

**Cherwell District Council**  
**Budget Planning Committee**

**25 July 2017**

<b>Business Rates Monitoring 2016-2017</b>
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**Report of the Chief Finance Officer**

This report is public

**Purpose of report**

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

**1.0 Recommendations**

The meeting is recommended:

- 1.1 To note this report.

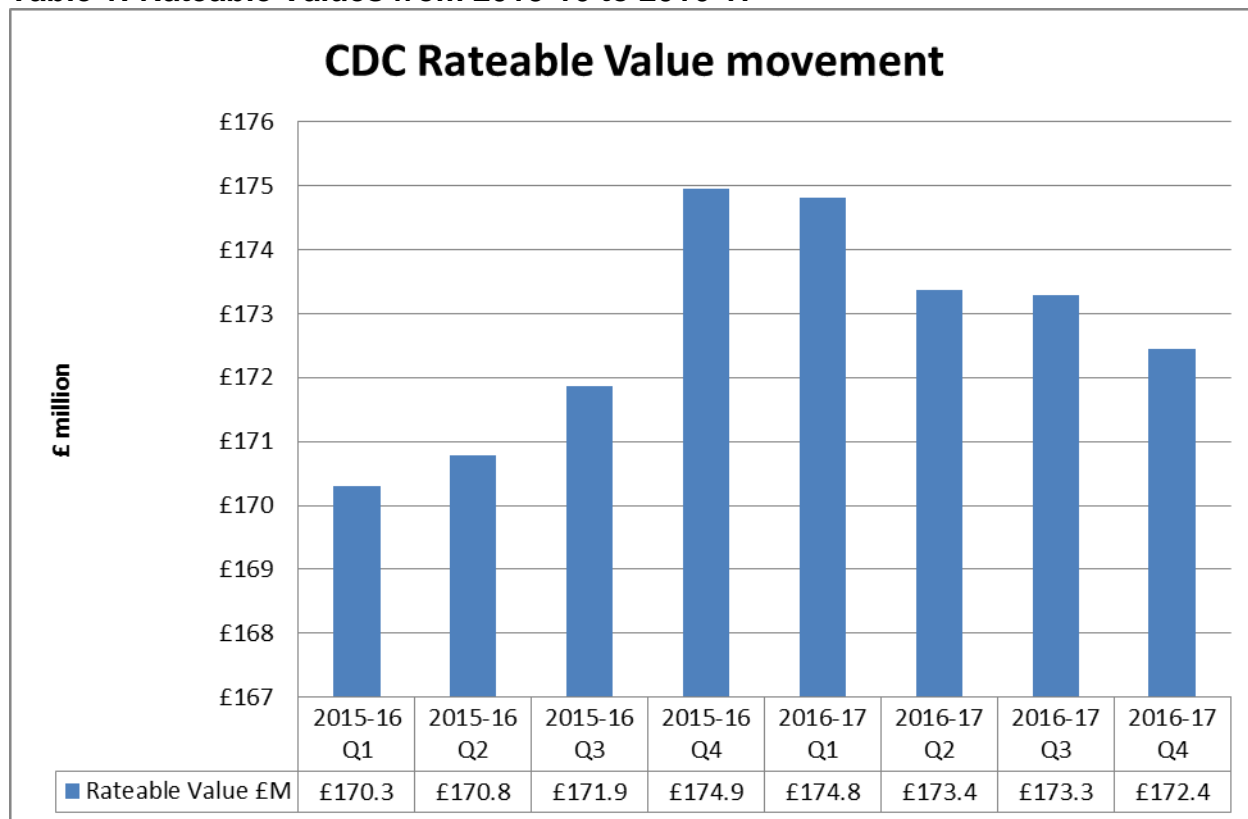
**2.0 Introduction**

- 2.1 Members will be aware of the key changes affecting local government finance from 1<sup>st</sup> 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 last quarter there has been some movement in business rates growth and decline in the district with the Rateable Value decreasing from £173.3m in December 2016 to £172.4m in March 2017. The reasons for this are explained in paragraph 3.2.
- 2.2 The monitoring at the end of March 2017 shows the Non-Domestic Rating income, after allowing for accounting adjustments, to be 4% 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 does not impact on the General Fund in 2016-17. There are four major properties which, although reported to the Valuation Office Agency before December 2016, were not brought into the Rating List by March 2017. The properties will be brought into rating during 2017-18 and will be charged retrospectively back to the effective date. One of the four major properties was added to the Rating List in May 2017 and by the end of May 2017 the rateable value had increased to £175.0m for the 2010 Rating List. Table 3 in paragraph 3.7 shows the budget monitoring position and the impact on the General Fund for 2016-17 financial year.

**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 4 of the 2016-2017 financial year was £172,439,446. The graph below shows the movement in rateable values since Quarter 1 2015-2016. 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 2015-16 to 2016-17**



3.2 The rateable value for the authority has decreased by £841,437 from January to March 2017. 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 January to March 2017**

<b>Growth</b>	<b>Reason</b>	<b>Change in RV</b>
Bicester Village Park and Ride	New properties	99,000
Travelodge, Bicester	New properties	89,000
Various	Miscellaneous small movements in growth and decline	-15,762
<b>Major areas of Growth</b>		<b>172,238</b>
<b>Decline</b>	<b>Reason</b>	<b>Change in RV</b>
Various properties	Properties deleted from the rating list	-388,075
Warehouses - Holroyd Meek Ltd	The VOA have reduced the RV following an assessment or appeal	-322,000

Factory - Hella ltd	The VOA have reduced the RV following an assessment or appeal	-160,000
Various schools	The VOA have reduced the RV following an assessment or appeal	-143,600
<b>Major areas of Decline</b>		<b>-1,013,675</b>
<b>Movement in Rateable Value for Quarter 4</b>		<b>-841,437</b>

### **Accounting for Business Rates**

- 3.3 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.
- 3.4 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 4, the non-domestic rating income, after applying the multiplier to the rateable value detailed above, and after allowing for the accounting adjustments, is £74,855,878. 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.
- 3.5 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 consisted 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.
- 3.6 For the financial year 2016-17 Cherwell entered into a distribution arrangement with 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 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. Cherwell's proportion of the pooling gain is therefore smaller than anticipated and has resulted in a small deficit forecast at the end of 2016-17 financial year.
- 3.7 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 March 2017 the retained business rates income, after allowing for accounting adjustment for provisions, is £6,231,883 which is £43,117 or 0.7% less than budgeted. This is detailed in the table 3 below:

**Table 3: Budget monitoring 2016-17**

	<b>Budget</b>	<b>Forecast Outturn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Baseline funding	-3,495	-3,495	0
Retained Business Rates	-2,780	-2,737	43
<b>2016-2017 impact on General Fund</b>	<b>-6,275</b>	<b>-6,232</b>	<b>43</b>

### **New Rating List 2017**

- 3.8 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 1 April 2017. The Rating List has just been published and for Cherwell there has been an increase in the Rateable Value of 21.5%. This is more than the national average increase of 11%.

The Government tries to make the impact of a new Rating List fiscally neutral to local authorities by adjusting the multiplier downwards so that the estimated business rates income for a local authority is not too dissimilar from the current Rating List.

The Government make other adjustments to the tariff to further try to neutralise the impact of the new Rating List. For Cherwell, there will be a tariff adjustment to increase the amount of tariff paid over to Central Government because the increase to the Rateable Value is more than the national average. These figures have been built into the budget for 2017-18.

Future quarterly monitoring reports will be based on 2017 Rating List rateable values.

## **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:

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[sanjay.sharma@cherwellandsouthnorthants.gov.uk](mailto:sanjay.sharma@cherwellandsouthnorthants.gov.uk)

### **Legal Implications**

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

Comments checked by:

Nigel Bell, Team Leader - Planning & Litigation, 01295 221687  
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### **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: Louise Tustian

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### **Equality and Diversity**

7.4 There are no equality and diversity implications arising out of this report.

Comments checked by: Louise Tustian

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## **8.0 Decision Information**

### **Wards Affected**

All

### **Links to Corporate Plan and Policy Framework**

This links to the Council's priority of Sound Budgets and a Customer Focused Council.

### **Lead Councillor**

Councillor Tony Illot, Lead Member for Financial Management

## Document Information

Appendix No	Title
None	
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