

TEWKESBURY BOROUGH COUNCIL

Report to:	Executive Committee
Date of Meeting:	14 October 2015
Subject:	Gloucestershire Business Rates Pool
Report of:	Simon Dix, Finance and Asset Management Group Manager
Corporate Lead:	Rachel North, Deputy Chief Executive
Lead Member:	Councillor D J Waters, Lead Member for Finance and Asset Management
Number of Appendices:	None

Executive Summary:

Tewkesbury Borough 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, the 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 met by the individual authorities of Gloucestershire, including Tewkesbury.

The appeals list held by Tewkesbury contains a number of outstanding appeals by Virgin Media and a request has also been made by Virgin Media to have their individual assessments across the country combined into one single assessment. Both of these factors present an ongoing risk to the Council and the Pool and, in order to mitigate some of the risk, it is recommended that Tewkesbury Borough Council withdraw from the Pool until such time that the risk has been reduced significantly.

Recommendation:

That the Committee APPROVE the following:

- 1. the withdrawal of Tewkesbury Borough Council from the Gloucestershire Business Rates Pool for the financial year 2016/2017;**
- 2. delegated authority to the S151 Officer, in consultation with the Chief Executive and Lead Member for Finance and Asset Management, to manage, on an ongoing basis, the Council's position with regard to Pool membership;**
- 3. delegated authority to the S151 Officer, in consultation with the Chief Executive and Lead Member for Finance and Asset Management, the agreement of any amendments in relation to the existing pooling agreement as a result of the Council's withdrawal; and**
- 4. authorisation for the Borough Solicitor to enter into revised pooling agreements, on such terms as she considers appropriate, in consultation with the S151 Officer, Chief Executive and Lead Member for Finance and Asset Management.**

Reasons for Recommendation:

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

Resource Implications:

The successful appeals made by Virgin Media in 2014/15 resulted in Tewkesbury Borough Council not meeting its income target from retained business rates of £250,000 and incurring immediate losses of £123,000. Losses in excess of this figure are met by a safety net payment. As a member of a Business Rates Pool, the safety net payment would come directly from the Pool as opposed to central government which would have been the case if the Council was not a member of a Pool.

The safety net payment of £3.95m resulted in business rate growth across Gloucestershire being lost and a sum of £2.1m being met from the revenue reserves of the seven authorities forming the Pool. As a member of the Pool, Tewkesbury therefore partly paid its own safety net payment with a contribution of £225,000.

Further losses of the magnitude suffered in 2014/15 cannot be ruled out with the complete loss of Virgin Media a possibility under the single assessment request. If Tewkesbury was to operate outside of the Pool, it would not be liable for part of any safety net payment with the full sum being met by central government. This option also protects the business rates retained by other authorities and allows for those sums to be invested for the benefits of Gloucestershire.

A reserve of £250,000 has been set aside by the Council to offset future losses but will require additional monies to give the Council confidence that potential losses in any one year can be met in full.

Legal Implications:

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.

Risk Management Implications:

Risks in relation to the appeals position of the retained Business Rates scheme are reviewed on an ongoing basis. This risk is highlighted in the corporate risk register.

Performance Management Follow-up:

Tewkesbury's position with regard to the BRR scheme performance is monitored on a monthly basis and forms part of the management accounts reporting regime.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

- 1.1 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 1 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.
- 1.2 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.
- 1.3 In October 2012, Council agreed for Tewkesbury Borough Council to join the Gloucestershire Business Rates Pool along with the other five Districts and the County Council. 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.

2.0 2014/15 OUTTURN

- 2.1 The last financial year saw continued growth across the other five Districts producing an estimated £1.6m of retained growth for Gloucestershire. Despite Tewkesbury's underlying business rates position being positive, the impact of successful appeals by Virgin Media, as previously reported, resulted in substantial losses being incurred by Tewkesbury and having a significant impact on the Pool as a whole.
- 2.2 Tewkesbury's immediate losses totalled £373,000 and arose from the lost income stream of £250,000 and actual losses of £123,000. Total losses were far in excess of this amount but the BRR scheme allowed for individual authorities to only be liable for losses totalling 7.5% of their base figures with the losses in excess of this being met by a 'safety net payment.' For authorities operating independently the safety net payment would be met by the government but for Pool authorities the safety net would need to be met by the Pool unless the loss was so big that the overall Pool would need a safety net payment.
- 2.3 The safety net payment to be met from the Gloucestershire Pool totalled £3.95m and, although substantial, did not qualify for government support. The impact of the safety net payment was to eliminate the growth generated in the other Districts, the full utilisation of the Pools small reserve and the contribution of £2.1m of revenue balances from across all Gloucestershire authorities. Tewkesbury was therefore required to finance a further £225,000 to meet its own safety net payment.
- 2.4 A number of appeals submitted by Virgin Media in March 2015 in relation to their 2010 valuation assessment remain outstanding despite the success of other appeals submitted. In addition to this, Virgin Media have requested the Valuation Office Agency to consider granting a single assessment for all of their business rate assessments across the country, of which there are currently 68. If this is granted, the impact will be that at least 67 authorities, and possibly all, will lose their entire Virgin Media business rates with no alterations to the tariffs being proposed by the government until 2020. For Tewkesbury and the Pool this could mean losses of a similar size to those incurred in 2014/15.
- 2.5 Indications from the Valuation Office Agency suggest that it is unlikely that the single assessment of the outstanding appeals will be resolved in the near future, although impact in 2015/16 cannot be ruled out.

3.0 POOL MEMBERSHIP

- 3.1** The formation of the Pool for the current year was agreed in October 2014 and in advance of the knowledge of the impact of Virgin media. This means that Tewkesbury, along with the other five Districts and the County, will remain in the Pool until at least 31 March 2016. Membership of the Pool for the following financial year needs to be resolved by October 2015.
- 3.2** Given the continued risk posed by Virgin Media, it is suggested that Tewkesbury Borough Council withdraws from the Pool on a temporary basis with effect from 1 April 2016. In so doing, Tewkesbury would not be liable to cover any safety net payment in 2016/17 and any growth generated by the other Districts could be retained in Gloucestershire for the benefit of residents and businesses.
- 3.3** Tewkesbury's position will be monitored on an on-going basis so that its return to full Pool membership can be made at the earliest opportunity following the reduction in risk associated with Virgin Media.
- 3.4** It is also suggested that during the period of exclusion from the Pool, Tewkesbury remains fully committed to the vision of the Pool and plays an active role in supporting the Pool. Amendments to the Pool's governance may be required to achieve this and authority should be delegated to the S151 Officer to negotiate an appropriate position with Pool members.

4.0 CONSULTATION

- 4.1** All members of the Gloucestershire Business Rates Pool have been consulted on the optimum makeup of authorities in order to retain maximum benefit to Gloucestershire and mitigate risk where possible.

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

- 5.1** None.

6.0 RELEVANT GOVERNMENT POLICIES

- 6.1** None.

7.0 RESOURCE IMPLICATIONS (Human/Property)

- 7.1** None.

8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

- 8.1** None.

9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

9.1 None.

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

10.1 Council decision to join Gloucestershire Business Rates Pool – 1 October 2012.

Background Papers: Business Rates Retention Scheme – Pooling – Council
1 October 2012.

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Appendices: None.