

URGENT BUSINESS AND SUPPLEMENTARY INFORMATION

Budget Planning Committee

28 February 2017

Agenda Item Number	Page	Title	Officer Responsible	Reason Not Included with Original Agenda
3.	(Pages 1 - 6)	Urgent Business Business Rates Monitoring 2016-2017		The Chair has agreed to add this item as Urgent Business. It was not included due to an admin error and should be considered as it is the last meeting of this financial year.

If you need any further information about the meeting please contact Lesley Farrell / Joel Bliss, Democratic and Elections lesley.farrell@cherwellandsouthnorthants.gov.uk, 01295 221591

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Cherwell District Council

Budget Planning Committee

28 February 2017

Business Rates Monitoring 2016-2017

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 3 of the 2016-2017 financial year.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note this report.

2.0 Introduction

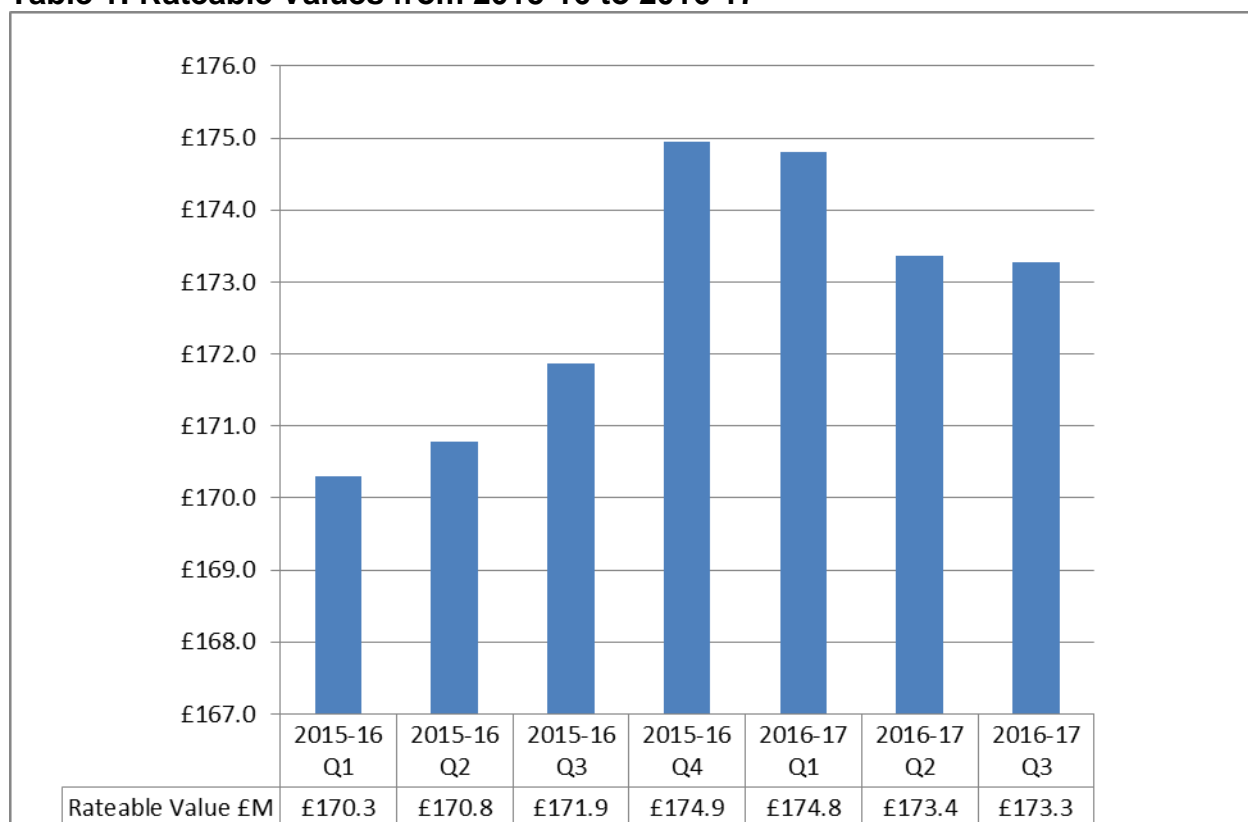
- 2.1 Members will be aware of the key changes affecting local government finance from 1st April 2013, including arrangements for the localisation of business rates, with local government being able to retain a proportion of business rates growth. Since the start of the last quarter there has been some movement in business rates growth and decline in the district with the Rateable Value decreasing from £173.4m in October 2016 to £173.3m in December 2016. The reasons for this are explained in paragraph 3.7.
- 2.2 In year monitoring to the end of December 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 before the end of the financial year as the Valuation Office Agency bring those properties, which have been reported to them, into rating. Table 3 in paragraph 3.9 shows the budget monitoring position at the end of December 2016.

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 3 of the 2016-2017 financial year was £173,280,883.

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 £86,462 from October to December 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 October to December 2016

Growth	Reason	Change in RV
Franklins House, Bicester	New properties	168,000
New Warehouses, various locations.	New properties	194,900
Various	Miscellaneous small movements in growth and decline	97,288
Major areas of Growth		460,188
Decline	Reason	Change in RV
Doctors surgeries	The VOA have reduced the RV following an appeal	-141,150
Ministry of Defence, warehouses and depots	The VOA have reduced the RV following an appeal	-405,500
Major areas of Decline		-546,650
Movement in Rateable Value for Quarter 3		-86,462

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 3, the non-domestic rating income, after applying the multiplier to the rateable value detailed above, and after allowing for the accounting adjustments, is £77,667,960. 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 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.
- 3.6 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 December 2016.
- 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 December 2016 the retained business rates income, after allowing for accounting adjustment for provisions, is estimated to be £6,181,948 which is £93,052 or 1.5% 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	-2,687	93
2016-2017 impact on General Fund	-6,275	-6,182	93

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 draft Rating List has 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 try 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.

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:
George Hill, Interim Corporate Finance Manager
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Legal Implications

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

Comments checked by:
Kevin Lane, Head of Law and Governance, 0300 0030107
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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: Ed Bailey
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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 Ken Atack, Lead Member for Financial Management

Document Information

Appendix No	Title
None	
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