

Delegated Decision

Non-Domestic Rates Tax Base 2019/20

Portfolio Holder:

Report of the Deputy Leader & Cabinet Member (Finance and Corporate Resources), Councillor Abdul Jabbar MBE

Officer Contact: Anne Ryans (Director of Finance)

Report Author: John Hoskins (Finance Manager)
Ext. 1323

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Reason for Decision

To determine the final Non-Domestic Rates (NDR) Tax Bases for 2019/20.

Executive Summary

This report sets out information to determine the Non-Domestic (Business Rates) Tax Base for 2019/20 using the most up to date information and estimates available. The Council is part of the 100% Business Rates Retention regime which commenced 1 April 2017 and this has resulted in changes to the calculation of the Business Rates Tax Base.

A report approved at Cabinet on 17 December 2018 set out an estimated Non Domestic Rates (Business Rates) Tax Base but delegated authority to revise the Tax Base if required, to the Deputy Leader and Cabinet Member for Finance and Corporate Resources in consultation with the Deputy Chief Executive Corporate and Commercial Services and the Director of Finance.

Since the Cabinet meeting, the impact of Budget policy announcements made in October 2018 have been further clarified. As a consequence the Oldham Council share of the Tax Base has been revised down to £50.826m, a reduction to the previously stated NDR Tax Base of £2.643m.

However the Cabinet report also initially anticipated £7.717m of Section 31 grants and following further calculations, particularly relating to the newly announced Retail Discount, the Section 31 grant figure has now increased to £10.503m, an increase of £2.786m.

The net variance of the reduction to the Business Rate Tax Base and increase in Section 31 grants received to that reported at Cabinet is an overall additional resource of £0.145m.

Recommendations

That approval is given to the final Business Rate yield and subsequently Oldham Council's estimated 2019/20 Business Rates Tax Base at £50.826m.

Non Domestic Rates Tax Base 2019/20**1 Background**

- 1.1 The Non-Domestic Rating (Rates Retention) Regulations 2013 set out a timetable for informing the Government and precepting Authority (Greater Manchester Combined Authority) of the business rate income calculation. The Council is therefore required to submit a Government return (NNDR 1) by 31 January in the year prior to the financial year for which the calculation is being made. This estimates the amount of Non Domestic Rate (NDR) that it is expected will be collected in the following financial year and therefore informs the NDR Tax Base. Given the legislative changes introduced from April 2013 the estimates now take on a higher profile as a result of the Council and the Greater Manchester Combined Authority (GMCA) retaining elements of the rates collected.
- 1.2 A report approved at Cabinet on 17 December 2018 set out an estimated Non Domestic Rates (Business Rates) Tax Base but delegated authority to revise the Tax Base if required to the Cabinet Member for Finance and Corporate Resources in consultation with the Executive Director of Corporate and Commercial Services and the Director of Finance.

2 Current Position

- 2.1 On 1 April 2017, the GMCA, Oldham Council and the nine other GM districts commenced a pilot scheme for the 100% local retention of Business Rates. The participants agreed to pilot full Business Rates retention on the basis that no district would be worse off than they would have been under the original '50/50' arrangements whereby Business Rates revenues are shared between Central Government and the Local Authority sector. This has become known as the 'no detriment' principle. Under the pilot scheme, additional rates income is offset by reductions in other funding streams such as the Revenue Support Grant (RSG) and Public Health (PH) grant.
- 2.2 The report presented to Cabinet on 17 December 2018 estimated the Business Rates Tax Base for 2019/20 at £53.469m, however this was based on the best estimates available at the time of preparing the report. The position has now been clarified following the completion of the NNDR1 return.
- 2.3 Since the Cabinet meeting, the impact of Budget policy announcements made in October 2018 have been further clarified. As a consequence the Oldham Council share of the Tax Base has been revised down to £50.826m, a reduction to the previously stated NDR Tax Base of £2.643m. Whilst this is lower than previously estimated, the majority of this variance is attributable to Budget policy changes specifically the newly announced Retail Discount. This discount sees all retail businesses who have gross rateable values between £0.015m and £0.051m benefit from a 1/3 bill reduction. Local Authorities however are not left with any loss of funds as the lost revenues are compensated with Section 31 Government Grants.
- 2.4 The value of the Section 31 Government Grants has therefore increased since the Cabinet meeting of the 17 December 2018. The Cabinet report initially anticipated £7.717m of Section 31 grants however following the calculation particularly relating to the Retail Discount, this figure has now increased to £10.503m, an increase of £2.786m.

2.5 The net variance of the reduction to the NDR Tax Base and increase in Section 31 grants received to that reported at Cabinet, is an over additional resource of £0.145m.

3 Options/Alternatives

3.1 The NNDR1 return generates the figures upon which the NDR Tax Base is prepared. It is not therefore appropriate to consider an alternative approach

4 Preferred Option

4.1 It is recommended that the revised Business Rates Tax Base of £50.826m is approved.

5 Consultation

5.1 Indicative Tax Base information has been shared with the GMCA to assist in the budget projections, subject to confirmation by this report.

5.2 There has been extensive consultation with other Greater Manchester Councils and the MHCLG as to the calculation of the Business Rates Tax Base.

6 Financial Implications

6.1 Dealt with in full in this report

7 Legal Services Comments

7.1 None

8. Co-operative Agenda

8.1 Income generated from Council Tax and Business Rates supports the Councils budget process and hence supports the delivery of the cooperative agenda.

9 Human Resources Comments

9.1 None

10 Risk Assessments

10.1 There is also a risk that if the anticipated level of NDR is not achieved it would lead to budget pressures in future financial years. Hence a prudent approach will be taken in assessing the anticipated business rates income levels.

10.2 There are extensive recovery procedures that will ensure that the maximum Council Tax and NDR income level is achieved.

11 IT Implications

11.1 None

12 Property Implications

12.1 None

13 **Procurement Implications**

13.1 None

14 **Environmental and Health & Safety Implications**

14.1 None

15 **Equality, community cohesion and crime implications**

15.1 None

16 **Equality Impact Assessment Completed?**

16.1 Not applicable

17 **Key Decision**

17.1 Yes

18 **Key Decision Reference**

18.1 FCR-28-18

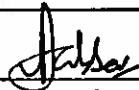
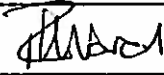
19 **Background Papers**

19.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: Background Papers are contained in Appendix A
Officer Name: John Hoskins & Anne Ryans
Contact No: 0161 770 1323/4902

20 **Appendices**

Appendix A Report to Cabinet of 17 December 2018 – Council Tax and Non Domestic Tax Bases 2019/20

| Decision of | |
|--|-------------------------|
| Signed <u></u> Deputy Leader and Cabinet Member for Finance and Corporate Resources | Dated <u>31/01/2019</u> |
| In consultation with | |
| Signed <u></u> Deputy Chief Executive Corporate & Commercial Services | Dated <u>31/1/19</u> |
| Signed <u>A.T. Ryans</u> Director of Finance | Dated <u>31/1/19</u> |

