

**REPORT OF: FINANCIAL SERVICES MANAGER**

**TO: EXECUTIVE**

**DATES: 17<sup>th</sup> NOVEMBER 2016**

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## **BUSINESS RATES REVALUATION 2017**

### **INTRODUCTION**

1. This report outlines the impact of the 2017 Business Rates Revaluation on Pendle and is provided in response to a resolution passed at the Council meeting held on the 20<sup>th</sup> October 2016.

### **RECOMMENDATION**

2. At this stage the Executive is asked to note the implications of the 2017 business rates revaluation. Further information will be provided in due course as the budget for 2017/18 is developed.

### **REASON FOR RECOMMENDATION**

3. To comply with the resolution from Council.

### **ISSUE**

4. Income from business rates is a key source of funding for local government and has assumed greater significance since 2013 with the introduction of the business rates retention scheme. Under this scheme, Pendle Council, as the billing authority for the area, continues to collect business rates, with the income split 50:50 between the Government (the 'central' share), Pendle (40%), the County Council (9%) and the Fire Authority (1%) collectively forming the 'local' share. Councillors will be aware that the Government intends to move to 100% 'local' retention of business rates income by 2020.
5. It has been seven years since all non-domestic properties were nationally revalued with open market rental values assessed as at April 2008 forming the basis of business rates liability since April 2010.
6. All rateable values in England and Wales have been revalued by the Valuation Office Agency as part of the 2017 Revaluation. This revaluation has been based on open market rental levels as at 1 April 2015 and will determine the business rates liability for the next five years commencing from 1st April 2017. Following completion of the 2017 the Valuation Office Agency published the draft rating list on the 30<sup>th</sup> September 2016.

7. The draft rating list for Pendle details a gross rateable value of £51,568,984 with 3,599 non-domestic properties. A statistical analysis of these figures is provided at [Appendix A](#) and compares them to the equivalent figures for the 2010 rating list (as at 23<sup>rd</sup> September 2016). From this, Councillors will note that the gross rateable value for the Pendle area has reduced by £1.254m or 2.37% when compared to the 2010 list.
8. This reduction contrasts sharply with the national picture for England which overall has seen a 9.6% increase in rateable values albeit that for the North-West as a whole the impact is neutral. The overall position is skewed by growth in London of over 23% as shown in the table below:

### Section 1- Change in rateable value in England and Wales, 2017 Revaluation

**Table 1.1- Change in rateable value of the 2010 Local Rating Lists after the 2017 Revaluation of rateable properties in England and Wales**

Area	Percentage change in rateable value by Region and Sector				All
	Retail	Industry	Office	Other	
<b>England</b>	<b>4.8%</b>	<b>4.0%</b>	<b>12.7%</b>	<b>15.9%</b>	<b>9.6%</b>
North East	-6.5%	-0.4%	-12.3%	9.5%	-0.9%
North West	-5.4%	-3.5%	-4.4%	10.7%	0.0%
Yorkshire & Humber	-1.9%	0.7%	-12.4%	7.1%	0.0%
East Midlands	5.6%	3.3%	8.2%	13.4%	7.4%
West Midlands	-0.9%	3.4%	-6.8%	12.3%	3.2%
East	-3.6%	2.3%	2.4%	12.3%	3.7%
London	26.8%	15.5%	22.6%	26.1%	23.7%
South East	1.2%	6.7%	12.9%	17.8%	9.6%
South West	-5.7%	5.4%	-0.4%	13.9%	4.0%
<b>Wales</b>	<b>-8.5%</b>	<b>-4.0%</b>	<b>-6.6%</b>	<b>4.5%</b>	<b>-2.9%</b>

*Source: VOA administrative data as at 25th September 2016*

9. At this stage it is difficult to predict the revaluation impact on the Council's share of income from business rates. The current small business rate multiplier is 48.4p. Applying this in isolation to the reduction in gross rateable value of £1.254m as outlined above would result in income from business rates falling by £607k. Pendle's share of this at 40% would equate to £243k. However, this oversimplifies the position as it takes no account of the following:
- the Government will reset (reduce) the rating multipliers to ensure that revaluation is a revenue neutral exercise so that overall the total rates bill will stay the same at the England level in real terms, after allowing for appeals; the small business rate multiplier, currently 48.4p, is estimated to fall from April 2017 to 46.7p; as a result the reduction in income will be greater when applying this reduced multiplier to the total gross rateable value (i.e. implying a reduction of £1.483m rather than the £607k referred to above of which Pendle's share would be £593k);
  - any reliefs or exemptions from rating which may be applicable;
  - the impact of appeals against rateable values;
  - the transitional arrangements that will be implemented by Government to phase in the effect of increases and reductions in rateable value over a period of time (usually 5 years);

- the adjustment the Government will make to our tariff payment (i.e. the payment we make to Government as our 40% share of rates income exceeds our assessed level of 'need' – in 2016/17 our tariff payment is £4.094m)
10. The final point listed above is important as when the Government introduced the 50% business rate retention scheme it signalled that it would adjust each authority's tariff or top up following a revaluation to ensure, as far as is practicable, that their retained income is the same after revaluation as immediately before. The mechanism by which this is achieved has recently been subject to consultation and we await the outcome, as have proposals for transitional relief.
  11. The position will become clearer when the provisional Local Government Finance Settlement for 2017/18 is published in December. More information on this will be reported to the Executive as part of the development of the budget for 2017/18.

#### *Other Revaluation matters*

12. A review of commercial properties for which the Council is the liable party for business rates indicates a gross increase in rateable values of £3,146 equivalent to 0.5% on the 2010 rating list. The most significant increases relate to Cemeteries where the draft rating list shows an increase in rateable values totaling 88%. The reasons for this require further consideration.
13. Any business ratepayer can check their draft rateable value via the .gov.uk website at [www.gov.uk/voa/revaluation](http://www.gov.uk/voa/revaluation). The Council has sent a letter, on behalf of the VOA, to all business ratepayers informing them of this. A copy of this letter is provided at **Appendix B**. The Council will receive funding via a Section 31 Grant towards the cost of printing and mailing the letter.

#### **Policy**

14. There are no new policy implications arising from this report.

#### **Financial**

15. The financial implications, insofar as they can be established at the present time, are as set out above. Further work will be done to firm up the position as the budget for 2017/18 is developed.

#### **Legal**

16. There are no legal implications arising from this report.

#### **Risk Management**

17. There are significant risks generally with the current business rates retention scheme, notably linked to the number and value of appeals and the time taken to resolve them. As at the 30th September 2016 there were 354 appeals in Pendle lodged with the VOA. After allowing for expected withdrawals it is estimated that there are 203 appeals outstanding with a combined rateable value currently of £18.1m. This represents a significant sum in the context of the current gross rateable value of approximately £53m.
18. The 2017 revaluation introduces additional uncertainty with the expectation of further appeals such that we cannot at the present time assess the net impact on the Council's share of business rates income. This highlights the ongoing importance of the Council's financial planning and monitoring arrangements including the use of reserves and provisions to help manage the volatility within the business rates system.

## **Health and Safety**

19. There are no health and safety implications arising directly from the contents of this report.

## **Sustainability**

20. There are no sustainability implications arising directly from this report.

## **Community Safety**

21. There are no community safety issues arising directly from the contents of this report.

## **Equality and Diversity**

22. There are no equality and diversity issues arising from the contents of this report.

## **Appendices**

Appendix A – Statistical analysis comparing 2010 rating list with draft 2017 list

Appendix B – Letter sent on behalf of the VOA to all business ratepayers