

Gloucester City Council

Meeting:	Cabinet	Date:	21 October 2015
Subject:	Business Rates Pooling 2016/17		
Report Of:	Cabinet Member for Performance and Resources		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
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Appendices:	None		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To resolve in principal that the current pool be disbanded to enable Tewkesbury Borough Council to be withdrawn from the Gloucestershire Business Rates Pool for the financial year 2016/2017 and the formation of a revised business rates pool subject to further work being undertaken and in accordance with required statutory timescales.
- 1.2 Gloucester City Council has been a member of the Gloucestershire Business Rates Pool since the inception of the retained Business Rates scheme in April 2013. During the 2014/15 financial year, Tewkesbury Borough Council suffered significant losses within this scheme mainly as a result of successful appeals by Virgin Media. This resulted in the pool incurring a substantial deficit which was needed to be met by the individual authorities of Gloucestershire, including Gloucester.

2.0 Recommendations

- 2.1 Cabinet is asked to **RESOLVE** that:

- (1) Subject to further work being undertaken by Gloucestershire Chief Financial Officers prior to 31 October 2015 deadline, that the current pool be disbanded in principle to enable Tewkesbury Borough Council to be withdrawn from the Gloucestershire Business Rates Pool for the financial year 2016/2017.
- (2) Authority be delegated to the s151 Officer, in consultation with the Cabinet Member for Performance and Resources, to manage on an on-going basis the Council's position with regard to Pool membership.
- (3) Authority be delegated to the s151 Officer, in consultation with the Cabinet Member for Performance and Resources, the agreement of any amendments in relation to the existing pooling agreement.
- (4) Authority be delegated to the s151 Officer to enter into revised pooling agreements on such terms as considered appropriate, in consultation with the Cabinet Member for Performance and Resources.

3.0 Background and Key Issues

- 3.1 The Local Government Finance Bill was introduced in December 2011 and set out the Government's intention to introduce a Business Rate Retention (BRR) scheme from 01 April 2013. Prior to this date, Councils simply acted as a collection agent for Government passing all business rates collected over to the government's central pool
- 3.2 The BRR scheme enabled councils to keep a share of the business rate growth in their area, promoting financial autonomy and giving councils a greater stake in the economic future of their local area. The scheme also allowed individual authorities to voluntarily come together to form a Pool which meant that more business rates could be retained in an area as a result of lower levy rates associated with Pools.
- 3.3 Gloucester City Council has been a member of the Gloucestershire Business Rates Pool since the inception of the retained Business Rates scheme in April 2013. Pool governance arrangements were put in place and the scheme commenced in the 2013/14 financial year. That year saw additional growth generated in businesses across Gloucestershire and as a result the Pool retained an extra £775,000 of business rates for the benefit of Gloucestershire as a whole. This money would have been paid to central government if pooling was not in place.
- 3.4 During the 2014/15 financial year, Tewkesbury Borough Council suffered significant losses within this scheme mainly as a result of successful appeals by Virgin Media. This resulted in the Pool incurring a substantial deficit which was needed to be met by the individual authorities of Gloucestershire, including Gloucester.
- 3.5 Gloucestershire has seen significant growth in business rates during 2014/15, but the level of appeals experienced and the provisions that have had to be made have more than wiped out the growth. The extraordinary level of appeals represents an issue that could not have been foreseen when the decision was taken to pool business rates in Gloucestershire and is an issue that has been taken up nationally with the Government and the LGA.
- 3.6 There were 2 key factors contributing to the deficit on the Gloucestershire Pool in 2014/15. The first of which was the Virgin Media issue in Tewkesbury, of which Cabinet is aware. To summarise, Virgin Media were successful in their appeal of their rateable value (RV) which saw a reduction far greater than had been anticipated by Tewkesbury or the Gloucestershire Pool.
- 3.7 Virgin Media have also asked for a single listing for business rates as they currently have sites listed with 68 councils across the country. Should this be successful, the single listing is likely to be in Tewkesbury as this is where the largest RV for Virgin Media is currently listed. This would have a significantly positive impact on business rates in Tewkesbury, however, should this be agreed by the Valuation Office, it is then likely that the Government will move the site to the central list from the local list as it represents one of the largest sites in the country. This move would mean that all of the Virgin Media business rates income would be lost to Tewkesbury and the Pool.
- 3.8 In addition to the Virgin Media issue, the Government put a deadline for the receipt of appeals against the 2010 list of 31st March 2015 which consequently saw a significant number of appeals lodged in the last 2 weeks of the year. Even the VOA were unprepared for scale of appeals which resulted in delays in getting the full list of appeals to councils. This is a national issue and many councils have had to increase

their provisions for appeals by £millions. As a result of the revaluations, successful appeals and newly lodged appeals, the safety payment to Tewkesbury required from the Gloucestershire Pool was £3.9m. If Tewkesbury were not in the Gloucestershire pool this payment would have been met by central government and not the other local authorities.

- 3.9 It is worth noting, that the Virgin Media issue aside, the level of appeals experienced by the pool would have been fully funded by business rates growth in the County during the year and still generated a small surplus to the pool. Based on the NNDR1 returns for 2015/16, pool members should recover any losses experienced in 2014/15 from surpluses in 2015/16.

4.0 Asset Based Community Development (ABCD) Considerations

- 4.1 There are no specific ABCD implications as a result of this report.

5.0 Alternative Options Considered

- 5.1 The option to retain the Gloucestershire Business Rates pool in its current format has been considered however this has been discounted as the potential significant risk to all members of the pool will not have been mitigated.
- 5.2 A further option is to no longer be part of the Gloucestershire Business Rates pool for 2016/17. This option does not fit well with the current devolution submission and will see reduced business rates growth being retained in Gloucestershire through increased levy rate to central government.

6.0 Reasons for Recommendations

- 6.1 The withdrawal of Tewkesbury Borough Council from the Gloucestershire Business Rates Pool on a temporary basis is recommended to protect both Gloucester City Council and the members of the Pool from the full effect of further successful appeals or single assessment requests of Virgin Media in Tewkesbury Borough Council.

7.0 Future Work and Conclusions

- 7.1 During October prior to the statutory deadline for notifying government Stroud District Council as the lead pool authority are coordinating the work on the best option for future pooling arrangements in Gloucestershire.

8.0 Financial Implications

- 8.1 All financial implications are contained within the report which is of a wholly financial nature.

(Financial Services have been consulted in the preparation this report.)

9.0 Legal Implications

9.1 The arrangements for retained Business Rates are contained in Schedule 7A of the Local Government Finance Act 1988. The schedule sets out requirements for the DCLG to be formally informed of Pool membership by the end of October for the following financial year.

(One Legal have been consulted in the preparation this report.)

10.0 Risk & Opportunity Management Implications

10.1 There are no specific risks or opportunities as a result of this report.

11.0 People Impact Assessment (PIA):

11.1 A PIA screening assessment has been undertaken and the impact is neutral. A full PIA is not required.

12.0 Other Corporate Implications

Community Safety

12.1 None

Sustainability

12.2 None

Staffing & Trade Union

12.3 None

Press Release drafted/approved

12.4 Not applicable

Background Documents: None