Cherwell District Council

Budget Planning Committee

3 November 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 2 of the 2015-2016 financial year.

1.0 Recommendations

The meeting is recommended:

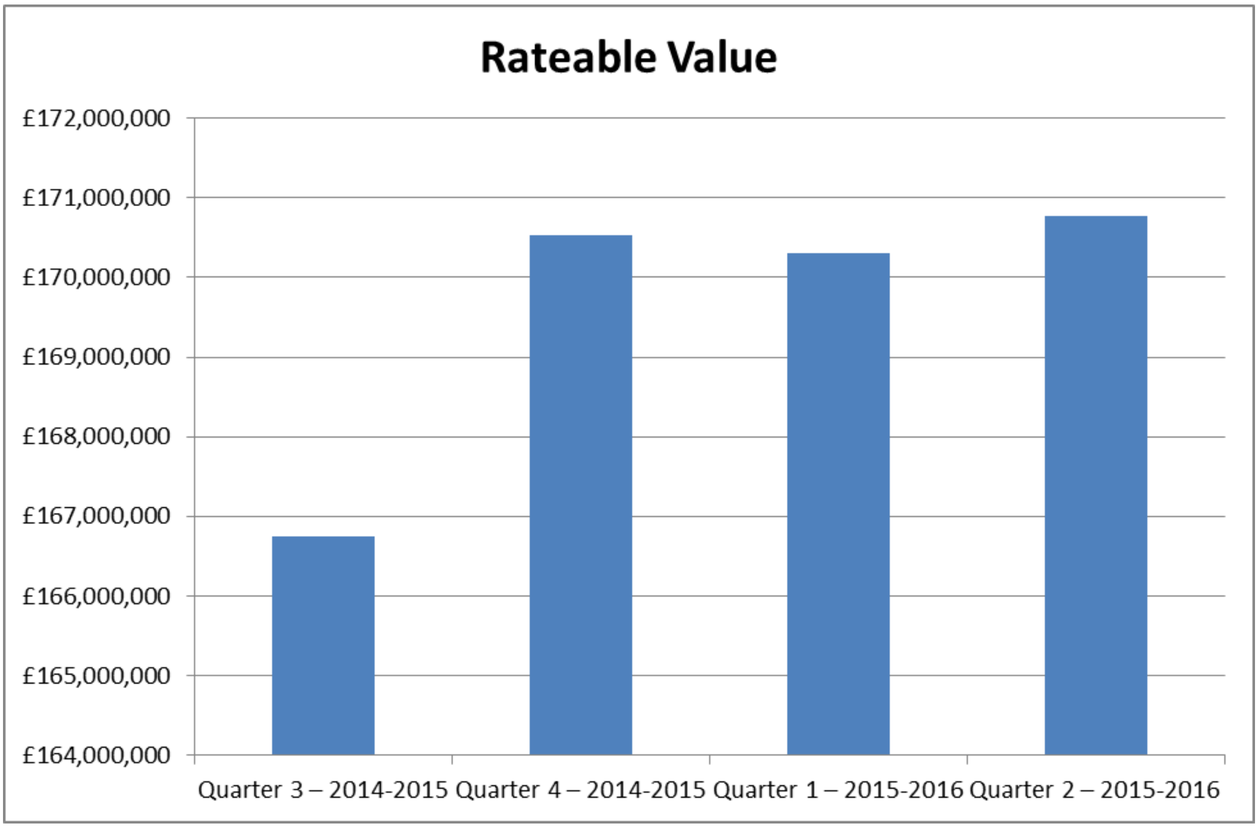
1.1 To note this report.

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. In-year monitoring to the end of September 2015 shows the projection for the year of Non-Domestic Rating income to be more than the estimate provided in the NNDR1 return. The reasons for this are explained in paragraph 3.3.

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 2015-2016 financial year was £170,778,872. The graph below shows the movement in rateable values and the number of properties over the last four quarters. As you will see there is considerable volatility which makes it difficult to make estimates of business rates income with any degree of certainty.



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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.

3.3 The rateable value for the authority has increased by £474,000 from July to September due to some significant new businesses which have been offset by some downward revaluations in rateable value and conversions to domestic. The largest of these are outlined in the table below:

Growth	**Reason**	**Change in RV**
Prodrive Ltd, Unit 4 Chalker Way, Banbury	New property	605,000
Solar Farm at New Stone House Farm, Kidlington	New renewable energy property	92,000
Major areas of Growth		**697,000**

Decline	**Reason**	**Change in RV**
Car Park, Market Place, Banbury	Revalued by VOA	-52,550
Oxford Airport, Kidlington	Revalued by VOA	-65,000
5 Butchers Row, Banbury	Deleted from List	-18,750
AT Station Approach, Bicester	Demolished	-22,500
Various	Converted to Domestic	-61,450
Various	Miscellaneous growth and decline	-2750
Major areas of Decline		**-223,000**
Movement in RV for Quarter 2		**474,000**

3.4 The Council retains 100% of the business rates for the new renewable energy property, Solar Farm at New Stone House Farm, as we were the authority which granted planning permission.

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 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 District Council this is £3,466,055 for 2015-2016) and a levy of 50% is payable on the excess to Central Government. The remainder stays with the council.

3.7 As Cherwell is in a pool, we will retain more business rates as the levy rate is 0% instead of 50% outside of the pool. For budgeting purposes, as the levy and pooling gain are subject to performance and other considerations like providing for appeals, the retained income is budgeted as less than what is estimated on the NNDR1.

3.8 The retained business rates income budgeted for in 2015-16, including the baseline funding of £3,466,000, is **£5,652,000** (see table below). At the end of September 2015 the retained business rates income is estimated to be **£6,418,275** which is **£766,275** more than budgeted. This is to the benefit of the General Fund.

	Budget	**Forecast Outturn**	**Variance**
Baseline funding	-3,466,000	-3,466,000	0
Retained Business Rates scheme	-2,186,000	-2,952,275	-766,275
2015-16 Total impact on Outturn	**-5,652,000**	**-6,418,275**	**-766,275**

Accounting for the Collection Fund

3.9 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 they expect to achieve in the NNDR1 form. For 2015-2016 this was reported in January 2015.

3.10 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 **estimate** (NNDR1) and the **actual** (NNDR3) is the Collection Fund surplus or deficit.

3.11 The surplus or deficit is not charged to the General Fund until approximately 18 months' time when it will form part of the NNDR1 in 2017-2018.

3.12 In January 2015, the estimated Collection Fund deficit of £423,512 (Cherwell's 40% Share) was reported in the NNDR1. This will be charged to the General Fund in 2015-2016.

3.13 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 £1.6m 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 will also be monitored through the operational risk register.

Comments checked by: Ros Holloway, Performance Information Officer
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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	
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