



Audit Committee

4 July 2016

Report title	Business Rates Appeals	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Accountable director	Mark Taylor, Director of Finance	
Originating service	Revenues and Benefits	
Accountable employee(s)	Jayne Owens	Operations Manager- Revenues and Benefits
	Tel	01902 553532
	Email	Jayne.owens@wolverhampton.gov.uk
Report to be/has been considered by		

Recommendations for noting:

The Committee is asked to note:

1. There are business rates appeals outstanding with the Valuation Office. The Council has assessed the financial risk associated with these appeals and made a suitable provision for potential financial losses in its accounts.

1.0 Purpose

- 1.1 This report is to update the Committee on the Council's current position with regards to the Valuation Office backlog of non domestic valuation appeals.

2.0 Background

- 2.1 Business Rate payers may appeal to the Valuation Office against their business rates bill. If a successful appeal leads to funds having to be returned to a business, the council's income is directly affected.
- 2.2 Historically the Council bore none of the risk associated with changes in business rates as a result of appeals. However from April 2013 the business rate retention system means the costs of all successful valuation appeals are now shared equally between the Council and government. To mitigate this risk the council must set aside a sum of money that it may be required to repay to the ratepayer if the appeal is successful.

3.0 The National Picture

- 3.1 Statistics published by the Valuation Office show that at 31 March 2016 there were just over 300,000 unresolved challenges against the 2010 and 2005 rating lists in England and Wales.
- 3.2 There was a sharp increase in the number of challenges made in March 2015. This coincided with legislative changes stating that most challenges received after 31 March 2015 could only be backdated to 1 April 2015.
- 3.3 The rate at which the Valuation Office is clearing outstanding appeals has reduced recently as resources have been diverted to prepare for the forthcoming national revaluation.

4.0 The Local Picture

- 4.1 The council receives data from the Valuation Office each month detailing all appeals which have been lodged and whether they have been resolved or remain outstanding. This data is used to calculate the potential financial risk to the Council. Information about the outcome of past appeals is used to predict the likely outcome of those which are outstanding. This information is used to ensure that an appropriate provision has been made in the Council's accounts to mitigate this risk.
- 4.2 During 2015 the Valuation Office received an average of 39 appeals per month in respect of Wolverhampton properties, except for March 2015 when they received 1,057.
- 4.3 At 31 March 2016 there were 1,514 appeals for Wolverhampton outstanding with the Valuation Office.
- 4.4 The average time taken by the Valuation Office to process appeals has been 52 weeks.

4.5 Of all appeals lodged for Wolverhampton since April 2013 27% have been successful and the average loss of RV for these appeals has been 20%.

4.6 The appeals position in Wolverhampton is comparable to other similar councils throughout the country.

5.0 The Future

5.1 Looking ahead the next revaluation, which will come into effect in April 2017, is likely to bring a fresh wave of business rate appeals which will increase the financial volatility faced by all councils.

5.2 In October 2015 the government announced that they are proposing a move to 100% rates retention by the end of this parliament. This would mean that the Council would retain all of the business rates that it collects but also bear 100% of the costs of any successful appeals.

5.3 However the Government also plans to introduce a new appeals system, which it believes will reduce the number of long-term appeals in the system and discourage speculative appeals. Details are available in the consultation paper Check, challenge, appeal: reforming business rate appeals. This system is to be introduced as of 1 April 2017, under sections 31 and 32 of the Enterprise Act 2016.

6.0 Financial implications

6.1 The Council currently has an appeals provision of £12m which is based on the level of outstanding appeals at 31 March 2016.

7.0 Legal implications

7.1 There are no legal implications arising from the recommendation in this report.

8.0 Equalities implications

8.1 There are no equalities implications arising from the recommendation in this report.

9.0 Environmental implications

9.1 There are no environmental implications arising from the recommendation in this report.

10.0 Human resources implications

10.1 There are no human resources implications arising from the recommendation in this report.

11.0 Corporate landlord implications

- 11.1 The Council is able to appeal the rateable value of its own properties in the same way as any other business rates payer.

12.0 Schedule of background papers

- 12.1 Check, challenge, appeal: consultation on reforming business rate appeals
<https://www.gov.uk/government/consultations/reforming-business-rates-appeals-check-challenge-appeal>
- 12.2 October 2015 Chancellor unveils “Devolution Revolution”
<https://www.gov.uk/government/news/chancellor-unveils-devolution-revolution>