

**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

**CABINET – 18 NOVEMBER 2014**

Title of report	<b>DELEGATION OF BUSINESS RATES POOLING DECISIONS</b>
Key Decision	a) Financial Yes b) Community No
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Purpose of report	The purpose of the report is to request delegated authority from Cabinet to enter into, and withdraw from, future Business Rates Pooling arrangements.
Reason for Decision	To improve the efficiency of business decisions.
Council Priorities	Business and Jobs Value for Money
Implications:  Financial/Staff  Link to relevant CAT    Risk Management	Financial issues are contained within the report.  Impacts over all CATS.  The pooling of business rates provides opportunities for retaining more of the increased income from business growth locally. There is a risk that a local Business Rates pool could be less robust than a national pool if a number of participants need to call upon safety net payments and there are insufficient resources in the Pool. The performance of any pool operating, and also monitoring the effect of pooling arrangements in years when there is no pool, assists in making decisions for entering and leaving pooling arrangements.
Equalities Impact Screening	No impact.

Human Rights	No impact.
Transformational Government	No impact.
Comments of Head of Paid Service	The report is satisfactory.
Comments of Section 151 Officer	As author of the report, the report is satisfactory.
Comments of Monitoring Officer	The report is satisfactory.
Consultees	None.
Background papers	None.
Recommendations	<b>THAT CABINET DELEGATES AUTHORITY TO THE CHIEF EXECUTIVE AND SECTION 151 OFFICER, IN CONJUNCTION WITH THE CORPORATE PORTFOLIO HOLDER, TO ENTER AND WITHDRAW FROM FUTURE BUSINESS RATES POOLING AGREEMENTS AND NEGOTIATE THEIR TERMS.</b>

## 1. BACKGROUND

- 1.1 Local authorities receive funding from three main sources: grants from central government, council tax and other locally generated income (such as fees and charges for services). Central government grants can be received as 'specific grants', which can come with restrictions on what they can be spent on, or through 'formula grant', which has no restrictions and can be used for any purpose. Business Rates income is paid as a "formula grant".
- 1.2 The Government changed the system for distributing business rates income from April 2013, enabling councils to retain a share of the net growth in business rates in their area on a 50/50 basis with the Government. The "local share" is then distributed 40% to districts, 9% to Counties and 1% to Fire and Rescue Authorities in two-tier local government areas.
- 1.3 If councils kept all of their share of business rates some would have a much larger amount than they need to deliver services and others would have too little. Therefore under the revised system those with more business rates income than their baseline funding allocation calculated by the Government pay a "tariff" and those with too little income will receive a "top-up".
- 1.4 Tariffs and top-ups are inflated each year according to the retail prices index factor applied to business rate bills. As North West Leicestershire collects all the business rates for the District it is an authority liable to pay a tariff.

- 1.5 In addition to tariffs and top-ups there is a further system of levies and safety nets which is intended to ensure that authorities with large tax bases do not benefit disproportionately and that losses due to reductions in business rates are limited by a safety net arrangement. For this authority that means that we pay a 50% levy on our 40% share and that we benefit from a safety net which stops our business rates income falling by more than 7.5% which would be £165k in 2015/16.

## **2.0 POOLING OF BUSINESS RATES**

- 2.1 The legislation allows for local authorities to form pools with other authorities in its area (the Sub-Region) for the purposes of business rate retention. In periods when Business Rates income is rising it is beneficial for the sub region to “pool” business rates as this means that the Pool overall would not pay a levy to the Government allowing these funds to be retained in the sub region. This is achieved because the County Council and the City Council as “top-up” authorities do not pay levies on additional Business Rates. Pooling with these authorities creates a mutually beneficial arrangement whereby more income is retained locally.
- 2.2 In October 2012 the Cabinet gave approval for the Council to enter into Business Rates pooling arrangements with the other county districts, the County Council and City Council. Although a small surplus was achieved for the year in 2013/14 there were concerns during year that the volatility of business rates combined with uncertainties around the Government’s intentions for funding future rate reliefs etc and the provision for losses through appeals and revaluations had increased the risks of pooling arrangements.
- 2.3 In February 2014 the participants in the scheme unanimously agreed to dissolve the Business Rates Pool and it has not operated during 2014/15. This was done in the context of gaining greater understanding of how the new mechanisms would work in practice and also having the experience of at least one full year’s operation of the new scheme for locally retained business rates.
- 2.4 Since that decision was made the former participants have continued to monitor the collection of business rates to take a view on the prospects of entering into pooling arrangements again from 2015/16. By not being in a pool most of the districts including this Council are projected to be paying half of its share of additional Business Rates to the Government which could be retained locally if it was participating in a pool. Information available for the first half of the financial year forecasts that had a pool been operating an additional £1.9m to £3.0m might have been retained locally, i.e. within Leicestershire, rather than paid in levies to the Government.
- 2.5 As lead authority, the County Council has submitted an expression of interest to allow the option of pooling again in 2015/16. All the participants of the 2013/14 Pool, including North West Leicestershire, were named in the expression of interest but we will need to formally approve our participation within tight, but as yet undetermined, Government deadlines. The Government requires applications to pool Business Rates to be made within 28 days of its announcement of the Provisional Finance Settlement each year. Although this announcement is likely to be in early December it is unclear exactly when it will be and it is recommended that these decisions be delegated to officers to cover all eventualities. Decisions to dissolve a pool would usually need to involve all the participating councils and may need to be taken quickly. Again a process of delegated decision making is being recommended.