Cherwell District Council

Budget Planning Committee

28 July 2015

2015-2016 Business Rates
Quarterly Monitoring Report

Report of Director of Resources

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 1 of the 2015-2016 financial year.

1.0 Recommendations

The meeting is recommended:

1.1 To note the 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. In-year monitoring to the end of June 2015 shows the estimate for the year of Non-Domestic Rating income to be greater than predicted in the NNDR1 return with Non-Domestic Rating Income increasing from £73,319,070 to £74,759,857.

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 1 of the 2015-2016 financial year was £170,304,722 with 4,666 properties in the Rating List. The table below shows the movement in rateable values and the number of properties over the last three quarters. As you will see there is volatility in rateable values which makes it difficult to make estimates of business rates income with any degree of certainty.

Quarter	Rateable Value	Number of properties
Quarter 3 – 2014-2015	£166,740,807	4,670
Quarter 4 – 2014-2015	£170,535,652	4,667
Quarter 1 – 2015-2016	£170,304,722	4,666

3.2 The Rating List is updated every five years although the revaluation, which was due to be effective from 1 April 2015, has been deferred by Government until 2017.

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 in order to arrive at a figure for its non-domestic rating income.

3.4 Since we submitted the data for the NNDR1 in January 2015 there has been minimal movement in the number of properties on the Rating List. There has, however, been an increase in the overall rateable value between the NNDR1 in January 2015 and the first quarter of the 2015-2016 financial year of £3,563,915. Ardley Energy Recovery Facility was brought into the Rating List which equated to £2,940,000 of this increase.

3.5 For the period 1 April 2015 to 30 June 2015 we have seen the following example changes in rateable value:

- A new Self Catering Holiday Unit at Sibford Gower with a rateable value of £4,800 has been brought into the Rating List.

- A reduction in rateable value from £252,500 to £224,000 for Tesco Stores Ltd in Sheep Street, Bicester.

- A solar farm at Woodstock Road, Yarnton has been brought into the Rating List with a rateable value of £83,500.

- Seven new mobile telephone masts with a combined rateable value of £38,100 have been brought into the Rating List.

3.6 **Renewable energy and business rates**

3.7 The Non-Domestic Rating (Renewable Energy Projects) Regulations 2013 allow a billing authority to disregard income from new renewable energy projects in calculating the amount it needs to send to central government in business rates providing it is the planning authority making the decision.

3.8 During the first quarter of 2015-2016 a solar farm at Woodstock Road, Yarnton has been brought into the Rating List with an effective date of 24 March 2015. A solar farm at Bicester Road, Bletchingdon has been brought into the Rating List with an effective date of 14 March 2015. We are able to disregard the income from these assessments as well as the income from the solar farm located at Home Farm, Merton which was already in the Rating List.

3.9 The table below shows the forecast outturn position at the end of the first quarter for 2015-2016 as compared to budget.

	Budget	Forecast Outturn	Variance
Baseline Funding	-3,466,000	-3,466,000	0
Retained Business Rates and Pooling Gain	-1,050,000	-1,921,397	-871,397
Renewable Energy (disregarded amounts)	0	-145,878	-145,878
Section 31 Grants	-1,136,000	-854,677	281,323
2015-2016 Retained Business Rates Income	**-5,652,000**	**-6,387,952**	**-735,952**

3.10 **Accounting for the Collection Fund**

3.11 The Collection Fund is the account where all of the entries relating to business rates eventually go through. Every billing authority has to estimate the level of business rates income that they expect to achieve in the NNDR1 form, for 2015-2016 this was reported in January 2015. When accounting for the Collection Fund, the estimates from the NNDR1 are posted to the accounts in 2015-2016. The NNDR3 form is completed at the end of the financial year and this is the actual position. The difference between the NNDR1 estimate and the NNDR3 actual is the Collection Fund surplus or deficit for the year. This, however, is not reflected in the accounts until approximately 18 months' time when it forms part of the NNDR1 in 2017-2018.

3.12 The figures contained in the table above incorporate the estimates from the NNDR1 which have to be posted to the accounts in 2015-2016, there are also some variable entries like the gain from the North Oxfordshire Business Rates Pool. In total, the current forecast is reporting that £735,952 could be transferred to General Fund balances at the end of the financial year.

3.13 The NNDR1 in January 2015 estimated a loss on the Collection Fund of £423,512, this will need to be repaid in 2015-2016.

3.14 Over the first two years of the scheme the Council has put away significant business rates funds in a Business Rates Volatility Reserve to smooth the timing differences associated with the way we have to account for business rates. Currently £1.639m is held within these reserves and therefore these are sufficient to cover the liability referred to above.

4.0 Conclusion 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 position to date highlights the need to monitor business rates income against budget to understand the implications of any significant variances. Any increase in risk will be escalated through the Corporate Risk Register and the operational risk register.

Comments checked by: Louise Tustian, Acting Corporate Performance Manager
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8.0 Decision Information

Wards Affected

All

Links to Corporate Plan and Policy Framework

All

Lead Councillor

Councillor Ken Atack, Lead Member for Financial Management

Document Information

Appendix No	Title
None	
Background Papers	
None	
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