

Report to Corporate Overview and Scrutiny Committee



Date of Meeting	8th December 2021
Portfolio	Cabinet Member for Finance and Corporate
Report Author	Carolyn Goddard
Public/Private Document	

2022/23 Setting the Business Rate Base

Executive Summary

1. This report seeks approval from Council on 15th December 2021:
 1. For the setting of the Business Rates baseline for 2022/23 in accordance with the Local Government Finance Act 1988 and the Non-Domestic Rating Regulations 2013.
 2. To approve the precept payment dates for 2022/23.

Recommendation

2. Cabinet is asked to consider, for submission to Council on 15th December 2021:
 1. The draft Business Rate baseline figure of £65.329m for 2022/23, subject to any changes which may result from:
 - the provisional Local Government Finance Settlement 2022/23.
 - the issue of the Department for Levelling Up, Housing and Communities (DLUHC) guidance on completion of the 2022/23 Business Rates baseline return (NNDR1), due in January 2022.
 2. The Chief Finance Officer, in consultation with the Cabinet Member for Finance and Corporate, to be authorised to conclude and agree the final Business Rates baseline return (NNDR1) due on 31 January 2022, should the final information yet to be received from DLUHC change the baseline figure for 2022/23.

3. 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 DLUHC 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. As part of the October 2021 Spending Review, the government confirmed that the GM pilot scheme will continue in 2022/23, and to 2024/25. 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. With the continuation of the current pilot scheme for 100% retention of Business Rates, 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 2022/23 estimate has not yet been made available by DLUHC. The setting of the baseline for 2022/23 has been prepared on a draft basis until further clarification is received from DLUHC.

4.2 **Precept Payment Dates 2022/23**

- 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 2022	20th October 2022
20th May 2022	21st November 2022
20th June 2022	20th December 2022
20th July 2022	20th January 2023
22nd August 2022	20th February 2023
20th September 2022	20th March 2023

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 Finance Officer and returned to DLUHC by 31st January each year. The final return must include:
- a) the anticipated gross income to be billed to businesses in 2022/23;
 - b) estimates for any growth in Business Rates anticipated in 2022/23, 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 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 2022/23 cannot be included in this report, as the final guidance will be issued by DLUHC in early January 2022. Members are requested to approve that the Chief Finance Officer, in consultation with the Cabinet Member for Finance and Corporate, be authorised to conclude and agree the final Business Rates baseline return (NNDR1), due on 31st January 2022, should the final information yet to be received from DLUHC change the baseline figure for 2022/23.

5.3 The Government has decided to freeze the Business Rates multiplier in 2022/23 and keep them at 2021/22 levels; this will be confirmed after either the Local Government Finance Report for 2022/23 has been approved by the House of Commons or 1st March 2022, whichever is earlier.

5.4 Using the Business Rates multipliers announced in the 2021 Spending Review, the Business Rates baseline for 2022/23 would be £65.329m split between:

Rochdale Borough Council	£64.676m
GMCA Mayoral (including Fire Services)	£0.653m
Total	£65.329m

5.5 The 2022/23 estimated Business Rates baseline takes into account the latest forecast for 2021/22, and estimated changes in the baseline for 2022/23.

5.6 An estimate of the outturn for 2021/22 Business Rates income to be collected will be compared to the estimated baseline amount provided in the NNDR1 for 2021/22. Differences between the estimate and the projected actual collected will be considered as part of setting the 2022/23 Estimates process.

The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 came into force on 1st December 2020. The regulations require the repayment of Collection Fund deficits arising in 2020/21 to be spread over the three financial years, 2021/22, 2022/23 and 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 2022/23.

- 6.2 As confirmed in the October 2021 Spending Review, the Council will continue to be part of the GM pilot to retain 100% of Business Rates in 2022/23. 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 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 1st 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 2022/23 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
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For Further Information Contact:	Carolyn Goddard, Tel: 01706 926051, Carolyn.Goddard@Rochdale.Gov.uk
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