


**NORTH LINCOLNSHIRE COUNCIL
OFFICER DECISION NOTICE AND RECORD
(PUBLISHED)**

1. DECISION TAKEN			
To set the Non-Domestic Rating tax yield for 2020/21 as £76.256m and approve the corresponding 2020/21 NNDR1 form's release to MHCLG and Humberside Fire and Rescue Service.			
EXECUTIVE		NON-EXECUTIVE	<input checked="" type="checkbox"/> (Please tick either)
IS THIS A 'KEY DECISION' ? (see definition overleaf)			N/A
DOES THIS DECISION RELATE TO EXEMPT INFORMATION?			No
EXEMPT PARAGRAPH REFERENCE (NOT TO BE PUBLISHED)			

2. OFFICER DECISION TAKER	<p>NAME Becky McIntyre</p> <p>POSITION/POST Director Governance and Partnerships</p> <p>SIGNATURE</p> <p style="text-align: center;"></p> <p>DATE 27/01/2020</p>
3. REASONS FOR THE DECISION (Please ref to any report/minute/background documents attached)	The Council is required to complete a National Non-Domestic Rates 1 Form annually, which estimates the annual NNDR yield for the following financial year. This must be sent to the Ministry of Housing, Communities and Local Government, and Humberside Fire and Rescue Service by the 31st January.
4. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED (BY DECISION TAKER(S))	The estimate provided in the attached report is the best current estimate of the 2020/21 yield and so there are no other options to consider.
<i>TO BE COMPLETED BELOW - ONLY WHEN A DELEGATED OFFICER DECISION REQUIRES PRIOR CONSULTATION WITH A MEMBER (LEADER OF THE COUNCIL, CABINET MEMBER/CHAIRMAN OF A COMMITTEE) IN ACCORDANCE WITH THE 'SCHEME OF DELEGATIONS TO OFFICERS' OR DECISION/MINUTE OF COUNCIL/COMMITTEE OR DECISION/MINUTE OF CABINET/CABINET MEMBER.</i>	
5. DECISION REQUIRED TO BE TAKEN IN CONSULTATION WITH RELEVANT MEMBER	<p>COUNCILLOR Neil Poole</p> <p>POSITION Cabinet Member Prosperity</p> <p>Consulted on 26 January 2020</p>
6. ANY CONFLICT OF INTEREST DECLARED BY ANY EXECUTIVE (CABINET) MEMBER (S) CONSULTED, WHICH RELATES TO THE DECISION, OR	

(NON-EXECUTIVE) – ANY MEMBER OF THE COMMITTEE THAT DELEGATED THE DECISION TAKEN	
7. WITH REFERENCE TO 6. ABOVE - HAS ANY DISPENSATION BEEN GRANTED TO THE EXECUTIVE (CABINET) MEMBER? (ONLY APPLIES TO EXECUTIVE)	

PLEASE REMEMBER TO ATTACH ANY ACCOMPANYING REPORT.

WHEN COMPLETE, PLEASE SEND TO HEAD OF DEMOCRATIC SERVICES, CIVIC CENTRE, SCUNTHORPE FOR PUBLISHING.

(The definitions of a key decision are when an executive decision is likely -

(i) to result in the Council incurring expenditure or the making of savings (including the receipt or loss of income) over £350,000 in any one financial year; or

(ii) to be significant in terms of its effect on communities living or working in an area comprising two or more wards or electoral divisions in the area of the local authority).

NORTH LINCOLNSHIRE COUNCIL

DIRECTOR OF GOVERNANCE AND PARTNERSHIPS

SETTING THE NATIONAL NON-DOMESTIC RATES TAX YIELD 2020/21

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1. To set the National Non-Domestic Rate (NNDR) Tax Yield for 2020/21.
- 1.2. To approve the NNDR 1 form for release. This must be sent to the Ministry of Housing, Communities and Local Government and Humberside Fire and Rescue Service by 31st January 2020.
- 1.3. The authority to set the taxbase is delegated to the Director of Governance and Partnerships in consultation with the Cabinet Member for Prosperity.

2. BACKGROUND INFORMATION

- 2.1. The Council is required to submit a statutory return to Government every year, the NNDR1, which sets the taxbase for the upcoming financial year and is based on the best information available to the Council. The statutory deadline for completion is Friday 31st January 2020.
- 2.2. Income from business rates is notionally shared as per the distribution set out in the 50% business rate retention scheme which has been in operation since 2013/14. Central Government receive 50%, with the other 50% retained locally and split between the Council (49%) and the Fire Authority (1%). The Government uses the central share to fund grants it makes to Local Government, including to compensate for the loss of income arising from nationally set reliefs.
- 2.3. Income from business rates, council tax and Government grant funding are the three key elements of the Council's funding base. If approved, the taxbase and tax yield set out in this report will be reflected within the 2020/23 medium term financial plan.
- 2.4. The taxbase calculation contains a series of adjustments which reduce the gross liability paid by businesses held within the collection fund. The NNDR tax yield put forward for approval reflects the following steps:
 - The gross liability is derived by multiplying the total rateable value for the area by the nationally set multiplier.
 - The mandatory and discretionary reliefs available to businesses are then estimated and deducted to ascertain the net liability.
 - Further deductions are then made for the forecast reduction in rates due to successful business rates appeals and non-collection of rates.

- The Government recognises the costs incurred by billing authorities in collecting business rates, and requires an amount to be deducted from the collection fund.
- Business rates paid by businesses either in a designated area or renewable energy producing businesses are removed from the collection fund to be fully retained by the billing authority.

After deduction of the above items from the gross liability, there is forecast of £76.256m remaining within the collection fund. This is set out in Appendix 1. This is then distributed in accordance with the shares outline in 2.2, with the Council retaining £37.365m.

2.5. To determine the total income that is forecast to be retained by the Council in 2020/21, the Council adjusts its share of the collection fund income set out above, with the following:

- As a consequence of collecting more business rates than the Government deem the Council to need, a tariff reduces the amount retained locally and is redistributed to areas that do not collect enough locally to fund the amount they are deemed to need.
- To compensate for some of the nationally set reliefs which effectively reduce the amount that can be collected, the Government provide section 31 grant funding. This increases the locally retained amount.
- In addition to paying a tariff, the Council is also required to pay a levy which reflects the additional growth in rates locally over the baseline.
- Finally, business rates paid by businesses in a designated area or by renewable energy businesses are fully retained by the Council, and increase the rates retained locally.

Taking into account all adjustments set out above, the Council expects to retain £42.329m from business rates in 2020/21. This represents roughly 43.3% of the gross liability within North Lincolnshire.

2.6. Large parts of the business rates retention scheme are set nationally, and therefore give little scope for local direction. The multiplier, which is used to calculate the gross liability, is set nationally by Government and increases by CPI each year. The multiplier for 2020/21 has been increased by 1.6%.

2.7. There are a series of reliefs and discounts available to businesses which reduce the collectable income as discussed in 2.4. The biggest discounts and reliefs by value include; small business rate relief, charitable occupation relief and retail discount. The criteria and application are determined centrally, with Council's expected to make them available to eligible businesses. The Government recognise the loss of income this causes, and give Council's section 31 grant funding to compensate for the impact on local share.

2.8. Empty property relief is also nationally set, with businesses able to claim up to three months maximum empty property relief. There are some exceptions to this, particularly for industrial properties where the maximum relief can be extended for longer. The taxbase proposed assumes a voidance rate of 3%, which is in line with the long-run average.

- 2.9. In addition to nationally set reliefs and discounts, there is a degree of local flexibility that can be exercised, in a small number of cases. The Council grants a modest amount of discretionary relief to some; charities, non-profit making bodies, community amateur sports clubs and rural businesses which are deemed to be vital to local communities.
- 2.10. The NNDR1 requires a collection fund estimate to be provided for 2019/20, combined with the closing collection fund position at the end of 2018/19. In effect, this is a progress update from the NNDR1 that was submitted twelve months ago. Overall, a net surplus is anticipated which reflects a change in calculation methodology for the appeals provision and a reduction in the gross liability during 2019/20 due to a non-appeal related reduction in rateable value of one of the largest non-domestic properties in North Lincolnshire.
- 2.11. At the Council meeting on the 11th December 2014 the authority to take this decision was delegated to the Director of Governance and Partnerships in consultation with Cabinet Member.

3. OPTIONS FOR CONSIDERATION

- 3.1. To set the tax base for NNDR 2020/21 and associated net NNDR yield. The net NNDR tax yield for 2020/21 is estimated to be £76.256m.
- 3.2. To approve the NNDR1 form for release to MCHLG by 31st January 2020.

4. ANALYSIS OF OPTIONS

- 4.1. The Government specifies the sources to be used for most of the data used in this calculation. This includes the tax yield measured at the end of the prior year modified by reliefs and losses. The estimate set out in this report is based on the best information available, and incorporate analysis and intelligence for the areas where there is local discretion to ensure the forecast provides a realistic and balanced position. Therefore, this is deemed to be the best current estimate of the 2020/21 yield and so there are no other options to consider.

Assumptions

- 4.2. The Council has some discretion over the anticipated change in the size of the tax base, how much it expects appeals to cost and how much it expects to be written off during 2020/21. The supporting assumptions which support the tax base put forward are considered in section 2 and detailed below.
- 4.3. The Government have scheduled the date of the next national budget, which will be presented by the Chancellor of the Exchequer on Wednesday 11th March 2020. In previous budget statements, there have been occasional announcements focussing on changes to business rate reliefs. The current 33% retail discount available to eligible businesses is expected to be increased to 50%, which was a measure contained in the 2019

Queen's Speech. The tax base set out in this report assumes 33% retail discount. If the national policy changes after the event the Council will make the necessary policy amendments to ensure the correct level of relief is being provided.

- 4.4. There are two elements where the Council is required to make a local forecast which impacts on the tax yield. Since 50% business rate retention was introduced in 2013/14, calculating the cost of backdated business rate appeals has been a volatile area. The Council, when determining what the tax yield should be, must make an estimate of how much it thinks it will need to refund or set aside from current business rates to fund the cost of successful business rate appeals. The tax base assumes 4.7% of gross rates minus relevant reliefs will be set aside and refunded. This is in line with the national estimate of forecast business rate appeals, which was added to the multiplier in the 2017 revaluation.
- 4.5. The second element relates to the non-collection estimate. Despite the best efforts of the Council, there will always be an element of business rates which will not be collectable, for various reasons including business defaults. The taxbase assumes 1.25% of the gross liability will not be collectable, which is in line with trend data.
- 4.6. Current estimates are that a net collection fund surplus will be recognised in 2020/21. This reflects a closing surplus at the end of 2018/19 caused primarily due to a change in the appeals provision calculation, and an in-year deficit forecast during 2019/20 due to an unexpected reduction in the value of one of our largest hereditaments.

Monitoring and Review

- 4.7. The position set out in this reflects the best estimate for lots of different variables. The actual position during the year may differ to the expectation set out here, and will be confirmed when the NNDR3 is submitted at the end of 2020/21. If there is a surplus or deficit on the collection fund at year-end, it will need sharing out in line with the proportion shares set out in 2.2.
- 4.8. The council will substitute the actual in the NNDR 3 return after the period has closed; but for budgeting purposes this is the tax yield to be used for 2020/21. As with Council Tax any surplus or deficit on the Business Rates element of the collection fund is applied to the budget in the following year.
- 4.9. The business rates taxbase and yield contains inherent risk and volatility. The taxbase is based on many variables which can change and have a significant impact on the achievability of the taxbase position proposed. It therefore requires pro-active and intelligence-led monitoring during the year to ensure the position remains well understood throughout the year with any emerging variances captured early and flagged during financial monitoring.

5. FINANCIAL AND OTHER RESOURCE IMPLICATIONS (e.g. LEGAL, HR, PROPERTY, IT, COMMUNICATIONS etc.)

5.1. It is estimated that by setting the NNDR tax base at £76.256m the council will retain funding of £42.329m. This is after deduction of the Central share, the Fire Authority share, and a tariff payment of £3.747m. This gives the council £9.158m more than the council's inflation adjusted NNDR Baseline Funding Level, which will be reflected in the medium term financial plan.

5.2. Regulations under the Local Government Finance Act 2012 specify that the council must approve its NNDR tax yield and notify Central Government by returning the NNDR 1 form by 31 January.

6. OTHER RELEVANT IMPLICATIONS (e.g. CRIME AND DISORDER, EQUALITIES, COUNCIL PLAN, ENVIRONMENTAL, RISK etc.)

6.1. The calculations and assumptions are based upon Ministry of Housing, Communities and Local Government General Information and guidance.

6.2. Appeals and revaluations are determined by the Valuation Office Agency.

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

7.1. Not applicable.

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

8.1. The Cabinet Member for Prosperity has been consulted and is in agreement with the content of this report.

9. RECOMMENDATIONS

9.1. That an estimated NNDR tax yield for 2020/21 is set at £76.256m.

9.2. That the Secretary of State and Humberside Fire and Rescue Service be duly notified.

ACCOUNTANCY SHARED SERVICE MANAGER

Church Square House
High Street
Scunthorpe
North Lincolnshire
DN15 6NL

Author: Adam Hopley
Date: Wednesday 22nd January 2020

Background Papers used in the preparation of this report

Local Government Finance Act 2012

National Non-Domestic Rates Return NNDR1 2020-21

Table 1 – Settlement Funding Assessment

NATIONAL NON-DOMESTIC RATES	2020/21
Estimated Net NNDR Yield	75,342,957
Central Government	37,671,479
Fire Authority	753,430
Local Authority	36,918,049
Tariff (-) / Top-Up (+)	(3,747,041)
NNDR Baseline Funding	33,171,008
Safety Net Threshold	30,683,182

Table 2 – Analysis of Forecast Income from NNDR 2020/21

NATIONAL NON-DOMESTIC RATES	2020/21
Rateable Value	195,801,724
Gross NNDR Income	97,705,060
Mandatory Relief	(6,900,307)
Unoccupied Property Relief	(2,931,152)
Discretionary Relief (part funded by s.31 grant)	(1,067,868)
Contribution to Appeals Provision	(4,195,415)
Non-Collection Estimate	(1,221,313)
Cost of Collection Allowance	(239,383)
Removal of Non-Collection Fund Items	(4,894,036)
NNDR Collection Fund Income	76,255,586
Council Share of Collection Fund Income	37,365,237
Tariff (-) / Top-Up (+)	(3,747,041)
Section 31 Grants & Other Reliefs	4,113,777
Levy (-) / Safety Net (+)	(297,180)
Renewables (100% retention)	2,898,735
Enterprise Zone rates (100% retention)	1,995,301
NNDR Income	42,328,829