

Crawley Borough Council

Consideration Report for Delegated Decision by Leader of the Council

Expected Date of Decision 3 February 2021

Calculation of the Non-Domestic Rates Income for the Year 2021/2022

Report of the Head of Corporate Finance – FIN/518

1. Purpose

- 1.1 The purpose of this briefing note is for the Leader of the Council to exercise his delegated authority to approve the Non-Domestic Rates Income for 2021/22.

2. Recommendations

- 2.1 The Leader of the Council is recommended to:

Approve the calculation of the non-domestic rating income for 2021/2022

3. Reasons for the Recommendations

- 3.1 The calculation required by statute has produced a non-domestic rating income of £110,685,297; the central share has been calculated at £55,342,648; and the relevant precepting authority's (WSCC) share as £11,068,530. The regulations provide that in the current year this authority must make the calculations by 31 January 2021.

4. Background

- 4.1 The Non-Domestic Rating (Rates Retention) Regulations 2013 require a billing authority, by 31 January in the preceding year, to:
- Calculate its non-domestic rates income for the relevant year;
 - Calculate the amount of the central share of its non-domestic rating income for the relevant year;
 - Calculate the amount of each relevant precepting authority's share of its non-domestic rating income for the relevant year; and
 - Notify the Secretary of State and any relevant precepting authorities of the amounts calculated.
- 4.2 The non-domestic rates income is used to calculate the level of grant receivable by the Council through the Business Rates Retention Scheme introduced from April 2013. There is now a direct link between the non-domestic rates income receivable in the year and the level of grant receivable by the Council.

5. Information & Analysis Supporting Recommendation

5.1 A summary of the calculation is reported in NNDR1 (National Non-Domestic Rates Return) which is attached in Appendix A. This shows:

(a)	non-domestic rates income (part 1 line 11)	£110,685,297
(b)	amount of the central share	£55,342,648
(c)	amount of West Sussex County Council share	£11,068,530
	amount of Crawley Borough Council share	<u>£44,274,119</u>

5.2 All business properties are valued by the District Valuer and assigned a rateable value. In order to arrive at the non-domestic rates payable for the year, the total rateable value is multiplied by the small business non-domestic rating multiplier (0.499 for 2021/22).

5.3 **Mandatory reliefs.** These are available to certain classes of ratepayer (e.g. charities). The mandatory relief for charities and community amateur sports clubs is 80% of the rates due. It is estimated that the total cost of mandatory reliefs for 2021/22 will be £2,121,669 (2020/21: £1,881,417).

5.4 **Unoccupied property relief.** Some empty properties qualify for 100% relief. In 2021/22, the total cost of unoccupied property relief will be £7,257,438 (2020/21: £4,630,508).

5.5 **Discretionary reliefs.** The Council has the power to give relief to certain classes of ratepayers. In the case of charities and community amateur sports clubs, the Council can top up all or part of the 20% rates not covered by mandatory relief. It can also grant up to 100% discretionary relief for not for profit organisations. For 2021/22 it is estimated that the total cost of discretionary reliefs will be £428,729 (2020/21: £411,066).

5.6 **Discretionary reliefs funded through S31 grant.** These are reliefs that have been announced by the government and, whilst the Council has full discretion over whether to apply them, the cost of providing the reliefs are fully compensated by the government. The estimated cost of the reliefs in 2021/22 is £17,792 (2020/21: £1,149,417). Changes to reliefs in 2021/22 means that the figure provided is not directly comparable to the 2020/21.

5.7 **Losses in collection.** It is proposed that for 2021/22 the provision for bad debts be set at 1.5% of net rates collectable, £1888,131 (2020/21: 0.5%, £649,423). This has been based on the estimated losses in the current year. The vast majority of bad debts are as a result of insolvencies.

5.8 **Allowance for cost of collection.** This is an allowance that is paid from the Collection Fund to the Council and is set each year by the government. For 2021/22 it has been set at £219,374 (2020/21: £212,640).

5.9 **Adjustment for estimated change due to appeals.** It is proposed that this will reduce the rates income by £12,587,541 (2020/21: £3,896,538). This figure has been increased due to the potential appeals likely due to Covid-19.

5.10 **Other figures.** There are a number of other figures in the return. These are either zero, because they don't apply in Crawley at the moment or relatively small technical adjustments.

6. Implications

- 6.1 The Council's share of the non-domestic rates income is estimated to be £44,274,119. However, the Council has to pay a tariff of £42,592,432 which would result in net funding of £1,681,687. The Council's funding target is £3,642,926. Any losses in funding are limited to 7.5% below the funding target (i.e. £3,369,707). The rest of the loss is met by the Government making a safety net payment. A levy of 50% is payable on any funding above the funding target. The total funding receivable through non-domestic rates is therefore -£12,606,805. The following table sets out the funding after other adjustments:

Council's share of non-domestic rates income	44,274,119
Tariff	-42,592,432
Levy	1,099,318
S.31 Grants	800,025
Rates on renewable energy	5,120
Surplus/deficit from previous years	-16,192,955
Total scheme funding	<u>-12,606,805</u>

- 6.2 As a result the pandemic, reliefs were offered in the Chancellor's budget on 11th March 2020; significant Business Rates discounts of £34m to the retail and hospitality sector and £356,000 to local nurseries were given. The General fund is reimbursed from Government for these discounts (which were announced after the annual bills were issued) via Section 31 Grant.

The accounting treatment which was set by legislation is based on the original budgeted income. Income collected from business rates is transferred to a separate account called the Collection Fund. The Collection Fund pays the General Fund the approved budget; any differences between the budget and what is actually collected is redistributed the following year.

In the current year, the General Fund will receive the budgeted business rates income before the £34m discounts were introduced. In addition the general fund will also receive s31 Grant in respect of these discounts given.

The net effect is that there will be a substantial surplus on the General Fund in respect of business rates this financial year and a loss of the Collection Fund (£47.9m) which will be shared with West Sussex County Council and central Government.

On 2 July 2020, the Government who are aware of this issue announced that repayments of collection fund deficits arising in 2020/21 would be spread over three years rather than the usual period of a year. The following table shows the timing of the repayments of the deficit to the collection fund:

	2021/22	2022/23	2023/24	Total
	£	£	£	£
Crawley Borough Council	16,192,955	1,265,312	1,265,312	18,723,579
West Sussex County Council	5,162,066	316,328	316,328	5,794,722
Central Government	20,241,194	1,581,640	1,581,640	23,404,474
Total	41,596,215	3,163,280	3,163,280	47,922,775

- 6.3 The above funding has been incorporated in the Council's budget for 2021/22. At the end of the year, the actual non-domestic rates income collectable will be used to make an adjustment: these are expected to be applied to future periods (2022/23 and 2023/24).

- 6.4 **Sensitivity analysis.** There are a number of uncertainties in predicting the non-domestic rates income, particularly in the current economic climate. The impact of appeals also has a high degree of uncertainty. The following table shows the impact on the Council's finances if rates are 5% higher or lower than projected:

	+5%	-5%
Council's share of non-domestic rates income	46,487,826	42,060,413
Tariff	-42,592,432	-42,592,432
Levy/safety net	-420,584	3,313,024
S.31 Grants	800,025	800,025
Rates on renewable energy	5,120	5,120
Surplus/deficit from previous years	-16,192,955	-16,192,955
Total scheme funding	-11,913,002	-12,606,805
Difference	+693,783	0

7. Background Papers

Local Government Finance Act 1988

Local Government Finance Act 2012

Non-Domestic Rating (Rates Retention) Regulations 2013

[The Local Authorities \(Collection Fund: Surplus and Deficit\) \(Coronavirus\) \(England\) Regulations 2020](#)