ensure these are reasonable and consistent with the wider financial climate.

3.5 Based on the information above, the estimated business rates income to be collected by this Council in 2013/14 is as follows:

	%	£
Total forecast NNDR	100%	27,231,051
Amount of NNDR to be paid to central government	50%	13,615,525
Locally retained share	50%	13,615,526
Of which:		
Amount to be retained by Hinckley and Bosworth under the rates retention scheme	80%	10,892,420
Amount to be passed to Leicestershire County Council	18%	2,450,795
Amount to be passed to Fire/Police Authorities	2%	272,311

3.6 The accuracy of the information assumed in this form will be reviewed on a periodic basis as part of regular finance monitoring. At the year end, a NNDR3 form will be completed to reflect actual levels of business rates and any adjustments required to payment will made. The NNDR3 form is subject to certification by the Councils External Auditors.

4. <u>FINANCIAL IMPLICATIONS (KB)</u>

4.1 Based on the NNDR1 form produced, this Council is forecasting net NNDR rates under the business rates retention scheme of £27,231,051. Following approval of this form, a payment schedule will be agreed with the DCLG and the major preceptors for payment of the required share.

4.2 As outlined in the Local Government Finance Act (2012), the retained business rates of this Council will be subject to a tariff set out in the 2013/14 Local Government Finance Settlement. Any growth over the set baseline will be subject to a “levy” payment which is paid using the same proportions indicated above. The settlement announced that a safety net threshold for all Councils of 7.5%. On this basis, this Council would need to loose £170,270 of Business Rates before a safety net payment will be made.

4.3 The results of the proposed NNDR1 forecasts are detailed below. Based on the proposed estimates, the Council would not achieve any growth in 2013/14 and therefore is not subject to levy payments. The level of losses is under that required for safety net payments and therefore will be funded from the Council’s “Business Rates Retention” reserve

Source		HBBC
		£
13/14 Settlement	Business Rates Baseline	10,901,238
13/14 Settlement	Funding Base Line	2,270,270
NNDR1	NNDR1 estimate	27,231,050
NNDR1	Central Share NNDR	13,615,525
NNDR1	Preceptors NNDR	2,723,105
NNDR1	HBBC Retained NNDR	10,892,420
13/14 Settlement	Set Tariff	-8,630,967
	Retained NNDR	2,261,453
	Baseline Funding	2,270,270
	Growth	-8,818

5. LEGAL IMPLICATIONS (AB)

Contained in the body of the Report

6. CORPORATE PLAN IMPLICATIONS

This report supports all aims of the Corporate Plan

7. CONSULTATION

None

8. **RISK IMPLICATIONS**

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
That the Council has insufficient resources to meet its aspirations and cannot set a balanced budget	That the strategy is applied to produce a balanced budget and demands are matched to resources	S. Kohli

9. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

The budget process will impact on all areas of the Borough and all groups within the population

10. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account:
- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

Background papers: NNDR1 form

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