



St Edmundsbury
BOROUGH COUNCIL

D278

Cabinet 13 February 2013

National Non Domestic Rates Forecast (NDR1 return) and Suffolk Pooling Update (Feb13/10)

1. Summary and reasons for recommendation

- 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

- 2.1 Cabinet is asked to **NOTE** the report, including the Business Rates forecast for 2013/2014, as shown in the NDR1 forecast return contained in Appendix A of Report D278, which was submitted to the Department of Communities and Local Government by the Council's Chief Finance Officer by the deadline of 31 January 2013.

Contact details

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Title

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3. Corporate priorities

- 3.1 The recommendation meets the following, as contained within the Corporate Plan: -
- (a) Corporate Priority 1: *'Working together for strong, healthy and diverse communities'*;
 - (b) Corporate Priority 2: *'Working together for prosperous and environmentally-responsible communities'*; and
 - (c) Corporate Priority 3: *'Working together for an efficient Council'*.

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 D125 – 12 September 2012, St Edmundsbury 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 a National Non Domestic Rates (NDR1) 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:
- (a) changes in liability resulting from a change in occupancy;
 - (b) appeals against rating decisions;
 - (c) demolitions and the point at which properties are removed from the rating list;
 - (d) new builds and the point at which rateable occupation triggered;
 - (e) changes in building use and alterations to building size or layout;
 - (f) changes in entitlement to reliefs;
 - (g) action taken by property owners/occupiers to avoid full liability and maximise relief; particularly empty property and charitable relief; and
 - (h) 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 Valuation Office Agency (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 St Edmundsbury, the business rate baseline has been communicated for 2013/2014 as £17,520,000.

8.3 DCLG has established St Edmundsbury's baseline funding level for 2013/2014 as £2,201,000. As the Borough Council's individual authority business rates baseline (£17,520,000) is in excess of its baseline funding level (£2,201,000) it 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 £18,185,000. Given an increase in the business rate baseline of £665,000, 50% is levied back to Central Government, leaving £332,500 (50%) to be retained by the district. This 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 St Edmundsbury's share of the £725,000, is only £77,000, as our share of overall growth in our business rate baseline is low for 2013/2014. The confirmed amount, once all returns are submitted by 31 January 2013, 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 | £2,201,000 |
| Share (50%) of additional business rate income over the business rates baseline | £ 332,500 |
| Share of benefit from Suffolk pool | £ 77,000 |

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. Wards affected

- 11.1 All wards will be affected.

12. Background papers

- 12.1 'Local Government Resource Review - Business Rates Retention – Pooling' Cabinet Report D125 – 12 September 2012

13. Documents attached

- 13.1 Appendix A: NNDR1 forecast return 2013/2014



Department for
Communities and
Local Government

**NATIONAL NON-DOMESTIC RATES RETURN 1
NNDR1 2013-14**

Please e-mail to : nndr.statistics@communities.gsi.gov.uk

Please enter your details after checking that you have selected the correct authority name.

Please check the figures shown in the cells with a blue border and enter your own figures if you disagree with those suggested.

**A provisional version of the form should be returned to the Department for Communities and Local Government by
Monday 7 January 2013**

The final version of this form, including a signed copy, must also be sent to the Department for Communities and Local Government by
Thursday 31 January 2013

Select your local authority's name from this list:

St Edmundsbury
St Helens
Stafford
Staffordshire Moorlands
Stevenage
Stockport

Check that this is your authority : **St Edmundsbury**
Check that this is your E Code : **E3535**
Local authority contact name : **Brian Cunningham**
Telephone number of local authority contact : **01842 756465**
Fax number for local authority contact : **01845 756513**
E-mail address of local authority contact : ian.cunningham@angliarevenues.gov.uk

Ver 1.4

| | |
|--|----------------------|
| 1. Number of hereditaments on the rating list on 30 September 2012 | 3,664 |
| 2. Aggregate rateable value on the rating list on 30 September 2012 | £ 111,226,032 |
| GROSS CALCULATED RATE YIELD | |
| 3. Enter line 2 x small business non-domestic rating multiplier (0.462) | £ 51,386,426.78 |
| MANDATORY RELIEFS | |
| Small business rate relief | |
| £ | |
| 4. Additional yield generated to finance the small business rate relief scheme | 879,853.32 |
| 5. Cost of small business rate relief for properties within billing authority area | 1,802,386.08 |
| 6. Net cost of the small business rate relief (Line 5 minus Line 4) | 922,532.76 |
| 7. Cost of relief to charities | 2,263,010.88 |
| 8. Cost of relief to Community Amateur Sports Clubs | 32,307.32 |
| 9. Cost of relief for rural general stores, post offices, public houses, petrol filling stations and food shops | 52,344.18 |
| 10. Cost of relief for partly occupied premises | 65,368.46 |
| 11. Cost of relief for empty premises | 703,025.93 |
| 12. Total mandatory reliefs (Sum of lines 6 to 11) | 4,038,589.53 |
| DISCRETIONARY RELIEFS | |
| 13. Cost of relief to charities | 98,673.95 |
| 14. Cost of relief to non-profit making bodies | 82,356.19 |
| 15. Cost of relief to Community Amateur Sports Clubs | 994.14 |
| 16. Cost of relief for rural general stores, post offices, public houses, petrol filling stations and food shops | 18,949.47 |
| 17. Cost of relief to other rural businesses | 10,968.80 |
| 18. Other Section 47 reliefs (Localism Act discounts) | 0.00 |
| 19. Total discretionary reliefs (Sum of lines 13 to 18) | 211,942.55 |
| 20. Gross Rate Yield after reliefs (Line 3 minus lines 12 & 19) | 47,135,894.70 |
| 21. Estimate of 'losses in collection' | 589,785.50 |
| 22. Allowance for Cost of Collection | 164,145.47 |
| 23. Special Authority Deductions - City of London Offset | 0.00 |

| NATIONAL NON-DOMESTIC RATES RETURN 1 2013-14 | | St Edmundsbury |
|--|-----------|----------------------|
| Ver 1.4 | | |
| Section 2 | | |
| Enterprise Zones | | |
| 24. Estimated level of discount to be awarded in 2013-14 | | £ 0.00 |
| 25. Estimated value of non-domestic rates in the Enterprise Zone area in 2013-14 | 0.00 | |
| 26. Enterprise Zone baseline | 0.00 | |
| 27. Total estimated value of business rates to be retained in 2013-14 (Line 25 minus line 26) | | 0.00 |
| New Development Deals | | |
| 28. Estimated value of non-domestic rates in the New Development Deals area in 2013-14 | 0.00 | |
| 29. New Development Deals baseline | 0.00 | |
| 30. Total estimated value of business rates to be retained in 2013-14 (Line 28 minus line 29) | | 0.00 |
| Renewable Energy Schemes | | |
| 31. Total estimated value of business rates to be retained in 2013-14 | | 0.00 |
| 32. Net Rate Yield excluding transitional arrangements and rate retention (Line 20 minus the sum of lines 21 to 23, 27, 30 & 31) | | 46,381,963.73 |
| Rate retention adjustments | | |
| 33. Estimate of the change in rateable value between 1 October 2012 and 30 September 2013 | | 0.00 |
| 34. Estimate of the change in receipts as a result in the change in rateable value (line 33 times the multiplier) | | 0.00 |
| This equates to a percentage change of | % | 0.00 |
| 35. Local authority's estimate of adjustment due to appeals | | 919,149.95 |
| 36. Net Rate Yield excluding transitional arrangements but after rate retention adjustments (Line 32 plus lines 34 and minus line 35) | | 45,462,814.00 |
| Section 3 | | |
| Transitional arrangements | | |
| 37. Addition revenue received because reduction in rates have been deferred | 11,741.57 | |
| 38. Revenue foregone because increase in rates have been deferred | 68,679.90 | |
| 39. Net cost of transitional arrangements (Line 38 minus line 37) | | 56,938.33 |
| 40. Net Rate Yield after transitional arrangements and rate retention (Line 36 minus line 39) | | 45,405,876.00 |

| NNDR Summary for : St Edmundsbury | |
|---|---------------|
| These figures show the percentage shares of the NNDR you estimate your authority will collect in 2013-14. They are based on line 36. See the <i>Tier Split</i> tab for full information | |
| | £ |
| Amount of NNDR to be paid to central government | 22,731,407.00 |
| Amount to be retained by St Edmundsbury under the rates retention scheme | 18,185,126.00 |
| Amount to be passed to Suffolk | 4,546,281.00 |
| | |
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| Certificate of Chief Financial Officer | |
|---|--|
| I certify that the entries in lines 3, 12, 19, 20, 36, 39 and 40 of this form are the best I can make on the information available to me and that the figures given in lines 1 and 2 used in the calculating the amount shown in lines 36 and 40 are, to the best of my knowledge and belief those shown in the rating list for my authority as at 30 September 2012, subject to any order made before 15 January 2013 under the Local Government Act 1972 implementing boundary changes. I also certify that the authority has made proper arrangements for securing efficiency and effectiveness in relation to the collection of non-domestic rates. I also certify to the best of my knowledge and belief that any amount included as legal costs in line 22 and discretionary relief in line 24 meet the conditions set out in the Non-Domestic Rating (Rates Retention) Regulations 2013. | |
| Chief Financial Officer : | |
| Date : | |