

Cherwell District Council
Budget Planning Committee

27 February 2018

Business Rates Monitoring 2017-2018
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Report of the Executive Director – Finance and Governance

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 3 of the 2017-2018 financial year.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note this report.

2.0 Introduction

- 2.1 The Business Rates Retention Scheme has been in place since April 2013. Under the scheme, Cherwell retains a proportion of business rates growth.
- 2.2 The monitoring at the end of December 2017 shows the Non-Domestic Rating income, after allowing for accounting adjustments, to be 4% higher 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 2017-18. The table in 3.2 shows the major areas of growth and decline in the quarter. Table 2 in paragraph 3.7 shows the budget monitoring position and the impact on the General Fund for the 2017-18 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 start of the year on 1 April 2017 was 208,681,878 and at the end of Quarter 3 the rateable value was £215,010,848.

- 3.2 The rateable value for the authority has increased by £3,744,460 from October to December 2017. There are a number of increases and decreases making up this amount. The largest of these are outlined in the table below:

Table 1: Growth and Decline in the District for October to December 2017

Growth	Reason	Change in RV
Amazon, unit 3, Chalker Way, Banbury	New properties	1,280,000
Hello Frresh, Unit 3, Noral Way, Banbury	New properties	870,000
Norbar Torque Tools Ltd, Banbury	New properties	487,500
Karcher House, Banbury	New properties	437,500
Pingle Drive, Bicester Village units	Changes in RV following a reassessment by the VOA	418,500
Show Houses in Banbury and Bicester	New properties	150,000
Leisure Centre, Banbury Cross Retail park	New properties	118,000
Longford Park Road School	New properties	117,000
Various	Miscellaneous small movements in growth and decline	7,960
Major areas of Growth		3,886,460
Decline	Reason	Change in RV
Castleside carpark, Bolton Road, Banbury	Demolished	-142,000
Major areas of Decline		-142,000
Movement in Rateable Value for Quarter 3		3,744,460

Accounting for Business Rates

- 3.3 Billing authorities are required to complete a statutory return called the NNDR1 before the beginning of the financial year to forecast the amount of business rates income that they expect to charge businesses during the course of the year. From this, a number of allowable deductions will be made 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 by the VOA a multiplier is applied to turn it into an amount to be charged to businesses. At the end of Quarter 3, the non-domestic rating income, after applying the multiplier to the rateable value detailed in 3.1, and after allowing for the accounting adjustments, is £88,565,170. The non-domestic rating income collected is then apportioned 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 £3,566,292 for 2017-2018) 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 0.7% instead of 50% outside of the pool. In 2017-18, 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 0.7%. Should other authorities join the Pool then the levy would be more than 0.7% and Cherwell would have to pay the levy to Central Government.

- 3.6 For the financial year 2017-18 Cherwell entered into a distribution agreement 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 0.7%, but Oxford City Council and South Oxfordshire District Council share in the risks and rewards of being in the Pool. .
- 3.7 The retained business rates income budgeted for in 2017-18, including the baseline funding of £3,566,000, is £6,922,000. At the end of December 2017 the retained business rates income, after allowing for accounting adjustment for provisions, is £6,719,000 which is £203,000 less than budgeted. This is detailed in the table 2 below:

Table 2: Budget monitoring 2017-18

	Budget	Provisional Outturn	Variance
	£'000	£'000	£'000
Baseline funding	-3,566	-3,566	0
Retained Business Rates	-3,356	-3,153	203
2017-2018 impact on General Fund	-6,922	-6,719	203

- 3.8 The main reason for the adverse variance against budget, which will impact on the General Fund in 2017-18, is due to the pooling allocation. The pooling gain is allocated based on each authority's growth above the baseline. As Oxford City is currently reporting more growth at the end of December than budgeted, Cherwell's proportion of the pooling gain is therefore smaller than anticipated and has resulted in a forecast adverse variance against budget at the end of 2017-18 financial year. This will be monitored and reported throughout the financial year.
- 3.9 An earmarked reserve for business rates volatility was set up for this purpose; the current balance is £2,205,000 and this reserve can be used to fund the adverse variance of £203,000 in 2017-18.

Collection Fund Surplus/Deficit

- 3.10 The accounting arrangements for business rates mean that we account in year for the estimates as per the NNDR1. The difference between the estimate (NNDR1) and the actual at the end of the year (NNDR3) is the Collection Fund surplus or deficit. There is a timing delay between when this occurs and when it actually appears in the accounts as a surplus or deficit for the General Fund.

The current Collection Fund surplus at the end of December 2017 is forecast at £558,000, and the CDC proportion of this is £223,000. This position changes each month as the Rating List is updated by the Valuation Office Agency.

The Collection Fund surplus of £223,000 has been built into the 2018-19 budget setting process.

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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Legal Implications

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

Comments checked by:

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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:

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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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