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ENFIELD Council

THE WORSHIPFUL THE MAYOR

AND COUNCILLORS OF THE LONDON BOROUGH OF ENFIELD

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Dear All

To Follow Papers – Council 31 January 2018

Please find attached the "to follow" paper mentioned on the agenda for next Wednesday's Council meeting. This is appendix E to the report on the item below.

8. COUNCIL TAX AND COUNCIL TAX SUPPORT SCHEME FOR 2018/19 AND BUSINESS RATE BASE 2018/19 (Pages 1 - 8)

To receive a report from the Executive Director of Finance, Resources & Customer Services reviewing and seeking approval to changes in the local Council Tax Support Scheme for 2018/19, which the Council is required to produce under section 13A(1)(a) and meeting 1A of the Local Government Finance Act 1992.

The report also recommends the 2018/19 council tax and business rate bases. (Report No.137)

(Key Decision – Reference Number: 4588)

The NNDR 1 DCLG Business Rate Base Return (Appendix E) has been marked as "To Follow".

Please note that this report is to be considered by Cabinet on Wednesday 24 January 2018. The Cabinet decision will be reported to Council on the update sheet tabled at the meeting.

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Enfield Council

Business rate base 2018/19.

Appendix E to Council Report – 31 January 2018

1. Introduction

1.1 The Local Government Finance Act 2012 introduced the business rates retention scheme (BRRS) in 2013 and the local council tax reduction scheme (the replacement for Council Tax Benefit). This BRRS scheme sees the move away from the central pooling of business rates to the sharing of risk and reward between central and local Government.

2. Recommendation

2.1 The Council agrees the non- domestic rating income estimate for 2018/19, excluding collection fund adjustments at the end of 2017-18 of £112,846,237 in accordance with the calculation in the NNDR1 return shown. Enfield's rate retention share will be £72,221,592 .

2.2 It is recommended that Council agrees the following amendment to the Discretionary Rate Relief Policy through local authority discretionary discount powers under section 47(3) of the Local Government Finance Act to incorporate:

I. Supporting Small Businesses (SSB)

Introduced in the Spring Budget SSB helps ratepayers who as a result of the change in their rateable value at the revaluation are losing some or all of their small business and, as a result, are facing large increases in their bills. To support these ratepayers, SSB will ensure that the increase per year in the bills of these ratepayers is limited to the greater of:

- a cash value of £600 per year (£50 per month). This cash minimum increase ensures that those ratepayers currently paying nothing or very small amounts in 16/17 are brought into paying something,
- a percentage increase of 5%, 7%, 10%, 15% and 15% from 2017/18 to 2021/2012.

II. Support for Pubs

Also in the Spring Budget the Government announced a new relief scheme for pubs that have a rateable value of below £100,000. Under the scheme, eligible pubs will receive a £1,000 discount on their bill. The relief will have effect for 2017/18. The Government announced in the Autumn Statement that it was continuing the £1,000 business rate discount for public houses with a rateable value of up to £100,000, subject to state aid limits for businesses with multiple properties, for one year from 1 April 2018 so Enfield's scheme will now continue for 2018/19.

The scheme will be available to eligible occupied properties with a rateable value of less than £100,000. The majority of pubs are independently owned or managed and will not be part of chains. Where pubs are part of a chain, relief will be available for each eligible property in the chain, subject to meeting State Aid requirements.
The Government's policy intention is that eligible pubs should:

- be open to the general public
- allow free entry other than when occasional entertainment is provided
- allow drinking without requiring food to be consumed
- permit drinks to be purchased at a bar.

For these purposes, it should exclude:

- restaurants
- cafes
- nightclubs
- hotels
- snack bars
- guesthouses
- boarding houses
- sporting venues
- music venues
- festival sites
- theatres
- museums
- exhibition halls
- cinemas
- concert halls
- casinos

It will be for the Council to determine those cases where eligibility is unclear.

III. Discretionary Rate Relief Scheme

The Government also announced the establishment of a £300m discretionary fund over four years from 2017-18 to support those businesses that face the steepest increases in their business rates bills as a result of the 2017 revaluation.
The intention is that every billing authority in England will be provided with a share of the £300m to support their local businesses. Billing authorities will be expected to use their share of the funding to develop their own discretionary relief schemes to deliver targeted support to the most hard-pressed ratepayers. The £300m will cover the four years from 2017/18:

- £175m in 2017/18
- £85m in 2018/19
- £35m in 2019/20
- £5m in 2020/21

The Government expects that billing authorities will deliver the scheme through the use of their discretionary relief powers under section 47 of the Local Government Finance Act 1988, as amended. Billing authorities will be compensated through a Section 31 grant for the cost to the authority of granting the relief – up to a maximum amount based on the authority's allocation of the £300m fund.

Enfield's share of the discretionary fund is:

Amount of discretionary pot awarded (£000s)

Local authority	**2017-18**	**2018-19**	**2019-20**	**2020-21**
Enfield	910	442	182	26

Enfield's Discretionary Rate Relief Scheme

- Two year scheme
- For ratepayers who occupy a property on the 1st April 2017
- Offer rate relief to those businesses facing a sizeable increase in business rate following the April 2017 revaluation with a rateable value:

between £15,000 and £100,000 – limit increase to 5%
between £100,001 and £200,000 – limit increase to 10%

Year 2 percentages may be adjusted up to the value of the Government funding once the likely take up is known

Estimated cost in year 1

between £15,000 and £100,000 – limit increase to 5% - **£492,148**
between £100,000 and £200,000 – limit increase to 20% - **£331,282**

Exclusions - For properties where any of the following apply, the ratepayer will not be eligible for local discretionary business rate relief (this list is not exhaustive):

- Financial services (e.g. banks, building societies, cash points, bureau de change, payday lenders, betting shops, amusement arcades, pawn brokers)

Further Exclusions

- Properties that are operated by the same organisation / business. This applies where the business runs four or more properties in the U.K or in the U.K and overseas.
- Properties which were not on the rating list at 1 April 2017. (Relief will not apply where properties are entered into the list retrospectively).
- Properties which are unoccupied/Empty or just used predominantly for storage on a temporary six weeks basis.
- Where the award of relief would not comply with EU law on State Aid.

The Council will also operate a discretionary hardship scheme for any residual funding from year 1 or year 2 for businesses receiving help to top up discretionary payments if the business can demonstrate financial hardship due to the revaluation.

Local authorities will be compensated in full for their loss of income as a result of these changes.

2.3 For ease of administration and to ensure Enfield maximises use of Government funding to reduce business rates under the funded discretionary scheme it is also recommended to delegate authority to the Director of Finance, Resources and Customer Services, in liaison with the Cabinet Member for Finance and Efficiency, to agree minor amendments to the 2017-19 scheme and to agree the 2019-21 scheme at the appropriate time.

2.4 Members are also asked to note the following measures introduced in the Autumn Statement:

- bringing forward to 1 April 2018 the planned switch in indexation from RPI to the main measure of inflation (currently CPI) (34)

- legislating retrospectively to address the so-called “staircase tax”.34 Affected businesses will be able to ask the Valuation Office Agency (VOA) to recalculate valuations so that bills are based on previous practice backdated to April 2010 – including those who lost Small Business Rate Relief as a result of the Court judgement. The government will publish draft legislation shortly

- continuing the £1,000 business rate discount for public houses with a rateable value of up to £100,000, subject to state aid limits for businesses with multiple properties, for one year from 1 April 2018 (included in Enfield’s scheme above)

- increasing the frequency with which the VOA revalues non-domestic properties by moving to revaluations every three years following the next revaluation, currently due in 2022. To enable this, ratepayers will be required to provide regular information to the VOA on who is responsible for business rates and property characteristics including use and rent. The government will consult on the implementation of these changes in the spring

Please note Local Government will be fully compensated for the loss of income as a result of these measures. The Budget also confirmed that the London 100% retention pilot for 2018-19 will proceed.

3. NATIONAL NON-DOMESTIC RATES RETURN – NNDR1 2018-19

3.1 The NNDR1 return is used to report the estimate of Enfield's business rate base to Department of Communities and Local Government (DCLG).

3.2 The Non-Domestic Rating (Rates Retention) Regulations 2013 require Enfield Council to calculate the following amounts and to notify these amounts to the Secretary of State and any relevant precepting authorities by Wednesday **31 January 2018:**

- the amount of the central share of its non-domestic rating income for the relevant year;
- the amount of each relevant precepting authority's share of non-domestic rating income for the relevant year;
- the amount (if any) to be deducted from the central share payment in accordance with regulation 4(1) (qualifying relief);
- the amount of each relevant precepting authority's share of any amount to be deducted from the central share payment in accordance with regulation 4(1);
- the authority's estimate of the amount specified by regulation 7(2) (payments with respect to county matters) for the relevant year;
- The authority's estimate of the surplus or deficit on its collection fund for the preceding year.

3.3 Enfield Council is also required by the Non-Domestic Rating (Transitional Protection Payments) Regulations 2013 to estimate its actual and deemed rating income for the year in accordance with those regulations and to the notify the Secretary of State of the amounts by **Wednesday 31st January 2018.**

4. Completing the NNDR1

4.1 Each billing authority needs to estimate the business rate income it expects to collect in the next financial year. This is done by completing a revised NNDR1 using as its starting point the rateable value on local lists as at 31st December 2017.

4.2 From the gross yield figure a series of deductions must be made

1. The amount of small business rate relief
2. The total of all mandatory and discretionary reliefs
3. Cost of collection (provided by the DCLG)
4. Losses on collection
    - Bad debt provision (indicative figures provided by DCLG adjusted on locally held information)
    - Future appeal provision

Then the following additions must be made

1. Additional yield generated to small business rate relief
2. Additional rates collected as a result of rates deferred

4.3 This results in the Net Rating Income which is the figure that central government will use to estimate the central share and shares to preceptors. This figure also determines the safety net and levy payments.

5. Timetable

5.1 The NNDR1 form must be completed by the 31st January 2018. The NNDR3 return, which reports the actual out turn, will be completed by end of June 2018 and includes results in the gross collectable rates income. The NNDR3 determines the actual surplus and deficit on the collection fund and this is used to calculate the difference between the forecast surplus and deficient on the collection fund for the year before that immediately preceding the relevant financial year and the actual as determined in the NNDR3

6. The Role of NNDR1/3 in the schedule of payments

6.1 The NNDR1 estimates the net rating income and 34% is paid to the GLA and 64% paid to Enfield as set out in regulation.

7. Approval

7.1 The approval of the NNDR 1 return is delegated in line with usual governance practices to the Audit committee. For this year the decision will be exercised by the full council as the return was not received until late December and the system reports to produce the data were not available prior.

8. Rate Retention Calculation

8.1 Based on the calculation at Appendix 1 the amount to be retained by Enfield under the rate retention scheme will be £72,221,592, excluding Collection fund adjustments at the end of 2017-18.

APPENDIX 1

NNDR 1 RETURN SUMMARY FOR 2018/19

1. Rateable Value at 31st December 2017	279,997,989
2. Small business rating multiplier for 2018-19 (pence) 48	
3. Gross rates 2017-18 - (RV x multiplier)	**134,399,035**
4. Estimated growth/decline in gross rates	-0
5. Forecast gross rates payable in 2018-19	**134,399,035**
6. Net cost of transitional arrangements	528,452
7. Total forecast mandatory reliefs to be provided in 2018-19	-10,802,281
8. Total forecast unoccupied property 'relief' to be provided in 2018-19	-2,161,396
9. Total forecast discretionary relief to be provided in 2018-19	-409,814
10. Total forecast of discretionary reliefs funded through S31 grant to be provided in 2018-19	-499,649
11. Forecast of net rates payable by rate payers after taking account of transitional adjustments, unoccupied property relief, mandatory and discretionary reliefs	**121,054,347**
12. Estimated bad debts in respect of 2018-19 rates payable	-1,210,543
13. Estimated repayments in respect of 2018-19 rates payable	-6,132,329
14. Net Rates payable less losses	**113,711,475**
15. Cost of collection formula	-336,786
16. Sums due from the authority	-528,452
NON-DOMESTIC RATING INCOME	**112,846,237**

NON-DOMESTIC RATING INCOME FROM RATES RETENTION SCHEME

Central Government	Enfield	Greater London Authority	Total
£	£	£	£
Nil	72,221,592	40,624,645	112,846,237