

Forest Heath District Council

(This report is a key decision. This report has been subject to appropriate notice of publication under the Council's Access to Information Rules)

Report of the Cabinet Member for Resources, Governance and Performance

CABINET

5 FEBRUARY 2013

CAB13/062

NATIONAL NON DOMESTIC RATES FORECAST (NNDR1 RETURN) AND SUFFOLK POOLING UPDATE (Key Decision Reference: JAN13/03)

1. Summary and reasons for recommendation(s)

- 1.1 The purpose of this report is to provide an update on the new Suffolk Business Rates Retention Pool which comes into place on 1 April 2013 and to set out a Business Rates forecast for 2013/2014 for noting.

2. Recommendation(s)

- 2.1 Cabinet is asked to note this update report, including the Business Rates forecast for 2013/2014 (NNDR1 forecast return), which has been submitted to DCLG by 31 January 2013 by the Council's Chief Financial Officer.**

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3. Corporate priorities

- 3.1 The Suffolk Pool for Business Rates will support all the priorities within the Strategic Plan but particularly Economic Development: A stronger economy which is capable of growing.

4. Key issues

- 4.1 Business rates retention is intended to provide incentives for local authorities to drive economic growth, as the authorities will be able to retain a share of the growth that is generated in business rates revenue in their areas, as opposed to the current system where all business rates revenues are held centrally.
- 4.2 The Local Government Finance Bill also allows local authorities to form pools for the purposes of business rates retention. In line with Cabinet Report No CAB12/034 – 2 October 2012, Forest Heath has signed up along with the other Suffolk Authorities and the County Council to be designated as a Suffolk pool. The pool has received confirmation from the Department of Communities and Local Government (DCLG).
- 4.3 Local billing authorities are required to prepare and submit to DCLG a locally determined and approved business rates forecast through an NNDR1 Return by 31 January each year. This forecast will be used to determine the 2013/2014 'demand' and payment schedule for Business Rates between billing authorities, central government and precepting authorities.

Business Rates Forecast for 2013/2014

- 4.4 Business Rates are a highly complex and volatile tax and it is exceptionally difficult to forecast movements over a short to medium term with great accuracy. Aspects which affect forecasting Business Rates are covered 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 Builds 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.
- 4.5 Fluctuations in Business Rates income are also strongly linked to the performance of the wider economy. For example, in an economic downturn there is a heightened risk of properties being left empty and lower levels of development activity. It is considered prudent that a nil growth for 2013/2014 is assumed.
- 4.6 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. Anglia Revenues Partnership (ARP), with the support of the partner authorities, has recently commissioned a piece

of work to understand the likely impact of outstanding appeals for the Council for 2013/2014.

- 4.7 The proposed level of appeal for 2013/2014 is forecasted at 2.73%, made up of 1.73% derived from the work commissioned by ARP plus a 1% contingency.
- 4.8 The recent Autumn Statement contained two announcements with regard to Business Rates, both of which have been included with the NNDR1 forecast return at Appendix A. Firstly, the government announced a continuation of the Small Business Rates Relief (SBRR) scheme to run until at least 31 March 2014. Secondly, the Government will exempt all newly built commercial property completed between 1 October 2013 and 30 September 2016 from empty property rates for the first 18 months.
- 4.9 The Council must submit an approved NNDR 1 Return to DCLG by 31 January 2013. Appendix A sets out the return in full and shows the detail behind the Council's forecast for 2013/2014. The forecast begins with fixed information using the rating list, liability and relief information as at 30 September 2012 and this is set out in lines 1 through to 19. The level of reliefs has been risk assessed and updated to allow for additional reliefs during 2013/2014.
- 4.10 Local factors are then further applied to this information to allow for and best reflect the impact of cost of collection, losses in collection, current and backdated appeals and other changes to the rateable value on the rating list during 2013/2014. These are outlined on lines 20 through to 35.
- 4.11 Business rates liability, reliefs, write offs and appeal notifications will be monitored regularly throughout 2013/2014 with a view to the Council making more informed local forecasts for future years.

5. Other options considered

- 5.1 The Council could choose not to be part of a Suffolk Pool.
- 5.2 An options appraisal is not relevant as DCLG prescribes the format and method of calculation of the NNDR 1 return.

6. Community impact

- 6.1 Over the last few years, local authorities have increasingly been working together in different ways: delivering services; sharing back office functions to deliver efficiency savings; and collaborating on issues that affect their wider area as part of Local Enterprise Partnerships. Government supports such joint-working between local authorities and wants to encourage it.
- 6.2 As such, the rates retention scheme provides local authorities with the opportunity to come together where they wish to do so to pool business rates and build growth across a wider area.

7. Consultation (what consultation has been undertaken, and what were the outcomes?)

7.1 The calculation of the business rates income estimate follows a prescribed process and, as such, does not require consultation.

8. Financial and resource implications (including asset management implications)

Business Rates Forecast for 2013/2014

8.1 The retention of business rates significantly changes the landscape of local government finance. Pooling offers the potential to deliver more benefits to Suffolk and promotes closer working within Suffolk.

8.2 As part of the recent funding announcement, the DCLG has allocated each authority with an amount of rates they are expected to retain in 2013/2014 if no changes occur. This amount is called the business rate baseline and is calculated using the average rates collected over the last two years. For Forest Heath, the business rate baseline has been communicated for 2013/2014 as £8,455,000.

8.3 DCLG have established Forest Heath's baseline funding level for 2013/2014 as £1,751,000. As our individual authority business rates baseline (£8,455,000) is in excess of our baseline funding level (£1,751,000) we would pay a tariff to central government.

8.4 Any difference between the Local Authority's business rate baseline and the amount of rates retained will create either a pressure or additional income for that authority depending on whether it collects more or less than the baseline. Any additional income is subject to a 50% levy rate with central government.

8.5 The completed NNDR1 forecast return at Appendix A, calculates the expected business rate for 2013/2014 as £8,641,000. Given an increase in the business rate baseline of £186,000, 50% is levied back to central government, leaving £93,000 (50%) to be retained by the district. This forecasted amount has been included within the 2013/2014 budget setting process.

Pooling of Business Rates across Suffolk

8.6 Based on the most recently available NNDR1 return figures for Suffolk Authorities, the total financial benefit of the Suffolk Business Rates Retention Pool stands at £2,376,000 for 2013/2014, the majority of which has come from baked in growth (from applying a two year average to the business rate baseline) for Suffolk Coastal.

8.7 Of this £2,376,000 total and in line with the agreed governance arrangements; £1,000,000 has been retained to establish a reserve to fund potential future safety net payments; £651,000 has been allocated to Suffolk Public Sector leaders and the remaining £725,000 has been distributed to all partners.

8.8 Forest Heath's share of the £725,000 is only £42,000 as our share of overall growth in our business rate baseline is low for 2013/2014. This forecasted amount will be included within the 2013/2014 budget setting process.

Budget process 2013/2014

- 8.9 In summary, the following income has been included within the Council budget setting process for 2013/2014:

	2013/2014
Baseline funding level	£1,751,000
Share (50%) of additional business rate income over the business rates baseline	£ 93,000
Share of benefit from Suffolk pool	£ 42,000

9. Risk/opportunity assessment *(potential hazards or opportunities affecting corporate, service or project objectives)*

- 9.1 Each Suffolk Authority has signed up to the Suffolk Business Rates Retention Pool governance arrangements.
- 9.2 If a pool is dissolved then the member authorities would revert to their individual baselines, tariffs and levies.
- 9.3 Should the actual business rates collected in 2013/2014 differ from the estimate then the difference will be carried over into 2014/2015. This will create either an additional pressure or an additional resource in 2014/2015 depending on if the actual collected is higher or lower than the estimate.

10. Legal and policy implications

- 10.1 These are considered within the resources implications section of the report.
- 10.2 Sign off of the NNDR1 forecast return by the Council's Chief Financial Officer is covered within the Council's existing delegations.

11. Ward(s) affected

- 11.1 All wards will be affected

12. Background papers

- 12.1 'Local Government Resource Review - Business Rates Retention - Pooling' Cabinet Report COU12/034 - 2 October 2012

13. Documents attached

- 13.1 Appendix A - NNDR1 Forecast Return 2013/2014