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| To: | Finance and Performance Panel |
| Date: | **4th December 2024** |
| Report of: | Head of Financial Services |
| Title of Report: | Business Rates Administration |

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| Summary and recommendations | | |
| Purpose of report: | | To provide detail on the administration of Business Rates within the City. |
| Corporate Priority | | A well-run Council |
| Policy Framework | | None |
| Recommendation(s): That the Finance and Performance Panel resolves to: | | |
| 1. | Note the report and agree any recommendations. | |

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| Appendices | |
| Appendix A  Appendix B | Billing process for Business Rates.  Collection Rates of Business Rates since 2015 to September 2024 |

# Introduction and background

1. Business Rates provides a significant income stream to the City and County Council. For 2024/25, the total collectable debit is around £100 million. This is then split between the Government (50%), the City (40%) and the County (10%). Out of the City “share” a further tariff is paid over to the Government which is an amount set every year by the Government and amounts to around 70% of the city “share". The remaining balance is then compared to the “baseline” figure, which is another figure set by the Government, and 50% of the difference is paid over to the Government. In the 2024/25 budget the estimated figure that the city would retain in relation to business rates is £12 million around 12% of the gross amount collectable.

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| **Retained Business Rates 2025-26** | |
|  | **£million** |
| Estimated Business Rates Income | 99.740 |
| Billing Authority Share (50%) | 49.746 |
| Oxford City Share (80%) | 39.796 |
| Less Tariff paid to Government | 32.673 |
| **Amount remaining after tariff (A)** | **12.871** |
| Baseline Business Rates | 6.986 |
| Income above baseline (£12.871- 6.986) | 5.885 |
| Levy -50% of income above baseline **(B)** | (2.942) |
| S31 Grant and other adjustments (**C)** | -558 |
| Business Rates Distribution Group net of reserves transfer **(D)** | 500 |
| **Total retained business rate income (A+B+C+D)** | **12.810** |

1. MHCLG (Ministry of Housing, Communities and Local Government) has held the responsibility for the legislation of Business Rates since 1990, within its remit of the Local Government Finance Act 1989. The VOA (Valuation Office Agency) is responsible for the valuation of commercial property values and the Check and Challenge process for businesses to ask for a review of the Rateable value awards to a property on the formal Rating list. Valuation Tribunals deal with the appeal process. Both the VOA and the Tribunal fall part of HMRC (Her Majesties Revenue and Customs) remit. The City Council does not have any influence on this process as the ‘billing authority’ and only has the responsibility to correctly demand the tax after any reliefs and collected the charge.
2. Business Rates (also known as NDR (Non-Domestic Rates)), applied to land or buildings which are ‘rated’ in the Valuation List. Rates are paid by the occupant, and not the owner, however when a property becomes vacant, then the charge becomes the responsibility of the owner.
3. Oxford City Council has 4,632 properties on which it charges Business Rates.

# Determining Liability

1. The Council has many options to support its administration by ensuring that it correctly charges an account.
   1. Fraud Investigation Services
   2. Planning and Building Control Services
   3. Use of external consultants to undertake background checks
   4. Council tax Inspectors within Financial Services.
   5. Data exchange with the Owners and/or Agents of the land or building.
2. The Local Taxation Service works closely with internal Planning and Building Control to maintain accurate record keeping. Any material changes to established buildings, new builds or demolition are reported to the Local Taxation service to ensure that billing is maintained and any adjustments needing to be reported to the VOA are made in a timely manner. This reporting occurs monthly, in a format of data reporting and review of the council website for planning applications.
3. The Council has a contract with external consultants based on a ‘finder's fee’ basis, where any changes made to the Rating List, the council is charged a 20% fee of the Rateable Value which has been added to the total tax to be collected. The consultants deploy drones in the city to establish changes which an Inspector may not identify and uses other data sets, such as companies house to establish trading. This contract is seen as a support contract and has had a positive impact to council finances. For 2023-24, the increase in revenue to the Council was £435K before any discount or exemptions at a cost of £95K.
4. The Councils makes use of its fraud investigation services team to undertake background checks and data matching capabilities to identify anomalies to investigate.
5. Covering both Council Tax and Business Rates, the role of the council tax inspectors is to ensure that all notices are reported. The role is more than a visiting officer as they give local businesses advice and guidance to navigation of the Business Rates charges and implications to any changes that are made to a property. Completion Notices are issued for new buildings, to bring them into a rating charge, as well as identification of split and merges within internal changes.
6. Most large companies within the city have Rating Agents. These are specialised companies who report changes in occupation for owners of buildings. Most notifications to the council are made via this method of contact. Should a property become empty, the owner then becomes liable. It is therefore beneficial for the Agent or Owner to report a change in occupation, detailing the new tenant, to move the charge from the owner.
7. Pop-up businesses are ones which are short term occupation. A pop-up is defined as a business model which is deliberately temporary, with a short term need to generate profit or another goal, for example a charity to raise its profile. These are often located in buildings within the city which have been vacant for a period and the owner allows a noticeably short let, sometimes specific days, weeks but not normally longer than a month. As such the charge for Business Rates would remain with the Owner and therefore no loss to the council revenue stream.

**Billing Process**

1. The billing process is set out in legislation and follows the process in Appendix 1. This is in accordance with the Non-Domestic Rates (Administration and Enforcement) Act 1989.
2. The Council has the discretion to cease debt recovery proceedings at any stage and reintroduce the standard billing schedule.
3. The Council has created a further stage of pre-summons. This is an extra opportunity for businesses to make a single payment to the account before legal costs are applied. Contact is made via either a call or email, to inform the Ratepayer that they are about to be summoned to Magistrates Court for non-payment of the Business Rates. Although there is no legal requirement to undertake this additional process, the Council applied the same process of debt collection in accordance with the Corporate Debt Policy for an individual. Even after this processes there we have issued 479 summonses as of the 18th of October 2024.

**Court Costs**

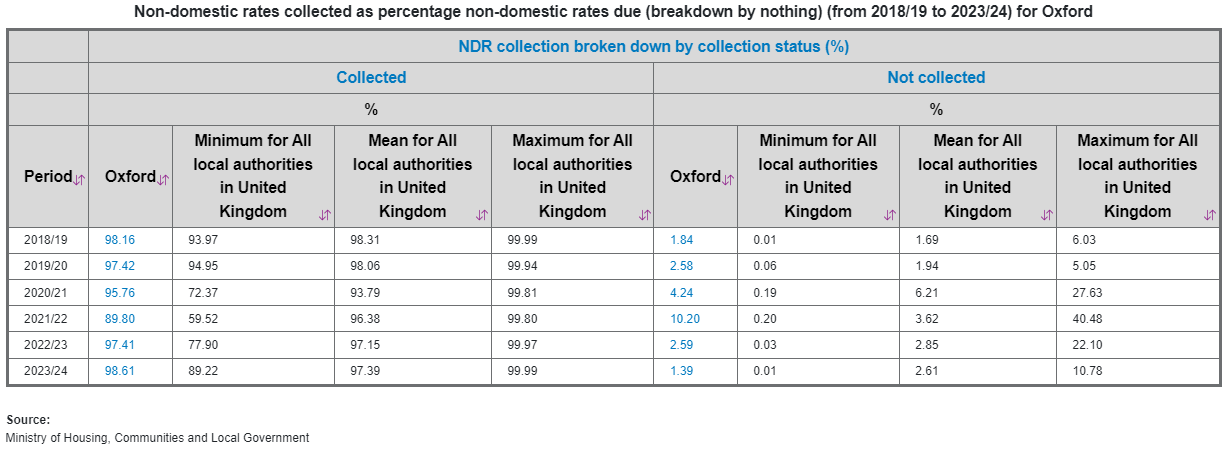
1. Once a debt is taken to court seeking a liability order court costs may be added to the arrears. Court costs include the administrative cost of the authority together with any cost incurred by the court and are set by the authority at the start of year by the Head of Financial Services. They can be ‘called in’ by a Magistrate for review, if the Court deems that they are excessively high.

**Phoenix Companies**

1. Phoenix Companies are entities that are created by property “owners” for the sole purpose of evading business rates and or commercial rent. These enterprises are particularly difficult to identify, but when they are uncovered it is possible to take legal action with a view to having the charge restored to the property “owner”.
2. The Council will apply the legislation as soon as possible, but often these companies will cease trading before the point of a Liability Order to not allow goods to be seized by Enforcement Agents to the value of the debt. The assets of the business will transfer to the new business, but the debt remains with the old company which will have ceased trading and most often wound up. This process is legal under the Companies Acts and Insolvency Acts and the Council will have to write the debt off as uncollectable.

**Collectable Debit in Business Rates**

1. The Council records and monitors debt which is older than the current fiscal year. Targets are set to the current year collection as this is the traditional method of monitoring collection. However, the Revenues Service (both Local Tax and Recovery departments) take the approach that all outstanding debt needs to be collected.
2. Collection of the tax is highly efficient with one of the highest taxes collected of all taxation in Government. The City collection for 2023-24, as at the end of October, was 98.61% with the current year-to-date collection rate of 73%, as of the 25th of November, compared to the profiled target of 75% for the end of the month. The table below indicates that the authority is consistently ahead of the mean for all UK district authorities.



1. The table in Appendix B shows the amount outstanding from 2009/10. The total outstanding is estimated at £68.0 million as at 31-7-2024. This includes £61.9 million for 2024/25, of which approximately £57.0 million is on a standard billing profile for this year which indicates the amount of collectable debt up to the end of the financial year and consequently the outstanding level of debt is only around £11.0 million. In anticipation of any potential loss, the Council holds a provision for bad debt against anticipated arrears. As at 31-7-2024, the level of bad debt provision was £3.5 million.
2. The colour coding within each year shows that despite the debt being for a previous year, it can still change, either increased or significantly decreased. Blue denotes an increase in debt for that year, orange refers to debt that has remained static over 2 months or more and green refers to a reduction in the amount of arrears.
3. A change can occur, as the Valuation Officer Agency (VOA) can increase or decrease a rateable value (RV), however legislation prevent any change from being back date further than the 1st of April 2015 in accordance with the Check, Challenge Appeal process that business rates payers can submit to the VOA. This can have a positive or negative impact to the council finances, as reductions in RV values going back to 2015, can result in large credits which will need to be refunded. An example was in July 2023 when the Ronald McDonald ward of the John Radcliff received a RV reduction resulting in a £1.2m refund with interest.
4. The table shows that in April 2024, significant debit was raised back to 2017. This is additional income to the council.
5. There is currently a 9-month backlog of changes to be reported to the Council following requests made to the VOA from Ratepayers. The Council is one of many councils who has a significant backlog of referrals currently whilst the VOA clear their outstanding workloads. It is therefore important that the service maintains records of older debt to monitor impact the collection rates for previous years. The council hold a provision in respect of any potential VOA changes because of the ‘check/challenge/appeal’ process. The amount of provision for these appeals and challenges as at 31-7-2024 based on advice from external consultants is approximately £9.9 million.

**Cost of Collection**

1. The total cost of the administering council tax and business rates by Financial Services is estimated at £941k for 2024-25. This pays for around 23 full time employees together with associated costs. The authority can offset these costs by court cost income estimated at around £260k and a cost of collection grant from the Government claimable via our NNDR claims which for 2024-25 was £232k. The net cost of the service is estimated at £426k per annum and excluding council tax administration would be break-even notwithstanding that courts cost income is a variable income.

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| **Report author** | Laura Bessell |
| Job title | Local Tax & Benefit Service Delivery Manager |
| Service area or department | Finance |
| Telephone | 01865 252649 |
| e-mail | Lbessell@oxford.gov.uk |

**Please note in the table below the version number of your report that was finally cleared at each stage.**

**Appendix A – Billing Process**

**Appendix 2 – Recovery Rates since 2009**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year | 1st April |  | 30th April |  | 31st May |  | 30th June |  | 31st July |
| 09/10 | £12,406.41 |  | £12,396.41 |  | £12,386.41 |  | £12,376.41 |  | £12,366.41 |
| 10/11 | £5,304.67 |  | £3,909.33 |  | £2,829.43 |  | £2,829.43 |  | £2,829.43 |
| 11/12 | £44,479.11 |  | £44,479.11 |  | £44,359.11 |  | £44,359.11 |  | £44,359.11 |
| 12/13 | £111,662.19 |  | £111,471.40 |  | £62,068.36 |  | £61,400.60 |  | £60,399.92 |
| 13/14 | £339,798.70 |  | £338,898.70 |  | £68,928.70 |  | £67,728.70 |  | £66,528.70 |
| 14/15 | £394,846.46 |  | £394,926.46 |  | £72,303.72 |  | £70,493.26 |  | £70,273.77 |
| 15/16 | £78,936.72 |  | £78,936.72 |  | £75,827.22 |  | £75,827.22 |  | £75,827.22 |
| 16/17 | £103,026.47 |  | £103,026.47 |  | £103,026.47 |  | £103,026.47 |  | £103,026.47 |
| 17/18 | £129,895.77 |  | £134,410.28 |  | £130,271.77 |  | £126,149.22 |  | £102,551.13 |
| 18/19 | £189,583.45 |  | £199,654.35 |  | £198,903.54 |  | £195,594.29 |  | £167,275.97 |
| 19/20 | £511,156.47 |  | £523,544.25 |  | £517,992.06 |  | £524,006.09 |  | £496,184.23 |
| 20/21 | £416,843.93 |  | £418,078.32 |  | £417,228.49 |  | £474,431.90 |  | £421,902.86 |
| 21/22 | £802,489.48 |  | £828,411.33 |  | £843,145.54 |  | £826,985.87 |  | £721,814.93 |
| 22/23 | £1,629,042.77 |  | £1,728,476.24 |  | £1,664,428.83 |  | £1,473,619.36 |  | £1,370,813.54 |
| 23/24 | £2,959,716.17 |  | £3,038,372.22 |  | £2,963,528.65 |  | £2,829,010.88 |  | £2,843,158.79 |
| 24/25 | £100,695,978.25 |  | £91,033,785.21 |  | £83,530,028.84 |  | £73,216,691.56 |  | £61,982,978.36 |
|  | **£108,425,167.02** |  | **£98,992,776.80** |  | **£90,707,257.14** |  | **£80,104,530.37** |  | **£68,542,290.84** |
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