

CABINET

1st February 2018

NNDR 1 for 2018/19

Cabinet Member: Cllr Peter Hare-Scott
Responsible Officer: Revenues Manager, John Chumbley

Reason for Report: To provide Members with an update of the income generation and financial implications of the number of business Rate properties in Mid Devon and to approve the NNDR1 (estimated income to be generated in 2018/19 from business rates).

RECOMMENDATIONS:

1. That the calculation of the NNDR1 net yield of £ 15.510m from 3002 Business Rated properties is noted and approved for 2018/19;
2. That the proportions distributed to the respective authorities and central government be allocated as per the statutory regulations; and
3. That Members note and approve that central government will reimburse the Council through a Section 31 grant to compensate it for the reduction in collectable business rates as a result of introducing reliefs.

Relationship to Corporate Plan:

1. This report sets out the estimated net business rates 2018/19; the estimate will then be used in the calculation of future Council budgets.
2. This report is in line with the Council's Corporate Plan objectives and is essential to delivering the necessary funding to balance the 2018/19 General Fund Revenue budget.

Financial Implications: Mid Devon District Council is a Statutory Billing Authority and now has a duty to carry out this task each year as part of the budgetary process.

Legal Implications: This is a statutory function and is a legal requirement. The Council must set its budget annually based on the tax base and the NNDR1 projected budgets.

Risk Assessment: If the Council fails to carry out this duty, then it will not be able to calculate its future budgets from 2018/19 onwards.

1.0 Introduction

- 1.1 Prior to 1 April 2013, all billing authorities collected the business rates in their area and passed this money onto a central government pool. The pool was then redistributed to local authorities throughout the country based on their needs, resources and services they provide to their community. For example, one billing authority may collect £15m and only require £10m to run its services,

whereas another billing authority may collect £10m and require £15m to run its services. The shortfall and excess is then redistributed by central government through a fixed sum as part of the Formula Grant Settlement.

2.0 Business rates retention scheme

2.1 From 1 April 2013, central government changed the way this financing is distributed. Each billing authority now has to forecast the amount of revenue it will generate from business rates and then redistribute that income between central government, the county council, the fire authority and itself, based on a centrally prescribed formula (see below). The Business Rates Retention Scheme as it is now known, also allows the billing authority to keep a share of the increase in revenue it generates, therefore encouraging billing authorities to encourage business growth in its area. However, the converse of this applies and if a billing authority's business rates decline, the District Council (i.e. MDDC) will see a proportionate drop in revenue.

2.2 This is the key difference between the old and new schemes. As under the old business rates scheme, the level of funding is determined at the beginning of the year and was fixed thereafter.

2.3 In order to assist local authorities in retaining revenue within the counties, central government allowed county councils and district councils to join together to pool their growth and offset the growth of one area against a decline in another area. Effectively, this creates a larger critical mass across the county to alleviate exposure to individual authority losses, thus enabling counties and districts to retain more of the rates collected instead of contributing this money to the central pool. Mid Devon District Council joined the Devon County-wide pool in 2014 and will remain in the pool for 2018/19.

2.4 This report details the calculations necessary to determine the estimated debit the Council is expected to collect in business rates for the 2018/19 year. The net collectable debit is then split proportionally in accordance with the provisions of the Local Government Finance Settlement issued at the end of 2017 which now enables the whole of Devon to keep 100% rates retention, subject to tariffs or levies. The tier split for Devon is as follows:

- 59% is distributed to Devon County Council
- 40% is kept by Mid Devon District Council
- 1% is distributed to the Devon & Somerset Fire & Rescue Authority

2.5 The New 2017 Valuation list took effect from 1st April 2017 and the overall effect of these changes is settling down now.

3.0 S31 grant and reduced business rates income

3.1 The Chancellor of the Exchequer announced changes to the Business Rates system in his Autumn Statement for 2017, and councils once again will be compensated for the loss by means of a "S31" government grant in recognition of the lower amount of business rates that would otherwise become due.

3.2 The main changes are as follows;

- Central Government is to legislate to enable revaluations every three years following the next revaluation, currently due in 2022. To enable this, ratepayers will be required to provide regular information to the VOA on who is responsible for business rates and property characteristics including use and rent.
- From 1 April 2018 the multiplier calculation will be based on CPI not RPI
- The Government will legislate to reverse the “Staircase tax” which was introduced as a result of recent case law. Many small businesses that lost Small Business Rate Relief as a result of the Court judgement will once again be entitled to SBRR.
- The Business Rate relief scheme for Pubs (up to £1,000 discount for public houses with a rateable value of up to £100,000) subject to state aid limits for businesses with multiple properties, for one year from 1 April 2018 will continue.
- The Discretionary Rate Relief scheme introduced from 1st April 2017 will continue for a further three years.

Note: Local government will be fully compensated for the loss of income as a result of these measures.

3.2.1 Continue to double the Rural Rate relief for 1st April 2018

3.2.3 The Small Business Rate Relief scheme has been doubled to 100% and is to be made permanent. All ratepayers whose Rateable value is between £ 12000 and £15000 will receive tapered relief and all those ratepayers between RV £15,000 and RV 51,000 will pay their rates based on the lower multiplier.

3.2.4 Appendix 1 shows the estimated net yield from business rates for 2018/19 set out in the NNDR1 return. The Council is notionally able to keep 40% of the total business rates it collects and this will generate an estimated £6.2m (i.e. £15.51 - 40%). In addition to this, we receive £108k from the DCLG as a grant towards collecting the years’ business rates and in addition retain income from renewable energy schemes of £123k.

3.2.5 As part of the Ministry of Housing, communities and Local Government’s financial settlement central government has determined that Mid Devon’s business rates baseline (i.e. its financial need) as £2.7m for 2018/19, this includes revenue support grant and rural services delivery grant of £0.5m therefore, in reality the Council will be able to keep is £2.2m circa 14.18% of the business rates it collects which overall is 0.41 more than last year.

4.0 100% Business Rate Pilot

4.1 As members have been previously advised, the Government announced on the 19/12/17, that the Devon wide Business Rate Pool had been successful in its application to become a 100% Business Rate Pilot. Current modelling indicates that the Council will be able to keep an additional £230k of business rates within the District during this 12 month trial.

5.0 Conclusion

5.1 Due to the associated volatility and significant sums of revenue involved, Members will receive regular updates on the level of business rates being collected during 2018/19.

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Background Papers: CTB1 and supporting documentation

File Reference: JFC/G/CTB1

Circulation of Report: Cllr Peter Hare-Scott, Management Team