

17th October 2012**Report of the Portfolio Holder for Core Services and Assets****BUSINESS RATES POOLING - UPDATE****EXEMPT INFORMATION**

None

PURPOSE

To endorse the decision to 'pool' Business Rates under the business rate retention scheme, effective from 1st April 2013, with the Greater Birmingham & Solihull Local Enterprise Partnership pool, in order to comply with the revised deadline of 9th November, 2012 set by the Department for Communities & Local Government (DCLG) and endorse the response to the DCLG 'Business Rates Retention Technical Consultation'.

RECOMMENDATIONS**That Cabinet:**

- 1. Endorses the decision to 'pool' Business Rates under the business rate retention scheme, effective from 1st April 2013, with the Greater Birmingham & Solihull pool;**
- 2. Endorses the response to the DCLG 'Business Rates Retention Technical Consultation' document as set out at Appendices 1 and 2;**
- 3. Approves that the Chief Executive, in consultation with the Leader of the Council and Cabinet Member with portfolio for Core Services and Assets, be authorised to agree the governance arrangements for the pooling arrangement with the Greater Birmingham & Solihull pool, to submit to DCLG by the revised deadline of 9th November 2012.**

EXECUTIVE SUMMARY

At the meeting on 5th September 2012, Cabinet considered a report on the options to 'pool' business rates under the business rate retention scheme with effect from 1st April 2013 and approved that:

- Cabinet prefer pooling with the Greater Birmingham & Solihull LEP; and
- In order to give consideration to any new or updated information in the period up to the deadline of 10th September, 2012 that the Chief Executive in consultation with the Leader of the Council and Cabinet Member with portfolio for Core Services and Assets be authorised to make the final decision on pooling arrangements and submit to Department for Communities & Local Government by the appointed time (minute 54 refers).

On 10th September, the Chief Executive, following Executive consultation with the Leader of the Council and Cabinet Member with portfolio for Core Services and Assets, confirmed that Tamworth Borough Council does wish to continue to be included in the list of authorities constituting the Greater Birmingham and Solihull Pool, to be submitted to the DCLG on the 10th September 2012. Cabinet are now requested to endorse this decision. Page 33

In addition, the Executive Director Corporate Services responded to the latest consultation issued by DCLG by the deadline of 24th September 2012 – responding in the best interests of the Council as summarised the letter attached at **Appendix 1** with the formal consultation document response attached at **Appendix 2**. Cabinet are requested to endorse this response.

The response focused on the following key consultation areas:

1. Incentives;
2. Levy Methodology and the 80 : 20 two tier split;
3. Risk / Reward Shift;
4. Forecast Business Rates;
5. Substitute Funding;
6. Pooling;
7. New Homes Bonus; and
8. Expenditure Control Limits.

The consultation on pooling 'Business Rates Retention Pooling Prospectus' sets out that final proposals including governance arrangements (signed off by the Chief Executives and Section 151 officers of each of the local authorities in the pool) should be submitted by no later than Friday 19 October. It is understood that the lead authority have received correspondence from DCLG extending the deadline to 9th November 2012. In order to expedite the approval it is requested that Cabinet approve that the Chief Executive in consultation with the Leader of the Council and Cabinet Member with portfolio for Core Services and Assets be authorised to agree the governance arrangements for the pooling arrangement with the Greater Birmingham & Solihull pool - to submit to DCLG by the revised deadline of 9th November 2012.

RESOURCE IMPLICATIONS

The Local Government Resource Review including the retention of business rates will have potentially significant implications for the Council. The system will incorporate the savings required as part of the Comprehensive Spending Review but will also provide a financial incentive to councils generating business growth.

As part of this arrangement it is clear that many of the financial risks associated with collection of business rates will also be transferred to councils, although a safety net is to be put in place to deal with significant shocks (for Authorities which decide not to pool).

The deadline presents us with some challenges, given that we will still be making a decision using significant assumptions on many of the variables involved – the final picture for each Authority and pooling arrangement will not be known until the Local Government Finance Report is published in December 2012.

LEGAL/RISK IMPLICATIONS BACKGROUND

As the proposals focus on the distribution of business tax revenues, rather than changes to the system of taxation, it is not perceived that there will be any direct legal implications.

Risks associated with the business rates retention scheme include:

- a) The risk associated with the collection of business rates is clearly passing to the Authority although the new system has a 'safety net' component so that authorities are compensated if their rates income falls below 7.5% or 10% (the government has yet to decide the specific figure of their baseline spending) - if real terms business rates income across the Authorities falls, a pool has no advantage and indeed individual Districts could lose out on 'safety net' payments;
- b) The key driver of whether a pool is advantageous is whether there will be sustained positive real growth in business rates across the Authorities included;
- c) There is also a risk in relation to the uncertainty over inbuilt changes to the new system. For example it is understood the system is due to be 'reset' after a period of time i.e. 7 years and there is no clear idea of how the benefit of the additional rates income generated in the intervening time would be dealt with. There is a risk that any interim benefit will be lost after the reset, although equally authorities might benefit from a 'needs' reset;
- d) Financial modelling is based on the best estimates / interpretation of the proposals available, as provided through discussions with the GBSLEP;
- e) Impact on potential growth modelling will be impacted by the baseline figures – critical for forecasting the level of growth / levy shares.

SUSTAINABILITY IMPLICATIONS

None

REPORT AUTHOR

Stefan Garner, Director of Finance, Tel. 01827 709242

LIST OF BACKGROUND PAPERS

Local Government Resource Review – Proposals for Business Rates Retention
Business Rates Pooling, Cabinet 5th September 2012

APPENDICES

Appendix 1 - Executive Director Corporate Services' response to the latest consultation issued by DCLG

Appendix 2 – DCLG formal Consultation response document to 'Business Rates Retention Technical Consultation'

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