

Gloucestershire Business Rates Pool Update

AGENDA NO:

Meeting	Gloucestershire Economic Growth Joint Committee, Mar 2022
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Background documents	Report to GEGJC November 2021
Location/Contact for inspection of background documents	N/A
Main consultees	Gloucestershire Chief Financial Officers
Planned dates	N/A
Purpose of report	<ol style="list-style-type: none">1. To note the anticipated position of the pool and SEDF balance for 2021/222. Consider SEDF funding requests in respect of;<ul style="list-style-type: none">- The “Made in Gloucestershire Initiative” - £150k- Central Gloucestershire Mass Transit Scheme – development funding – £850k
Recommendations	The Committee: <ol style="list-style-type: none">1. Note the forecast position of the Business Rates Pool and estimated balance for the SEDF in 2021/22
Reasons for recommendations	To update the Committee on the forecast for the Business Rates Pool, and the likelihood of the Pool continuing into future years
Resource Implications	Agreeing any bids presented to the committee alongside this report will reduce the SEDF balance at Appendix A.

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 £804k in 2021/22 as part of a total benefit from pooling of £4.027 million.

2021/22 Forecasts

3. 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.
4. Monitoring has been updated for five of the District Councils. There is no detailed information from Gloucester City at this point due to known issues around system access. Gloucester City officers have confirmed that there has been no known reduction in their business rates position since their last completed monitoring at Quarter 2.
5. The position in the third quarter has seen a slight increase in the rates being collected across the County. This in turn translates into a greater level of pool gain. Bringing together the position from all of the Districts, the estimated pool gain has increased to £4.17 million. This would lead to a SEDF allocation of £833k and other distribution as set out in the table below.

Table 1 – Estimated Pool Gain in 2021/22

Distribution	21/22 Forecast
Strategic Economic Development Fund (as administered by GEGJC)	£833k
District Councils	£2.67m
County Council	£667k
Total Pool Gain	£4.17m

6. Although we are reaching the final stages of the financial year this gain should still be regarded as uncertain. Year end accounting processes and the consideration of business rate arrears and appeals can still have a material impact on the level of pool gain.
7. As has been previously reported, the pool gain of £3.6 million for 2020/21 has not yet been confirmed in final reconciliations by DLUHC. It is hoped that this will be received before the end of the financial year and a verbal update will be provided at the Committee on the current position.

Allocations from SEDF

8. The funding bid approved by the committee in November 2021, £65k for investigating a range of transport solutions and options to better connect Kemble Train Station to Cirencester Town Centre, is now included within the listed allocations at Appendix A.
9. The SEDF has now allocated the significant majority of its confirmed funds to date. Additional funds are anticipated but they are from financial years where the gain is not confirmed. It has always been the policy of the Committee not to allocate funds which are not guaranteed as any shortfall in funds actually received would need to be made up from Gloucestershire authorities. It is the view of the S151 Officer Group that this policy should remain in place.
10. Therefore, any funding bids in excess of currently unallocated funding (£259k as per Table 2 below) should be phased and provisional, based upon receipt of the funds.
11. Alternatively, the Committee could reallocate some of the funding currently highlighted towards the work of the City Region Board, which is not spent at this point, to be replenished at a later date.
12. The two bids to be presented to this committee total £1 million. This would require the allocation of the £259k and then further funds as they are confirmed, or a proportion of the City Region funding could be transferred.
13. The current position of the received funds, amounts allocated, and additional funds expected is shown in the table below.

Table 2 – Allocations of the SEDF

Funding Remaining as at 31/03/2021	£4.525m
Agreed 2021/22 Allocations	(£3.911m)
Agreed 2022/23 Allocations	(£0.355m)
Unallocated funding at 16/03/2022	£259k
Expected 2021/22 Gain	£0.833m
Expected 2022/23 Gain	£0.800m
Expected SEDF Balance	£1.892m

Future of the Business Rates Pool

14. The final settlement for local government for 2022/23 has confirmed that pooling will continue, and business rates growth will not be reset at this point. This means that it is highly likely that there will be a pooling gain in 2022/23. Therefore, an indicative

allocation of pooling growth has now been included in Appendix A. As previously discussed, this should not be used for resourcing decisions at this stage.

15. It is expected that Central Government will consult on the future of local government funding in the Spring of 2022. This will likely provide further information as to whether a pooling system will continue to operate and, if so, how it may function. Further updates will be provided to the Committee as more information becomes available.

Risk Assessment

16. The data currently shows that business rates income is making a recovery after the pandemic, albeit in a very uncertain economic environment. The high level of growth shows that the pool could currently withstand a significant drop in income before the pool was in a shortfall position.

Officer Advice

17. No officer advice required

Equalities considerations

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

Consultation feedback

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

Performance Management/follow-up

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

Projected Balance of the SEDF

Appendix A

	GEGJC Decision Date	2018/19 (£'000)	2019/20 (£'000)	2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)
Funding						
SEDF Balance b/f		336	3,998	4,562	4,525	1,447
2017/18 Pool (confirmed)		828				
2018/19 Pilot Gain (confirmed)		3,438				
Pool Gain (indicative)			970	731	833	800
SEDF Funding		4,602	4,968	5,293	5,358	2,247
Allocations						
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
Cirencester- Kemble transport	Nov 21				(65)	
Total Allocations		(604)	(406)	(768)	(3,911)	(355)
SEDF Balance c/f		3,998	4,562	4,525	1,447	1,892

Notes

- SEDF balance held and accounted for by Gloucestershire County Council