

Report to Cabinet



Date of Meeting	1 st December 2020
Portfolio	Cabinet Member for Corporate Delivery
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Public/Private Document	Public

2021/22 Setting the Business Rate Base

Executive Summary

1. This report seeks approval from Council on 16 December 2020, for the setting of the Business Rates baseline for 2021/22 in accordance with the Local Government Finance Act 1988 and the Non-Domestic Rating Regulations 2013; and approval of the precept payment dates for 2021/22.

Recommendation

2. Cabinet is asked to consider, for submission to Council on 16 December 2020:
 - a) The draft Business Rate baseline figure of £63.251m for 2021/22, subject to any changes which may result from:
 - the provisional Local Government Finance Settlement 2021/22.
 - a change to the current pilot scheme for 100% retention of Business Rates
 - the issue of the Ministry of Housing, Communities & Local Government (MHCLG) guidance on completion of the 2021/22 Business Rates baseline return (NNDR1), due in January 2021.
 - b) The Chief Finance Officer, in consultation with the Cabinet Member for Finance, to be authorised to conclude and agree the final Business Rates baseline return (NNDR1) due on 31 January 2021, should the final information yet to be received from MHCLG change the baseline figure for 2021/22.
 - c) That the precepts payment schedule detailed in paragraph 4.2 be approved.

Reason for Recommendation

- 3.1 The Non-Domestic Rating (Rates Retention) Regulations 2013 (SI 2013/452) require billing authorities to notify the Secretary of State and their major precepting authority of their calculation of non-domestic rating income for the following financial year and the estimated surplus/deficit on the Collection Fund by 31st January each year.
- 3.2 The figures are produced subject to the MHCLG guidance being published and provided, following which the figure in this report may have to be revisited.

Key Points for Consideration

4.1 Setting the Business Rates Baseline

- 4.1.1 From 1st April 2013 the Business Rates Retention Scheme (BRRS) was introduced as part of the move to localise and stimulate business growth at a local level. Under the original BRRS the Authority paid 50% of its Business Rates income to Central Government, 1% to Greater Manchester Combined Authority (GMCA) – Fire Services, and retained the remaining 49%.
- 4.1.2 The Local Government Settlement 2017/18 included the introduction of the 100% retention of Business Rates for identified regional pilot authorities, including Greater Manchester. The Council is awaiting confirmation from the government that the GM pilot scheme will continue in 2021/22. Under the pilot scheme 100% of the Business Rates income is retained locally, in lieu of Revenue Support Grant and Public Health Grant. The precept arrangement under the pilot scheme is 99% to Rochdale BC and 1% to GMCA Mayoral General (including Fire Services).
- 4.1.3 Central Government has assessed potential retained Business Rates income and provided a “top up” grant within the local government finance settlement to bridge the gap in funding as a result of the move to the BRRS.
- 4.1.4 The BRRS is accounted for within the Collection Fund. This account reflects the statutory requirements for the Council to maintain a separate Collection Fund, in relation to the operation of the BRRS and Council Tax. The Fund records all the transactions for billing, payments by Council Tax/ Business Rates payers, reliefs granted, write offs and payments to the precepting authorities. At the end of each year the surplus/deficit on the Fund is allocated to the precepting authorities on the basis of their level of precept on the Collection Fund.
- 4.1.5 In January of each year the Authority is required to set an estimated Business Rates income yield for the following year which is to be used to inform the precepting authorities of their precept on the Fund. If the current pilot scheme for 100% retention of Business Rates continues, the income yield will be allocated as follows:

Rochdale BC – General Fund	99%
GMCA Mayoral General (including Fire Services)	1%

4.1.6 A Central Government standard form is used (known as the NNDR1) to ensure a common approach for the collection of the Business Rates income forecast. The return to be used for the completion of the 2021/22 estimate has not yet been made available by MHCLG. The setting of the baseline for 2021/22 has been prepared on a draft basis until further clarification is received from MHCLG.

4.2 **Precept Payment Dates 2021/22**

4.2.1 The Business Rates retention regulations require that the local authority should agree a precept schedule with the precept authority, which in the case of Rochdale Council will be GMCA Mayoral General (including Fire Services).

4.2.2 It is proposed that the same payments schedule be adopted as set out for the Council Tax precept, which is detailed below:

20th April 2021	20th October 2021
20th May 2021	22nd November 2021
21st June 2021	20th December 2021
20th July 2021	20th January 2022
20th August 2021	21st February 2022
20th September 2021	21st March 2022

4.3 **Alternatives Considered**

4.3.1 No alternative is available, as the Council has a statutory requirement to estimate and set a Business Rates Baseline each financial year.

Costs and Budget Summary

5.1 A final NNDR1 must be agreed by the Chief Financial Officer and returned to MHCLG by 31st January each year. The final return must include:

- a) the anticipated gross income to be billed to businesses in 2021/22;
- b) estimates for any growth in Business Rates anticipated in 2021/22, net of any demolitions;
- c) forecast for any increases in Business Rates relief including empty reliefs;
- d) changes in amounts to be collected should those premises that still have outstanding appeals from the rateable value revaluation changes in 2005, 2010, and 2017 be resolved;
- e) changes in amounts to be collected from premises that are subject to a reduction as a result of the appeals process or Valuation Office Agency (VOA) adjustments.

5.2 A final baseline position for 2021/22 cannot be included in this report, as the

final guidance will be issued by MHCLG in mid-January 2021. Members are requested to approve that the Chief Finance Officer, in consultation with the Cabinet Member for Finance, be authorised to conclude and agree the final Business Rates baseline return (NNDR1), due on 31 January 2021, should the final information yet to be received from MHCLG change the baseline figure for 2021/22.

- 5.3 The Government will set out the 2021/22 provisional Business Rates multiplier; this will be confirmed after either the Local Government Finance Report for 2021/22 has been approved by the House of Commons or 1 March 2021, whichever is earlier.
- 5.4 Using the estimated Business Rates multipliers currently assumed in the Medium Term Financial Strategy, the Business Rates baseline for 2021/22 would be £63.251m split between:

Rochdale Borough Council	£62.619m
GMCA Mayoral (including Fire Services)	£0.632m
Total	£63.251m

- 5.5 The 2021/22 estimated Business Rates baseline takes into account the latest forecast for 2020/21, and estimated changes in the baseline for 2021/22.
- 5.6 An estimate of the outturn for 2020/21 Business Rates income to be collected will be compared to the estimated baseline amount provided in the NNDR1 for 2020/21. Differences between the estimate and the projected actual collected will be considered as part of setting the 2021/22 Estimates process.

The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 come into force on 1 December 2020. The regulations require the repayment of Collection Fund deficits arising in 2020/21 to be spread over the next three years, 2021/22 to 2023/24, rather than the usual period of a year. Business Rates precept payments will be adjusted to reflect the requirements of the regulations.

Risk and Policy Implications

- 6.1 It is necessary for the Council to comply with the Non-Domestic Rating (Rates Retention) Regulations 2013 (SI 2013/452) to ensure that it does not act ultra vires in relation to its arrangements for the setting of the Business Rates Base for 2021/22.
- 6.2 Subject to government confirmation, in 2021/22 the Council will continue to be part of the GM pilot to retain 100% of Business Rates. The 100% Business Rates pilot will mean that the Council will take 99% of the risk for the collection of all Business Rates rather than 49% under the previous system. Major changes to Business Rates, such as awards of mandatory reliefs for schools converting to academies, will be borne mainly by the local authority.

- 6.3 As part of the 100% pilot the Council will be responsible for 99% of the cost of changes to rateable values as a result of appeals, which introduces further volatility to the Business Rates income collected.
- 6.4 There are still a number of rateable value appeals outstanding where businesses have appealed against the values set by the Valuation Office Agency in 2005 and 2010. These may have a significant impact for the business rates to be collected and retained by the local authority, including the costs of any backdated amounts. A provision is held to support the ongoing mitigation of this risk.
- 6.5 Businesses now use the check, challenge and appeal process against rateable values that came into effect on 1 April 2017 which may have a financial impact on business rate income. A provision is held to offset the possible impact of successful appeals, and other rateable value reductions made by the Valuation Office Agency.

Consultation

7. This report is part of the budget setting process and consultation is undertaken with stakeholder groups, staff and service users as appropriate throughout the budget process.

Background Papers	Place of Inspection
8. There are no background papers	

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