

Gloucestershire Business Rates Pool Update

AGENDA NO:

Meeting	Gloucestershire Economic Growth Joint Committee, 30 November 2016
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Background documents	<i>None</i>
Location/Contact for inspection of background documents	<i>N/A</i>
Main consultees	Gloucestershire Chief Financial Officers
Planned dates	<i>N/A</i>
Purpose of report	To update members of the committee on the 2016/17 financial performance of the Gloucestershire Business Rates Pool.
Recommendations	The Committee: 1. Note the forecast position with the Pool for 2016/17
Reasons for recommendations	The Business Rates Pool suffered a significant blow in 2014/15, although 2015/16 performance has recovered some of these losses. The Pool Management Team has taken steps to mitigate the risks of any future losses but the Committee needs to be mindful of the current risks.
Resource Implications	There are no resource implications to implementing this recommendation however, despite the mitigating action taken, Pool members must be aware of the risks associated with Pooling and make appropriate provision within their individual authorities.

Background

1. The Gloucestershire Business Rates Pool (GBRP) was set up to maximise the business rate income retained within the County and to support economic growth within the area of the Local Enterprise Partnership.
2. In 2013/14, the first year of operation, the Pool reported a surplus of £0.775m of which £95k was paid to the Strategic Economic Development Fund supporting the work of the Joint Committee. In 2014/15, the pool suffered a significant loss due to the impact of backdated appeals on rateable values and in particular, the successful backdated appeal by Virgin Media, the largest valued business in Tewkesbury. The final pool position for 2014/15 published a deficit of £2.3m following a safety net payment to Tewkesbury of £3.9m.
3. The 2015/16 outturn position for the Pool reported a surplus of £1.129m. This is predominantly due to an improved position across the majority pool members (in particular Stroud, Gloucester and Cotswold) and the consequential impact of the lower pool levy rate
4. After accounting for a safety net payment to Tewkesbury of £252k, the remaining balance of £878k was distributed back to pool members pro-rata to 2014/15's deficit in accordance with the governance arrangements.
5. With the ongoing risk associated with the VM issue and following the Committee's agreement, the Pool was dissolved and a new Pool was formed excluding Tewkesbury from April 2016.

Forecast for the Pool 2016/17

6. Following the completion of the Government returns which set the level of Business Rates income for each authority for the 2016/17 year, it was estimated in January 2016 that an additional £2.516m will be retained in Gloucestershire as a result of pooling.
7. An update on the 2016/17 forecast was considered by the Gloucestershire CFOs at their meeting in September. The mid-year update (based on information up to the beginning of September 2016) has, in common with previous years, has seen this forecast revised down to £1.983m
8. Based on the current governance arrangements, the Strategic Economic Development Fund would receive around £200k. This assumes that the remaining losses incurred by pool members in 2014/15 (£934k) will be recovered from the pool surplus (as per the forecast in paragraph 7) in 2016/17 and whether a Pool Reserve is held.
9. Members may be aware that NHS Trusts are continuing to look to be classified as charitable bodies and therefore qualify for mandatory charitable business rates relief of 80% of their business rates. This issue has recently come to the fore again, with several local authorities receiving correspondence from agents acting on behalf of NHS Trusts. In the event they are successful with this application, it would have a significant impact on the new pool in 2016/17.

2017 Revaluation

10. New rateable values (RV) have been issued by the Valuation office and come into effect on 1 April 2017. This has seen the RV for Gloucestershire increase from £524.8m to £556.9m representing an increase of £32.1m or 6.1%. This compares to an increase of 4.0% across the South West and 9.6% nationally (although the national picture is somewhat skewed by the RV gains in London).
11. However, whilst there is a positive change in the RV across the county the revaluation should be fiscally neutral. Under rating statute, the amount of revenue collected across England cannot increase as a result of revaluation. The Government will adjust tariff and top-up payments to ensure that baseline funding levels remain the same.
12. In addition, Transitional relief, multipliers and other elements need to be finalised before there is any certainty about the business rate income, particularly given the extension of small business rate relief thresholds announced in the 2016 Budget.
13. Some risk may remain that the new rating list may lead to an increase in appeals activity; although the Government is due to tighten up the process to prevent speculative appeals from April 2017.

Risk Assessment

14. Some risk remains from the Business Rates Pool should there be significant backdated appeals settled. The issue of NHS Trusts requesting charitable status is the most significant financial risk to the pool and pool members.

Officer Advice

15. No officer advice required

Equalities considerations

16. There are no equalities considerations associated with this decision. It is purely a financial consideration.

Consultation feedback

17. Each of the Business Rates Pool members has been consulted about this report and support the recommendation.

Performance Management/follow-up

18. A report on the performance of the Business Rates Pool will be presented to a future meeting of the Joint Committee. Between now and then, Chief Financial Officers will keep Chief Executives and Leaders apprised of any developments