

Gloucestershire Business Rates Pool Update

AGENDA NO:

Meeting	Gloucestershire Economic Growth Joint Committee, September 2022
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Background documents	Report to GEGJC March 2022
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 update members of the committee on the outturn of the 2021/22 Business Rates Pool and the estimated balance of the SEDF;2. To consider the anticipated position of the pool and SEDF balance for 2022/23
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
Reasons for recommendations	To update the Committee on the forecast for the Business Rates Pool
Resource Implications	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 £833k in 2021/22 as part of a total benefit from pooling of £4.17 million.

2021/22 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 the Department for Levelling Up, Housing and Communities (DLUHC). 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 2021/22

Authority	Baseline £m	Retained Rates £m	Growth £m	Growth (Previous Year) £m
Cheltenham	2.84	4.29	1.45	1.29
Cotswold	1.88	3.87	1.99	2.11
Forest of Dean	2.59	3.70	1.10	1.22
Gloucester	3.70	6.12	2.42	2.61
Stroud	2.47	4.84	2.37	1.86
Tewkesbury	1.85	2.84	1.00	2.29
Gloucestershire	75.77	78.32	2.55	2.46
Total Pool Growth	91.10	103.97	12.87	13.85

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 retained rates figure for 2021/22 includes amounts of central government grant compensating authorities for business rate holidays granted to businesses due to the pandemic. The amounts have reduced significantly from 2020/21. The amount of Covid reliefs through rates holidays granted to businesses in the County is shown in Table 2.

Table 2 –Covid Reliefs granted

Authority	2021/22 £m	Previous Year 2020/21 £m
Cheltenham	13.21	34.82
Cotswold	9.68	18.71
Forest of Dean	2.68	4.22
Gloucester	9.51	28.02
Stroud	5.22	11.49
Tewkesbury	4.06	11.05
Total Covid Reliefs	44.36	108.32

7. 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 2021/22 the levy to be returned has been calculated as £1.97 million as opposed to £5.16 million which would have been returned without pooling.
8. This therefore creates a pool gain of £3.19 million. 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 2021/22 and 2020/21 Pool Gains

Distribution	2021/22 Outturn Estimate	Previous Year 2020/21 Outturn Confirmed
Strategic Economic Development Fund (as administered by GEGJC)	£0.638m	£0.713m
District Councils	£2.040m	£2.283m
County Council	£0.510m	£0.571m
Total Pool Gain	£3.188m	£3.567m

2022/23 Forecasts

9. 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.

10. The effect of Covid-19 continues to impact on business rates collection, with rates discounts for the retail, leisure and hospitality industries continuing into 2022/23, albeit at the reduced rate of 50% with a maximum cap of £110k. A Covid-19 Additional Relief Fund (CARF) pot has also been made available, relating to 2021/22 business rates, to support businesses which have been affected by Covid-19, but have not been eligible for existing support. 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.
11. Districts will continue to monitor where businesses have closed, as reimbursement grant is then no longer received from central government, and also the levels in arrears and uncollectable debts. These rates would be lost both from the individual authority and of course the pool gain.
12. The current forecast of rates income for the current year shows an estimated pool gain of £3.886million. This will be monitored and reported throughout the year. The distribution of this estimated benefit is set out in the table below.

Table 4 – Estimated Pool Gain in 2022/23

Distribution	21/22 Forecast
Strategic Economic Development Fund (as administered by GEGJC)	£0.777m
District Councils	£2.487m
County Council	£0.622m
Total Pool Gain	£3.886m

13. This gain is 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

14. 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.
15. DLUHC have written to local authorities requesting proposals for pooling arrangements in 2023/24. Although this indicates that pooling is being considered to continue into 2023/24, it is not yet confirmed. This will be updated in future reports to the Committee as required.
16. Appendix A shows the current projected position of the SEDF.

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.