
PURPOSE BUILT DOCTORS SURGERIES - SUCCESSFUL NATIONAL BUSINESS RATES APPEALS 2017/18

1 PURPOSE OF REPORT

- 1.1 This report provides details of the successful Business Rates appeal by a number of purpose built doctors surgeries nationally through a test case. There are a number of these properties in the Rochford District resulting in a partial refund of prior year business rates on 4 properties and, potentially, 7 more, back to 2010.

2 DISCUSSION

- 2.1 In 2015 the Upper Tribunal (Lands Chambers) made a final determination regarding the method of valuation to be used to value a purpose built doctor's surgery for business rate purposes.
- 2.2 This appeal determination was deemed a "test case" as there were approximately 1,600 other appeals on purpose built surgeries throughout the country awaiting the outcome.
- 2.3 It was held that such properties should have their Rateable Value assessed using the contractors basis of valuation as opposed to the rental evidence method which had been used by Valuation Office Agency (VOA).
- 2.4 A total of 4 rating assessments within the Rochford District have so far had their rateable values reduced as a result of this decision.
- 2.5 These rateable values were reduced dramatically (on average 54%) with effect from 1st April 2010 (the start of the current rating list). This meant there had been large overpayments for each year from 2010 onwards, which have now been refunded to the ratepayers.
- 2.6 The VOA has also advised that the rateable values in the new rating list (which came into force on 1 April 2017) relating to these 4 properties had been determined based on the Court's decision and, therefore, no further reductions on these cases would be necessary.
- 2.7 In addition, the VOA has confirmed that there are 7 other appeals still pending for purpose built doctors surgeries in the Rochford District Council area.

3 RESOURCE IMPLICATIONS

- 3.1 The total amount to be refunded in relation to the known 4 properties is £408,063. As this was the result of a long running court action Local Authorities were aware that rateable value reductions would occur. However, the scale of the reductions was not known and could not have been anticipated. This made forecasting the provision for losses on appeals difficult, but a provision of £318,923 was raised, which means there is an £89,140

shortfall. However, this is to be shared amongst Rochford District Council, Essex County Council, Central Government and Essex Fire Authority. The impact for the District Council will be 40%, which is £35,631 in the table below. The amount can be provided from the General Balance at year end (2016/17), and not be a direct impact on the revenue budget.

- 3.2 Using the same average reduction of 54%, the potential total refund in relation to the 7 pending appeals could be in the region of £390,000, which would be an impact of £156,000 to the Rochford District Council General Balance in 2016/17. Payment (if the appeals were successful) would be in 2017/18.
- 3.3 The table below shows the estimated movements on the National Non Domestic Rates (NNDR) Bad Debt provision, including an additional £200,000 general appeals provision, on top of the Doctors surgeries:-

	Central Gov 50%	RDC 40%	ECC 9%	EFA 1%	Total
2016/17					
Provision Balance Apr-16	(159,461)	(127,569)	(28,703)	(3,190)	(318,923)
Doctors Surgeries - Tranche 1 refund	204,000	163,200	36,720	4,080	408,000
Doctors Surgeries - Tranche 1 - shortfall	(44,539)	(35,631)	(8,017)	(890)	(89,077)
Doctors Surgeries - Tranche 2 - provision (New)	(195,000)	(156,000)	(35,100)	(3,900)	(390,000)
General Bad Debt provision (New)	(100,000)	(80,000)	(18,000)	(2,000)	(200,000)
Closing Provision balance	(295,000)	(236,000)	(53,100)	(5,900)	(590,000)
<i>Shortfall to be funded from General Balance</i>	-	<i>(271,631)</i>	-	-	<i>(271,631)</i>
2017/18					
Provision Balance Apr-17	(295,000)	(236,000)	(53,100)	(5,900)	(590,000)
Doctors Surgeries - Tranche 2 potential refund	195,000	156,000	35,100	3,900	390,000
Closing Provision balance	(100,000)	(80,000)	(18,000)	(2,000)	(200,000)

- 3.4 Central Government, Essex County Council and Essex Fire Authority would pay for their elements of the provision through the year end processes on the Collection Fund.
- 3.5 Rochford District Council would need to provide its amount from the General Balance. The table below shows the budget opening balance on the General Balance for 2017/18, the impact of the change in provision, plus the impact of the 2016/17 forecast underspend (as per the Quarter 3 report).

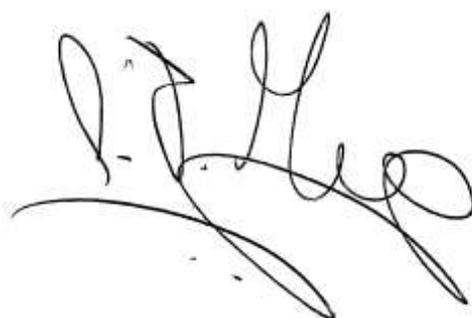
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General Balance Opening balance (Budget) for 2017/18	1,235,799
2016/17 Forecast underspend	426,962
Doctors Surgeries Tranche 1 shortfall	(35,631)
Doctors Surgeries Tranche 2 estimate	(156,000)
General Bad Debt provision	(80,000)
General Balance Opening Balance (Forecast) for 2017/18	1,391,130
<i>Net Change +ve / (-ve)</i>	<i>155,331</i>

- 3.6 Even with the additional provisions and the Doctors Surgeries successful appeals, the forecast General Balance would be £155,331 more than the budgeted opening position as long as the 2016/17 outturn underspend continues as reported in Quarter 3.

4 RECOMMENDATION

- 4.1 It is proposed that Council **RESOLVES**

- (1) To note the impact of the successful appeals by four purpose-built Doctors Surgeries on the Business Rates collected by Rochford District Council.
- (2) To note the potential impact of a further successful appeals by seven remaining purpose build Doctors Surgeries within the District.



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Background Papers:-

None.

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