

National Non Domestic Rates Base (NNDR 1) for 2015/16

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

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 2015/16 from business rates).

RECOMMENDATIONS:

- 1. That the calculation of the NNDR1 net yield is noted and approved for 2015/16;**
- 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 further reliefs.**

Relationship to Corporate Plan:

1. This report sets out the estimated net business rates 2015/16; 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 a well-managed Council.

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 2015/16 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 enables 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 last year and will still remain in the pool for 2015/16.
- 2.4 This report therefore details the calculations necessary to determine the estimated debit the Council is expected to collect in business rates for the 2015/16 year. The net collectable debit is then split proportionally, subject to tariffs or levies required to ensure all councils receive a government calculated baseline level as follows:
- 50% goes direct to Central Government
 - 40% is kept by Mid Devon District Council
 - 9% is distributed to Devon County Council
 - 1% is distributed to the Devon & Somerset Fire & Rescue Authority
- 2.5 The above calculations are based on the 2014/15 debit, uprated to take account of the new multiplier, the increase in inflation changes estimated in new, amended or deleted properties, monies paid out in mandatory and discretionary rate reliefs. In addition, allowances are made for enterprise zones, new development deals and renewable energy schemes within the area.

3.0 S31 grant and reduced business rates income

- 3.1 Once again the Chancellor of the Exchequer announced changes to the business rates system in his Autumn Statement for 2014 and, as a result, councils would be compensated by means of a “S31” government grant in recognition of the lower amount of business rates that would otherwise be due.
- 3.2 The main changes are as follows:
- The ‘high street discount’ for businesses with a rateable value below £50,000 will go up from £1,000 to £1,500, from April 2015 to March 2016.
 - Small business rate relief will be doubled for a further year which means the smallest businesses will pay no rates at all.
- 3.3 The government will also continue to cap the annual increase in business rates at 2% from April 2015 to March 2016 – this will benefit all businesses paying business rates.
- 3.4 Finally, the government is to extend the transitional arrangements for smaller properties that would otherwise face significant bill increases due to the ending of ‘transitional rate relief’.
- 3.5 It should be noted that the 50 per cent business rates relief for 18 months for businesses that, between 1 April 2014 and 31 March 2016, move into retail premises that have been empty for a year or more, is still applicable during 2015/16. Each ratepayer will receive notification of these changes with their annual business rate bill.
- 3.6 Appendix 1 shows the estimated net yield from business rates for 2015/16 set out in the government NNDR1 return. The Council is able to keep 40% of the total business rates it collects and this will generate an estimated £5.906m (i.e. £14.764m - 40%). In addition to this, we receive £108k from the DCLG as a grant towards collecting the years’ business rates and retain income from renewable energy schemes of £62k.
- 3.7 As part of the financial settlement received on 18 December 2014, central government has determined Mid Devon’s business rates baseline (i.e. its financial need) as £2.009m for 2015/16.
- 3.8 Therefore, in reality the Council will be able to keep circa 13.6% of the business rates it collects.

4.0 Conclusion

- 4.1 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 2015/16.

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Background Papers: CTB1 and supporting documentation

File Reference: JFC/G/CTB1

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