

Southend-on-Sea Borough Council

**Report of Corporate Director of Support Services
to
Council**

**on
13 December 2012**

Report prepared by: Ian Ambrose, Group Manager –
Financial Management

**Agenda
Item No.**

**Local Government Finance Reform
Delegation of Non-Domestic Rates and Council Tax Base Setting**

Executive Councillor: Councillor Holdcroft

A Part 1 Public Agenda item

1. Purpose of Report

To ensure that an appropriate process is in place for the setting of the Council Tax and Non-Domestic Rate bases so to avoid any delays in approval and to prevent the need for additional meetings to be called later in the budget process.

2. Recommendation

2.1 That Council delegates the authority to approve the NNDR1 (National Non-Domestic Rates) form and the Council Tax Base to Cabinet;

2.2 That Council additionally delegates the authority to approve the NNDR1 form and the Council Tax Base to the Head of Finance and Resources, in conjunction with the Leader, subject to the delegation only being used where Cabinet is not able to approve the NNDR1 form and the Council Tax Base by the statutory deadline of 31 January; and

Should the delegation be used by the Head of Finance and Resources, an explanation will be included in the Council Budget report to Council as to why it was not practical for Cabinet to use its delegation.

3. Background

3.1 The Local Government Finance Act 2012 (LGFA 2012) has just completed its passage through Parliament and is due to come into effect from 1 April 2013.

3.2 Under the new legislation, it is proposed that a proportion of Non-Domestic Rates (NDR) will be retained locally by billing authorities and will be shared with Major Precepting Bodies. Currently all NDR collected is paid to the Government

and Southend-on-Sea receives back a proportion as part of the overall Government funding arrangements.

- 3.3 Currently, Officers complete a return known as the NNDR1 form before the start of each financial year which is returned to the Department for Communities and Local Government (DCLG). This form provides the local tax base for business properties in the area for the forthcoming year. The form is used by DCLG to set a schedule of payments that have to be made to the national pool.
- 3.4 Under the Government's reform of Business Rates Retention it is clear that the NNDR1 form will become a key document in the budget setting process. The initial submission of the 2013/14 NNDR1 form will be required by 21st December and a final version "signed-off by the Council" must be returned by 31st January 2013.
- 3.5 Central Government will still set the actual level of Non-Domestic rates.
- 3.6 The LGFA 2012 also formally provides for the introduction of Localised Support for Council Tax, as a replacement for the national Council Tax Benefit scheme. This will see the introduction of a local scheme, as detailed elsewhere on this agenda. The local scheme has to be effected through the giving of a reduction in Council Tax liability, as opposed to financial assistance with the full liability, and as such will have the effect of reducing the overall Council Tax Base.
- 3.7 Additionally, the LGFA 2012 allows the Council to alter a number of discounts and exemptions relating to second homes and empty properties, which Cabinet have recommended taking advantage of.

4. Issues and Proposals

- 4.1 The need to obtain sign-off of the NNDR1 form is a new requirement and is date critical. Officers will be reviewing the data and completing the December and January returns in line with the requirements set out in the technical consultation.
- 4.2 Although no exact process has been specified for the sign-off process, DCLG and the Chartered Institute of Public Finance and Accountancy (CIPFA) have indicated that they would expect Councils to adopt a similar process to the one they use for the approving of the Council Tax Base.
- 4.3 Full Council have traditionally approved the Council Tax Base in mid December. However the impact of the newly introduced localised support for Council Tax now has to be incorporated into setting the Council Tax Base. This can not be done until Full Council sets the localised scheme. That is subject to a report elsewhere on the agenda. To have incorporated the localised scheme into the Council Tax base would therefore have pre-empted Council's decision.
- 4.4 The cycle of Council meetings is such that it will make the submissions of the NNDR1 and the Council Tax Base by 31 January 2013 difficult to achieve without the need to arrange urgent or special meetings.

- 4.5 Section 67 to the Local Government Finance Act 1992, as amended by section 84 to the Local Government Act 2003 excluded setting the taxbase from having to be determined by Full Council. Thus it can be delegated under section 101 of the Local Government Act 1972 to a committee, the cabinet or even an officer. DCLG consider that the approval of the NNDR1 can be delegated in a similar way.
- 4.6 It is therefore recommended that Council delegate both the setting of the Council Tax base and the approval of the NNDR1 to Cabinet. It can then be considered by Cabinet in their January meeting in a timely fashion to meet the statutory 31 January deadline. The proposals will ensure that the key returns are reported to DCLG and preceptors on time and without the need for additional meetings to be called. Details of the tax base and the retained business rates will be reported to Cabinet and Council as part of the budget setting process.
- 4.7 In extenuating circumstances, there may be times when it is necessary to delay the setting of the Council Tax base and / or the approval of the NNDR1 right up until 31 January. It is therefore recommended that Council additionally delegates the authority to approve the NNDR1 form and the Council Tax Base to the Head of Finance and Resources, in conjunction with the Leader, subject to the delegation only being used where Cabinet is not able to approve the NNDR1 form and the Council Tax Base by 31 January. Where this additional delegation is used, the Head of Finance and Resources will include an explanation in the Council Budget report to Council as to why it was not practical for Cabinet to use its delegation.

5. Corporate Implications

5.1 Contribution to Council's Vision & Corporate Priorities

The Council Tax Base and now the NNDR1 are an intrinsic part of the overall budget strategy, and therefore are an integral part of the Council's Corporate Service and Resources Planning Framework

5.2 Financial Implications

The setting of the Council Tax Base and the submission of the NNDR1 return are key stages in the budget setting and resource planning process of the Council. The proposed delegation will limit the risk of delays in the budget setting process under the proposals contained within the Local Government Finance Act 2012.

5.3 Legal Implications

The calculation of the Council Tax Base, and the Council's estimate of its collection rate, are primarily governed by Section 33(1) of the Local Government Finance Act 1992 and the Local Authorities (Calculation of Council Tax Base) Regulations 1992. In addition regulations to deal with the changes relating to the new Council Tax Support schemes have been issued under the Local Government Finance Act 2012.

Similarly the LGFA 2012 requires the NNDR1 to be submitted to DCLG by 31 January to be approved.

5.4 People Implications

None

5.5 Property Implications

None

5.6 Consultation

None required

5.7 Equalities and Diversity Implications

None

5.8 Risk Assessment

This proposal minimises the risk involved in setting the Council Tax Base and the NNDR1 by giving adequate time to be able to incorporate the latest guidance on the regulations and to be able to incorporate the localised Council Tax Support Scheme as adopted by Council.

5.9 Value for Money

None

5.10 Community Safety Implications

None

5.11 Environmental Impact

None

6. Background Papers

None

7. Appendices

None