

London Borough of Enfield

Business rate base 2014/15.

Appendix E to Council Report – 29th January 2014

1. Introduction

The Local Government Finance Act 2012 introduced the business rates retention scheme (BRRS) which will start 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

The Council agrees the non-domestic rating income estimate for 2014/15 of £105,471,291 in accordance with the calculation in the NNDR1 return. Enfield's rate retention share will be £31,641,387.

3. NNDR 1 Government Return

The NNDR1 return is used to report the estimate of Enfield's business rate base to Department of Communities and Local Government (DCLG). The NNDR1 form will set the business rate base for 2014/15 with any variation between estimate and actual being dealt with through the surplus/deficit on the collection fund. The 2014-15 NNDR1 allows the council to forecast the *non-domestic rating income* as required by Regulation 3 of the Non-Domestic Rating (Rates Retention) Regulations 2013 (SI 2013/452); and calculate the *surplus or deficit on the collection fund*, as required by Regulation 13.

4. Background

- 4.1 2014-15 will be the second year of the rates retention scheme. The scheme provides for non-domestic rates collected by a billing authority to be shared between it, its major precepting authorities and central government. It also provides that certain sums are to be treated as being outside the scheme. These sums are retained in their entirety by the Enfield (or by Enfield and the GLA).
- 4.2 The statutory framework effectively requires a billing authority, before the beginning of a financial year, to forecast the amount of business rates that it will collect during the course of the year and, from this, to make a number of *allowable deductions* in order to arrive at a figure for its *non-domestic rating income*. It is the *non-domestic rating income* that is shared between the parties to the scheme. The framework also sets out how the billing authority is to treat *allowable deductions* – requiring that either they are paid to major precepting authorities, or transferred to the authority's General Fund.
- 4.3 The calculations that authorities make before the start of the financial year determine how much they must pay to central government and their major precepting authorities during the course of the year. Since these payments are fixed at the outset of the year, it follows that any difference between forecast amounts and final outturns will result in a

surplus, or deficit on the billing authority's Collection Fund. Any such surplus or deficit is shared between the parties to the Pool.

- 4.4 2014-15 will be the first year for which authorities will be required, in accordance with Regulation 13 of the Non-Domestic Rating (Rates Retention) Regulations 2013 (SI 2013/452), to estimate the likely non-domestic rating surplus, or deficit on the Collection Fund. Regulation 13 effectively requires an estimate of the surplus/deficit that the authority believes will exist at 31 March 2013, on the basis of a statutory calculation set out in Schedule 4 to the Regulations. The estimated amount will be shared between Enfield, the GLA and central Government and will be added (or subtracted) from each party's share of 2014-15 non-domestic rating income.
- 4.5 The 2014-15 NNDR1 enables (in Part 4) Enfield to provide its estimate of the Collection Fund surplus/deficit. Part 1B of the form automatically calculates the sums due to billing authorities, major precepting authorities and central Government in respect of:
- i. non-domestic rating income due under the rates retention scheme;
 - ii. the Collection Fund surplus/deficit; and
 - iii. business rates income due to authorities outside the scheme (*allowable deductions*).

5. Business Rates announcements in Autumn Statement

- 5.1 On 5 December, the Chancellor announced, as part of his Autumn Statement, changes to business rates in 2014-15. The cost of these measures, including the funding of some elements of discretionary relief, will be fully met by Government. Accordingly, authorities will be compensated for any loss to their "local share" of business rates. Compensation will be provided by means of Section 31 grant.
- 5.2 Part 1C of the NNDR1, automatically calculates the estimated sums that will be due to authorities. On the basis of this estimate, Government will pay a proportion of the sum due to authorities over during 2014-15. Further details will be made available shortly by the Government.
- 5.3 At both Autumn Statement 2012 and Autumn Statement 2013, the Chancellor of the Exchequer announced changes to the business rates system that affect the business rates income of local authorities in 2014-15. These changes are:
- i) **empty new build properties** will be exempt from empty property relief for 18 months (Autumn Statement 2012)

- ii) **the RPI increase** in 2014-15 will be capped at 2% instead of 3.2%;
 - iii) **the doubling of the Small Business Rate Relief** will be extended for a further 12 months until 31 March 2015;
 - iv) **ratepayers receiving Small Business Rate Relief that take on an additional property** which would currently disqualify them from receiving relief will continue to receive their current relief for 12 months;
 - v) **a discount of £1,000 for shops, pubs and restaurants** with a rateable value below £50,000 for two years, from 1 April 2014;
 - vi) **a 50 per cent business rates relief for 18 months for businesses** that - between 1 April 2014 and 31 March 2016 - move into retail premises that have been empty for a year or more;
- 5.4 Regulations implementing the two small business rates relief measures (iii and iv above) will be made shortly. Detailed guidance on the empty new build relief (ii above) was published on 11 September 2013 and guidance on the retail and reoccupation reliefs (v and vi above) will be published in early January 2014.
- 5.5 The Government has undertaken to compensate local authorities for the loss of income they suffer as a result of these changes. Compensation will be provided by means of a grant payment to authorities under section 31 of the Local Government Act 2003.
- 5.6 Payments will be made on the basis of estimates derived from data entries in Part 2.
- 5.7 Based on those data entries, Part 1C provides for the calculation of the total estimated sum due to authorities. The Government will pay a proportion of this sum, over to authorities during the course of 2014-15
- 6. Completing the NNDR1**
- 6.1 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 it's starting point the rateable value on local lists as at 31st December 2013.
- 6.2 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

6.3 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

6.4 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.

7. Timetable

The NNDR1 form must be completed by the 31st January 2013. The NNDR3 return, which reports the actual out turn, will be completed by end of June 2014 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

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

The NNDR1 estimates the net rating income and 50 % is paid to central government. Of payments to preceptors the calculation follows the same use of NNDR1 but the figure is 20% to the GLA as set out in regulation.

9. Approval

The approval of the NNDR 1 return is delegated in line with usual governance practices to the Audit committee. For this first year the decision will be exercised by the full council as the return was not received until the 17th January 2014.

10. NNDR 1

Based on the calculation below the amount to be retained by Enfield under the rate retention scheme will be £31,641,387. In addition Enfield will receive an estimated £1,570k section 31 grant as compensation for the lost business rate income following the Autumn statement.

NNDR 1 RETURN SUMMARY FOR 2014/15

£

1. Rateable Value at 31st December 2013	259,294,903
2. Small business rating multiplier for 2014-15 (pence) 47.1	
3. Gross rates 2014-15 - (RV x multiplier)	122,127,899
4. Estimated growth/decline in gross rates	-607,066
5. Forecast gross rates payable in 2014-15	121,520,833
6. Net cost of transitional arrangements	-433,655
7. Total forecast mandatory reliefs to be provided in 2014-15	-6,281,655
8. Total forecast unoccupied property 'relief' to be provided in 2014-15	-2,662,928
9. Total forecast discretionary relief to be provided in 2014-15	-502,865
10. Total forecast of discretionary reliefs funded through S31 grant to be provided in 2014-15	-2,194,646
11. Forecast of net rates payable by rate payers after taking account of transitional adjustments, unoccupied property relief, mandatory and discretionary reliefs	109,445,084
12. Estimated bad debts in respect of 2014-15 rates payable	-2,279,651
13. Estimated repayments in respect of 2014-15 rates payable	-1,776,952
14. Net Rates payable less losses	105,388,481
15. Transitional protection payments - sums due to the authority	433,655
16. Cost of collection formula	-350,845

NON-DOMESTIC RATING INCOME**105,471,291**

**NON-DOMESTIC RATING INCOME FROM RATES
RETENTION SCHEME**

Central Government	Enfield	Greater London Authority	Total
£	£	£	£
52,735,646	31,641,387	21,094,258	105,471,291