PART I

Stevenage
BOROUGH COUNCIL

DECISION NOTICE
Key Executive Decision taken by an OFFICER

KEY DECISION

Title: NON DOMESTIC RATES (NDR) 2021/22 TAX BASE

Person Taking Decision: Clare Fletcher (Strategic Director (S151))

Decision has been included on Forward Plan?:

Yes

Decision is Urgent i.e. permission to waive the call-in rules is sought:

Yes

If 'Yes' the reason for urgency is:

Consideration of this matter cannot wait until the next meeting of the Executive on 10 February as the Local Government Finance Act 2012 requires the tax base to be approved by 31 January 2021. This was included in the Draft January General Fund report as a delegated decision to the Strategic Director (S151) after consultation with the resources portfolio holder.

Decision:

1. That the Business Rates yield (excluding transitional arrangements but after rate retention adjustments) for 2021/22 of £45,464,409(NNDR1 part1a Line 12) be approved.

2. That the supporting NNDR1 return (Appendix A) be approved.

3. That the amount to be retained by Stevenage Borough Council under the business rates retention scheme be £3,159,004 for 2021/22 (net of the tariff and including section 31 grants and including the possible gains from the Hertfordshire pool.

4. That the NDR gains projected for 2021/22 subject to any changes in recommendation 2.7 are ring fenced in an allocated reserve until the gain is actually realised

5. That the return of balances to the Collection Fund from the General Fund relating to 2019/20 and 2020/21 of £7,632,425 be noted.

6. That the projected Stevenage retained share for 2020/21 of £12,148,658 be approved.
7. That any changes to business rate projections for 2020/21 as a result of further work be delegated to Assistant Director (Finance and Estates) after consultation with the Portfolio for Resources.

Reasons for the Decision: As set out in the attached report

Other Options considered: As set out in the attached report

Declaration of Interest:

Dispensations granted by Standards Committee: None

Authorisation Having considered the attached report and with regard to all relevant considerations and the views of those consulted (see below), I authorise the above decision.	
Signed: **Position:**	**Name:** **Date:**

Strategic Director (S151)– to approve the financial Implications:	
Signed: [SIGNATURE REDACTED]	**Name:** Clare Fletcher **Date:** 29 January 2021

Member Consultation: I have been consulted on this issue and support the decision	
Signed: approved by email **Position**: Portfolio holder for Resources	**Name:** Joan Lloyd **Date:** 29 January 2021

Chair of the Overview & Scrutiny Committee (if required – delete paragraphs that do not apply) This was approved as part of the Draft January report and not call in by O&S.	
Signed:	**Name:** **Date:**

Date of Decision: 29 January 2021
Date of Publication: 8 February 2021
Call-in Deadline: N/A
Date of Implementation: 31 January 2021

Stevenage BOROUGH COUNCIL

Meeting: **EXECUTIVE** **Agenda Item:**

Portfolio Area: Resources

Date: **10 February 2021**

NATIONAL NON DOMESTIC RATES (NNDR) 2020/21 TAX BASE

KEY DECISION

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REASON FOR URGENCY

Consideration of this matter cannot wait until the next meeting of the Executive on 10 February as the Local Government Finance Act 2012 requires the tax base to be approved by 31 January 2021. This was delegated to the Strategic Director (S151) following consultation with the Resources Portfolio holder.

1. PURPOSE

1.1 To approve the National and Non Domestic Rates (NNDR) tax base for 2021/22.

1.2 To update Members on the 2020/21 projections for NNDR.

2. RECOMMENDATIONS

2.1 That the Business Rates yield (excluding transitional arrangements but after rate retention adjustments) for 2021/22 of **£45,464,409**(NNDR1 part1a Line 12) be approved.

2.2 That the supporting NNDR1 return (Appendix A) be approved.

2.3 That the amount to be retained by Stevenage Borough Council under the business rates retention scheme be **£3,159,004** for 2021/22 (net of the tariff and including section 31 grants.

2.4 That the NDR gains projected for 2021/22 subject to any changes in recommendation 2.7 are ring fenced in an allocated reserve until the gain is actually realised.

2.5 That the return of balances to the Collection Fund from the General Fund relating to 2019/20 and 2020/21 of **£7,661,671** be noted.

2.6 That the projected Stevenage retained share for 2020/21 of **£12,148,658** be approved.

2.7 That any changes to business rate projections for 2021/22 as a result of further work be delegated to Strategic Director (S151) after consultation with the Portfolio for Resources.

3. BACKGROUND

3.1 The Business Rates Retention Scheme which commenced on 1 April 2013 requires the Executive to formally approve the NNDR1 by the 31 January immediately preceding the financial year to which it relates. The NNDR1 contains details of the rateable values shown for the authority's local rating list at 30 September and enables the Council to calculate the expected income in respect of business rates for the year - a proportion of which the Council will retain from 2013/14 onwards.

3.2 Using a revised government form (NNDR1), the Council is able to estimate the gross yield from business rates to reflect local intelligence about likely increases, or decreases, in the business rates that can be collected for the year.

3.3 After certain deductions, including mandatory or discretionary relief and adjustments to reflect losses on collection, this will give the authority's estimated net rating income for the year which will be used to determine the payments that are due to central government by way of central share, and to the relevant precepting authorities (Hertfordshire County Council in the case of SBC).

3.4 Income is shared between central government (50%), the county council (10%) and district council (40%) Authorities are classified as "tariff" (where business rates income is higher than their assessed need) or "top up" (where income is less than need), the difference being paid to or from central government, Stevenage is a tariff authority and the County is a top up authority. The sum of the district council's share and the tariff equals the governments baseline need assessment of how much NNDR Stevenage will retain. These figures are included in the annual formula grant settlement.

3.5 Growth in business rates income above that baseline figure is shared in the same proportion so Stevenage receive 40%, tariff authorities (such as Stevenage) would pay a levy on their share (50%). Conversely authorities are protected from decline in business rate income by a safety net mechanism, where central government reimburses losses greater than 7.5% (£192,930) below the baseline assessment. Stevenage has made provision in its allocated reserves for the impact of losing up to 7.5% of its NNDR income below its baseline assessment, (the allocated reserve currently totals £172,000).

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 NNDR1 PROJECTONS 2020/21

4.1.1 The NNDR 1 has been completed for 2021/22 and includes the outturn position for 2019/20 and the projected position for 2020/21.

4.1.2 Part four of the NNDR1 calculates the balances owed to/by the preceptors and the government. The opening balance on the NNDR 1 (part 4) is a surplus of £2,354,034 and this relates to 2018/19 and 2019/20 as the amounts due to Stevenage have changed as a result of the actual rather than the projected position. Stevenage's share of the surplus is **£821,128** and was reported in the November MTFS update and included in the General Fund budget report.

Due to the impact of Covid the government published the Local tax income guarantee for 2020/21; this will compensate local authorities for 75% of irrecoverable losses in business rates income in respect of 2020-21. This will be based on:

- a comparison of income as calculated in the National Non-Domestic Rates ('NNDR') statistical collection forms 1 and 3.

This is estimated to be £195,390 for 2020/21 (business rates only) and is payable after the NNDR3 (the actual outturn for 2020/21) has been calculated, the estimate may change based on the outturn position. This estimate has been included in the 2020/21 working budget.

4.1.3 Part four of the NNDR 1 also addresses the 2020/21 projected outturn position compared to the original NNDR1 for 2020/21, which is shown below.

	NNDR 1 2020/21 £	Projection 2020/21 £	Var to NNDR 1 £
Gross Yield	53,869,345	52,223,525	(1,645,820)
Reliefs (mandatory/ discretionary)	(5,145,171)	(4,805,246)	339,925
S31	(925,698)	(21,887,884)	(20,962,186)
Bad Debt	(200,000)	(500,000)	(300,000)
Cost of Collection	(108,152)	(108,152)	0
Appeals	(1,800,000)	(800,000)	1,000,000
Total	**45,690,324**	**24,122,243**	**(21,568,081)**

4.1.4 The net yield has decreased by £21,568,081; this is mainly due to increases in retail reliefs given to business to mitigate the impact of the Covid pandemic. The

Stevenage share of this loss is £8,627,232. The council will be compensated for this loss through an increase in section 31 grants see table below.

4.1.5 Income relating to 2020/21 is paid to the preceptors (and government) based on the NNDR1 **EXCEPT** for the section 31 grants which are based on the actual amount included in the NNDR3 (outturn position), along with any levy or safety net payments. This means that a levy could be due for the year even though the General Fund had received a lower share of NNDR. This is the impact for Stevenage in 2020/21 as illustrated in the table below.

	Compare 2020/21 Original v Projected			Payment in year	
	NNDR 1 2020/21 £	Projection 2020/21 £	Var to NNDR 1 £	2020/21	2021/22
Net yield	45,690,324	24,122,243	(21,568,081)		
Stevenage share of yield	18,276,130	9,648,897	(8,627,232)	18,276,130	
Tariff	(15,429,346)	(15,429,346)	0	(15,429,346)	
Share net of tariff	**2,846,784**	**(5,780,449)**	**(8,627,232)**	**2,846,784**	**(8,627,232)**
S31 grant payable*	1,150,231	9,546,187	8,395,956	9,546,187	
Baseline Funding Level	2,572,439	2,572,439			
Gains before levy applied	1,424,576	1,366,754			
Gains applicable for levy	1,272,940	1,224,030			
Levy due 50%	(636,470)	(612,015)	24,455	(612,015)	
Hertfordshire Pool gains	455,000	367,702	**(87,298)**	**367,702**	
Retained Business Rates	**3,815,545**	**3,521,426**	**(294,119)**	**12,148,658**	**(8,627,232)**
Estimated				3,815,545	0
Variance				**8,333,113**	**(8,627,232)**
					(294,119)

*not all Section 31 grant is included in the levy calculation (positive number shown as an additional income to Stevenage).

4.1.6 Based on the revised projections for 2020/21 Stevenage will have net NNDR income of £12,148,658 in the General Fund for 2020/21. However the actual position will not be known until the accounts are closed, but the amounts shown in the table above will be used for budgeting purposes.

4.2 NNDR1 PROJECTIONS FOR 2021/22

4.2.1 The following assumptions have been included in the NNDR1 yield for 2021/22 based on the value of rateable properties as at 31 December 20120 adjusted for:

i. Estimates about properties likely to be removed from the rating list as result of change of use to residential.

ii. Estimation of growth in the rating list.

iii. The value of appeals to be resolved and reducing the NDR yield

iv. Estimates relating to Section 31 grants awarded, this is higher than projected for 2020/21, as the threshold for small business rate relief has been raised meaning more properties are entitled to this relief in 2021/22.

v. An estimate of the impact of known appeals not resolved in 2021/22 by the Valuation Office which would need to be provided for.

4.2.2 The estimate for 2021/22 is shown in the table below.

Business Rates Due	NNDR 1 2021/22 £
Gross Yield	53,428,769
Reliefs (mandatory/ discretionary)	(4,556,733)
S31	(1,000)
Bad Debt	(1,000,000)
Cost of Collection	(106,627)
Appeals	(2,300,000)
Total	**45,464,409**

4.2.3 The NDR due to Stevenage based on the impact of the net yield shown in 4.2.2 is detailed in the table below; the table shows that there could be gains of £586,565.

Stevenage Share	NNDR 1 2021/22 £
Retained rates	**3,159,004**
Assumed in General Fund budget	**2,572,439**
Possible gain above the baseline	**586,565**

4.2.4 There are caveats with this projection, it is still unclear what level of appeals will arise as a result of the new list, whether there are any corrections required to the list.

4.2.5 The Strategic Director (s151) recommends that as a result of the issues outlined in the report, gains for 2021/22 are ring-fenced as follows

£474,440 is put into a reserve until the gain is actually realised given the uncertainty over business rate failures during the pandemic

4.2.7 The Executive committee, at its meeting of 20 January 2021, delegated authority to the Strategic Director (S151), following consultation with the Portfolio Holder for Resources, to approve the NDR Tax Base 2021/2022 (including any amendments to the numbers outlined in this report), the Chair of the Overview & Scrutiny Committee waived the call-in period in order for this decision to meet the 31 January statutory deadline as part of the Overview and Scrutiny meeting in January 2021.

4.3 2019/20 OUTTURN POSITION

4.3.1 The difference between the estimated 2019/20 position and the actual (as reported to the CLG in the NNDR3 and included within the Council's Statement of Accounts) will be included in the 2021/22 General Fund. The main difference to that reported in the NNDR1 2019/20 related to the value of reliefs. This is £25,314 reduction in income and was included in the MTFS and draft General Fund report to the January 2010 Executive.

5 IMPLICATIONS

5.1 Financial Implications

5.1.1 The business rate income included in the General Fund for 2021/22 relates to 2019/20, 2020/21 an 2021/22 and is summarised in the table below.

Business Rates Income included in 2021/22 General Fund			
	2021/22 £	**2020/21**	**2019/20**
Business Rates due:			
Business rates due	2,343,779	(8,482,799)	821,128
S31 grant payable	815,225		
Retained Business Rates	**2,572,439**	**(8,453,553)**	**821,128**
Transfer to Allocated Reserves	586,565		
			(4,502,667)

5.1.2 The business rates retained regime can cause fluctuations in General Fund income as demonstrated in this report and the February 2021/22 General Fund report will include this impact in the 2021/22 risk assessment of balances.

5.1.3 The NNDR1 form attached is the best estimate of the likely yield.

5.2 Legal Implications

5.2.1 The Council needs to make a formal decision to approve a tax base and NNDR baseline by the 31 January 2021.

5.2.2 The National Non-Domestic Rating Return 1 (NNDR1) regulations are under the LGFA1988 paragraph 5(2) of Schedule 8 (which requires authorities to calculate their provisional non-domestic rating contribution for the forthcoming financial year, at such time as the Secretary of State directs).

5.2.3 By means of the direction powers in paragraph 40 of section 1 to the Local Government Finance Act, the Government requires billing authorities by 31 January to confirm that the NNDR1 is correct, and for the DCLG and relevant precepting authorities to be notified. This will be after it has been appropriately approved by the Council.

5.3 Risk Implications

5.3.1 The fluctuation in NDR projections as a result of changes in appeals and reductions in the gross yield e.g. as businesses are converted to residential use means that sufficient balances are required in the General Fund to meet this.

5.3.2 There could be significant fluctuations to the retained yield as a result of new appeals on the 2017 rating list and there are still 500 appeals outstanding from the 2010 rating list. The gains from 2021/22 are recommended to be retained within an allocated reserve as outlined in paragraph 4.2.5.

BACKGROUND PAPERS

The Local Government Finance Bill 2012
http://services.parliament.uk/bills/2012-13/localgovernmentfinance/documents.html

The Local Government Finance Act 2012
http://www.legislation.gov.uk/ukpga/2012/17/contents/enacted

BACKGROUND PAPERS

NNDR 1 FORM