

KEY DECISION NOTICE

SERVICE AREA:	FINANCE Exchequer Services
SUBJECT MATTER:	BUSINESS RATES FORECAST (NNDR1)
DECISION:	(1) The statutory calculations in accordance with regulation 3 of the Non-Domestic Rating (Rates Retention) Regulations 2013 be approved. (2) The amount calculated by Tameside Metropolitan Borough Council as its provisional non-domestic rate contribution for 2015/16 be approved.
DECISION TAKER(S):	Councillor Jim Fitzpatrick
DESIGNATION OF DECISION TAKER(S):	First Deputy (Performance and Finance)
DATE OF DECISION:	29 January 2015
REASON FOR DECISION:	The calculation of the provisional non-domestic rating contribution for the forthcoming financial year is a legal requirement in accordance with the Local Government Finance Act 1988.
ALTERNATIVE OPTIONS REJECTED (if any):	The Calculation is prescribed by law, the Council is required to calculate and submit a completed NNDR1 return to the Secretary of State by 31 January 2015.
CONSULTEES:	Internal only
FINANCIAL IMPLICATIONS: (Authorised by Borough Treasurer)	The introduction of the Business Rates Retention scheme in April 2013 resulted in the Council bearing a share of the financial impact of any change from the calculated position, including passing the risk of future Business Rates appeals on to the Council. The robustness of the estimated position will be monitored during the year. For 2015/16 Tameside will participate in a Greater Manchester and East Cheshire pool, which potentially increases the total of Business Rates income retained within an area. However, there is a risk that if an individual pool member's Business Rates falls significantly, it would be unable to call on the Government's safety net arrangements and, rather, be faced with calling on other pool members to contribute to its shortfall.
LEGAL IMPLICATIONS: (Authorised by Borough Solicitor)	The Local Government Finance Act 1988 and the Non-Domestic Rating (Rates Retention) Regulations 2013 require a billing authority to make calculations for the forthcoming financial year by 31 January each year.
CONFLICT OF INTEREST:	None
DISPENSATION GRANTED BY STANDARDS COMMITTEE ATTACHED	Not Applicable

ACCESS TO INFORMATION:	The background papers used in the preparation of this report and can be inspected by contacting Paul Clarke, Service Unit Manager (Exchequer Services) on tel: 0161-342 -2062, email: paul.clarke@tameside.gov.uk
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Signed.....Date.....
Councillor Jim Fitzpatrick- First Deputy (Performance and Finance)

KEY DECISION REPORT

SERVICE AREA:	FINANCE Exchequer Services
SUBJECT MATTER:	BUSINESS RATES FORECAST (NNDR 1)
DATE OF DECISION:	29 January 2015
DECISION TAKER	Councillor Jim Fitzpatrick – First Deputy
REPORTING OFFICER:	Ilys Cookson – Assistant Executive Director – Exchequer Services
REPORT SUMMARY:	The calculation of the provisional non-domestic rate contribution for 2015/16
RECOMMENDATIONS:	<p>(1) The statutory calculations in accordance with regulation 3 of the Non-Domestic Rating (Rates Retention) Regulations 2013 be approved.</p> <p>(2) The amount calculated by Tameside Metropolitan Borough Council as its provisional non-domestic rate contribution for 2015/16 be approved.</p>
JUSTIFICATION FOR DECISION:	The calculation of the provisional non-domestic rating contribution for the forthcoming financial year is a legal requirement in accordance with the Local Government Finance Act 1988.
ALTERNATIVE OPTIONS REJECTED (if any):	The Calculation is prescribed by law, the Council is required to calculate and submit a completed NNDR1 return to the Secretary of State by 31 January 2015.
CONSULTEES:	Internal only.
FINANCIAL IMPLICATIONS: (Authorised by Borough Treasurer)	<p>The introduction of the Business Rates Retention scheme in April 2013 resulted in the Council bearing a share of the financial impact of any change from the calculated position, including passing the risk of future Business Rates appeals on to the Council. The robustness of the estimated position will be monitored during the year.</p> <p>For 2015/16 Tameside will participate in a Greater Manchester and East Cheshire pool, which potentially increases the total of Business Rates income retained within an area. However, there is a risk that if an individual pool member's Business Rates falls significantly, it would be unable to call on the Government's safety net arrangements and, rather, be faced with calling on other pool members to contribute to its shortfall.</p>
LEGAL IMPLICATIONS: (Authorised by Borough Solicitor)	The Local Government Finance Act 1988 and the Non-Domestic Rating (Rates Retention) Regulations 2013 require a billing authority to make calculations for the forthcoming financial year by 31 January each year.
RISK MANAGEMENT:	Every effort has been made to ensure information used is as accurate as possible to ensure that the calculation is as

	accurate as possible
LINKS TO COMMUNITY PLAN:	The financial implications will be calculated in the light of the budget calculation of the Authority and this will allow for implementation of the Community Strategy to be prioritised.
ACCESS TO INFORMATION:	The background papers used in the preparation of this report and can be inspected by contacting Paul Clarke, Service Unit Manager (Exchequer Services) on tel: 0161-342 -2062, email: paul.clarke@tameside.gov.uk

1. BACKGROUND

- 1.1 The law requires that the calculation of the provisional non-domestic rate contribution must be made for the forthcoming year 2015/16 as directed by the Secretary of State.
- 1.2 Business Rates are a property tax based on the rateable (annual rental) value of non-domestic property. Rateable values are provided by the Valuation Office Agency (VOA) and are calculated according to methodologies and assumptions laid down in statute. The VOA is an Executive Agency of Her Majesty's Revenue and Customs, (HMRC).
- 1.3 Each 'property' which is separately listed on the VOA's rating list is known as a hereditament. The term hereditament is used because rates can apply to just part of a building or indeed items which are not buildings at all such as pipelines, cables, advertising hoardings and cash machines.
- 1.4 To calculate the bill for each 'property' on the rating list, a multiplier is applied to the rateable value. The multipliers are set nationally and index linked annually to the Retail Prices Index. The draft multiplier figures for 2015/16 are as follows:

Multiplier	
Standard:	49.3 pence in the pound for properties with a rateable value of more than £18,000
Small business	48.0 pence in the pound for properties with a rateable value of less than £18,000

- 1.5 Small businesses also receive further relief on top of the lower multiplier disclosed in paragraph 1.3 above. The Government announced in the recent Autumn Statement that the Small Business Rates Relief Scheme (SBRR) is to be extended to the end of 2015/16. This permits businesses occupying premises with a rateable value of less than £6,000 to claim 100% relief. Relief is then reduced on a taper up to a rateable value of £12,000.
- 1.6 Since 1990, rateable values have been reviewed on a five-year revaluation cycle. The process is managed by the VOA and transitional arrangements exist to smooth out significant increases or reductions in rates bills. The next revaluation was scheduled for 1 April 2015 (based on valuations as at 1 April 2013) but the government has announced that the process will be delayed by two years until 1 April 2017.
- 1.7 If an occupier does not agree with the rateable value assigned to their property then they may have grounds for appeal. The appeal process is managed by the VOA. New builds, significant changes to the size, fabric or use of a building and the revaluation process referred to above are all trigger points for significant numbers of appeals. Some appeals can take many years to resolve; and there are some appeal cases currently still outstanding with the VOA dating there are still a small number of cases awaiting a judgement from the Lands Tribunal which go back to April 2005.
- 1.8 Although the VOA is responsible for valuations and the maintenance of the Rating List, local (Billing) authorities are responsible for the billing and collection of Business Rates.

2 IMPACT OF THE BUSINESS RATES RETENTION SCHEME

- 2.1 Since April 1990, Business Rates have operated on the basis of a national pooling system. Local Billing Authorities collected rates wholly on behalf of the Department for Communities and Local Government (CLG) and paid them over to the national pool. Those rates receipts were then re-distributed to all classes of local authorities along with Revenue Support Grant

using a needs-based formula. Since 2006, both amounts added together were known as Formula Grant.

- 2.2 From April 2013, a new Business Rates Retention scheme was introduced whereby the Council as the Billing Authority continues to raise and collect Business Rates, while the receipts will be shared between the participating bodies using the percentages outlined below:

Participating Body	Share
CLG (Central share)	50%
Council (Local share)	49%
Fire and Rescue Authority (Local share)	1%

- 2.3 Therefore all authorities will directly share any gains and losses arising from a growth or a decline in the Business Rates tax base.
- 2.4 Business Rates will continue to be accounted for through the Council's Collection Fund. Business Rates will operate in a similar way to Council Tax whereby each year the Council will agree a forecast of Business Rates to be generated and this will be paid out to participants as the 'demand' on the Collection Fund. Should there be a surplus or deficit in the Collection Fund at the end of a financial year relating to Business Rates generated when compared to the forecast 'demand' paid out, then this will be distributed to or recovered from the participants in the following financial year.

3 BUSINESS RATES POOLING

- 3.1 The Local Government Finance Act 2012 made a provision whereby Local Authorities could apply to the Secretary of State for a Business Rate Pool to be set up across a range of Local Authorities.
- 3.2 The benefit of a pooling agreement is that some or all of the levy payments which may have been due can be retained, thereby increasing the total of Business Rates income retained.
- 3.3 For 2015/16 Tameside has resolved to participate in the Greater Manchester and East Cheshire Business Rates pool.

4. BUSINESS RATES FORECAST FOR 2015/16

- 4.1 Under the new Business Rates Retention system, local billing authorities are required to prepare and submit to Communities and Local Government (CLG) a locally determined and approved business rates forecast through an NNDR 1 Return, by 31 January each year. This forecast will be used to determine the 2015/16 'demand' and payment schedule for Business Rates between billing authorities, central government and precepting authorities. There are four parts to the completion of the NNDR1 form which are:
- Part One – summary
 - Part two - The rates revenue forecast for 2015/16
 - Part three – The estimate of losses arising from bad debt and appeals
 - Part four – The out-turn estimate for 2014/15
- 4.2 The return to CLG shows the detail behind the Council's forecast for 2015/16 and also its estimated outturn position for 2014/15. The forecast begins with fixed information using the

rating list, liability and relief information as at 14 January 2015 and this is set out in part two of the calculation.

- 4.3 Part two of the calculation also requires the Council to forecast increases or reductions in Rates income as a result of changes in the year.

The tax base for Business Rates is volatile and prone to significant changes. Rates income fluctuates for many reasons; the most common of which are listed below:

- Changes in liability resulting from a change in occupancy;
- Appeals against rating decisions;
- Demolitions and the point at which properties are removed from the rating list;
- New build properties and the point at which rateable occupation triggered;
- Changes in building use and alterations to building size or layout;
- Changes in entitlement to reliefs;
- Action taken by property owners/occupiers to avoid full liability and maximise relief; particularly empty property and charitable relief;
- Changes in the provision for doubtful debts.

- 4.4 During 2014/15 there has been a small number of new business properties, however there has also been some properties removed from the rating list. In line with expectations there has been only a small movement in the overall rateable value during 2015/16.

- 4.5 For 2015/16 there are some small developments on Ashton Moss and building work continues on the college development however they are unlikely to enter the rating list until late 2015. The closure of the Tameside Administration Centre and Wilkinson Hardware store are however expected to take place early in the year. Consequently a prudent approach has been taken and a reduction in the rate yield is forecast during 2015/16.

- 4.6 In the Autumn statement the Government announced changes to Business Rates legislation by increasing the maximum award for Retail relief to £1500 in order to encourage economic growth. This relief is being funded through a section 31 grant meaning the Council can reclaim the full cost of awarding the relief. An estimate of the cost of awarding the new relief is detailed in lines 38 to 43 of part two of the return.

- 4.7 Part 3 of the return requires the Council to calculate any losses to the net rates payable that may arise as a result of bad debts and also appeals.

- 4.8 In difficult economic periods there will generally be a number of companies that cease trading and become insolvent. Business Rates liabilities are not a priority debt therefore there are inevitable losses to the rate revenue as a result of insolvency. Adequate provision has been made in line 2 (part 3) having regard to current liabilities, local knowledge and past experience.

- 4.9 Line 3 (part 3) of the return requires the Council to make an estimate of the potential loss as a result of appeals from companies to their rateable value. Appeals are one of the most significant factors that can have an impact on variability in yield. An occupier that does not agree with the rateable value assigned to their property may have grounds for appeal. Appeals are dealt with by the VOA and can date back many years. During 2014/15 the Government pledged that 95% of outstanding appeals would be resolved by July 2015. The VOA have made a concerted effort to reduce the number of appeals outstanding and while a significant number of old appeals have been addressed, the number of new appeals received has meant that the overall numbers have not reduced significantly

4.10 Part 4 of the return requires the Council to estimate its surplus or deficit in respect of the 2014/15 financial year. In order to do this the Council has calculated the rate relief yield as at 7 January 2014.

4.11 All the data calculations in part 2 and 3 of the return are then summarised into part 1 of the return which calculates;

Part 1a	The non-domestic rating income for 2015/16
Part 1b	The proportion of 2015/16 income due to the Government, billing Authority and Precept Authority
Part 1c	The amount of section 31 grant due to the Authority as a result of the new relief scheme.

4.12 Business rates liability, reliefs, write offs and appeal notifications will be monitored regularly throughout 2015/16 with a view to the Council making more informed local forecasts for future years.

4.13 The provisional figure will be used in the calculation of the Council's budget for 2015/16.

5. RECOMMENDATIONS

5.1 That Pursuant to the figures set out in the Report of the Assistant Executive Director of Exchequer Services, and the Local Government Finance Act 1988-

- (a) The statutory calculations in accordance with regulation 3 of the Non-Domestic Rating (Rates Retention) Regulations 2013 be approved.
- (b) The amounts calculated by Tameside Metropolitan Borough Council as its provisional non-domestic rate contribution for 2015/16 shall be as contained within the NNDR1 return for 2015/16.