

Cherwell District Council
Budget Planning Committee

1 November 2016

Business Rates Monitoring 2016-2017
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Report of the Head of Strategic Planning and the Economy

This report is public

Purpose of report

To provide members of Budget Planning Committee with an update on the business rates position as at the end of Quarter 2 of the 2016-2017 financial year.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note this report.

2.0 Introduction

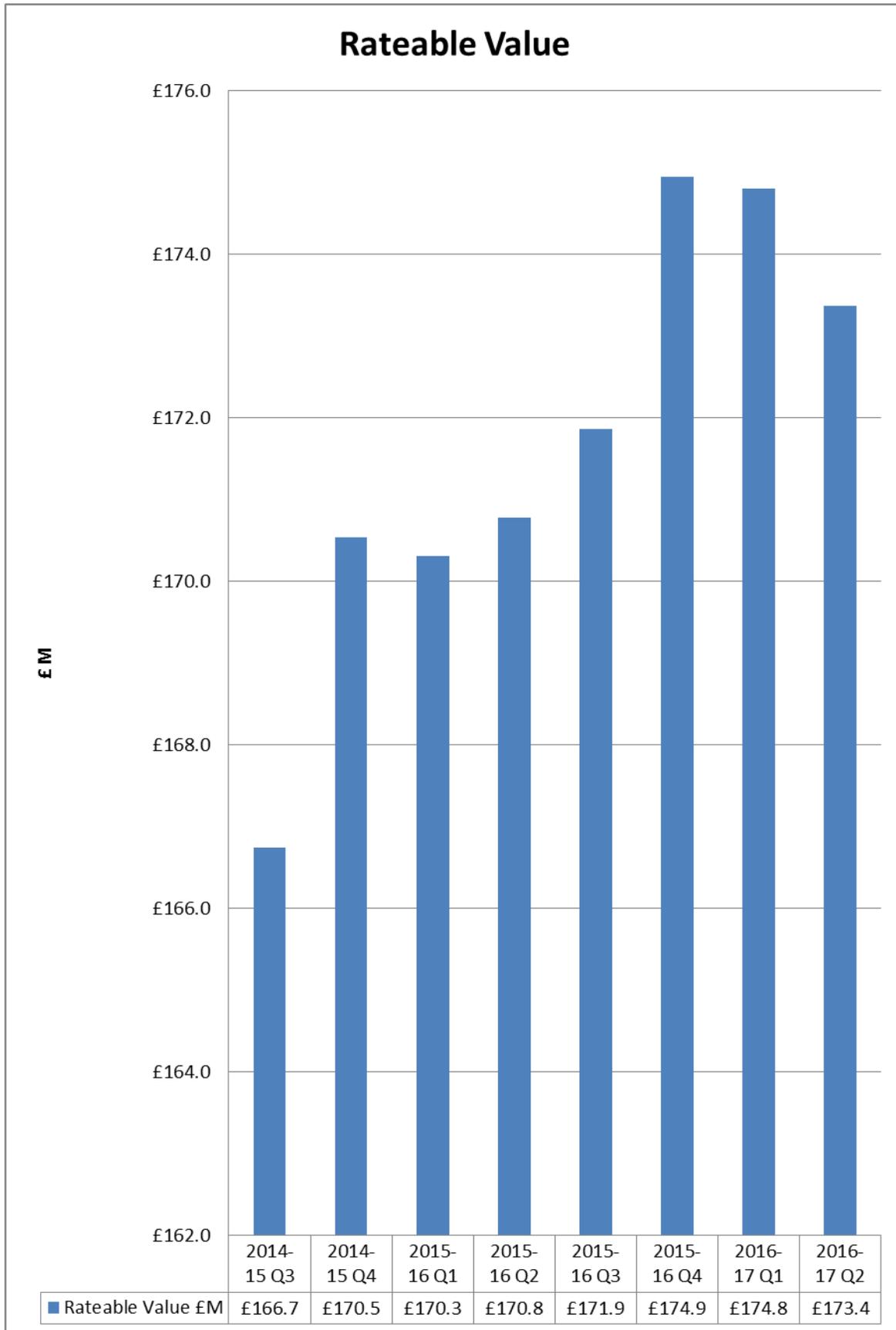
2.1 Members will be aware of the key changes affecting local government finance from 1 April 2013, including arrangements for the localisation of business rates, with local government being able to retain a proportion of business rates growth. Since the start of the current financial year there has been some movement in business rates growth and decline in the district with the Rateable Value decreasing from £174.9m in April 2016 to £173.4m in September 2016. The reasons for this are explained in paragraph 3.3.

2.2 In-year monitoring to the end of September 2016 shows the Non-Domestic Rating income, after allowing for accounting adjustments, to be slightly lower than the estimate provided in the NNDR1 return. This is a timing issue based on when properties are brought into the rating list and we would expect this position to improve during the year as more properties are brought into rating. Table 3 in paragraph 3.9 shows the budget monitoring position.

3.0 Report Details

3.1 Business rates are a property tax based on the rateable value of each non-domestic property. Rateable values are determined by the Valuation Office Agency (VOA) and are mostly based on rental values. The rateable value for Cherwell District Council at the end of Quarter 2 of the 2016-2017 financial year was £173,367,345. The graph below shows the movement in rateable values since Quarter 3 2014-2015. As you will see there is considerable volatility which makes it difficult to make estimates of business rates income with any degree of certainty.

Table 1: Rateable Values from 2014-15 to 2016-17



- 3.2 The Rating List is updated every five years although the next revaluation, which was due to be effective from 1 April 2015, has been deferred by the Government until 2017. The draft 2017 Rating List has been published and we are currently considering the implications.
- 3.3 The rateable value for the authority has decreased by £1,434,534 from July to September 2016. There are a number of increases and decreases making up this amount. The largest of these are outlined in the table below:

Table 2: Growth and Decline in the District for July to September 2016

Growth	Reason	Change in RV
Heyford Park Free School	New property	92,500
Ardley Fields Quarry	Reassessment by VOA	83,000
Major areas of Growth		175,500
Decline	Reason	Change in RV
Bicester, Tesco Pingle Drive	Demolished and deleted from the List	-1,330,000
Yarnton, Cassington Plant	The VOA have reduced the RV following an appeal	-189,000
Launton, Mars Building, Bicester Park	The VOA have reduced the RV following an appeal	-50,000
Various	Miscellaneous small movements in growth and decline	-41,034
Major areas of Decline		-1,610,034
Movement in Rateable Value for Quarter 2		-1,434,534

- 3.5 Billing authorities are required to complete a return called the NNDR1 before the beginning of the financial year to forecast the amount of business rates that they will collect during the course of the year and from this will make a number of allowable deductions for a provision for appeals and losses in collection in order to arrive at a figure for its non-domestic rating income.
- 3.6 Once rateable value has been established a multiplier is applied to turn it into an amount to be charged to businesses. At the end of Quarter 2, the non-domestic rating income, after applying the multiplier to the rateable value detailed above, and after allowing for the accounting adjustments, is £76,702,558. The non-domestic rating income collected is then split between Central Government (50%), Cherwell District Council (40%) and Oxfordshire County Council (10%). A tariff is deducted and paid to Central Government. The remaining amount is then compared to the baseline funding figure (for Cherwell this is £3,494,939 for 2016-2017) and a levy of 50% is payable on the excess (any growth) to Central Government. The remainder stays with the Council.

- 3.7 As Cherwell is in a pool, we retain more business rates as the levy rate is 0% instead of 50% outside of the pool. In 2016-17, the North Oxfordshire Business Rates Pool consists of Cherwell District Council, West Oxfordshire District Council and Oxfordshire County Council. This combination of authorities results in a levy of 0%. Should other authorities join the Pool then the levy would be more than 0% and Cherwell would have to pay the levy to Central Government.
- 3.8 For the financial year 2016-17 Cherwell entered into a distribution arrangement with all the other Oxfordshire authorities under which Oxford City Council and South Oxfordshire District Council agreed to be omitted from the Pool of authorities whose business rates base would be used to maximise the potential funds available for distribution. Under this arrangement (which is intended to be confirmed by formal agreement between the Oxfordshire authorities) the levy remains at 0%, but Oxford City Council and South Oxfordshire District Council share in the risks and rewards of being in the Pool. Our proportion of the pooling gain is therefore smaller than anticipated and has resulted in a small deficit forecast at the end of September 2016.
- 3.9 The retained business rates income budgeted for in 2016-17, including the baseline funding of £3,494,939, is £6,275,000. At the end of September 2016 the retained business rates income, after allowing for accounting adjustment for provisions, is estimated to be £6,174,516 which is £100,484 or 1.6% less than budgeted. This is detailed in the table 3 below:

Table 3: Budget monitoring 2016-17

	Budget	Forecast Outturn	Variance
	£'000	£'000	£'000
Baseline funding	-3,495	-3,495	0
Retained Business Rates	-2,780	-2,679	101
2016-2017 impact on General Fund	-6,275	-6,174	101

4.0 Conclusions and Reasons for Recommendations

- 4.1 Members are asked to note the detail of this report.

5.0 Consultation

None.

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: None: this report is provided for information.

7.0 Implications

Financial and Resource Implications

7.1 These are contained within the report.

Comments checked by:
Paul Sutton, Chief Finance Officer
paul.sutton@cherwellandsouthnorthants.gov.uk

Legal Implications

7.2 None directly arising as this is a report for information.

Comments checked by:
Richard Hawtin, Team Leader - Non-Contentious Business, Law and Governance,
01295 221695
richard.hawtin@cherwellandsouthnorthants.gov.uk

Risk Management

7.3 The report highlights the need to monitor business rates income against budget to understand the implications of any significant variances. Risk 'S02 – Financial Resilience' is monitored on a regular basis as part of the Council's Corporate Risk Register and will be monitored through the operational risk register. Any increase in risk is reviewed and acted on.

Comments checked by: Ed Bailey
Corporate Performance Manager, 01295 221605
edward.bailey@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Wards Affected

All

Links to Corporate Plan and Policy Framework

To prudently manage the Council's finances.

Lead Councillor

Councillor Ken Atack, Lead Member for Financial Management

Document Information

Appendix No	Title
None	
Report Author	Mandy Anderson, Financial Analyst
Contact Information	Mandy Anderson, Financial Analyst mandy.anderson@cherwellandsouthnorthants.gov.uk 01327 322233