



BUSINESS RATES AND POOLING UPDATE

REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

WARDS AFFECTED: ALL WARDS

1. PURPOSE OF REPORT

- 1.1 To inform the committee of business rates performance from 1st April -30th September 2014 and to provide an update on pooling arrangements for 2015/2016.

2. RECOMMENDATION

- 1.2 That the committee notes the contents of the report

3. BACKGROUND TO THE REPORT

- 3.1 Before 1st 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 was notified on 30th June 2014 that it would receive £658,430 of “section 31 grant” income, designed to reimburse the following changes announced in the 2012 and 2013 Autumn Statements:

- 2% cap in inflation for 2014/2015
- Doubling of Small Business Rates Relief
- Introduction of the £1,000 retail relief
- Reoccupation relief; and
- Empty new build measure

- 3.4 The allocated grant was based on the level of reliefs that were forecast to be granted in 2014/2015 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 31st March 2016. Therefore in order to be prudent, this income has been placed into the Business Rates reserve pending until this level is known.

- 3.5 The budgeted business rates performance for this Council, along with the forecast as at September 2014 is summarised below.

	Rates	Localism	Cost of	Tariffs	"Retained	Funding	Total	Levy	Mvt
	Forecast	Autumn	SBRR		Rates	Baseline	Growth	&	
	2014/15	Statement	Extension		Income"			Retained	
		Reliefs						Growth	
	{£000}	{£000}	{£000}	{£000}	{£000}	{£000}	{£000}	{£000}	{£000}
NNDR1	10,926	186	438	(8,799)	2,751	2,314	437	219	-
Sep-14	11,280	69	444	(8,799)	2,994	2,314	680	340	121

- 3.6 The above table shows that as at 30th September 2014, the Council is forecasting £340,000 of retained growth for 2014/2015 that, if realized, will be available to the General Fund. The increase in retained growth from the NNDR1 return is primarily due to clarification on the treatment of rates received from the Enterprise Zone at MIRA.
- 3.7 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

- 3.8 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.
- 3.9 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.
- 3.10 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 expression does is not binding and a formal decision can be made following the announcement of the 2015/2016 Local Government Finance Settlement (expected on 17th December 2014). A further report will be brought to members in due course regarding this decision.
- 3.11 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.

4. FINANCIAL IMPLICATIONS (KP)

Contained in the body of the report.

5. LEGAL IMPLICATIONS (EH)

Section 59A of the Local Government Finance Act 1988 allows local authorities to pool business rates. The pooling between the Leicestershire Councils 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 will be consulted in decisions made on its future operation from 2015/2016 onwards.

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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