

Subject: Business Rates Retention Forecast 2018/19
Date of Meeting: 25 January 2018
Report of: Executive Director of Finance & Resources
Contact Officer: Name: James Hengeveld Tel: 29-1242
Email: James.hengeveld@brighton-hove.gov.uk
Ward(s) affected: All

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 There is a statutory requirement placed on all business rates collection authorities to calculate how much business rates income each authority is likely to receive for the coming year. Members will be aware there is considerable volatility in business rates income which makes it difficult to forecast, and the council is highly reliant on the data and decisions of the Valuation Office Agency (VOA).
- 1.2 The Department for Communities and Local Government ('CLG') issued the NNDR1 2018/19 form on 20 December 2017, which gathers and reports the estimated business rates expected to be collected by the council next year. The NNDR1 form must be submitted to CLG and the Fire Authority by 31 January 2018. To accommodate any updated information becoming available ahead of the deadline, delegated authority to the Executive Director of Finance & Resources following consultation with the Chair is requested in order to agree the final form. Any amendments to the final NNDR1 form will be reflected in the budget report to this committee in February.

2. RECOMMENDATIONS:

That Policy, Resources & Growth Committee:

- 2.1 Notes that the amount forecast to be received by the council in 2018/19 from its share of local business rates and section 31 Local Government Act 2003 compensation grants is £61.361m, based on the latest data. This is £0.238m above the forecast used in the November draft budget proposals report.
- 2.2 Delegates the agreement of the final business rates forecast and the NNDR1 2018/19 form to the Executive Director of Finance & Resources following consultation with the Chair of this Committee for the reasons given in paragraph 1.2.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 Business rates are a property tax based on the rateable value (RV) of each non-domestic property which is determined by the Valuation Office Agency (VOA). At 20 December 2017 the RV for Brighton and Hove on the 2017 rating list was £309.263m.

- 3.2 As with previous rating lists the 2017 rating list is subject to an appeals process and a judgement is made on the level of successful appeals that are estimated to reduce the council's business rates income.
- 3.3 To calculate the bill for each property on the rating list, a multiplier is applied to the RV. There are two multipliers set nationally; the small business non-domestic multiplier which is used for properties with a RV below £51,000, and the non-domestic multiplier due on properties above this level. The provisional small business non-domestic multiplier for 2018/19 is 48.0p in the pound and the provisional non-domestic multiplier is 49.3p in the pound.
- 3.4 Certain categories of occupation are entitled to relief against their business rates bill, for example small businesses and charities receive mandatory relief. Local authorities may also provide relief on a discretionary basis for particular types of occupier.
- 3.5 There are certain reductions in business rates income resulting from Government announcements on reliefs and multiplier caps. Local authorities will continue to be refunded for the loss in receipts as a result of these announcements through section 31 compensation grants. Therefore the overall resources generated through business rates retention is a combination of business rates income and section 31 grants.
- 3.6 The business rates retention scheme allows the council to keep 49% of the net amount raised locally with a further 1% going to East Sussex Fire Authority and the remaining 50% being paid to Government.

Business Rates Collection Fund latest position 2017/18

- 3.7 The monitoring of business rates income during 2017/18 is reported to this committee through the Targeted Budget Management (TBM) reports. The last forecast at TBM month 7 indicated a forecast deficit of £3.951m at 31 March 2018 of which the council's 49% share is £1.936m; however there are government adjustments due for the tariff payment and section 31 (S31) grants that will fund £1.240m of this deficit leaving a net deficit of £0.696m to be funded in 2018/19. This will be updated ahead of the 31 January deadline to take into account the most up to date information available in order that the relevant section of the NNDR1 form can be completed and this will be reported to this committee in both the TBM month 9 and budget reports.

Business Rates estimate for 2018/19

- 3.8 The business rates multipliers have been increased by September CPI at 3% rather than September RPI of 3.9% following an announcement in the Autumn Budget statement. This reduces the level of business rates income to the authority however government will compensate authorities for this loss of income through the section 31 grant.
- 3.9 The estimated tariff payment was based on the draft 2017 valuation list and in December government announced a revised tariff based on the final compiled 2017 valuation list. As Brighton and Hove saw a reduction in RV during this period the tariff payment has been reduced to £1.163m to reflect the reduced business rates income and this is in line with the anticipated change reflected in the current TBM and business rates forecast.

- 3.10 As business rates can be volatile, the most significant factor in determining forecasts of future business rates income are the level of successful appeals. Other factors taken into account are additions and deletions to the rating list and any significant changes to mandatory and discretionary reliefs.

Gross rates payable

- 3.11 Based on the 2017 rating list at 20 December 2017, the gross rates payable for 2018/19 is £148.446m. An allowance is made for a change in the gross rates payable to reflect the forecast change in liability from new properties, deleted properties and other changes to rateable value (excluding appeals). It is estimated there will be a net growth of 0.25% in 2018/19.

Transitional Arrangements

- 3.12 As part of the 2017 revaluation and in line with previous revaluations there are transitional arrangements to smooth out the impact of major changes to business rates bills. The NNDR1 forecasts ratepayers receiving transitional relief of £4.591m and paying a transitional surcharge of £0.599m in 2018/19. The net cost of the transitional arrangements, of £3.992m in Brighton and Hove, is funded entirely by government.

Small Business Rates Relief (SBRR)

- 3.13 The government is currently consulting on the methodology for calculating the level of section 31 grant due to authorities to compensate for the loss of income resulting from threshold changes implemented this year to SBRR. The proposed methodology results in a higher section 31 grant than had been assumed for threshold changes by £0.386m. The NNDR1 form now includes full compensation for the SBRR changes (permanent doubling of SBRR and threshold changes) and the council is forecast to receive section 31 grant of £3.732m for SBRR.

Discretionary Reliefs funded through section 31 grants

- 3.14 New business rates relief schemes to deal with the impact of revaluation on individual ratepayers were announced in the Spring Budget and consisted of a discretionary fund over 4 years; this consisted of supporting small businesses by limiting increases and eligible pubs receiving a £1,000 discount. The Autumn Budget has extended the supporting small businesses relief and pub relief into 2018/19 and the total amount of relief estimated to be awarded under all three schemes in 2018/19 is £0.886m. The council is compensated for its share of reduced business rates income from awarding this relief by section 31 grant funding.

Appeals

- 3.15 The council needs to make a judgement on the level of successful appeals against the 2017 rating list as this reduces business rates income the council will receive in 2018/19. The new appeals process implemented for the 2017 list currently provides limited information on which to gauge the level of successful appeals and therefore the estimate of reduced liability from successful appeals for 2018/19 has been based on implied national assumptions. The methodology

for the appeals provision will be amended in future year's dependant on the level of appeals lodged.

Overall business rates forecast for 2018/19

- 3.16 The following tables summarises the components of the business rates retention income due to the council:

Brighton & Hove City Council share of business rates	£ million
Brighton & Hove City Council 49% of non-domestic rating income (Part 1B line 14 on NNDR1 form)	-57.258
Section 31 compensation grants from government (Part 1C line 36 on NNDR1 form)	-5.381
Tariff Payment (includes section 31 impact from the multiplier cap of £0.024m)	+1.187
Levy payment	+0.091
Total of business rates income retained by the council	-61.361

- 3.17 The business rates income of £61.361m exceeds the forecast made in the draft revenue budget and capital investment proposals 2018/19 report to this committee on 30 November 2017 by £0.238m. The main reason for this change is the increased SBRR threshold section 31 grant that is referenced at paragraph 3.13 which is partially offset by a lower net liability than previously estimated.

Future changes to the business rates retention scheme

- 3.18 On the 19 December 2017 the Secretary for Housing, Communities and Local Government announced the government's aim for local authorities to retain 75% of business rates from 2020/21. In addition, ten areas were announced as successful in their bid to pilot 100% business rates retention in 2018/19, alongside London which had already been announced as a pilot area. Although Brighton & Hove is not involved as a pilot, the council will be monitoring progress, and through Orbis, will have access to first-hand experience involving Surrey County Council.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 The completion of the NNDR1 form is prescribed in the completion guidance notes from CLG.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 The council has a duty to consult representatives of business ratepayers on the council's overall budget and this consultation will take place before the February Policy, Resources & Growth Committee.

6. CONCLUSION

- 6.1 The council has a statutory duty to agree a business rates forecast, set out a forecast surplus or deficit for 2017/18 and submit an NNDR1 form by the 31 January 2018.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The forecast business rates income, including section 31 business rates grants, is £0.238m above the forecast used in the November draft revenue budget and capital investment proposals 2018/19 report. This will be incorporated into the budget report to this committee in February subject to any changes made to the final NNDR1 form. The council's share of the business rates collection fund deficit will also be included within the budget forecast for 2018/19.

Finance Officer Consulted: James Hengeveld

Date: 11/01/2018

Legal Implications:

- 7.2 Under Part 2 of the Non-Domestic Rating (Rates Retention) Regulations 2013 (SI 2013/452), the Council must determine specified information relating to its business rates forecast and notify the Secretary of State and relevant precepting authorities of the amounts. In respect of the year commencing 1 April 2018, these amounts must be determined by 31 January 2018.
- 7.3 This is not a function reserved to Full Council by legislation or local agreement and it is therefore appropriate for this matter to be decided by Policy, Resources & Growth Committee as the calculation of business rates is within its terms of reference.

Lawyer Consulted: Elizabeth Culbert

Date: 14th January 2018

Equalities Implications:

- 7.4 None specific to this report.

Sustainability Implications:

- 7.5 The changes to business rates reliefs and thresholds could have a beneficial impact on the economic health of the city.

Any Other Significant Implications:

Risk and Opportunity Management Implications:

- 7.6 Business rates income is volatile and hard to predict so therefore needs close monitoring. The system allows councils to spread the volatility risks with other councils by pooling. Brighton & Hove is not particularly reliant on business rates income from any one employer or any particular type of business so the risks here are lower. However, the council may wish to consider the merits of pooling in future years.

Corporate / Citywide Implications:

- 7.7 The council has a significant incentive to maintain and grow the business rates income generated by the city and needs to take this into consideration when making all relevant decisions.

SUPPORTING DOCUMENTATION

Appendices:

1. National Non-Domestic Rates Return - NNDR1 2018/19

Documents in Members' Rooms:

None.

Background Documents:

1. Files held with Finance and Revenues.