



**REPORT TITLE: Gloucestershire Business Rates Pool Update**

<b>Scrutiny meeting</b>	Gloucestershire Economic Growth Joint Committee, May 2023
<b>Chair</b>	
<b>Presenting Officer</b>	Andrew Cummings - Strategic Director of Resources, Stroud District Council
<b>Item Type</b>	<i>Information</i>
<b>Purpose of Report</b>	<ol style="list-style-type: none"><li>1. To update members of the committee on the outturn of the 2022/23 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 2023/24</li></ol>
<b>Recommendations/ Action sought</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>Forthcoming Decisions</b>	N/A
<b>Background Documents</b>	N/A
<b>Appendices</b>	A – Projected Balance of the SEDF
<b>Contact Information</b>	Lucy Clothier – Accountancy Manager Stroud District Council Email: <a href="mailto:lucy.clothier@stroud.gov.uk">lucy.clothier@stroud.gov.uk</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 £710k in 2022/23 as part of a total benefit from pooling of £3.551 million.

## **2022/23 Pool Outturn**

3. All of the billing authorities have now completed their draft year-end business rate figures. These 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 2022/23**

Authority	Baseline £m	Retained Rates £m	Growth £m	Growth (Previous Year) £m
Cheltenham	2.84	4.15	1.31	1.45
Cotswold	1.88	4.41	2.53	1.99
Forest of Dean	2.59	3.68	1.09	1.10
Gloucester	3.70	5.83	2.13	2.42
Stroud	2.47	5.03	2.56	2.37
Tewkesbury	1.85	3.77	1.93	1.00
Gloucestershire	75.77	78.63	2.86	2.55
<b>Total Pool Growth</b>	<b>91.10</b>	<b>105.50</b>	<b>14.40</b>	<b>12.87</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 retained rates figure for 2022/23 includes amounts of central government grant compensating authorities for business rate reductions granted to businesses due to the pandemic. This includes Retail Hospitality and Leisure Relief and the Covid-19 Additional Relief Fund Relief.
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 2022/23 the levy to be returned has been calculated as £2.21 million as opposed to £5.77 million which would have been returned without pooling.
8. This therefore creates a pool gain of £3.56 million. This has been shared amongst the SEDF, County Council and District Councils in the following proportions as per the original pooling agreement.

**Table 2 – Allocation of 2022/23 and 2021/22 Pool Gains**

<b>Distribution</b>	<b>2022/23 Outturn Estimate</b>	<b>Previous Year 2021/22 Outturn Confirmed</b>
Strategic Economic Development Fund (as administered by GEGJC)	£0.713m	£0.632m
District Councils	£2.280m	£2.023m
County Council	£0.570m	£0.506m
<b>Total Pool Gain</b>	<b>£3.563m</b>	<b>£3.161m</b>

9. The above table includes the pool gain for the previous year 2021/22. This was previously reported to this committee and finally confirmed by DLUHC in March 2023.

### **2023/24 Forecasts**

10. A revaluation taking effect from April 2023 will affect the business rates payable and the tariffs and top ups for each council. The pool levy rate has increased from 15% in 2022/23 to 21% in 2023/24 to reflect the revised figures.

11. Government grants will continue to reimburse authorities for retail, hospitality and leisure reliefs awarded, which will ensure no financial impact on the pool. Government grants are also in place where transitional protection or small business rate relief are in place to protect businesses against significant rate increases arising from the revaluation.

12. 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.

13. The initial forecast of rates income for the current year shows an estimated pool gain of £4.549million. This will be monitored and reported throughout the year. The distribution of this estimated benefit is set out in the table below.

**Table 3 – Estimated Pool Gain in 2023/24**

<b>Distribution</b>	<b>21/22 Forecast</b>
Strategic Economic Development Fund (as administered by GEGJC)	£0.910m
District Councils	£2.911m
County Council	£0.728m
<b>Total Pool Gain</b>	<b>£4.549m</b>

14. 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**

15. 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.

16. The Local Government Finance Policy Statement 2023-24 to 2024-25, published December 2022, confirmed that the core settlement will continue in a similar manner for 2023/24 and 2024/25. Business Rates pooling is also expected to continue into 2024/25, although the level of uncertainty means that it is not included in the table at Appendix A.

17. The pooling arrangement for Gloucestershire allows for the creation of the Strategic Economic Development Fund and requires a joint decision-making body to allocate that fund. This Committee has served as the decision-making body since the inception of pooling. At such point that this committee is replaced by a successor body the allocation of SEDF funds could be considered by that successor. Alternatively, the pool governance document could be revised, if agreed by all parties, to remove the SEDF top slice and increase the amount which is reallocated to the individual authorities. Regardless of that decision the financial benefits of pooling remain, with approximately £3.6 million, in 2022/23 alone, remaining in the County which would otherwise have been returned to central government through the levy system.

18. Appendix A shows the current projected position of the SEDF and current allocations.

### **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	2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)
<b>Funding</b>					
SEDF Balance b/f		4,562	4,508	1,229	887
Pilot/Pool Gain (confirmed)		713	632		
Pool Gain (indicative)				713	700
<b>SEDF Funding</b>		<b>5,275</b>	<b>5,140</b>	<b>1,942</b>	<b>1,797</b>
<b>Allocations</b>					
Operating Costs for Joint Committee	Nov 17	(5)	(5)	(5)	(5)
LEP Core Funding (Match)	Nov 17/ Feb 20	(250)	(250)	(250)	(250)
LEP/LA Inward Investment Programme (EU Match)	Nov 17	0	0	0	
J.10 Business Case Commission (contribution)	Nov 18	0	0	0	
Economic Intelligence Data Commissioning Fund	Nov 18	0	(50)	0	
Rail Investment Strategy	Sept 19	(3)	(51)	0	
LNP Capital Mapping	Feb 20	0	0	0	
Cyber Central	Nov 19/ Jan 21	(100)	(100)	(100)	
City Region Board	Jun 20	(410)	(1,590)	0	
Strategic Plan for Growth	Jun 21		(1,800)	0	
Cirencester- Kemble transport	Nov 21		(65)	0	
Made in Gloucestershire Initiative	Mar 22			(150)	
Low Carbon Training Centre	May 22			(450)	
Royal Agricultural University's Innovation Village Project	May 22			(100)	
<b>Total Allocations</b>		<b>(768)</b>	<b>(3,911)</b>	<b>(1,055)</b>	<b>(255)</b>
<b>SEDF Balance c/f</b>		<b>4,508</b>	<b>1,229</b>	<b>887</b>	<b>1,542</b>

## Notes

- SEDF balance held and accounted for by Gloucestershire County Council