

Resources PDS Panel		Date originated: 24th June 2013
Business Rates Collection and Recovery		Version 1.3
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1. Background and context

The report reviews the current collection performance for business rates (National Non-Domestic Rates or NNDR), highlights current risks and opportunities, and the actions being taken to mitigate the risks and progress the opportunities.

It also considers the performance of the Bath Business Improvement District (BID) which commenced on 1st April 2011. Thus we are now in the third year of the scheme. The Authority acts as collection agent for the Bath BID Company and is responsible for collecting the levy owed by businesses in and around central Bath. The Bath BID Company uses the levy income to deliver its objectives, and pays the Council an annual fee of £32,500 to meet the Council's costs of collecting the levy.

The collection of business rates continues to be undertaken in a difficult economic environment. There has been pressure on collection performance in recent years, following the recession of 2008/9 and during the protracted recovery from the recession.

Within this context, the current financial year has seen the introduction of a Business Rates Retention Scheme, which means the Council will be able to retain around 33% of any growth in business rates which is achieved above the baseline set by Government.

2. Resources for Business Rates and BID Collection

Business Rates is collected from local businesses by a small administrative team within the Operations area of the Customer Services division. Presently the team consists of one Team Leader and three Officers, one of whom is funded by the Bath BID Company for full-time involvement with the BID.

The NNDR and BID accounts are maintained and administered on distinct and separate databases within the Northgate software, which is supported by the Council's IT support and, on occasions, a Northgate Helpdesk operated by the supplier. As at 25th June 2013, there were 5681 business rates accounts and 670 BID accounts.

2.1 Business Rates Collection Performance - including Arrears and Recovery

The NNDR collection is shown throughout a financial year as a percentage of the maximum collectable debit. The maximum collectable debit is the amount of business rates due from ratepayers and billed at start of the year, adjusted for business moves, changes to rateable values and reliefs and for write-offs within the period.

In recent years the business rates collection has been as shown here:

Financial Year	2007-8	2008-9	2009-10	2010-11	2011-12	2012-13
Month						
Apr	17.20	19.59	13.77	19.11	15.67	15.27
May	25.65	28.16	28.46	27.43	26.19	24.43
Jun	34.68	36.81	37.22	36.14	34.97	33.13
July	43.55	45.38	46.02	43.06	42.97	42.62
Aug	52.99	53.54	54.19	50.79	51.35	51.61
Sept	61.96	62.43	63.28	59.81	60.93	60.56
Oct	71.19	71.53	71.69	68.22	69.78	69.90
Nov	79.74	79.91	80.66	78.21	78.84	78.46
Dec	88.24	88.55	89.07	86.65	87.03	87.40
Jan	97.39	96.21	96.66	93.93	95.74	95.86
Feb	98.30	97.88	97.88	96.40	97.07	96.95
Mar	98.67	98.71	98.24	97.94	97.82	97.49
Change in Outturn		0.04	- 0.47	- 0.30	- 0.12	- 0.33

The total net collectable debit for 2012-13, as stated at the end of that financial year on 31st March 2013, was £61.98M (2011-12: £60.47M).

The outstanding arrears for business rates, carried forward on 31st March 2013 was as shown below, with a comparison to prior year:

Aged Debt Analysis	As at 31/03/2013		As at 31/03/2012	
	£	%	£	%
Last Financial Year	1,964,943.48	78.20	1,594,770.89	65.35
One Year Prior	351,738.06	14.00	431,024.82	17.66
Two Years Prior	93,251.32	3.71	151,041.53	6.19
Three Years Prior	29,732.55	1.18	127,054.29	5.20
Four Years Prior	30,953.97	1.23	80,545.22	3.30
Older	42,170.86	1.68	56,055.52	2.30
Debt comparison by year	2,512,790.24		2,440,492.27	
		100.00		100.00
Percentage Change	2.96			
Credit Balances	- 555,380.80		- 482,652.50	

The credit balances are historic accounts where a credit balance exists, generally because:

- We need clarification on an aspect of the account (for example no forwarding address, incomplete information) so have requested the customer contact us..
- We have attempted to refund the credit though it's been returned (as 'unpresented' in the case of cheque) and therefore reapplied to the account.

- We have made historic adjustments to accounts occurring after the rates payer has vacated the property.

Legislation requires the Authority refund the rates payer if requested whatever the amount, so we maintain the record for 6 years.

In efforts to recover the arrears balances, the Business Rates team in Operations run reminders and final notices every month to try and identify problem debtors early. If needs be, cases are transferred to other Operations personnel specialising in Recovery and Enforcement, where the Authority issues Summonses to Magistrates Court. It is the Magistrates Court that grants Liability Orders which permit the Authority to take further action – for example the involvement of external collection and enforcement agents/ bailiffs.

Information on Summonses and Liability Orders in Financial Years 2011-12 and 2012-13 is shown in the following table. Also included are the numbers of reminders and final notices issued in the first part of this financial year.

Financial Year	2011-12		2012-13		2013-14	
	Summons	Liability Orders	Summons	Liability Orders	Reminders	Final Notices
Apr					398	46
May					140	174
June			30		109	111
July	48	30		24		
Aug			119			
Sept	157	119		174		
Oct			70			
Nov	109	111		49		
Dec	35					
Jan		23	51	37		
Feb	71		45			
Mar		49		19		
Total	420	332	315	303	647	331

The peak for reminders in April 2013 took into account outstanding balances brought forward from the previous financial year. Apart from that, the numbers of notices are around the expected level in this period.

3. Bath Business Improvement District (BID) Collection Performance

The BID levy is calculated for all relevant businesses, sited within the defined geographical area of the scheme, at the start of a financial year. The levy is a single annual amount due from the businesses and is payable on demand.

Collection results are as shown here, with comparisons to prior years:

Financial Year	2011-12	2012-13	2013-14
Month	%	%	%
Apr		58.17	66.18
May		74.96	81.16
Jun		78.05	
Aug	88.82	81.37	

Sept	89.90	82.14	
Oct	90.54	82.80	
Nov	91.64	83.44	
Dec	93.27	83.68	
Jan	93.73	88.32	
Mar (Outturn)	95.31	93.50	

The total net amount to collect at April 2013 was **£620,993.47** (April 2012: £624,349.41).

4. Opportunities to Grow Business Rates Collection

Opportunities to increase business rates income, and to derive direct benefit within the Authority, are provided by:

- The introduction of the Business Rates Retention Scheme in financial year 2013-14
- Possible introduction of a 'City Deal' scheme covering the West of England Unitary Authorities

4.1 Business Rates Retention

From April 2013, the Government has changed the way local government is funded through the introduction of the Business Rates Retention Scheme. The Authority is now able to benefit directly from local business growth by keeping a share of any increase in business rates revenue to invest in local services.

Under this arrangement, the Council also shares the risk of a fall in business rates income. 'Safety net payments' will be available if business rates income falls by 7.5% or more. This safety net will be funded by a levy on Councils whose business rates revenue increases by a disproportionate amount compared to their needs.

The scheme is intended to ensure the more a Council grows its business rates, the more it can benefit.

4.2 City Deal – Growth Incentive

The Growth Incentive element of the City Deal looks to provide the four West of England Councils with a licensed exemption from the effects of the resets and levies of the local government finance system in five Enterprise Areas over 25 years (starting April 2014), enabling the West of England to retain 100% of business rates growth in these areas. In return, the Authorities will agree to pool this additional business rate income, and invest it in part to support a £1 billion Economic Development Fund, and also in supporting any extra demographic pressures each council may face.

Full details were provided to the last meeting of the Panel and will be subject to consideration by the Full Council on 11th July 2013.

5. Risks to Business Rates Collection

The current risks to Business Rates income are recognised to be:

- The continuing difficult economic environment subsequent to the recession of 2008/9, which has seen an unprecedented, protracted recovery from a sharp downturn.
- Increasing switch by shoppers away from high street retailers to internet, largely as a result of pressures on disposable incomes.
- Legislative changes which provide greater reliefs for businesses while restricting the expected achievable growth.

6. Comparisons of Business Rates Collection to other Authorities

The Authority's performance in NNDR collection can be compared to other Authorities at this website:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/208764/Statistics_Release_Collection_Rates_2012-13.pdf

To quote the publication dated 26 June 2013 (and the prior year equivalent publication), **NNDR Collection Rates for England between 2007- 8 and 2012 -13** were as here:

Year	%	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
All London Boroughs		98.9	98.0	98.0	98.1	98.2	98.2
Metropolitan Districts		98.5	97.2	97.5	97.3	96.8	96.7
Unitary Authorities		98.6	97.5	97.4	97.7	97.5	97.4
Shire District Councils		99.0	98.2	98.2	98.4	98.3	98.1
England Total		98.8	97.8	97.8	98.0	97.8	97.7
Source QRC4 Returns							

Within the region, the NNDR collection rates for 2007-08 to 2011-12 were:

South West	%	98.9	98.2	98.0	98.1	97.7	Not given for 12-13
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7. Forecast Collection Rate

The forecast monthly collection rates for 2013-14, as used within the Authority's QPR monitoring software, are set at the actual rates for the months of 2012-13. In effect, we are aiming to maintain collection at the same rate as last financial year.

8. Financial Implications

Under the Business Rates Retention Scheme, any variation in the Business Rates income achieved in 2013/14 compared to the expectations included in the Council's budget will result in a surplus or deficit on the Collection Fund. An estimate of this position needs to be taken in December each year with the impact built into the following year's budget.

9. Risk Management

Business rates income and the reliefs offsetting that income are being monitored monthly within Customer Services and Finance using a spread sheet called the Control Account Monitor. Thus any significant change in the level of business rates income achieved will be detected, should it occur.

Given the difficult economic environment in which collection is being undertaken, the risk of lower than expected collection for business rates is entered within the Risk Register for Operations, Customer Services. This entry has been in the Register since August 2011.

The level of resource allocated to recovery and enforcement work for business rates will be set depending on the collection rate performance observed within the Control Account Monitor.

Risks associated with the localisation of business rates income under the Retention Scheme are limited by the concept of 'Safety Net Payments' which are built into the scheme design.

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