


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

1. DECISION TAKEN			
To set the Non-Domestic Rating tax yield for 2019/20 as £76.181m, grant new reliefs announced in the Chancellor of the Exchequer's Autumn Budget 2018 and approve the return of the 2019/20 NNDR1 form 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EXEMPT PARAGRAPH REFERENCE (NOT TO BE PUBLISHED)			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	NAME Becky McIntyre POSITION/POST Director Governance and Partnerships SIGNATURE  DATE 28/01/2019
3. REASONS FOR THE DECISION (Please ref to any report/minute/background documents attached)	Each year the council has to complete a National Non-Domestic Rates 1 Form in which it estimates its 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 2019/20 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	COUNCILLOR Julie Reed POSITION Cabinet Member Finance and Governance Consulted on 28/01/2019
6. ANY CONFLICT OF INTEREST DECLARED BY ANY EXECUTIVE (CABINET) MEMBER (S) CONSULTED, WHICH RELATES TO THE DECISION, OR (NON-EXECUTIVE) –	None

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)	N/A

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 FOR 2019/20

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1. To set the National Non-Domestic Rate (NNDR) Tax Yield for 2019/20.
- 1.2. To grant new system reliefs announced in the Chancellor of the Exchequer's Autumn budget 2018.
- 1.3. 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 2018.

2. BACKGROUND INFORMATION

- 2.1. Each year the Council is required to estimate the amount of NNDR it believes it will collect in the following financial year and make a statutory return, the NNDR 1, to Government. This is the purpose of this report.
- 2.2. National legislation continues to prescribe the elements of the business rate scheme, but since 2013/14 there has been an incentive for councils to grow their local taxbase and retain a share of the benefit.
- 2.3. Under arrangements introduced from 1st April 2013 the total business rate for England is shared 50/50 between central government and local government bodies. The government uses the central share to fund any grants it makes to local government.

The current funding regime therefore has three main elements:

- a) Formula grant funding from government
 - b) The local share of business rates
 - c) Council tax
- 2.4. The Council successfully applied to become a 100% business rate retention pilot authority in 2018/19, working with other Councils across Greater Lincolnshire. This provided an opportunity for Greater Lincolnshire to retain more of its business rates income in lieu of foregone grant with a net financial benefit to the area. It provided an opportunity for the Government to test different levels of retention within the system. This pilot will finish at the end of 2018/19, with the Councils involved reverting to the standard 50% retention scheme for 2019/20.

- 2.5. As part of the Greater Lincolnshire group of authorities North Lincolnshire applied to become a 75% business rate retention pilot in 2019/20. The group was unsuccessful on this occasion as Government opted primarily to test new pilot bids outside areas with devolution deals. Nonetheless 75% retention will be introduced nationally from 2020/21 with councils retaining an increased share of business rates. The intent is to incentivise councils to take a more active role in promoting the economic prosperity of their areas.
- 2.6. Of the net yield the council pays 50% to Central Government, and 1% to Humberside Fire and Rescue Service with the remaining 49% being the council's local share.
- 2.7. North Lincolnshire continues to be a tariff authority, and the tariff for 2019/20 for North Lincolnshire has been confirmed at £3.687m. This is because the council is able to raise more than its baseline funding level. There is also a levy payment on further growth in the taxbase, currently 10.15%.
- 2.8. To manage risks in what can be a volatile taxbase the government guarantees a minimum level of funding for each council if actual NNDR receipts are lower than their Baseline Funding level. Under the 50% scheme councils are guaranteed to receive 92.5% of the baseline funding level. However, any losses before the safety net is reached must be stood by the Council.
- 2.9. North Lincolnshire Council is unusually reliant on a small number of businesses paying a large majority of the total NNDR, which places a greater risk of loss of tax from appeals against rateable values, downsizing or closure. The safety net provides a degree of cover against this risk and was applied in 2018/19 after some significant backdated appeals were settled.
- 2.10. The NNDR1 provides 4.7% of net rates to cover appeals in the 2017 rating list and a further provision for outstanding 2010 rating list appeals, of which there are still in excess of 300.

3. OPTIONS FOR CONSIDERATION

- 3.1. The net NNDR tax yield for 2019/20 is estimated to be £76.181m.
- 3.2. **This is the best current estimate of the 2019/20 yield and so there are no other options to consider.**
- 3.3. The Chancellor's 2018 Autumn Budget contained a series of measures which need to be introduced locally under discretionary relief powers.

4. ANALYSIS OF OPTIONS

- 4.1. The NNDR tax base is the basis for calculating the net NNDR yield in 2019/20. Much of this is prescribed, such as entitlement to mandatory reliefs. The council has discretion in two important areas. It is required to estimate the amount of growth or decline in the tax base year on year, and the impact of any appeals it expects in 2019/20.
- 4.2. An assessment has therefore been made of the potential growth or reduction in the tax base in 2019/20. A net growth in the taxbase of £0.624m has been assumed.

4.3. This includes an estimate of the impact of appeals on the tax base for 2019/20. The council is estimating to set aside 4.7% of its NNDR yield in 2019/20 as a provision for appeals. This is the best estimate available at this time, following the introduction of the new Check, Challenge and Appeal process in 2017.

4.4. There are changes to system relief's which were announced as part of a package of business rates measures set out in the Chancellor of the Exchequer's Autumn Budget on 29th October 2018. The measures are to take effect from 1st April 2019, and are:

- A one third discount for retail property with a rateable value below £51,000 for two years
- Intention to legislate to grant a 100% relief from business rates for all standalone public toilets
- Extension of the £1,500 business rates discount for local newspapers' office space in 2019/20.

Local authorities will be expected to use their discretionary relief powers (under section 47 of the Local Government Finance Act 1988, as amended) to grant this new relief for retail properties in line with the relevant eligibility criteria. They will be compensated for the cost of granting the relief through a Section 31 grant from Government. An estimate of the cost of these reliefs and therefore the compensatory section 31 grant to be received are included within appendix 1.

4.5. The council retains 100% of any NNDR paid by new renewable energy plants which are constructed. There are several within North Lincolnshire including the Keadby Wind Farm, The Eco 2 Power Station at Brigg, a Solar Power Station near Broughton and various wind turbines. It also retain any additional Business rates on the Humberside Airport Enterprise Zone and part of the Humber Super Energy Cluster Enterprise Zone.

4.6. For budgeting purposes this is the tax yield to be used for 2019/20. 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.

4.7. Future prospects for the area are reasonable with the focus being on growing the existing industrial base and the potential construction of two Power Stations at Keadby and Killingholme. However it is vital existing high value sites in the area are retained.

4.8. Although the scheme does bring some opportunities it also increases the risks to the council's finances. Experience shows that the tax yield can be volatile.

4.9. Current estimates are that a surplus will be brought forward from 2018/19 mainly due to a one-off reduction in the appeals provision calculation following a number of withdrawn appeals in year and a change in methodology for a large industrial site.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1. It is estimated that by setting the NNDR tax base at £76.181m the council will retain funding of £41.030m. This is after deduction of the Central share, the Fire Authority share, and a tariff payment of £3.687m. This gives the council £8.390m more than the council's inflation adjusted NNDR Baseline Funding

Level, and this additional sum will be taken into account in the council's forward financial planning.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT

6.1. 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.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

7.1. The Cabinet Member for Governance and Transformation has been consulted and is in agreement with the content of this report.

8. RECOMMENDATIONS

8.1. That an estimated NNDR tax yield for 2019/20 is set at £76.181m.

8.2. That the new reliefs announced in the Chancellor of the Exchequer's Autumn Budget 2018 be granted under discretionary relief powers.

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

HEAD OF FINANCIAL SERVICES

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SCUNTHORPE
North Lincolnshire
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Date: 23rd January 2019

Background Papers used in the preparation of this report
Local Government Finance Act 2012

Forecast Income from NNDR 2019/20

Appendix 1

NATIONAL NON-DOMESTIC RATES	2019/20
Rateable Value	196,429,166
Gross NNDR Income	96,446,721
Mandatory Relief	(6,637,357)
Unoccupied Property Relief	(3,392,975)
Discretionary Relief (part funded by s.31 grant)	(985,306)
Appeals Provision and Write Off Estimate	(5,159,566)
Removal of Non-Collection Fund Items	(4,090,931)
NNDR Collection Fund Income	76,180,586
Council Share of Collection Fund Income	37,328,487
Tariff (-) / Top-Up (+)	(3,686,968)
Section 31 Grants & Other Reliefs	3,634,470
Levy (-) / Safety Net (+)	(337,311)
100% Retention Items	4,090,931
NNDR Income	41,029,609