



AGENDA ITEM: 12

SUMMARY

Report for:	Cabinet
Date of meeting:	22 January 2012
PART:	I
If Part II, reason:	

Title of report:	Business Rates Tax Base 2013/14
Contact:	Cllr Nick Tiley, Portfolio Holder for Finance & Resources Sally Marshall, Corporate Director of Finance & Governance
Purpose of report:	To determine the Business Rates Tax Base for 2013/14
Recommendations	Cabinet are recommended to approve the amount calculated by the Council as its Business Rate Net Yield for the purposes of the NNDR1, and declaration of Business Rates Tax Base for the financial year 2013/14 shall be £61,798,866 (after transitional arrangements and rate retention).
Corporate objectives:	Not applicable
Implications:	<p><u>Financial</u> The recommended Business Rates base shows an increase on the previous year which is due to business growth within in the Borough.</p> <p><u>Legal</u> Cabinet has delegated authority to set the Council Tax Base by virtue of Section 67 Local Government Finance Act 1992 (as amended) and the resolution of Council dated 19 January 2005.</p> <p>As a result, Cabinet is recognised as having delegated authority to set the Business Rate Tax Base.</p> <p><u>Value for money</u> Not applicable.</p>
Risk Implications	Not applicable.

Monitoring Officer/S.151 Officer Comments	<p>Deputy Monitoring Officer No further comments to add</p> <p>Section 151 Officer This is a Section 151 officer report</p>
Consultees:	Not applicable
Background papers:	Cabinet 8 January 2013 – Budget Preparation, Council Tax Base and Fees and Charges

Executive Summary

- 1 This report is required to set the Business Rates tax base for 2013/14 for Dacorum Borough Council so that it can be used in budget preparations and for the on-going monitoring of the new Business Rates Retention Scheme.

Background

- 2 The Local Government Finance Act (LGFA) introduces significant changes to the funding arrangements for Local Government, including the retention of a proportion of the Business Rates collected locally.
- 3 The Business Rates Retention scheme (BRR) forms part of a wider policy of localisation, aimed at giving Local Government increased financial autonomy and a greater stake in the economic future of their local area.
- 4 Previously, Business Rates were collected by Local Authorities and paid over to Central Government. The Government then used this income to fund the grant payments to Local Authorities, with no direct link between the business rates collected and the funding received for an area. The risk of appeals and reductions in rates collected was borne by the Government, and similarly the rewards for increases in yield.
- 5 The reform of the LGFA introduces changes which will see Local Government sharing in the risks and rewards of changes to the Business Rates Collected.
- 6 The Government will provide Local Authorities with a Business Rates Baseline (BRB) which is a forecast of what Business Rates it expects the Billing Authority to collect. Any growth above this baseline will be shared between the Government, and the precepting authorities. Dacorum's individual Business Rates Baseline has been announced as £23,720,388.
- 7 Based on the individual BRB, and a funding assessment undertaken by the Government, a Baseline Funding level is also determined. The Baseline Funding is the amount of funding that will actually be retained, with the difference between that and the BRB being paid to the Government as a Levy. Dacorum's Baseline Funding Level has been announced as £2,635,822.
- 8 The retained Business Rates will be subject to a safety net for any reductions in the Business Rates Collected, and Local Authorities will be protected at 92.5% of their Baseline Funding. For Dacorum, the safety net is £2,438,136, capping the potential risk at £197,686.

- 9 Both the Business Rates Baseline and Baseline Funding will be increased in line with inflation each year. It is the Government's aim that they will not reset the scheme until 2020.
- 10 The Council is required to estimate its Business Rates taxbase for the relevant year by 31 January of the preceding financial year. This is done by return of the NNDR1 form to the Department of Communities and Local Government.
- 11 Any income will be shared between Central Government (50%), Dacorum Borough Council (40%) and Hertfordshire County Council (10%)
- 12 Any income over generated over the Baseline Funding will be shared between the Government and the Local Authorities. A levy will apply to this of the additional income received by Local Authorities, and for Dacorum this levy is 50%. Levies will not be payable until after the end of 2013-14 on the basis of out-turn figures. Safety net payments will be made on the basis of the NNDR1 return made at the end of January. On this basis, the estimated levy payment for DBC would be £392k, subject to the actual outturn position and certified NNDR3.

Calculation of Business Rates Taxbase

- 13 The Business Rates Retention regulations require that the NNDR1 form be completed by 31 January 2013. This form estimates the Business Rates income, split between the amounts to be retained by Dacorum Borough Council, Hertfordshire County Council and the Government.
- 14 The tax base is set having regard to:
 - The Valuation List
 - Current exemptions, reductions and discounts
 - Discretionary discounts
 - Anticipated developments that may occur during the year
 - Expected long term collection rate.
 - Forecast Growth
- 15 The basic methodology for calculating the tax base is as follows:
 - The rateable values of properties are obtained from the Valuation Offices Valuation List, multiplied by the appropriate Business Rates multiplier announced by Government.
 - Adjustments are made for mandatory and discretionary discounts.
 - Adjustments are made for bad debt provisions, based on historical and current collection rates.
 - Adjustments are made for estimated growth, and any known changes since the last Valuation Office report.
 - The final adjustment relates to an estimate of reductions to the amounts collectable due to appeals of rateable values.

- 16 The estimated tax collectable for 2013/14 and its constituent elements have been calculated in accordance with this methodology and the results shown below are proposed for approval in Recommendation 2.

Gross Yield Calculated	70,429,271
Mandatory Relief	(6,078,907)
Discretionary Relief	(58,573)
Billing Authority Allowance for Cost of Collection	(218,506)
Estimate for Losses in Collection	(578,626)
Estimate for Growth	1,678,425
Estimate for Appeals	(3,910,385)
Net Yield Excluding Transitional Arrangements	61,262,699
Cost of Transitional Arrangements	(536,167)
Net Yield Including Transitional Arrangements	61,798,866
Estimated Collection (before tariff, levy or top up payments)	
Central Government (50%)	30,631,350
Dacorum Borough Council (40%)	24,505,080
Hertfordshire County Council (10%)	6,126,270

Notification of Tax Base

- 16 The billing Authority must notify Government of the Net Yield expected by the 31 January, by return of the National Non Domestic Ratings form (NNDR1), certified by the Section 151 Officer.
- 17 Following the receipt of National Non Domestic Ratings form and confirmation from local authorities that they want to receive safety net payments on account, the Department for Communities and Local Government will prepare a schedule of payments. This will then be sent to local authorities, detailing the amount that will be paid and when payments will take place. The schedule of payments under the business rates retention scheme will cover:
- Central share payments
 - Tariff and top-up payments
 - Transitional protection payments
 - Safety net payments on account
- 18 Dacorum and Hertfordshire County Council (HCC) will also agree a schedule of payments for the share of business rates income that is to be paid to HCC.