



BUSINESS RATES AND POOLING UPDATE

REPORT OF INTERIM HEAD OF FINANCE (DEPUTY S151 OFFICER)

WARDS AFFECTED: ALL WARDS

1. PURPOSE OF REPORT

1.1 To inform the committee of business rates performance from 1 April - 31 December 2015 and to provide an update on pooling arrangements for 2016/2017.

2. RECOMMENDATION

1.2 That the committee notes the contents of the report

3. BACKGROUND TO THE REPORT

3.1 Before 1 April 2013, business rates were collected by local authorities from businesses, before being paid into a central pool to be redistributed as part of grant funding. From 2013/14, billing authorities paid over 50% of collected business rates to government. The remaining 50% is split between the billing authority (80%) and the precepting authorities (20%).

3.2 Following these payments, the retained business rates of billing authorities are subject to a tariff set out in the respective Local Government Finance Settlement. Any growth in business rates over the set baseline will be subject to a "levy" payment of 50%, with the remaining half retained by the host Council. Correspondingly, if a Council loses 7.5% of their set threshold, a "safety net" payment will be triggered to compensate for the loss.

3.3 The Council will receive £631,452 of "section 31 grant" income. The allocated grant was based on the level of reliefs that were forecast to be granted in 2015/2016 in the submitted business rates budget form (the NNDR1). The actual grant that can be "banked" as retained rates will be determined based on the actual reliefs awarded by 31 March 2016. Therefore in order to be prudent, this income has been placed into the Business Rates reserve pending until this level is known.

3.4 The budgeted business rates performance for this Council, along with the forecast as at December 2015 is summarised below.

	Rates	Localism	Cost of	Tariffs	"Retained	Funding	Total	Levy	Mvt
	Forecast	Autumn	SBRR		Rates	Baseline	Growth	&	
	2015/16	Statement	Extension		Income"			Retained	
		Reliefs						Growth	
	{£000}	{£000}	{£000}	{£000}	{£000}	{£000}	{£000}	{£000}	{£000}
NNDR1	11,585	134	459	(8,967)	3,211	2,359	852	426	-
Sep-15	12,220	147	471	(8,967)	3,871	2,359	1,512	756	330
Dec-15	11,690	152	476	(8,967)	3,351	2,359	992	496	-260

3.5 The above table shows that as at 31 December 2015, the Council is forecasting £496,000 of retained growth for 2015/2016 that, if realized, will be available to the General Fund.

- 3.6 Although this is a positive position, it is important to acknowledge the volatility of business rates which can be impacted negatively by many factors including:
- Companies going out of business or moving from the area
 - Empty properties – The redevelopment of the town centre for instances may have an impact on the rates for the Council whilst development takes place
 - Awards of reliefs; most significantly charitable reliefs for schools which are awarded Academy status
 - Results of appeals lodged by businesses against their liabilities

Pooling

- 3.7 The Finance Bill also allows local authorities to form pools for the purposes of business rate retention. Practically, pooling means that any levy payments (50% of growth) are made into a local pool rather than paid to central government. Correspondingly, losses will be funded from the pool. The amount at which levies and safety nets are triggered is also set at the cumulative level for the pool.
- 3.8 As members will be aware, the Leicestershire pool was disbanded for 2014/2015 and therefore any levy/safety net payments will be made to/from Central Government for this financial year. That said, some indicative modeling has been produced using the September forecasts for all districts which has indicated that if the pool were to have been in operation for 2014/2015 it would have generated a balance of £3.273million. This balance would have been transferred to the Local Enterprise Partnership to spend in accordance with its priorities.
- 3.9 Given the positive position that the pool could have been in, an expression of interest has been made to the Department for Communities and Local Government to reinstate the pool in 2015/2016. This has been extended for the 2016/17 year. The early indication is for a forecast surplus of £4.2m for the pool, although pressure from the need to make provisions for appeals may reduce this.
- 3.10 Members should note that by entering into the Leicestershire Pool there is no detrimental impact on the funding to this Council but there are potentially significant benefits to Leicestershire as the levy payment that Council would have to pay to Central Government under current arrangements would be paid to the Leicester and Leicestershire Enterprise Partnership under the Pooling arrangements.
- 3.11 There changes to the business rates retention scheme due to proposal by government for the implementation of 100% business rates retention. Central Government, via DCLG, is to carry out consultation on the proposed changes to the local government finance system to prepare for implementation of 100% business rates retention. Although pooling may still be a feature of the proposed system, it is assumed that the main rationale behind the retention of levy payments in the local area, will no longer apply.

4. FINANCIAL IMPLICATIONS (AW)

Contained in the body of the report.

5. LEGAL IMPLICATIONS (JB)

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.

6. CORPORATE PLAN IMPLICATIONS

The Council's governance arrangements are robust

7. CONSULTATION

All members of the Business Rates Pool were included in decisions made on its future operation from 2016/17 onwards. The Pool was agreed to be extended for 2016/17 and the contingency held with the pool increased from £0.7m to £2m. This is created from amounts not returned to DCLG, but held within the pool to guard against future appeals. There is no reduction on the council's share of retained rates.

8. RISK IMPLICATIONS

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

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.

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

Various reliefs are available for businesses and charities under the business rate regulations.

10. CORPORATE IMPLICATIONS

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

Background Papers: Revenues and Benefits Monitoring Reports

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