Enfield Council

Business rate base 2016/17.

Appendix E to Council Report – 28th January 2016

1. Introduction

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 2016/17, excluding collection fund adjustments at the end of 2015-16 of £110,244,638 in accordance with the calculation in the NNDR1 return shown. Enfield's rate retention share will be £33,073,391.

2.2 That Council notes that the Government funded rate retail relief scheme is due to end on the 31st March 2016. There is therefore no proposal to extend the local rate retail relief payment of £1,500 contained in the Discretionary Rate Relief Policy for 2016/17.

3. NNDR (National Non Domestic Rates) 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 2016/17 with any variation between estimate and actual being dealt with through the surplus/deficit on the collection fund. The 2016-17 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 2016-17 will be the fourth 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 was the first year for which authorities were 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 2016, on the basis of a statutory calculation set out in Schedule 4 to the Regulations.

4.5 The 2016-17 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 The chancellor reiterated his intention to enable local government to retain all £26bn of the income from business rates. A new 100% rates retention scheme would mean that local authorities would benefit from an additional £13bn of revenue.

5.2 The additional revenue will mean that councils will take on new responsibilities and that central grant to local authorities will be significantly reduced including the phasing out of Revenue Support Grant (RSG). There will be further consultation in 2016 about a potential transfer of responsibilities to local government including the funding of:

- the administration of housing benefit for pensioners
- Transport for London's capital projects
- public health
- other responsibilities for local government not yet specified.

5.3 The system of top-ups and tariffs will remain. The uniform rate of business rates will be abolished and all councils will be able to reduce business rates locally. The aim of this proposal is to boost growth, help attract business and create jobs. Those councils with elected mayors will be able to add a premium to their business rates to pay for new infrastructure as long as they have support of the business community through a majority of the business members of their local enterprise partnership.

5.4 The doubling of small business rate relief will be extended for a further year to April 2017 as expected. No similar announcement was made about an extension into 2016/17 for the retail relief scheme which is due to end in March 2016.

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 its starting point the rateable value on local lists as at 31st December 2015.

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 2016. The NNDR3 return, which reports the actual out turn, will be completed by end of June 2016 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 year the decision will be exercised by the full council as the return was not received until early January and the system reports to produce the data were not available prior.

10. NNDR 1

Based on the calculation at Appendix 1 the amount to be retained by Enfield under the rate retention scheme will be £32,065,338, excluding Collection fund adjustments at the end of 2015-16.

APPENDIX 1

NNDR 1 RETURN SUMMARY FOR 2016/17

1. Rateable Value at 31st December 2015	256,641,332
2. Small business rating multiplier for 2016-17 (pence) 48.40	
3. Gross rates 2016-17 - (RV x multiplier)	**124,214,405**
4. Estimated growth/decline in gross rates	-968,000
5. Forecast gross rates payable in 2016-17	**123,246,405**
6. Net cost of transitional arrangements	N/A
7. Total forecast mandatory reliefs to be provided in 2016-17	-5,522,907
8. Total forecast unoccupied property 'relief' to be provided in 2015-16	-2,360,533
9. Total forecast discretionary relief to be provided in 2015-16	-410,028
10. Total forecast of discretionary reliefs funded through S31 grant to be provided in 2015-16	-57,548
11. Forecast of net rates payable by rate payers after taking account of transitional adjustments, unoccupied property relief, mandatory and discretionary reliefs	**114,895,389**
12. Estimated bad debts in respect of 2015-16 rates payable	-2,297,000
13. Estimated repayments in respect of 2015-16 rates payable	-2,010,109
14. Net Rates payable less losses	**110,588,280**
15. Cost of collection formula	-343,642
NON-DOMESTIC RATING INCOME	**110,244,638**

NON-DOMESTIC RATING INCOME FROM RATES RETENTION SCHEME

Central Government	Enfield	Greater London Authority	Total
£	£	£	£
55,122,319	**33,073,391**	**22,048,928**	**110,244,638**