
EXPLANATORY NOTE

(This note is not part of the Regulations)

Under paragraph 6 of Schedule 7B to the Local Government Finance Act 1988 (“the 1988 Act”), billing authorities are required to pay a proportion of their non-domestic rating income to the Secretary of State (“the central share”). The proportion that is to be the central share is set out in the Local Government Finance Report for each year.

“Non-domestic rating income” is defined in regulation 3 and Schedule 1. It is an estimate of the aggregate of amounts that will be charged and credited to the authority’s income and expenditure account with respect to non-domestic rates in the year accordance with proper accounting practices. This equates to the amounts payable by businesses to the authority under sections 43 and 45 of the 1988 Act in the year, and automatically includes adjustments for previous years.

This figure is subject to a number of adjustments – for transitional protection payments made or received by the authority under Part 8 of Schedule 7B to the 1988 Act, for the authority’s costs of collection, and for amounts disregarded with respect to areas or classes of hereditament designated under Part 10 of Schedule 7B to the 1988 Act.

Regulation 4 provides for the payment of the central share to the Secretary of State, Regulation 4, with Schedule 2, also provides for an amount to be deducted from the central share payment where rates relief under section 47(1) of the 1988 Act has been granted in a prescribed area. Regulation 6 provides for this deduction to be shared with major precepting authorities if the area is not also designated for the purposes of Part 10 of Schedule 7B (in such a case the billing authority retains the full amount).

Under paragraph 9 of Schedule 7B to the 1988 Act the Secretary of State may require billing authorities to make payments to major precepting authorities of a proportion of their non-domestic rating income. Regulation 5 provides that such payments are to be made to county councils, fire and rescue authorities in whose area the billing authority is and, for London authorities, the Greater London Authority.

Regulation 7 provides that a county council receives the amount that has been disregarded in respect of a hereditament because it falls within a class designated under part 10 of Schedule 7B to the 1988 Act if it was the planning authority for the purposes of determining the application that led to the hereditament falling within that class.

Regulation 8 and Schedule 3 provide for the transfer of the authority’s share of its income, plus an amount for its costs of collection and the disregarded and deducted amounts, to the authority’s General Fund.

Regulation 9 requires the authority to carry out further calculations at the end of the year and have these certificated. If an authority has made provision for bad or doubtful debt that is disallowed by the auditor that carries out the certification, the authority is required by regulation 12 to make adjustment so that it carries this cost, rather than it being shared with the Secretary of State and the major precepting authorities.

Differences between the amounts notified at the start of the year and the certified amounts will result in a surplus or deficit on the billing authority’s collection fund income and expenditure account. Provision is made for the reconciliation of certain amounts by regulation 10 and 11 because these amounts will be dealt with outside the provisions of Part 4 of the Regulations.

Part 4 provides for the calculation of the surplus or deficit. The amount is to be estimated before the end of the year. It is apportioned between the billing authority, the Secretary of State and the major

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precepting authorities in the same proportions as the income was shared. Rules for the calculation of the surplus and deficit estimate are set out in Schedule 4.

Part 5 sets out when payments due under the Regulations are to be made and the consequences of late payment.

No separate impact assessment has been prepared for these Regulations, but the impact assessment prepared for the Local Government Finance Act 2012 is relevant:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/8470/2054063.pdf