

**Meeting: Finance Sub-Committee**  
**Date: 19 October 2016**  
**Title: Business Rates Overview**

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**Authors: Andy Scott**

Tel: 0191 643 7150

**Service: Finance Service**

**Wards affected: All**

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## **1. Purpose of the Report**

1.1 This report is provided to give an outline of the Business Rates position in North Tyneside. This has recently been requested by the Finance Sub Committee as an area of interest to them. As this is the first report on Business Rates, and it has become an increasingly complex area, I have set out some fundamental information on Business Rates. This is to provide an understanding of what Business Rates actually is before setting out how we forecast anticipated debit to be collected and monitoring income levels.

## **2. Recommendations**

2.1 Finance Sub Committee are asked to note the content of the report.

## **3. Details**

3.1 Business Rates, also referred to as Non-Domestic Rates, is collected by local authorities. It is the mechanism for those who occupy, or are responsible for, business premises to contribute towards the cost of local services.

3.2 The gross amount of business rates payable by a business is determined by two key elements. The rateable value attributed to a property and the National Non-Domestic Rating Multiplier. These are multiplied together to arrive at the gross rates payable.

3.3 Rateable values for properties are determined by the Valuation Office Agency, part of HM Revenue & Customs. The rateable value broadly represents the yearly rent the property could have been let for on the open market on a particular date. The rateable values currently used are based on the revaluation that came into effect on 1 April 2010, (based on values as at 1 April 2008).

3.4 A further revaluation has just taken place, based on values as at the 1 April 2015 and these new valuations come into force on 1 April 2017. All rateable values are reassessed at a general revaluation to ensure bills paid by any one ratepayer reflect changes over time in the value of their property relative to others.

- 3.5 The National Non-Domestic Rating Multipliers are set by Central Government each year and are increased in line with the Retail Price Index (RPI), unless it is a revaluation year when they are reset to reflect the movement in rateable value changes nationally, to create a financially neutral position.
- 3.6 There are two multipliers used: the standard non-domestic rating multiplier and the small business non-domestic rating multiplier. The former is higher to pay for the cost of providing the small business rate relief scheme.
- 3.7 Once the gross rates payable has been determined, the actual net rates payable is determined by whether the occupier, or responsible party for liability, is entitled to any further reductions due to the particular circumstances of the property or occupier.
- 3.8 Perhaps the most well known of these reductions, which I am sure members will have heard referred to in the news on many occasions is Small Business Rate Relief (SBRR).

A large proportion of businesses in North Tyneside benefit from the SBRR scheme. (see statistics set out at 3.9). Ratepayers who are not entitled to other mandatory reliefs and occupy a property with a rateable value which does not exceed £17,999 have their bills calculated using the lower small business non-domestic rating multiplier.

For a property with a rateable value less than £6,000 (subject to some exceptions), 100% SBRR will be applied. For properties with rateable values between £6,000 and £12,000 a tapered scale of relief is applied.

- 3.9 Other forms of relief include Empty Property Relief, Charitable Rate Relief (both mandatory and discretionary), Part Occupation Relief, Community Amateur Sports Club Relief, Hardship Relief, Transitional Relief, Enterprise Zone Relief and a few other minor ones.
- 3.10 Some statistics on our commercial property database
  - We have 5,563 commercial assessments in North Tyneside
  - 705 are in receipt of empty property relief
  - 253 are in receipt of mandatory charitable rate relief
  - 148 are in receipt of discretionary rate relief
  - 1,362 properties have an RV less than £6,000 and receive 100% SBRR
  - 588 have an RV between £6,000 and £12,000 and get partial SBRR
  - 1,534 pay the smaller multiplier but don't get a discount as RV between £12,000 and £18,000
  - 2079 properties have RVs above £18,000 and have the standard multiplier applied

## Changes to Distribution of Business Rate Income

- 3.11 Prior to the financial year of 2013/2014, although local authorities were statutorily responsible for collecting business rates, the monies collected were not directly held by the local authorities. All business rates collected were paid across to Central Government Treasury; it was then redistributed back to local authorities using complex formulae as part of the Local Government Finance Settlement.
- 3.12 From 1 April 2013 Business Rate Retention was introduced to change the way local government is funded. The local government sector (local authorities and fire and rescue authorities) are said to benefit directly by supporting business growth and keeping 50% of any increases in business rate revenue.

This was subject to some in depth calculations including establishing individual authority start-up funding assessments, individual authority business rates baseline and tariff and top up levels, levy rate thresholds and safety net thresholds.

- 3.13 Government are currently consulting upon a move to 100% Business Rate Retention and North Tyneside Council has submitted a response to this consultation. We will inform Finance Sub Committee on the outcome of the consultation when we are in a position to do so.

## Government Returns

- 3.14 In January of each year a government return termed NNDR1 has to be completed by each local authority. This sets out a forecast of the anticipated level of business rates that will be received in the following financial year.
- 3.15 It is used as part of the Councils budget setting process. It is an indication of the likely levels of business rates to be distributed to Central Government (50%), North Tyneside Council (49%) and Tyne & Wear Fire & Rescue (1%)
- 3.16 There are many factors that are taken into account when completing the NNDR1. These include but are not limited to the following
- Estimate of Gross Rates payable based on RV and forecast growth / decline
  - Estimate on all levels of relief we may pay out (see 3.9 for examples)
  - As above for our Enterprise Zone
  - An estimate of losses due to appeals against RV being backdated
  - An estimate of non payment to determine bad debt provision movement
  - An estimate of movement in the surplus / deficit of the collection fund account
- 3.17 The position with appeals is a particular tricky area. We have undertaken a significant amount of work to analyse the rateable value appeals that are currently outstanding, to determine their likelihood of success and estimate the % reduction that may be applied by the Valuation Office Agency. It is particularly frustrating that a Central Government department solely determines the rateable values of commercial premises, yet if appeals are successful due to values being deemed incorrect, that the local authority has to pick up part of the cost of refunding the business rate payer.

- 3.18 There are currently 865 commercial properties in North Tyneside (15.5% of all our commercial properties) that have an outstanding appeal against their 2010 rateable value. In our NNDR1 we have made provision of in excess of £2 million for losses in income the Council could incur due to successful appeals.
- 3.19 An NNDR3 Government return is completed in May each year as an outturn document to reflect the actual business rate position at financial year end. Any adjustments to business rate monies due to or from the Government are reflected in the NNDR3.
- 3.20 The business rate position is measured on a monthly basis in terms of movement in rateable value and all reliefs awarded. The actual collection of business rates is also checked to ensure bad debt provision remains accurate. Appeals information is checked on a daily basis as this is an area of particular risk.
- 3.21 An extract of the NNDR1 for 2016/17 is included as appendix 1. I will talk the sub-committee members through the key elements of this document.