

DECISION NOTICE
Key Executive Decision taken by an OFFICER

KEY DECISION

Title: NON DOMESTIC RATES (NDR) 2020/21 TAX BASE

Person Taking Decision: Clare Fletcher (Assistant Director – Finance and Estates)

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 12 February as the Local Government Finance Act 2012 requires the tax base to be approved by 31 January 2020.

Decision:

- 1. That the Business Rates yield (excluding transitional arrangements but after rate retention adjustments) for 2020/21 of £45,690,324 (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 £3,815,545 for 2020/21 (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 2020/21 subject to any changes in recommendation 7 are used to fund priority growth, to increase general fund balances and ring fenced in an allocated reserve to allow for any unidentified pressures or delay in FS options being implemented or set aside until gains from the Hertfordshire pool are achieved**
- 5. That the return of balances to the Collection Fund from the General Fund relating to 2018/19 and 2019/20 of £380 be noted.**

6. That the projected Stevenage retained share for 2019/20 of £3,547,707 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: [SIGNATURE REDACTED]	Name: CLARE FLETCHER
Position: ASSISTANT DIRECTOR FINANCE & ESTATES	Date: 29/1/2020

Assistant Director – (Finance and Estates)– to approve the financial implications:

Signed:	Name: Clare Fletcher
	Date:

Borough Solicitor – to approve the legal implications

Signed: [SIGNATURE REDACTED]	Name: Mary Cornack
	Date: 29/1/2020

Strategic Director Not Required

I have been consulted on this issue and support the decision

Signed:	Name:
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	Date:
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Member Consultation:

I have been consulted on this issue and support the decision

Signed:	Name: Joan Lloyd
Position: Portfolio holder for Resources	Date: [SIGNATURE REDACTED] 29/1/20

Member Consultation:

I have been consulted on this issue and support the decision

Signed:	Name:
Position:	Date:

Chair of the Overview & Scrutiny Committee (if required – delete paragraphs that do not apply)

In accordance with the Council's Overview and Scrutiny Rules, I hereby agree that the above decision is urgent and that the Call-In rule be waived.

Signed: [SIGNATURE REDACTED]	Name: Lin MARTIN-HAUGH
	Date: 29/01/20

Date of Decision:
Date of Publication:
Call-in Deadline:
Date of Implementation:



Meeting: EXECUTIVE

Agenda Item:

Portfolio Area: Resources

Date: 12 February 2020

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 12 February as the Local Government Finance Act 2012 requires the tax base to be approved by 31 January 2020.

1. PURPOSE

- 1.1 To approve the National and Non Domestic Rates (NNDR) tax base for 2020/21.
- 1.2 To update Members on the 2019/20 projections for NNDR.

2. RECOMMENDATIONS

- 2.1 That the Business Rates yield (excluding transitional arrangements but after rate retention adjustments) for 2020/21 of £45,690,324^(NNDR1 para 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 £3,815,545 for 2020/21 (net of the tariff and including section 31 grants and including the possible gains from the Hertfordshire pool).
- 2.4 That the NDR gains projected for 2020/21 subject to any changes in recommendation 2.7 are used to fund priority growth, to increase general fund balances and ring fenced in an allocated reserve to allow for any unidentified

pressures or delay in FS options being implemented or set aside until gains from the Hertfordshire pool are achieved.

- 2.5 That the return of balances to the Collection Fund from the General Fund relating to 2018/19 and 2019/20 of £380 be noted.
- 2.6 That the projected Stevenage retained share for 2019/20 of £3,547,507 be approved.
- 2.7 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.

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 government's 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 in the pilot above that baseline figure is shared in the same proportion so Stevenage receive 40%, tariff authorities (such as Stevenage) would normally pay a levy on their share (50%), in 2020/21 Stevenage is part of the Hertfordshire business rate pool and under the pool rules a much lower levy would be paid. 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 2019/20

- 4.1.1 The NNDR 1 has been completed for 2020/21 and includes the outturn position for 2018/19 and the projected position for 2019/20.
- 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 deficit of £63,284 and this relates to 2017/18 and 2018/19 as the amounts due to Stevenage have changed as a result of the actual rather than the projected position. Stevenage's share of the deficit is £25,314 and was reported in the November MTFs update and included in the General Fund budget report..
- 4.1.3 Part four of the NNDR 1 also addresses the 2019/20 projected outturn position compared to the original NNDR1 for 2019/20, which is shown below.

	NNDR 1 2019/20 £	Projection 2019/20 £	Var to NNDR 1 £
Gross Yield	53,422,399	53,234,335	(188,064)
Reliefs (mandatory/ discretionary)	(4,734,765)	(4,648,640)	86,125
S31	(763,856)	(590,677)	173,179
Bad Debt	(250,000)	(250,000)	0
Cost of Collection	(110,264)	(110,264)	0
Appeals	(2,200,000)	(2,200,000)	0
Total	45,363,514	43,434,654	71,240

- 4.1.4 The net yield has increased by £71,240, gross yield has reduced mainly due to reductions in respect of previous year's rates but this has been offset by reductions in reliefs. The Stevenage share of this gain is £24,934.
- 4.1.5 Income relating to 2019/20 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 2019/20 as illustrated in the table below.

	Compare 2019/20 Original v Projected			Payment in year	
	NNDR 1 2019/20 £	Projection 2019/20 £	Var to NNDR 1 £	2019/20	2020/21
Net yield	45,363,514	45,434,754	71,240		
Stevenage share of yield	15,877,230	15,902,164	24,934	15,877,230	
Tariff	(12,967,835)	(12,967,835)	0	(12,967,835)	
Share net of tariff	2,909,395	2,934,329	24,934	2,909,395	24,934
S31 grant payable*	931,012	931,012	0	931,012	
Baseline Funding Level	2,531,197	2,531,197	0		
Gains before levy applied	1,309,209	1,334,144			
Gains applicable for levy	1,135,800	1,135,800		0	
Levy due 50%	(567,900)	(567,900)	0	(567,900)	
Hertfordshire Pilot gains	275,000	275,000		275,000	
Retained Business Rates	3,547,507	3,572,441	24,934	3,547,507	24,934
Estimated				3,547,507	0
Variance				0	24,934
					24,934

*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 2019/20 Stevenage will have net NNDR income of £3,547,507 in the General Fund for 2019/20. 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 2020/21

4.2.1 The following assumptions have been included in the NNDR1 yield for 2020/21 based on the value of rateable properties as at 31 December 2018 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 2019/20, as the threshold for small business rate relief has been raised meaning more properties are entitled to this relief in 2020/21.
- v. An estimate of the impact of known appeals not resolved in 2020/21 by the Valuation Office which would need to be provided for.

4.2.2 The estimate for 2020/21 is shown in the table below.

Business Rates Due	NNDR 1 2020/21 £
Gross Yield	53,869,545
Reliefs (mandatory/ discretionary)	(5,145,171)
S31	(925,698)
Bad Debt	(200,000)
Cost of Collection	(108,152)
Appeals	(2,200,000)
Total	45,690,324

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 £1,140,002.

Stevenage Share	NNDR 1 2019/20 £
Retained rates	3,815,545
Assumed in General Fund budget	2,572,439
Under Indexing	103,104
Possible gain above the baseline	1,140,002

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 and is dependent on the final position of the Hertfordshire pool.

4.2.5 The Assistant Director (Finance and Estates) recommends that as a result of the issues outlined in the report, any gains for 2020/21 are ring-fenced as follows

- £204,668 would be used to support one off priority growth
- £480,314 to increase General Fund balances.
- £455,000 is set aside to give a cushion to the General Fund if financial security options are not realised in line with projections or if pump priming monies are required to make change happen.

4.2.7 The Executive committee, at its meeting of 22 January 2020, delegated authority to the Assistant Director (Finance and Estates), following consultation with the Portfolio Holder for Resources, to approve the NDR Tax Base

2020/2021 (including any amendments to the numbers outlined in this report), the Chair of the Overview & Scrutiny Committee has agreed to waive the call-in period in order for this decision to meet the 31 January statutory deadline.

4.3 2018/19 OUTTURN POSITION

4.3.1 The difference between the estimated 2018/19 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 2020/21 General Fund. The main difference to that reported in the NNDR1 2018/19 related to the value of reliefs. This is £25,314 reduction in income and was included in the MTF5 and draft General Fund report to the January 2020 Executive.

5 IMPLICATIONS

5.1 Financial Implications

5.1.1 The business rate income included in the General Fund for 2020/21 relates to 2018/19, 2019/20 and 2020/21 and is summarised in the table below.

Business Rates Income Included in 2020/21 General Fund			
	2020/21 £	2019/20	2018/19
Business Rates due:			
Business rates due	2,665,314	24,934	(25,314)
S31 grant payable	1,150,231		
Retained Business Rates	2,675,443	24,934	(25,314)
Transfer to Allocated Reserves	1,140,002		
			3,815,165

5.1.2 The business rates retained regime can cause fluctuations in General Fund income as demonstrated in this report and the February 2020/21 General Fund report will include this impact in the 2020/21 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 2020.

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 2020/21 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>

Appendices

Appendix A	NNDR1 Form - AVAILABLE ON REQUEST
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