

LONDON BOROUGH OF TOWER HAMLETS

COUNCIL MEETING

WEDNESDAY 28th NOVEMBER 2012

CALCULATION OF NON-DOMESTIC RATES INCOME

REPORT OF THE CORPORATE DIRECTOR, RESOURCES

1. SUMMARY

- 1.1 The reform of local government finance introduces new arrangements for planning for non-domestic rates income. In future, instead of paying the whole amount of business rates collected to the Government for redistribution, the Council will retain a small proportion of rates locally to assist with funding local services. This results in changes to the statutory framework governing the setting of the Council's budget.
- 1.2 This report seeks delegation of purely technical elements of this process involving the formal notification of figures to the Government and other stakeholders to the Chief Finance Officer; it does not affect the Council's consideration of the budget and Medium Term Financial Plan at the annual budget-setting meeting.

2. RECOMMENDATIONS

The Council agrees;

- 2.1. That the duty to calculate its non-domestic rates income for the coming year and to notify preceptors and the Government as set out in the draft Non Domestic Rating (Rates Retention) Regulations 2012 be delegated to the Council's statutory chief finance officer.
- 2.2. To note that if the draft regulations are not approved in the form set out in the report, a further report will be submitted to the Council.

3. CALCULATION OF NON-DOMESTIC RATES INCOME

- 3.1 The reform of local government finance introduces new arrangements for planning for non-domestic rates. Up to and including the current financial year, all non-domestic (business) rates income collected by the authority has

been paid across in full to the Government under the National Non-Domestic Rates scheme.

- 3.2. From 2013/14 onwards, rates income collected by the authority will be distributed between the Council, the Greater London Authority (GLA) and the Government. The Council will retain a proportion of rates collected under the new Business Rates Retention scheme instead of receiving Formula Grant.

A fuller explanation of the new arrangements and their implications for the budget will appear in budget papers for Cabinet to be considered by Council in February.

- 3.3. Since the calculation of non-domestic rates income now has implications for other authorities, the Government has published new draft regulations (The Non Domestic Rating (Rates Retention) Regulations 2012), which state as follows;

Calculation and notification of amounts

- 5.—(1) On or before 31st January in the preceding year, a billing authority must—
- (a) calculate its non-domestic rates income for the relevant year;
 - (b) calculate the amount of the central share of its non-domestic rating income for the relevant year;
 - (c) calculate the amount of each relevant precepting authority's share of its non-domestic rating income for the relevant year; and
 - (d) notify the Secretary of State and any relevant precepting authorities of the amounts calculated.

- 3.4. This is similar to the current requirement in relation to Council Tax to consider and approve the Council Tax Base, and this function is currently delegated to the Cabinet. However, in the case of non-domestic rates, the annual non-domestic rate will continue to be set by the Government on the basis of an annual inflation uplift. The estimate of non-domestic rates income is therefore purely a technical issue.
- 3.5. It is therefore proposed that the function of the authority under the draft regulations to calculate non-domestic rates income and to notify the Government and the GLA should be delegated to the chief finance officer (Section 151 officer) of the Council, who is currently the Corporate Director – Resources.

In the event that regulations are not approved by Parliament in accordance with the draft, this decision of the Council will lapse and a further report will be submitted to Council on 23rd January

- 3.6 Council approval of this matter will allow greater efficiency in the budget process. If Council decides not to delegate this matter a report will be submitted to Council on 25th January to seek formal approval of the business rates income estimate.

4. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL)

4.1 There are no legal implications the advice is set out in the body of the report regarding the basis of the delegation

5. COMMENTS OF THE CHIEF FINANCIAL OFFICER

5.1 The comments of the Corporate Director, Resources are included in the body of the report of which he is the author.

LOCAL GOVERNMENT ACT, 1972 SECTION 100D (AS AMENDED)

LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT

Brief description of background papers:

Name and telephone number of holder and address where open to inspection

- None