

Cherwell District Council
Budget Planning Committee

24 February 2016

2015-2016 Business Rates Quarterly Monitoring Report

Report of 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 2015-2016 financial year.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note this report.

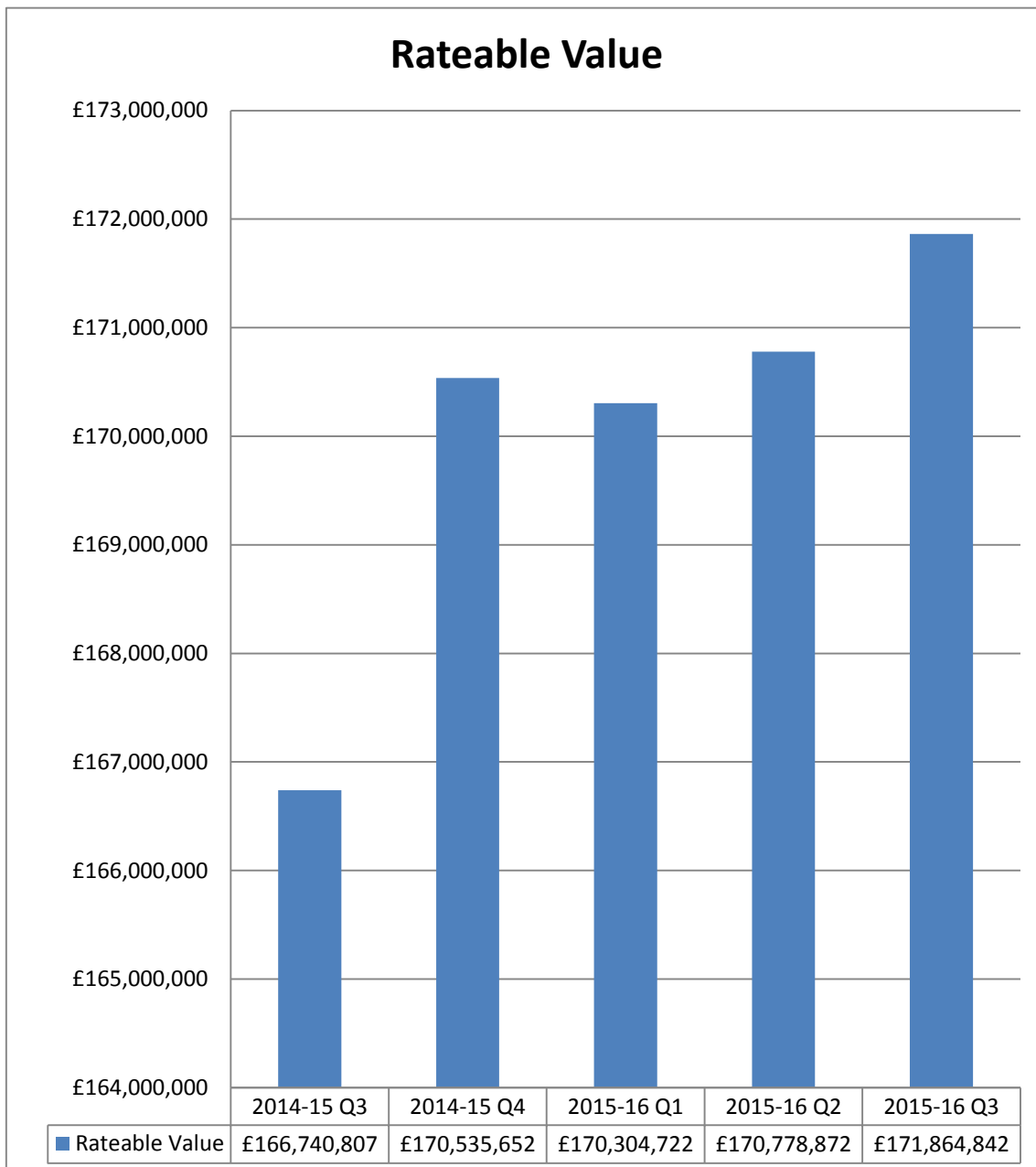
2.0 Introduction

- 2.1 Members will be aware of the key changes affecting local government finance from 1st 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 December 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 3 of the 2015-2016 financial year was £171,864,842. The graph below shows the movement in rateable values Since Quarter 3 2014-2015. 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 2014-15 to 2015-16



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 £1,085,970 from October to December due to some significant new businesses which have been offset by some downward revaluations in rateable value and conversions to domestic property which will become subject to Council Tax. The largest of these are outlined in the table below:

Table 2: Growth and Decline in the District for October to December 2015

Growth	Reason	Change in RV
The Entertainer Unit 1, Banbury	New property	1,230,000
Blackthorn Hill Farm, Blackthorn	New property	20,750
Unit 2 Moat Farm Buildings, Newton Purcell	New property	27,750
Various	Miscellaneous growth and decline	18,470
Major areas of Growth		1,296,970
Decline	Reason	Change in RV
82 and 83 Pingle Drive, Bicester	Revalued by VOA	-211,000
Major areas of Decline		-211,000
Movement in RV for Quarter 3		1,085,970

- 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 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 Quarter3, the amount chargeable to businesses after applying the multiplier to the rateable value detailed above is £74,081,479. 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 £3,466,000 for 2015-2016) and a levy of 50% is payable on the excess (any growth) 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 December 2015 the retained business rates income is estimated to be **£6,460,516** which is **£808,516** more than budgeted. This is to the benefit of the General Fund.

Table 3: Budget monitoring 2015-16

	Budget	Forecast Outturn	Variance
Baseline funding	3,466,000	-3,466,000	0
Retained Business Rates scheme	2,186,000	-2,994,516	-808,516
2015-16 impact on outturn	5,652,000	-6,460,516	-808,516

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 is sufficient to cover the liability referred to above, however, as there is currently a forecast underspend of £808,516 this can be used to offset the £423,512 liability in 2015-16.

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:

Paul Sutton, Head of Finance and Procurement 0300 0030106
paul.sutton@cherwellandsouthnorthants.gov.uk

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
kevin.lane@cherwellandsouthnorthants.gov.uk

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: Louise Tustian,

Senior Performance & Improvement Officer, 01295 221578
louise.tustian2@cherwelandsouthnorthants.gov.uk

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	
Report Author	Mandy Anderson, Financial Analyst

**Contact
Information**

Mandy Anderson, Financial Analyst

mandy.anderson@cherwellandsouthnorthants.gov.uk

01327 322233