



**BUSINESS RATES POOLING 2015/2016**  
**REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)**

**WARDS AFFECTED: ALL WARDS**

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1. PURPOSE OF REPORT

- 1.1 To obtain approval of the reinstatement of the Leicester and Leicestershire Pool for 2015/16.

2. RECOMMENDATION

- 2.1 That the following be approved:

- The Leicester and Leicestershire Pool be re-formed for 2015/16;
- The £706,390 balance retained from the 2013/14 Pool be retained to form a provision for the new 2015/16 Pool;
- The County Council be appointed as the lead authority for the Pool.

3. BACKGROUND TO THE REPORT

Background

- 3.1 As part of the Business Rates Retention Scheme introduced by the Government from April 2013, local authorities could agree to form Pools, subject to approval by DCLG and designation by the Secretary of State.
- 3.2 The Leicester and Leicestershire Pool (the Pool) was established in 2013/14 and consisted of the seven districts, Leicester City Council, the County Council and the Combined Fire Authority. The Pool was predicted to retain net resources of around £0.7m.
- 3.3 In accordance with the legal agreement entered in to, any surpluses generated by the Pool would be transferred to the Leicester and Leicester Enterprise Partnership for investment back into schemes and projects in the LLEP area. It should be emphasised that if the pool was not in place, this surplus would be paid back to Government with no guarantee or visibility over if/when and where it would be redistributed.

2013/2014 Pooling

- 3.4 The Leicestershire Treasurers Association (LTA) agreed unanimously in January 2014 to terminate the Pool after 2013/14. Difficulties at that time included the forecasting of appeal losses, the delay in the production of regulations and uncertainty over the timing, amount and pool impact of various S31 grants.
- 3.5 The final position on the 2013/14 Pool, as at 30<sup>th</sup> September 2014, is summarised below:

	<b>Levy £</b>	<b>Safety Net £</b>
Blaby	0	90,816
Charnwood *	0	284,505
Harborough	903,204	0
Hinckley & Bosworth	187,032	0
Melton	52,146	0
North West Leicestershire	0	0
Oadby & Wigston	0	60,671
<b>Total</b>	<b>1,142,382</b>	<b>435,992</b>
Balance - surplus	706,390	

\*includes £3,165 interest

- 3.6 The Pooling Agreement provided for the first £0.4m of any surplus to be retained by the Pool and any balance above that amount be transferred to the LLEP. However, the recent view of LTA was that it would be prudent to set aside the whole £706,000 as a contingency.
- 3.7 The Pooling Agreement made provision for the allocation of resources held by the Pool in the event of the termination of the Pool. The £0.4m retained by the Pool at the end of 2013/14 has been provisionally allocated on the basis of that termination calculation, the results of which are summarised below:

	<b>£</b>
County Council	115,193
Leicester City Council	121,235
Combined Fire Authority	8,244
Blaby	27,094
Charnwood	33,069
Harborough	22,966
Hinckley & Bosworth	20,775
Melton	9,664
North West Leicestershire	32,178
Oadby & Wigston	9,582
<b>Total</b>	<b>400,000</b>

- 3.7 At present these amounts have not been transferred to the relevant authorities. The remaining £306,000 also remains with the County Council and has not been paid to the LLEP.

#### 2014/15 Monitoring

- 3.8 Although the Pool was terminated at the end of 2013/14, quarterly monitoring has been undertaken during 2014/15. As part of ascertaining forecasts for 2015/16 (see below), a further 2014/15 forecast was performed in December and is summarised on Appendix A. The latest forecasts show a notional Pool net surplus of £2.3m.
- 3.9 It should be noted that the latest 2014/15 forecasts should be treated with caution, given the complexities of forecasting business rates and the levels of appeals and bad debts.

## 2015/16 Pooling

- 3.10 An Expression of Interest in re-forming the Pool in 2015/16 was submitted to DCLG on 24<sup>th</sup> September 2014 and a copy of the governance arrangements, signed by S151 officers, was provided to DCLG on 9<sup>th</sup> December 2014.
- 3.11 The Secretary of State made a pooling designation on 16<sup>th</sup> December 2014, prior to the publication of the draft Local Government Finance Report on 18<sup>th</sup> December 2014.
- 3.12 Local authorities can withdraw from a designated pool before the pool comes into effect, if after seeing the Provisional Settlement they no longer believe that pooling provides the opportunities they had previously thought. To exercise this option a local authority must write to the Department within 28 days of the publication of the Provisional Settlement and before the final Settlement is laid before the House of Commons. The Secretary of State will then revoke the designation. The deadline is 15<sup>th</sup> January 2015.
- 3.13 Once a designation has been made it cannot be amended so if any local authority chooses to exercise the option to withdraw it will mean that the pool cannot continue. In those circumstances the local authorities who had been designated as members of that pool would revert to individual positions. Pools will continue from year to year until a designation is revoked.
- 3.14 Appendix A includes a summary of an exercise undertaken in December to project the position of a re-formed Pool in 2015/16. This shows a net levy position of £2.6m. It should be noted that the forecasts should be treated with caution but in overall terms they give a fair indication of the likely outcome of a Pool in 2015/16.
- 3.15 The Appendix also includes a sensitivity analysis based on shortfalls of between 1% and 5% in projected income; the Pool would be viable if income falls short by these levels.
- 3.16 The Autumn Statement included the following: "Business rates: backdating – The government will change the rules so that alterations to rateable values can only be backdated to the period between 1 April 2010 and 1 April 2015 for Valuation Office Agency alterations made before 1 April 2016 and ratepayers' appeals made before 1 April 2015." Appeals, and the risk they present, have been a problem in determining the viability of the pool, and this seems to be very helpful in eliminating risk.

## 4. FINANCIAL IMPLICATIONS [KP]

- 4.1 The financial implications of the Pool are summarised in the report. The below details the direct implications for this Council.
- 4.1 As outlined in Appendix A, Business Rates for this Council in 2013/14 exceeded the baseline set by Government by £0.290m. In accordance with the relevant guidelines, 50% of this growth was paid as a levy to the pool and 50% retained by the General Fund.
- 4.2 Based on the forecasts for 2015/16 also contained in Appendix A this Council is estimating growth of £0.269m. This is due to predicted growth in rates arising from development in the town centre and also the s31 grant due to be received from Government to compensate for the loss of rates from the extension of various reliefs. Based on these forecasts therefore, 50% of this growth will be retained by the

General Fund. The remaining levy would be paid to the Pool and redistributed to the Leicester and Leicestershire area by the LLEP. If the Pool was not to form, this levy payment would remain identical in value but would be paid back to Central Government

4.3 In order to compensate for any losses in Business Rates, a Business Rates Reserve is in place for the value of losses before safety net payments would be due. On this basis, there is no financial loss to this Council under the Business Rates Retention scheme.

5. LEGAL IMPLICATIONS [EH]

5.1 Section 59A of the Local Government Finance Act 1988 allows local authorities to pool business rates. The pooling between the Leicestershire Council's will be governed by a legal agreement between the parties.

5.2 The draft legal agreement has been received and initial advice has been provided to officers. It is based upon the previous agreement entered into by the council.

5.2 It should be noted that the Pool, once the agreement has been entered into, can only be dissolved with a revocation of the pool designation by DCLG.

6. CORPORATE PLAN IMPLICATIONS

6.1 Growth in business rates will contribute towards the budget which will have an indirect impact on all other Corporate Plan targets.

7. CONSULTATION

7.1 All members of the Pool have been consulted in the decision to reform.

8. RISK IMPLICATIONS

8.1 It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

8.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

8.3 The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
None		

9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

9.1 Not applicable

10. CORPORATE IMPLICATIONS

10.1 By submitting this report, the report author has taken the following into account:

- Community Safety implications
  - Environmental implications
  - ICT implications
  - Asset Management implications
  - Human Resources implications
  - Planning Implications
  - Voluntary Sector
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Background papers: None

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