NORTH LINCOLNSHIRE COUNCIL
OFFICER DECISION NOTICE AND RECORD

1. DECISION TAKEN

To set the Non-Domestic Rates Tax Yield for 2016/7

(Decision delegated by Council in December 2014)

EXECUTIVE		**NON-EXECUTIVE**	**Yes**	**(Please tick either)**
IS THIS A 'KEY DECISION' ?				**No**
DOES THIS DECISION RELATE TO EXEMPT INFORMATION?				**No**
EXEMPT PARAGRAPH REFERENCE (NOT TO BE PUBLISHED)				

2. OFFICER DECISION TAKER	**NAME** Mike Wedgewood... **POSITION/POST** Director of Policy and Resources .... **SIGNATURE** M Wedgewood **DATE** 30 January 2017..
3. DECISION TAKEN IN CONSULTATION WITH MEMBER Yes	**COUNCILLOR** Richard Hannigan.. **POSITION** Deputy Leader and Cabinet Member for Governance and Transformation.. **SIGNATURE** .... **DATE** 30 January 2017...
4. REASONS FOR THE DECISION (Please ref to any report/background documents attached)	See attached report
5. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED (BY DECISION TAKER(S))	See attached report
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	None
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.

Report of the Director of
Policy and Resources

Agenda Item No:
Meeting: 30 January 2017

NORTH LINCOLNSHIRE COUNCIL

DIRECTOR OF POLICY AND RESOURCES

SETTING THE NON-DOMESTIC RATES TAX YIELD FOR 2017/18

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1 To set the National Non Domestic Rate Tax Yield for 2017/18.

1.2 To approve the NNDR 1 form for release. This must be sent to the Department of Communities and Local Government and Humberside Fire and Rescue Service by 31st January 2017.

1.3 At the Council meeting on the 11th December 2014 the authority to take this decision was delegated to the Director of Policy and Resources in consultation with the Cabinet Member for Governance and Transformation.

2. BACKGROUND INFORMATION

2.1 Under arrangements introduced from 1st April 2013 the total business rate for England is shared 50/50 between central and local shares. The local share is then allocated to individual councils in proportion to the amount of business rates they collected in 2010/11 and 2011/12 and increased by inflation each year. The government uses the central share to fund any grants it makes to local government.

2.2 The current funding regime therefore has three elements:

a) Formula grant funding from government
b) The local share of business rates
c) Council tax

2.3 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 return, the NNDR 1, to Government. This is the purpose of this report.

2.4 However there are restrictions on how much of the *local share* of business rates councils like North Lincolnshire can retain. That is because the government wants to protect areas which currently depend most heavily on central government funding. It used the 2012/13 local government settlement to derive a *start-up funding assessment* for each council. This means it will continue to redistribute business rates from authorities with large tax bases to those with smaller tax bases relative to their needs. It will do this by applying a *tariff* to some councils in order to provide a *top-up* to others. This comes out of the local share and the tariff for 2017/18 for North Lincolnshire will be £3.5m. This is fixed until the next revaluation, up-rated annually in line with the Retail Price Index (RPI).

2.5 The NNDR1 return therefore estimates the amount of NNDR the council will collect for the following year 2017/18. Half of this total must be paid over to Central Government, with a further one percent share being paid to the Humberside Fire and Rescue Service as a local precepting body. Humberside Police are funded outside the new system through grant. Any _tariff_ is then paid from the remaining portion. If the sum remaining after all these payments are made is more than the share of NNDR funding the government has determined for the council it must pay a levy of 10% on the excess. It is intended to tie councils more directly to the fortunes of the local economy and to give them a greater incentive to take a more active role in promoting economic prosperity. What this means is that the council can retain a proportion of any growth in business rate income after adjusting for annual inflation.

2.6 There are, of course, risks that the council's funding will fall in circumstances of recession or economic decline. For this reason the government guarantee a minimum level of funding for each council if actual NNDR receipts are lower than their Baseline Funding level. Councils are guaranteed to receive 92.5% of the baseline funding level, so for North Lincolnshire Council the maximum loss for 2017/18 is £7.6m equivalent to a 12% increase in council tax. If receipts fall by more than this amount, the council will receive a payment from government under its Safety Net scheme.

2.7 Under the scheme North Lincolnshire Council has an opportunity to offset future reductions in central funding by growth in its business base, but it is also unusually reliant on a small number of businesses paying large amounts of NNDR. These businesses include British Steel and a number of refineries and power stations which together comprise a substantial part of the local tax base. This council is the only Humber authority which is a tariff authority; all others will receive a top-up grant. For the same reason there is a greater volatility in the local tax base due to appeals against rating valuations. The government has allowed for successful appeals by increasing the multiplier used to calculate the amount of rates payable on each property.

2.8 Central Government will continue to set the parameters of the scheme including the business rate to be levied, the reliefs on offer, the level of any cap on increases and the point at which the scheme is reset.

2.9 Since its inception a feature of the NNDR system has been regular national revaluations. The last revaluation was in 2010, the next will take effect from 1st April 2017. The government has used the new national total rateable value to calculate the multipliers which will be used by each council to determine the amount each business should pay. Nationally rateable values have increased by 9.6%. The government's aim is that nationally the same amount is collected each year by the NNDR system, with an adjustment for inflation. This means the multipliers to be applied in 2017/18 have decreased. Locally rateable values have fallen from £209m to £195m. This means a significant drop in the amount the council can collect from NNDR. The government has made adjustments to the system to broadly neutralise the financial impact for individual councils. For this council there has been a substantial decrease in the Tariff and the Levy rate has fallen from just under 25% to about 10%.

3. **OPTIONS FOR CONSIDERATION**

3.1 The NNDR tax base is the basis for calculating the net NNDR yield in 2017/18. 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 September in the prior year modified by reliefs and losses. This year the data to be used is the draft 2017/18 list. The council has discretion in two important areas. It is required to estimate the amount of growth or decline in the tax base, and the impact of any appeals it expects in 2017/18.

3.2 An assessment has therefore been made of the potential growth or reduction in the tax base in 2017/18. The main factors affecting the forecast of growth are the impact of appeals and general growth in the tax base. The impact of appeals may be significant but the most significant appeals can take some time to be resolved.

3.3 The Valuation Office Agency (VOA), the government agency responsible for valuing domestic and non-domestic properties, are able to provide some assistance on the number of appeals outstanding. An estimate of the impact on the tax base for 2017/18 has been calculated and included in the NNDR 1 return. Over half of the tax base is under appeal and these appeals if successful will result in refunds covering up to seven years.

The latest information from the VOA has been used to estimate the impact of currently outstanding appeals.

3.4 The council will retain any NNDR paid by new renewable energy plants which are constructed. There are several within North Lincolnshire including a renewable energy power station on Flixborough Industrial Estate, the Keadby Wind Farm, The Eco 2 Power Station at Brigg and a Solar Power Station near Broughton.

3.5 At the Council meeting on the 11th December 2014 the authority to take this decision was delegated to the Director of Policy and Resources in consultation with the Cabinet Member for Governance and Transformation.

4. **ANALYSIS OF OPTIONS**

4.1 The net NNDR tax yield for 2017/18 is currently estimated to be £76.455m.

4.2 **This is the best current estimate of the 2017/18 yield and so there are no other options to consider.**

4.3 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 2017/18. 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.

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

5.1 It is estimated that by setting the NNDR tax base at £76.455m the council will retain funding of £38.045m. This is after deduction of the central share, the Fire Authority share, a tariff payment of £3.485m and a levy payment of £0.419m. That gives the council £7.068m 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.

5.2 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. However it is vital existing high value sites in the area are retained. The loss of any one of the seven highest valued sites would lose the council significant funding.

5.3 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. The council will therefore have to maintain at least its existing level of balances due to this additional risk.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

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 31January.

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 2017/18 is set at £76.455m.

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

DIRECTOR OF POLICY AND RESOURCES

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Date: 29 January 2017

Background Papers used in the preparation of this report

Local Government Finance Act 2012

Appendix 1

	£m
Rateable Value	194.169
Gross NNDR Yield	90.483
NNDR Reliefs	-8.070
Cost of Collection (100% retained)	-0.238
Estimated Losses on Collection	-0.550
Contribution to Provision for appeals	-2.500
Enterprise Zone (100% retained)	-0.192
Renewables (100% retained)	-2.477
Net NNDR Yield	**76.455**