

Record of Key decision

Local Government Act 2000 and the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

Decision made by	The head of finance, in consultation with the Cabinet Member for Finance
Key decision?	Yes
Date of decision (same as date form signed)	7 April 2016
Name and job title of officer requesting the decision	William Jacobs, Head of finance
Officer contact details	Tel: 01235 540526 Email: William.jacobs@southandvale.gov.uk
Decision	Following an evaluation of the risks and rewards detailed below, the Head of Finance, in consultation with the Cabinet Member for Finance, has decided the council will join the business rate distribution group for financial year 2016/17.
Reasons for decision	On the balance of risk it is financially advantageous for the council.
Alternative options rejected	Do not opt to join the distribution group and do not share in the projected additional retained business rate income.
Legal implications	The terms of the agreement to be entered into will be approved by legal in order to protect the council's interests.
Financial implications	As detailed below.
Other implications	<p><u>Background</u></p> <ol style="list-style-type: none"> 1. On April 2013 the Government changed the way business rates income is distributed. A complex system of business rate baselines, funding baselines, top-ups, tariffs and levies was introduced with the aim to incentivise councils to actively work to increase the business rates due in their area. 2. At the time the system changed the council ran a number of training sessions to help members' and officers' understanding of the new arrangements and a report was taken to Council in December 2012 explaining that business rates would become a far more important element of the council's overall funding from Government. The report also touched on

business rate pooling within Oxfordshire.

3. On 4 December 2014 Cabinet considered a report from the Head of Finance regarding business rate pooling and the distribution of surpluses or losses that might arise.
4. Cabinet resolved that the Head of Finance, in consultation with the Cabinet Member for Finance, be given delegated authority to make annual decisions whether or not to enter into a “business rate distribution group” with other local authorities if it appears to be financially advantageous to do so.
5. As the possible financial impact of becoming a member of the business rate distribution group in 2016/17 could be greater than £75,000 this is a key decision in accordance with the council’s constitution.

The factors that need to be considered in deciding whether or not to join the business rate pooling distribution group

6. Business rate income is volatile due to reasons wholly outside of the control of the council. Rating revaluations carried out by the Valuation Office Agency (VOA), the awarding of charitable status (and subsequently mandatory relief), and hereditaments taken out of the rating list (because of demolition or fire, for example) can all result in a significant drop in business rates due.
7. Because of this, the business rate system has a safety net built into it which means in 2016/17 the council’s income under the scheme can not fall more than £179,000 below its baseline (and the budget has been set at the baseline) provided it is outside of a pool. However, being outside of a pool means we only retain fifty percent of any growth above our baseline.
8. As explained in the report to Cabinet, if we choose to join the business rate distribution group we would be able to retain a greater proportion of our growth should we be above our baseline. However, the downside is that the potential loss is significantly greater than being outside of a pool as the pool’s safety net is only activated once the income in the pool has fallen by £5.348m and this loss would be shared amongst the distribution group members in accordance with the distribution group membership rules.

9. So, in deciding whether the council should join the distribution group in 2016/17, the projected business rate income for the councils in the pool must be considered along with the possibly volatility within these estimates. In addition, the council's projected business rates income and the volatility within the figure needs to be assessed as this will impact on the amount of retained income the council could earn.
10. Provided the pool's projected income is sufficiently above the business rate baseline to be able to accommodate the estimated volatility, and we believe this council should also be above its business rate baseline, it would be financial advantageous for the council to join the distribution group, whilst accepting a small degree of risk.
11. The risk would be that the pool's income falls below its baseline and the council would be required to take a share of this loss.

2016/17 business rate income projections

12. The business rate pool membership in 2016/17 is Oxfordshire County Council (OCC), Cherwell District Council (CDC) and West Oxfordshire District Council (WODC). This combination maximises the potential additional business rates retained within Oxfordshire. The pool's income is the sum of the relevant share of the business rate income received by the three councils, remembering that OCC's income is a product of the cumulative income of *all* the district councils in Oxfordshire.
13. The pool's 2016/17 baseline is £71.3m and officers project actual income will be £78.8m. This gives an £7.5m buffer with which to absorb any unanticipated reduction in the business rate base. This would equate to 9.5 per cent. It is felt that the probability of such an eventuality is extremely low.
14. This council is projecting to be above its baseline and as a consequence, should it join the distribution group, based on current estimates it would retain £148,000 more business rates than if it were not in a member of the distribution group. Provided the pool remains above its baseline this council would not have to make a contribution should its income levels fall below its own baseline. We would only have to make a contribution if the pool's income falls below its baseline. The maximum contribution the council could be asked to make is £579k but for this to happen great swathes of businesses would need to close

	across Oxfordshire.			
Background papers considered	Report to Cabinet 4 December 2014 – 'Business rate pooling and business rate distribution.			
Declarations/conflict of interest? Declaration of other councillor/officer consulted by the Cabinet member?				
List consultees		Name	Outcome	Date
	Ward councillors			
	Legal	Pat Connell	Agreed	6 April 2016
	Finance	William Jacobs	Agreed	31 March 2016
	Human resources			
	Sustainability			
	Diversity and equality			
	Communications			
	Strategic Management Board			
Confidential decision? If so, under which exempt category?	No			
Call-in waived by Scrutiny Committee chairman?	No			
Has this been discussed by Cabinet members?	Yes and it has been explained that in order to join the pooling arrangement the head of finance will be entering into the agreement covering financial year 2016/17 only.			
Officer's signature To confirm the decision as set out in this notice.	Signature ____ William Jacobs, Head of Finance _____ Date ____ 7 April 2016 _____			

ONCE SIGNED, THIS FORM MUST BE HANDED TO DEMOCRATIC SERVICES IMMEDIATELY.

For Democratic Services office use only		
Form received	Date: 7 April 2016	Time: 11:05
Date published to all councillors	Date: 7 April 2016	
Call-in deadline	Date: 14 April 2016	Time: 17:00

Guidance notes

1. This form must be completed by the lead officer who becomes the contact officer. The lead officer is responsible for ensuring that the necessary internal consultees have signed it off. The lead officer must then seek the Cabinet portfolio holder's agreement and signature.
2. Once satisfied with the decision, the Cabinet portfolio holder must sign and date the form and return it to the lead officer who should send it to Democratic Services immediately to allow the call-in period to commence. Democratic Services staff are located on the ground floor north wing (C block) of the Crowmarsh Gifford offices. Tel. 01235 540307 or extension 7307.
Email: democratic.services@southandvale.gov.uk
3. Democratic Services will then publish the decision to the website (unless it is confidential) and send it to all councillors to commence the call-in period (five clear working days). The decision cannot be implemented until the call-in period expires. The call-in procedure can be found in the council's constitution, part 4, under the Scrutiny Committee procedure rules.
4. Before implementing the decision, the lead officer is responsible for checking with Democratic Services that the decision has not been called in.
5. If the decision has been called in, Democratic Services will notify the lead officer and decision-maker. This call-in puts the decision on hold.
6. Democratic Services will liaise with the Scrutiny Committee chairman over the date of the call-in debate. The Cabinet portfolio holder will be requested to attend the Scrutiny Committee meeting to answer the committee's questions.
7. The Scrutiny Committee may:
 - refer the decision back to the Cabinet portfolio holder for reconsideration or
 - refer the matter to Council with an alternative set of proposals (where the final decision rests with full Council) or
 - accept the Cabinet portfolio holder's decision, in which case it can be implemented immediately.