

ROTHERHAM BOROUGH COUNCIL – REPORT TO CABINET

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| 1 | Meeting: | CABINET |
| 2 | Date: | 16 th January 2013 |
| 3 | Title: | National Non Domestic Rates Return (NNDR 1) |
| 4 | Directorate: | Resources |

5 Summary

The report sets out the requirement for the submission of an NNDR 1 Return to the Department for Communities and Local Government (DCLG) and details contained in that return. As from April 2013 Retained Business Rates will represent a major proportion of the Council's revenue Resources it is considered necessary to report the estimated Business Rates income to Full Council.

The Council has estimated its overall Business Rates income (net rating income) for 2013/14 to be £72,179,594, of which the Council's share (49%) will be £35,368,001.

6 Recommendations

Cabinet is asked to:

- Note the contents of this report and approve its submission to Full Council on January 30th.

7. Proposals and Details

7.1 Background

2013/14 is the first year of the Business Rates Retention Scheme, which will allow Local Authorities to retain a percentage of the business rates income that they collect. Further percentages will be paid to central government and to an authority's major precepting authorities – the South Yorkshire Fire and Rescue Authority. Police Authorities are outside the scope of the scheme. In Rotherham's case, this means that the business rate income will be shared as follows:

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| • Central Government | 50% share |
| • Rotherham MBC | 49% share |
| • South Yorkshire Fire and Rescue Authority | 1% share |

7.2. The amount to be retained and the amounts to be paid to central government and major precepting authorities are fixed before the start of each financial year on the basis of the Council's estimate of its business rates income for that year. The National Non Domestic Rates (NNDR1) return sets out the calculation of the estimate and also provides information to central Government for statistical purposes.

7.3 Regulations require the Council to calculate its business rates income for the year (net rating income) by estimating the net receipts from ratepayers that will be taken to its Collection Fund income and expenditure account. Net rating income is determined as the gross business rates for the year less:

- Mandatory and discretionary reliefs, including the temporary increase in Small Business Rate Relief and extended exemption from empty property rates for new builds both announced in the recent Autumn Statement;
- The cost of collection;
- Losses on collection; and
- Growth in business rate income in Enterprise Zones and from renewable energy schemes.

An allowance can also be made for the effect on business rate income of the anticipated change in rateable values arising from rating appeals, business closures and other factors.

The effect of transitional arrangements on the amount of business rate income collectable, whilst included on the NNDR 1 form, falls outside the scope of the business rates retention scheme as government has committed to fund these costs centrally. The net cost of transitional relief does not therefore form part of the net rating income.

7.4 On this basis, the Council has estimated its overall Business Rates income (net rating income) for 2013/14 to be £72,179,594, of which the Council's share (49%) will be £35,368,001.

Differences between the actual business rate income collected in the year and that forecast in the NNDR 1 will give rise to a surplus or deficit on the Collection Fund. The surplus or deficit will be borne by the Council, central

government and Fire Authority in accordance with their proportionate share, ie 49% in the case of the Council. The distribution of surpluses or recovery of deficits will work in the same way as for council tax, ie, the forecast surplus / deficit in 2013/14 will be distributed in 2014/15, followed by a final distribution in 2015/16 when the actual surplus or deficit in 2013/14 is known.

Any changes to reliefs will be also be borne based on proportionate shares, thereby effectively increasing the Council's share of any increase in discretionary reliefs from 25% under the existing non domestic rates scheme to 49% under the business rates retention scheme.

7.5 As retained business rates income will now form a major part of the Council's resource base, Cabinet and Council are being notified of the contents of the NNDR 1 Return. The Council has already had to submit a provisional NNDR 1 Return to DCLG on Monday 7 January 2013 and has to provide a certified Return by Thursday 31 January 2013. The proposed Certified Return is attached as an appendix to this report.

It is proposed to notify the South Yorkshire Fire and Rescue Authority of the contents of the provisional NNDR 1 return.

8. Finance

The financial issues are discussed in section 7 above.

9 Risks and Uncertainties

The NNDR1 Return sets out the forecast amount of business rate income to be collected in 2013/14 and the amount of the Council's retained share (49%). Income projections may change during the financial year and result in the actual amount of income collected being different to that forecast. Differences between actual and forecast business rate income are carried in the Collection Fund as a surplus or deficit and will be distributed / recovered in subsequent years in the proportionate shares set out in paragraph 7.1

10. Policy and Performance Agenda Implications

None

11. Background Papers and Consultation

- The Local Government Finance Act 1988
- Draft Non-Domestic Rating (Rates Retention) Regulations (the retention regulations) to be approved in 2013.
- Business Rates Retention – Policy Statement November 21 2012
- Consultation Paper Localising Business Rates DCLG 2nd August and Technical Papers
- Statement of Intent DCLG 17 May 2012
- Briefings from the Local Government Association and SIGOMA

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