ASSEMBLY

14 January 2013

Title: Business Rates Income Forecast for 2013/14	
Report of the Cabinet Member for Finance	
Open Report	**For Decision**
Wards Affected: All	**Key Decision:** Yes
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Accountable Divisional Director: Jonathan Bunt, Divisional Director of Finance	
Accountable Director: The Chief Executive	
Summary: This report provides an estimate of the business rates income the Council is expecting to collect in 2013/14.	
Recommendation(s) The Assembly is recommended to agree the Council's business rates income forecast for 2013/14 contained at **Appendix A.**	
Reason(s) The Department for Communities and Local Government requires that the business rates income forecast is formally approved by the Council.	

1. Introduction and Background

1.1 The Local Government Finance Act 2012 introduced changes to the way Local Government was funded. One of the changes included the localisation of business rates from 2013/14. Previously all rates collected were paid directly to the Department for Communities and Local Government (CLG) and redistributed centrally.

1.2 These changes allow Local Authorities to retain a proportion of the rates they collect. The CLG has allocated each authority with an amount of rates they are expected to retain in 2013/14 if no changes occur. This amount is called the business rate baseline and is calculated using the average rates collected over the last two years.

1.3 Any difference between the Local Authority's business rate baseline and the amount of rates retained will create either a pressure or additional resources for that authority depending on whether it collects more or less than the baseline.

Estimates of the amount of business rates income an authority is forecasting to collect is required to be submitted to CLG by 31 January each year.

1.4 Following the localisation of business rates CLG have instructed Councils that their business rates income forecasts should be sent to them by completion of a return called the National Non Domestic Rates 1 (NNDR1) return and be formally approved by the Council. The Council's NNDR 1 return is at Appendix A.

2. Proposal and Issues

2.1 The NNDR 1 return is based on the Council's current position and takes into account the future opportunities and risks associated with business rates income. It has been completed in accordance with the guidance issued by CLG and is a prudent estimate of the business rates income for 2013/14.

2.2 Assembly is recommended to agree the NNDR 1 return showing the Council's business rates income forecast for 2013/14 contained at Appendix A.

3. Options Appraisal

3.1 An options appraisal is not relevant as CLG prescribes the format and method of calculation of the NNDR 1 return.

4. Consultation

4.1 The calculation of the business rates income estimate follows a prescribed process and, as such, does not require consultation. Financial implications are discussed at paragraph 5 and legal implications are at paragraph 6.

5. Financial Implications

Implications completed by: Chris Leslie, Group Accountant, Budgets

5.1 The NNDR 1 return at Appendix A shows the Council is forecasting to collect £59,844k. London Boroughs retain a 30% share of the rates they collect, which means the Council will retain £17,953k on current expectations.

5.2 The Council's business rate baseline is £16,715k. This means additional collection of £1,238k (£17,953k - £16,715k). Any amount retained in excess of the baseline is subject to a levy of 66.9%, and once paid will provide the Council with additional resources of £410k.

5.3 Should the actual business rates collected in 2013/14 differ from the estimate then the difference will be carried over into 2014/15. This will create either an additional pressure or an additional resource in 2014/15 depending on if the actual collected is higher or lower than the estimate.

6. Legal Implications

Implications completed by: Paul Feild Corporate Governance Lawyer
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6.1 The Local Government Finance Act 2012 continues the Coalition Government's policy of localism in that it introduces a rates retention scheme. The intention is that because a proportion may be retained it will provide an incentive for encouraging economic growth

6.2 The scheme allows the local authority to keep a percentage of the business rates collected. As a result there is an incentive for efficient collection as any surplus over the business rates baseline can also be retained. However the converse also applies as if the actual collection is less than the baseline this is a cost on the general fund. Balancing provisions apply so late payments will be taken into account going forward. The scheme's baseline figure is subject to annual review by CLG so if the economy were to slump or the CLG baseline carried optimistic collection assumptions a deficit could emerge. The important point to note is that while there will be the ability to retain a percentage, the Government will retain the control to determine rateable value; baseline setting and percentage.

Background Papers Used in the Preparation of the Report:

Department for Communities and Local Government's Business Rates Retention Draft Regulations - October 2012
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/9358/2243458.pdf

List of appendices:

Appendix A – National Non Domestic Rates 1 (NNDR1) Return