

TITLE	National Non-Domestic Rates Return 1 (NNDR 1)
FOR CONSIDERATION BY	Special Council Executive Committee on 31 January 2013
WARD	None specific
STRATEGIC DIRECTOR	Graham Ebers, Strategic Director Resources

OUTCOME/BENEFITS TO THE COMMUNITY

That the Council receives the business rate allocation it is entitled to, for investment in services for the community.

RECOMMENDATION

That the Special Council Executive Committee:

- 1) notes and approves the 2013/14 National Non-Domestic Rates Return 1 (NNDR 1), including the baseline yield figure of £25,401,445;
- 2) agrees that in future approval of the NNDR 1 return be delegated to the Executive.

SUMMARY OF REPORT

A major component of the Local Government Finance Act 2012 is the Business Rates Retention Scheme which commences 1 April 2013. The Act requires the full Council to approve the NNDR 1 return by 31 January immediately preceding the financial year to which it relates. Local authorities have been completing and submitting an NNDR 1 return to central government for many years, but the return has not previously required formal approval. However, from 2013-14 onwards, local authorities will be entitled to retain an element of business rates, partly as an incentive to encourage economic growth and development. Therefore the importance of the NNDR 1 both to local authorities and to central government has increased significantly, and it must accordingly be approved by Council or a delegated body.

The NNDR figures presented show a total debit (gross yield) of £63.997m (line 3), and an amount to be retained by the Council of £25.401m (Summary page 2). However, the Council has been assessed as a 'tariff' authority and will have to pay approximately £13.1m to the government in 2013/14.

KEY RISKS

The key risks are included in the analysis of issues, and are summarised below :

- The cost of appeals may be higher than the estimate of £1.404m.
- The losses on collection may be higher than the estimate of £3.051m.
- The forecast growth in rateable value of £600k may not be achieved, leading to a shortfall in income.
- Requests for rate relief under Section 47 may be higher than the £50k budget.

Background

Retained business rates will in future provide a significant portion of the Council's central financing (approximately 40% in 2013/14) with the remainder still coming from Formula Grant, and the NNDR 1 return will therefore become an important document in the budget setting process. The Act requires the Council to submit a provisional NNDR 1 return by 7 January 2013, and a final NNDR 1 by 31 January 2013. The Council submitted its NNDR 1, which is attached at Appendix A, by the 7 January 2013 deadline.

Analysis of Issues

Explanation of Key Figures in the NNDR 1 Return

The NNDR 1 must be completed as at 30 September each year, and the government's Valuation Office provides details of the number of premises and the rateable value at that date, which is used as the starting point of each return (lines 1 and 2). There are however, a number of significant items which the Council must estimate and these are identified below:

- (i) Rating appeals lodged with the Valuation Office must be taken into account in the NNDR 1. There are a large number of appeals outstanding from the nationwide revaluation of non- domestic properties which was effective from 1 April 2010. In addition, there are also a large number of other appeals, some of which have arisen during the current year but others date back before 2010. If claims are successful, interest may also be payable back to the start of the claim on the amount to be refunded. There are about 450 outstanding appeals and the rateable values of the respective properties total approximately £40m. The Government have advised that local authorities use a prudent figure of 2.65% of the net yield to calculate the 2013-14 financial impact of successful appeals and for Wokingham that is £1.404m (line 35). The Government have recently advised that local authorities can spread the cost of appeals relating to years before 2013-14 over the five year period from 2013-14 to 2018-19, and will shortly be making regulations to enable this.
- (ii) An estimate for losses on collection must be included. Although Wokingham's level of debts written off is lower than the average, it is considered prudent to use the Government's recommended average figure of 5.43% to calculate losses. This totals £3.051m (line 21 of NNDR 1) based on the net yield.
- (iii) The Council is also required to estimate the change in rateable values between 1 October 2012 and 30 September 2013, comprising new properties, less existing properties becoming empty, partly occupied, changing to residential use, or demolished. The result is that, based on past trends and expected completions, an estimate for an extra £600k rateable value is included, which equates to an extra £277k income (lines 33 & 34).
- (iv) The Business Rates Retention Scheme includes provision for local authorities to offer rate relief under Section 47 of the Localism Act where it is reasonable to do so, having regard to the interests of the local community. This was not available under the previous legislation, and will enable the council to offer relief to organisations which will benefit the borough and meet the Council's vision. An estimate for £50,000 has been included for 2013/14 (line 18)

Business Rates Tax Base

In summary, after reliefs, adjustments and cost of collection the Council anticipates the net yield to be £51,860,478 in 2013/14 (before transition costs of £20,794), and the table below shows the respective shares after transition costs (See summary page 2 of NNDR 1 return).

	% Share	Respective Share £
Government	50	25,919,842
Wokingham Borough Council	49	25,401,445
Berkshire Fire and Rescue Authority	1	518,397
Total	100	51,839,684

Tariff

The Council does not keep its entire share of the £25.4m, but is subject to the payment of a tariff, the calculation of which is based on a Business Rate Baseline less a DCLG calculation of the Council's baseline funding level. This figure was determined by the government in the Local Government Finance Settlement released on 19th December 2012.

The Business Rates Baseline has been calculated at £25,401,445, which is £94,449 below the figure of £25,495,894 used by the Government in its provisional settlement. (The government's figure is calculated on the basis of a share of the national business rates collected over the last two years). The difference is not significant particularly in the context of the prudent assumptions made around appeals and losses on collection. The Baseline funding level used by the government in the Start up Assessment figure in the provisional settlement is £12,336,311. The tariff is the difference between these two figures, i.e. approximately £13.1m, and it will be payable to the government in instalments throughout the year.

Levy

The new business rates retention scheme allows local authorities to share in the benefits of growth in their tax base, however, any income from growth is subject to a levy. This is equal to the local share of 25p in the pound.

The calculation for Wokingham indicates that no levy will be payable in 2013/14. However, if there is growth in the tax base and the Council collects more than anticipated in the year these figures are all recalculated at year end, in a similar way to Council Tax collection, and the adjustments are included in the following year's figures.

Safety Net

Local authorities will also share in any significant reductions in any individual year in business rates, and the Council will bear 50% (or 50p in the £) of any reduction. However the Council is protected by a safety net. The national scheme restricts losses to 7.5% of the baseline funding level. The safety net would be activated should

Wokingham's baseline funding level fall below £11.411m, below which the council would be protected from further losses.

Delegation

The calculation for estimated business rate income is considered significant in terms of overall funding of the Council's budgets from 2013/14 onwards, and it is therefore proposed that in future the report on the calculation of the NNDR 1 return be included as an item delegated to the Executive.

Corporate Implications

The business rates income provides support to overall funding of Council services.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

This will be the first year that the Council will retain an element of the business rates and potentially share in any growth or decline in the business rate base. The risks that fall on the Council in terms of volatility are now considerable, and therefore the Council may need to enhance its reserves to cope with future fluctuations in the income retained by the Council.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	£12.3m	Yes, based on current estimate	Revenue
Next Financial Year (Year 2)	£12.7m	Yes, based on current estimate	Revenue
Following Financial Year (Year 3)	N/A	Yes, based on current estimate	Revenue

Other financial information relevant to the Recommendation/Decision
Year 1 £95k – However this is considered immaterial in the context of the potential variations on projections, e.g. on appeals. In future years the Council will be subject to gains or losses.

Cross-Council Implications
NNDR income will contribute to the funding of all services

List of Background Papers
Medium Term Financial Plan 2013/16.

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Date 14 January 2013	Version No. 1



Department for
Communities and
Local Government

APPENDIX A

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:

- Winchester
- Windsor and Maidenhead
- Wirral
- Woking
- Wokingham
- Wolverhampton

Check that this is your authority:

Check that this is your E Code:

Local authority contact name:

Telephone number of local authority contact:

Fax number for local authority contact:

E-mail address of local authority contact:

Wokingham
E0306
Sharon Pearce
0118 908 8442
0118 974 6631
Sharon.Pearce@wokingham.gov.uk

Ver 1.3

1. Number of hereditaments on the rating list on 30 September 2012	3,532
2. Aggregate rateable value on the rating list on 30 September 2012	£ 138,520,856
GROSS CALCULATED RATE YIELD	£
3. Enter line 2 x small business non-domestic rating multiplier (0.462)	63,996,635.47
MANDATORY RELIEFS	
Small business rate relief	
4. Additional yield generated to finance the small business rate relief scheme	£ 1,000,382.47
5. Cost of small business rate relief for properties within billing authority area	810,000.00
6. Net cost of the small business rate relief (Line 5 minus Line 4)	-190,382.47
7. Cost of relief to charities	5,158,558.35
8. Cost of relief to Community Amateur Sports Clubs	48,004.32
9. Cost of relief for rural general stores, post offices, public houses, petrol filling stations and food shops	6,520.34
10. Cost of relief for partly occupied premises	336,465.24
11. Cost of relief for empty premises	2,363,703.47
12. Total mandatory reliefs (Sum of lines 6 to 11)	7,722,869.25
DISCRETIONARY RELIEFS	
13. Cost of relief to charities	3,376.21
14. Cost of relief to non-profit making bodies	19,003.00
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	2,519.85
17. Cost of relief to other rural businesses	0.00
18. Other Section 47 reliefs (Localism Act discounts)	50,000.00
19. Total discretionary reliefs (Sum of lines 13 to 18)	74,899.06
20. Gross Rate Yield after reliefs (Line 3 minus lines 12 & 19)	56,198,867.16
21. Estimate of 'losses in collection'	3,051,598.49
22. Allowance for Cost of Collection	181,183.50
23. Special Authority Deductions - City of London Offset	0.00

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)	52,966,085.17
Rate retention adjustments	
33. Estimate of the change in rateable value between 1 October 2012 and 30 September 2013	600,000.00
34. Estimate of the change in receipts as a result in the change in rateable value (line 33 times the multiplier)	277,200.00
This equates to a percentage change of	%
	0.43
35. Local authority's estimate of adjustment due to appeals	1,403,601.26
36. Net Rate Yield excluding transitional arrangements but after rate retention adjustments (Line 32 plus lines 34 and minus line 35)	51,839,684.00
Section 3	
Transitional arrangements	
37. Addition revenue received because reduction in rates have been deferred	98,110.76
38. Revenue foregone because increase in rates have been deferred	77,316.72
39. Net cost of transitional arrangements (Line 38 minus line 37)	-20,794.04
40. Net Rate Yield after transitional arrangements and rate retention (Line 36 minus line 39)	51,860,478.00

NNDR Summary for : Wokingham	
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	£ 25,919,842.00
Amount to be retained by Wokingham under the rates retention scheme	25,401,445.00
Amount to be passed to Berkshire Fire Authority	518,397.00

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 :