Cherwell District Council

Budget Planning Committee

26 July 2016

Business Rates Monitoring 2015-2016

Report of Chief Finance Officer

This report is public

Purpose of report

To provide members of Budget Planning Committee with details of the business rates income outturn position for the 2015-2016 financial year.

1.0 Recommendations

The meeting is recommended:

1.1 To note this report.

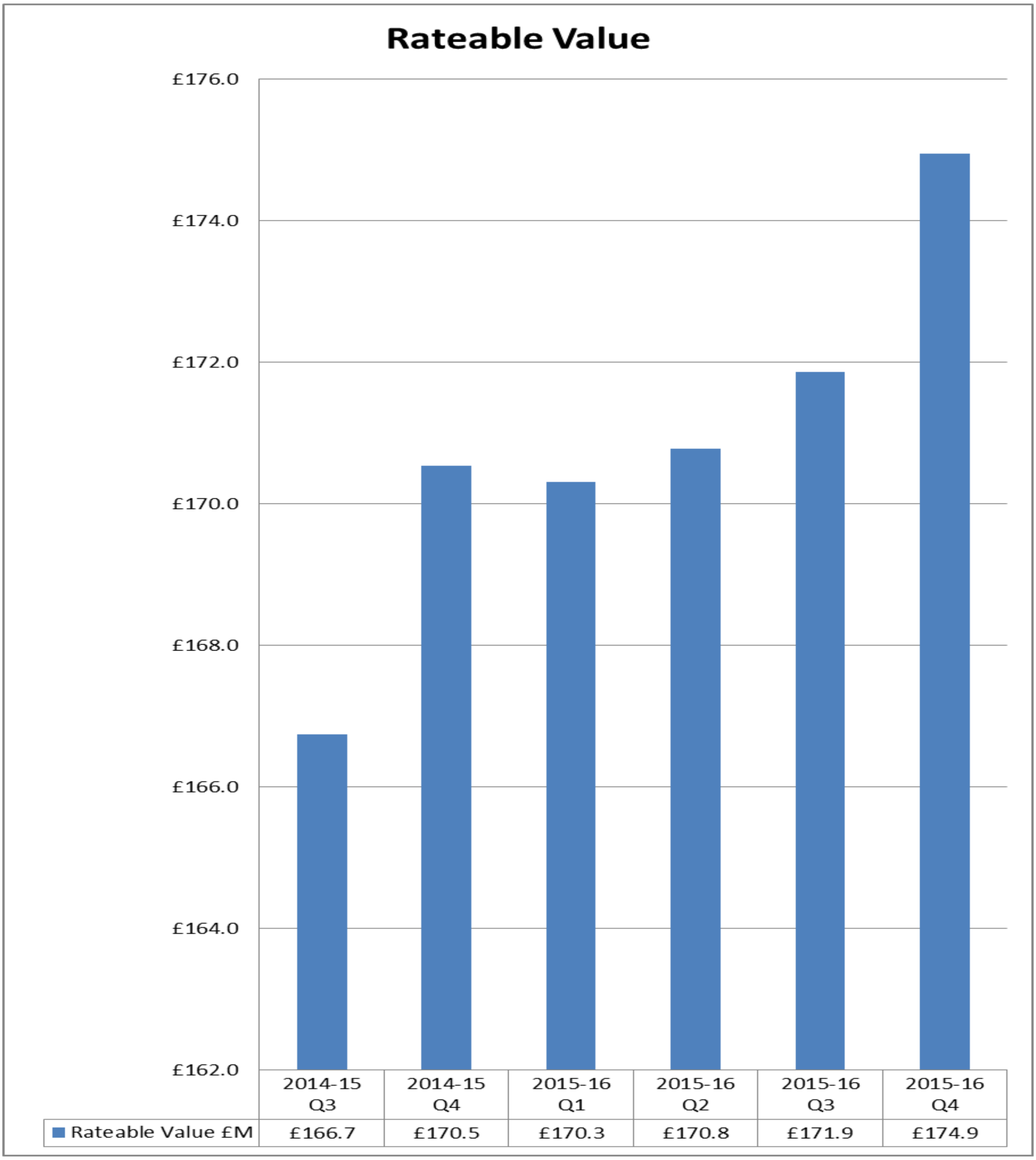
2.0 Introduction

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. There has been considerable business rates growth in the district with the Rateable Value increasing from £170.5m at the start of the year to £174.9m in March 2016. The outturn position at the end of March 2016 shows the Non-Domestic Rating income, after allowing for accounting adjustments, to be slightly higher than the estimate provided in the NNDR1 return. The reasons for this are explained in paragraph 3.8

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 4 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 £3,077,062 from January to March 2016 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 January to March 2016

Growth	**Reason**	**Change in RV**
Thames Valley Police, Kidlington	Rateable Value increased following reassessment.	162,500
Epwell Grounds Solar Farm	New renewable Energy Site	56,000
Brook Farm Solar Park, Arncott	New renewable Energy Site	64,000
Banbury Gateway Retail Park	New Property (14 units)	3,115,650
Show House, Upper Heyford	New property	52,000
Unit 5-6, Pioneer Square, Bicester	New Property	54,000
Major areas of Growth		**3,504,150**
Decline	**Reason**	**Change in RV**
Ardley Fields Quarry	The VOA have reduced the RV following an appeal	-52,000
Unit A2, Pioneer Square	The VOA have reduced the RV following an appeal	-34,000
Unit 1 Station Fileds Industrial Estate, Kidlington	Rateable Value decreased following reassessment.	-43,000
Central Laboratories, Wildmere Road, Banbury	Demolished - removed from Rating List	-64,500
Catermart, Bicester	Demolished - removed from Rating List	-37,500
Dewars Fam Quarry, Ardley	Rateable Value decreased following reassessment.	-48,000
Various	Miscellaneous growth and decline	-148,088
Major areas of Decline		**-427,088**
Movement in Rateable Value for Quarter 4		**3,077,062**

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 the financial year, the amount chargeable to businesses after applying the multiplier to the rateable value detailed above is £73,184,265. 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 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 **£5,569,000** (see table 3 below). At the end of March 2016 the retained business rates income, after allowing for accounting adjustment for provisions, is estimated to be **£6,090,541** which is **£521,541** more than budgeted. This is to the benefit of the General Fund.

In previous reports, the deficit in the NNDR1 has not been included in the table as it was to be funded from the Business Rates Volatility Reserve. The Council is in a surplus position overall so the use of this reserve is not now required.

Overall there is a surplus of £945,053 in retained business rates for 2015-2016, but this has been offset by the NNDR deficit charge so that the overall impact on the General Fund is a surplus of £521,541. This is detailed in the table below

Table 3: Budget monitoring 2015-16

	Budget	Provisional Outturn	Variance
Baseline funding	-3,466,000	-3,466,000	0
Retained Business Rates	-2,103,000	-3,048,053	-945,053
Deficit on NNDR1	0	423,512	423,512
2015-2016 impact on General Fund	**-5,569,000**	**-6,090,541**	**-521,541**

3.9 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. The reserve was intended to be used to fund the deficit in the NNDR1 of £423,512, however, there were sufficient underspends across the Council at the end of the financial year such that the use of the reserve was not required in 2015-2016.

3.10 On 5 July 2016 published a consultation document called 'Self-sufficient local government: 100% Business Rates Retention. The consultation seeks views on the Government's commitment to allow local government to retain 100% of the business rates that they raise locally. Specifically, the consultation seeks to identify some of the issues that should be kept in mind when designing the reforms.

3.11 At the same time Government also published a consultation document called 'Business Rates Reform – Fair Funding Review: Call for evidence on Needs and Redistribution'.

3.12 The consultation closes on Monday 26 September 2016 and we will provide members of this Committee with updates on the financial implications for the authority as soon as possible.

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:
Denise Taylor, Group Accountant. 01295 221982
denise.taylor@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 report 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