

Cherwell District Council

Executive

7 November 2016

Business Rates Pooling Update

Report of Chief Finance Officer

This report is public.

Purpose of report

To seek approval in principle for the Council to continue to participate in a business rates pool.

1.0 Recommendations

The meeting is recommended to:

- 1.1 Endorse and approve 'in principle' the Council remaining in a business rates pool for participating authorities in Oxfordshire, noting the risks and benefits outlined in the report.
- 1.2 Grant delegated authority to the Chief Finance Officer (S151 Officer), in consultation with the Lead Member for Financial Management, to conclude necessary due diligence each year and confirm the Council's final intention on whether or not to participate in a Oxfordshire business rates pool (however constituted) in future years. This is subject to the Government not changing the current arrangements for pooling. If the arrangements were to change then a report will be brought back to Members for consideration.

2.0 Introduction

- 2.1 Cherwell District Council, West Oxfordshire District Council and Oxfordshire County Council entered into the North Oxfordshire Business Rates Pool in 2014-15.
- 2.2 With the right members in a business rates pool the amount of levy can be minimised and a greater amount of business rate income can be kept locally. Without a pooling arrangement in place a levy of up to 50% of the total retained business rate amount can be payable to the Government. Pooling can reduce the levy payable to 0%.
- 2.3 Last year, the Department of Communities and Local Government (DCLG) wrote to the Council, as lead authority for the North Oxfordshire Pool, on 4 December 2015 confirming the continuation of the Pool unless told otherwise by the individual members of the Pool. DCLG have advised that they are waiting for the new ministers to consider what they want to do about pooling in 2017/18 so their advice

is that if the intention is to continue the pool as for 2016/17 then no action is needed and the pool will 'roll forward'. West Oxfordshire and Oxfordshire County Council have both confirmed their intention to remain in the North Oxfordshire Pool.

3.0 Report Details

- 3.1 The Council has been a member of the North Oxfordshire Business Rates Pool since 2014-15 with Oxfordshire County Council and West Oxfordshire District Council.
- 3.2 Cherwell District Council and West Oxfordshire District Council are growth authorities so the amount of levy paid to the Government is minimised resulting in a greater share kept locally than would otherwise be the case.
- 3.3 We have modelled various combinations based on the latest figures from all Oxfordshire authorities, and the current combination of Authorities making up the North Oxfordshire Pool continues to minimise the levy and maximise the amount of retained business rates.
- 3.4 The benefit to Cherwell of being in the North Oxfordshire Pool since 2014-2015 in terms of additional business rates retained is reflected in the table below:

	Pooling Gain
2014-15	£200,501
2015-16	£1,288,262
	<hr/>
	£1,488,763

- 3.5 The pooling gain for 2016-2017 is currently forecast to be £1.2m
- 3.6 Given the expected requirement to inform the Government of our pooling intentions it is recommended that the decision on whether to remain in an Oxfordshire Pool is delegated to the Chief Finance Officer in consultation with the Lead Member for Financial Management.
- 3.7 The Chief Finance Officer has just received an email from DCLG confirming that, unless told otherwise by members of the Pool, the existing Pool can continue in 2017-18 with the current constitution.

4.0 Conclusion and Reasons for Recommendations

- 4.1 For the reasons set out in section 3 above it appears that the Council's financial interests will best be maximised by continuing to participate in a pooling arrangement. Given the lack of formal guidance from DCLG for confirming the Council's position and due to the fact that we may need to act quickly should DCLG require confirmation, it is necessary and appropriate to grant delegated authority to determine this to the Chief Finance Officer (S151 Officer) in consultation with the Lead Member for Financial Management. This arrangement should be ongoing but be subject to the Government not changing the current arrangements for pooling. If the arrangements were to change then a report will be brought back to Members for consideration.

5.0 Consultation

Councillor Ken Atack – Lead Member
for Financial Management

Councillor Atack is content
with the report and supportive of
the recommendations contained
within it.

6.0 Alternative Options and Reasons for Rejection

6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: To not approve the recommendations set out above. Based on current informal guidance, CLG are not asking for confirmation at the moment but this situation may change and urgent action will then be needed to inform CLG on whether or not to remain in the North Oxfordshire Pool.

7.0 Implications

Financial and Resource Implications

7.1 For the reasons set out in section 3 above it appears that the Council's financial interests will best be maximised by participating in a pooling arrangement.

Comments checked by: George Hill, Interim Corporate Finance Manager,
01295 221731, George.hill@cherwellandsouthnorthants.gov.uk

Legal Implications

7.2 Any business rates pooling arrangement would be the subject of a formal legal agreement and relevant advice would be given in order to protect the Council's interests.

Comments checked by: Kevin Lane, Head of Law and Governance, 0300 0030107
kevin.lane@cherwellandsouthnorthants.gov.uk

Risk Management

7.3 Under the Business Rates Retention Scheme Central Government provides a safety net for authorities who fail to achieve their target income baseline. The Government provides recompense to authorities to bring them up to 92.5% of their target income baseline. All billing authorities are therefore exposed to a potential maximum loss of 7.5% of their baseline funding.

As part of a pool, the safety net payments are still set at 7.5%, but because of the combination of baselines of those authorities in the pool the financial losses have to be a lot greater before safety net payments are actually triggered.

Comments checked by: George Hill, Interim Corporate Finance Manager, 01295
01295 221731, George.hill@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Key Decision

Financial Threshold Met: Yes

Community Impact Threshold Met: Yes

Wards Affected

All

Links to Corporate Plan and Policy Framework

All

Lead Councillor

Councillor Ken Atack, Lead Member for Financial Management

Document Information

Appendix No	Title
None	
None	
Report Author	Geni Hotchkiss, Business Support Unit Manager Mandy Anderson, Financial Analyst
Contact Information	01327 322170 geni.hotchkiss@cherwellandsouthnorthants.gov.uk 01327 322233 mandy.anderson@cherwellandsouthnorthants.gov.uk