

1	Meeting:	CABINET
2	Date:	15th January 2014
3	Title:	Retained business rates estimate 2014/15
4	Directorate:	Resources

5 Summary

The Council is required to approve the retained business rates estimate as part of the Council's 2014/15 budget setting process. The estimate has to be certified and submitted on an NNDR 1 form to the Department for Communities and Local Government (DCLG) by 31 January 2014.

As the Council's share of retained business rates now represents a major proportion of the Council's overall revenue resources, Full Council is asked to approve the estimate after it has first been considered by Cabinet.

At this stage the 2014/15 NNDR 1 form and guidance for its completion has still to be finalised. The estimated retained business rate income of £34.9m in 2014/15 referred to in this report is therefore only provisional. Cabinet are therefore asked that the Director of Financial Services be granted delegated authority to finalise the estimate for presentation to Full Council on the 29 January 2014.

A key factor in determining the estimate is the assumed losses due to rating appeals. These are highly volatile and difficult to predict and therefore represent a major financial risk to the estimate being achieved.

6 Recommendations

Cabinet is asked to:

- **Note the contents of this report and approve its submission to Full Council on January 29th**
- **Grant delegated authority to the Director of Financial Services to finalise the estimate prior to its presentation to Full Council**

7. Proposals and Details

Background

7.1 2014/15 is the second year of the Business Rates Retention Scheme (“the Scheme”). Under the Scheme, the business rates income collected by the Council is shared between the Council, Central Government and South Yorkshire Fire and Rescue Authority in the following proportions:

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

The effect of this is that the Council shares the rewards of any growth in business rates income but also shares the risk of a reduction in business rate income.

7.2. The amount to be transferred by the Council to its General Fund and the amounts to be paid over to central government and the Fire Authority in any given year are determined before the start the year based on the Council’s estimate of its business rates income for that year. This estimate is provided on the NNDR 1 form which Regulations require to be certified by the 31 January as part of the budget setting process.

In arriving at the estimate, a key factor is the allowance made for losses due to rating appeals, business closures and other factors which impact on the overall Rateable Value of business properties within the Borough. These are highly volatile and difficult to predict which places a significant amount of uncertainty on the forecasts and hence financial risk. This risk is compounded by the fact that the transition to the new Scheme did not offer local authorities any protection in respect of back-dated appeals which, in many cases, date back to April 2010 and can therefore be sizeable.

The 2014/15 NNDR 1 form and guidance for its completion were only issued in draft form on 6 January 2014. The estimated retained business rates income for 2014/15 is therefore only provisional at this stage. Cabinet are therefore asked that the Director of Financial Services be granted delegated authority to finalise the estimate for presentation to Full Council on the 29 January 2014.

It should be noted that growth in business rates income in Enterprise Zones and business rates income from renewable energy schemes falls outside the Scheme and is wholly retained by the Council. The growth in business rate income in Enterprise Zones is being used to support the activities of the Sheffield City Region Local Enterprise Partnership.

2014/15 estimate

- 7.3 The Medium Term Financial Strategy assumed that the Council's 49% share of retained business rates income in 2014/15 would be £36.1m.

Using the latest available information on performance in the first 6 months of 2013/14 and taking account of the package of measures to support business announced on 5 December 2013 in the Autumn Statement, the current estimate is that the Council's 49% share of retained business rate income in 2014/15 will be £34.9m. However, the Government has said in its Autumn Statement that local authorities will be refunded for the loss in receipts as a result of the business support measures being introduced. The amount to be refunded will be based on information contained in the NNDR 1. This has not yet been fully evaluated but the indications are that the additional funding the Council might receive could be of the order of £1.2m, thereby bringing overall resources up to the £36.1m assumed in the Medium Term Financial Strategy.

This is however contingent on actual losses due to rating appeals lodged in 2014/15 matching that forecast of £1.75m and the amount of additional funding being that anticipated.

- 7.4 The overall resources available in 2014/15 from business rate income also need to take account of any surplus or deficit attributable to business rates in 2013/14 which is to be distributed or recovered in 2014/15.

The latest position reported in the 2013/14 mid year revised estimate is that the Council is on target to collect the £34.3m budgeted for. However, the position will be further reviewed to determine the final estimated outturn which is to be taken into account in the 2014/15 Revenue Budget and Council Tax Setting report and included on the NNDR 1.

- 7.5 Finally, where an authority's estimated business rates income is expected to fall significantly short of that assumed by government, an authority can apply for safety net payments on account during the course of the financial year to mitigate the impact of income being lower than anticipated. The provisional estimate of £34.9m is very much in line with the government's baseline estimate included in the provisional 2014/15 local government finance settlement of £35.0m. It is not therefore considered necessary to apply for such payments.

8. Finance

The financial issues are discussed in section 7 above.

9 Risks and Uncertainties

The 2014/15 retained business rates estimate and subsequent outturn are greatly influenced by the assumptions made for losses due to rating appeals. These are highly volatile and therefore difficult to predict and represent a major financial risk to budgeted income being achieved.

Any shortfall against budgeted income will result in a reduction in resources available for the following year. It is therefore recommended that this is taken into account in determining what level of General Fund balance is needed in the future to meet unforeseen costs and contingencies.

10. Policy and Performance Agenda Implications

None

11. Background Papers and Consultation

- The Local Government Finance Act 1988
- Non-Domestic Rating (Rates Retention) Regulations 2013

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