

## Gloucestershire Business Rates Pool Update

AGENDA NO:

<b>Meeting</b>	Gloucestershire Economic Growth Joint Committee, Sep 2021
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<b>Background documents</b>	Report to GEGJC June 2021
<b>Location/Contact for inspection of background documents</b>	N/A
<b>Main consultees</b>	Gloucestershire Chief Financial Officers
<b>Planned dates</b>	N/A
<b>Purpose of report</b>	<ol style="list-style-type: none"><li>1. To update members of the committee on the outturn of the 2020/21 Business Rates Pool and the estimated balance of the SEDF;</li><li>2. To consider the anticipated position of the pool and SEDF balance for 2021/22</li></ol>
<b>Recommendations</b>	The Committee: <ol style="list-style-type: none"><li>1. Note the forecast position of the Business Rates Pool and estimated balance for the SEDF</li></ol>
<b>Reasons for recommendations</b>	To update the Committee on the forecast for the Business Rates Pool
<b>Resource Implications</b>	There are no resource implications to implementing this recommendation.

## Background

1. Gloucestershire continues to operate a business rates pool under the 50% rates retention system. This pooling generates a saving in the levy returned to Central Government which is then distributed amongst Gloucestershire authorities.
2. The last update report to this Committee predicted that there would be a gain from the pool to the Strategic Economic Development Fund (SEDF) of £790k in 2020/21 as part of a total pool benefit of £3.95 million. It was noted that this estimate was based on the year-end figures for only some of the billing authorities, as a result of the timing of year end processes for District Councils

### 2020/21 Pool Outturn

3. All of the billing authorities have now completed their draft year-end accounts. Business rates figures have been produced which allow the calculation of the pool outturn for the year. All figures are subject to audit and the final pool position will then be confirmed by MHCLG, likely in early 2022. All figures should be regarded as provisional until that point.
4. All authorities had higher retained rates than Central Government baselines resulting in an overall gain for the pool. The original baselines and the calculated retained growth for each authority are shown in the table below.

**Table 1 – Business Rates Growth 2020/21**

Authority	Baseline £m	Retained Rates £m	Growth £m	Growth (Previous Year) £m
Cheltenham	2.84	4.15	<b>1.31</b>	<b>1.63</b>
Cotswold	1.88	3.99	<b>2.11</b>	<b>2.68</b>
Forest of Dean	2.59	3.85	<b>1.26</b>	<b>0.93</b>
Gloucester	3.70	6.26	<b>2.56</b>	<b>3.25</b>
Stroud	2.47	4.33	<b>1.86</b>	<b>2.85</b>
Tewkesbury	1.85	4.39	<b>2.54</b>	<b>4.31</b>
Gloucestershire	75.77	78.23	<b>2.46</b>	<b>3.75</b>
<b>Total Pool Growth</b>	<b>91.10</b>	<b>105.19</b>	<b>14.09</b>	<b>19.40</b>

5. Retained rates are not the actual rates collected by authorities, but the final figures used in the levy/safety net calculations as set out in regulations by central government.
6. The gain at Tewkesbury in the prior year was higher than normal as a result of adjustments relating to historic appeals. This should be borne in mind when comparing 2020/21 and 2019/20.

7. The retained rates figure for 2020/21 includes amounts of central government grant compensating authorities for business rate holidays granted to businesses during the pandemic. The amount of Covid reliefs through rates holidays granted to businesses in the County is shown in Table 2.

**Table 2 –Covid Reliefs granted**

<b>Authority</b>	<b>Covid Reliefs £m</b>
Cheltenham	34.82
Cotswold	18.71
Forest of Dean	4.22
Gloucester	28.02
Stroud	11.49
Tewkesbury	11.05
<b>Total Covid Reliefs</b>	<b>108.32</b>

8. The pooling system allows the total growth to be combined and a pool levy to be calculated. In practice this means that a lower level of growth is returned to central government through the levy system than would otherwise have been the case. In 2020/21 the levy to be returned has been calculated as £2.16 million as opposed to £5.82 million which would have been returned without pooling.
9. This therefore creates a pool gain of £3.66 million which is nearly identical to the last full monitoring position reported to this committee at Quarter 3 (£3.71m). This has been shared amongst the SEDF, County Council and District Councils in the following proportions as per the original pooling agreement.

**Table 3 – Allocation of 2020/21 Pool Gain**

<b>Distribution</b>	<b>2020/21 Outturn</b>
Strategic Economic Development Fund (as administered by GEGJC)	£731k
District Councils	£2.34m
County Council	£585k
<b>Total Pool Gain</b>	<b>£3.656m</b>

## 2021/22 Forecasts

10. As in previous years District Councils are carrying out monitoring of the in-year business rates position. This monitoring has been brought together to develop an estimated position for the Pool in this report.
11. The biggest impact of Covid-19 upon business rates collection continues to be business rates discounts for the retail, leisure and hospitality industries. For eligible businesses the 100% discount was extended to 30<sup>th</sup> June 2021 with a 66% discount then in place for the rest of this financial year. As with last year there is no financial impact on the pool itself as any discount given to businesses is compensated to billing authorities, in the form of a central government grant.
12. Another process continuing from last year is that Districts will be carefully monitoring where such businesses have closed as a result of the pandemic, as the reimbursement grant is then no longer received from central government. Therefore, the rates would be lost both from the individual authority and of course the pool gain.
13. At the end of 2020/21, across the County, districts raised the level of provisions for potential future uncollectable debts based upon the increased level of arrears they were recording for business rates. This helps to protect the pool position. There remains a risk that further increases will be needed as the path of economic recovery is not certain. Districts continue to monitor this position and any significant changes will be reported in future updates.
14. Taking all of this into account there is still an estimated pool gain of £4.238million in the current year. The distribution of this estimated benefit is set out in the table below.

**Table 4 – Estimated Pool Gain in 2021/22**

<b>Distribution</b>	<b>21/22 Forecast</b>
Strategic Economic Development Fund (as administered by GEGJC)	£848k
District Councils	£2.71m
County Council	£680k
<b>Total Pool Gain</b>	<b>£4.238m</b>

15. This gain is obviously subject to significant potential fluctuation and therefore should not be factored into any resource allocation decisions at this point.

## Future of the Business Rates Pool

16. As has previously been reported to this Committee, the long-term future of the Pool is dependent on potential government reforms to both business rates as a taxation system and the wider system of local government funding. There are no further updates

on either issue at the time of writing and therefore 2021/22 is still considered to be the last year of SEDF funding. This will be updated in future reports to the Committee as required.

17. Appendix A shows the current overall estimated position on the SEDF. The allocation of resources includes the £1.8 million agreed in June of this year for strategic planning.

### **Risk Assessment**

18. Significant risks remain around the level of business rates income and arrears in the pandemic recovery. This is mitigated by the current high level of estimated pool gain which is likely to be enough to absorb any future reductions in rates income without putting the pool into deficit.

### **Officer Advice**

19. No officer advice required

### **Equalities considerations**

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

### **Consultation feedback**

21. Each of the Business Rates Pool members has been consulted about this report.

### **Performance Management/follow-up**

22. Further update reports on the current position and future outlook of the pool will be presented to this committee.

## Projected Balance of the SEDF

	GEGJC Decision Date	2018/19 (£'000)	2019/20 (£'000)	2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)
<b>Item</b>						
<b>Funding</b>						
SEDF Balance b/f		336	3,998	4,562	4,525	1,527
2017/18 Pool (confirmed)		828				
2018/19 Pilot Gain (confirmed)		3,438				
Pool Gain (indicative)			970	731	848	0
<b>SEDF Funding</b>		<b>4,602</b>	<b>4,968</b>	<b>5,293</b>	<b>5,373</b>	<b>1,527</b>
<b>Allocations</b>						
Operating Costs for Joint Committee	Nov 17	(4)	0	(5)	(5)	(5)
LEP Core Funding (Match)	Nov 17/Feb 20/	(250)	(250)	(250)	(250)	(250)
LEP/LA Inward Investment Programme (EU Match)	Nov 17	(75)	0	0	0	0
J.10 Business Case Commission (contribution)	Nov 18	(275)	0	0	0	0
Economic Intelligence Data Commissioning Fund	Nov 18	0	0	0	(50)	0
Rail Investment Strategy	Sept 19	0	(16)	(3)	(51)	0
LNP Capital Mapping	Feb 20		(40)	0	0	0
Cyber Central	Nov 19/Jan21		(100)	(100)	(100)	(100)
City Region Board			0	(410)	(1,590)	0
Strategic Plan for Growth	June 21				(1,800)	0
<b>Total Allocations</b>		<b>(604)</b>	<b>(406)</b>	<b>(768)</b>	<b>(3,846)</b>	<b>(355)</b>
<b>SEDF Balance c/f</b>		<b>3,998</b>	<b>4,562</b>	<b>4,525</b>	<b>1,527</b>	<b>1,172</b>

## Notes

- SEDF balance held and accounted for by Gloucestershire County Council