

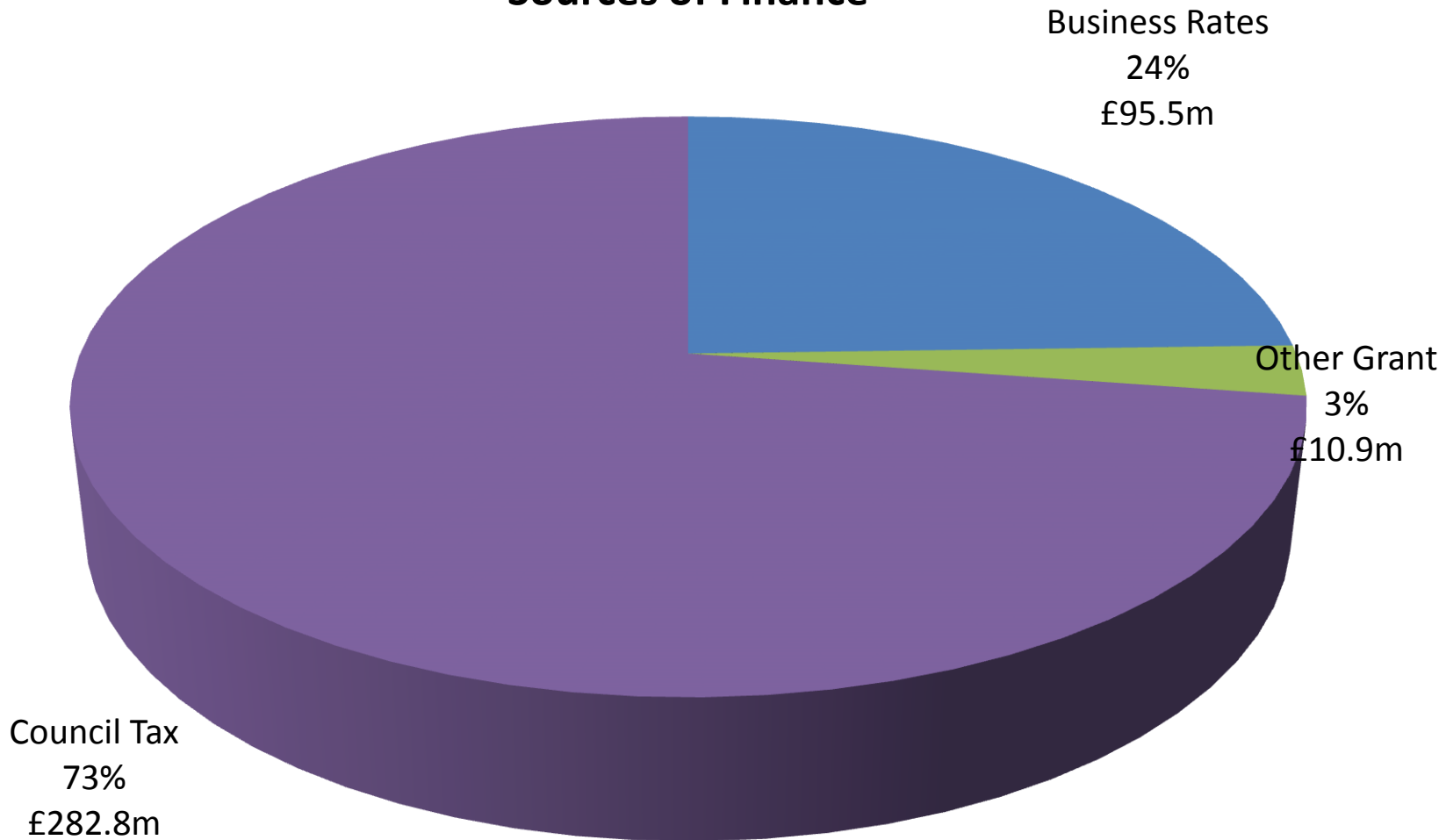


Gloucestershire 100% Business Rates Retention Pilot



2018/19 GCC £389.2 Million Budget

Sources of Finance





Business Rates Retention (BRR)

- Main funding mechanism from central government for local government since April 2013
- In October 2015 the Government announced its intention to enable local government as a sector to retain all business rates raised locally, ie 100% BRR.
- The Government also committed itself to a full review of the needs and redistribution mechanism for local authority funding through the Fair Funding Review (FFR).
- Aim for BRR and FFR to be implemented by 2020/21
- Huge variations in business rates across country:
 - Westminster Returns 90% of rates collected to central government
 - Lancashire Receives a top up of 83% due to low Business Rate Base

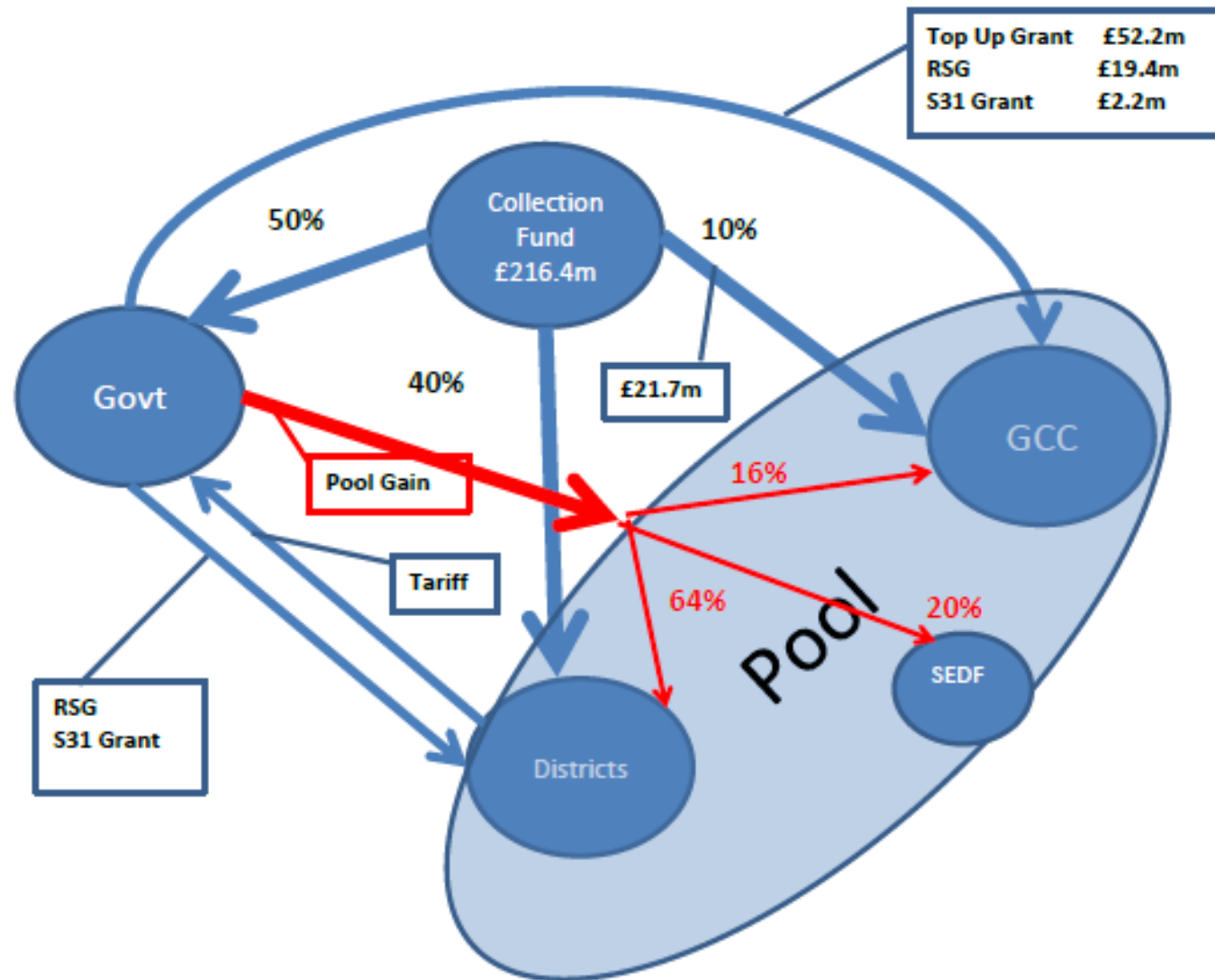


Background on the current system

- 50/40/10 central / district / county
- Spending “need” set by central government
- Tariff / top up
- Pooling – reduced levy on growth



BRR – How it Works: Current 50% System



Terminology:

Top Up Grant: In the 50% scheme upper tier authorities need to be brought up to their baseline “need” and this is done by a “top-up” grant.

Tariff: In the 50% scheme lower tier authorities gain too much, and therefore they have to pay a “tariff” to central government to bring them back down to their “need”

Levy: all collection authorities pay a levy on growth above the baseline capped at 50%

S31: this is a compensation grant as a result of Budget Statement changes that remove money from the BR system, eg Small Business Rate Relief

SEDF: Strategic Economic Development Fund



Benefits / Risks from Pooling

- **Benefits:**

- Reduced levy on growth
- More income retained in Gloucestershire (est. £3m)
- Joint SEDF pot from first 20% of gain
- Residual split 80/20 district / county

- **Risks:**

- If business rate growth is low, a pooled authority will not trigger a “safety net” payment from Government which it would receive if it did not pool. Partner authorities therefore bear more risk as loss is shared



100% BRR Pilot - Overview

- One year pilot
- Pilots offered to improve understanding of two tier areas like Gloucestershire as risk and gain varies in different settings
- Local authorities in a pilot forego Revenue Support Grant (RSG) and Rural Services Delivery Grant (RSDG) – worth £21.6m in total to Gloucestershire
- For GCC as an upper tier authority we move from being a top up authority (receiving a grant of £52m) to a tariff authority (paying back £11m to govt)

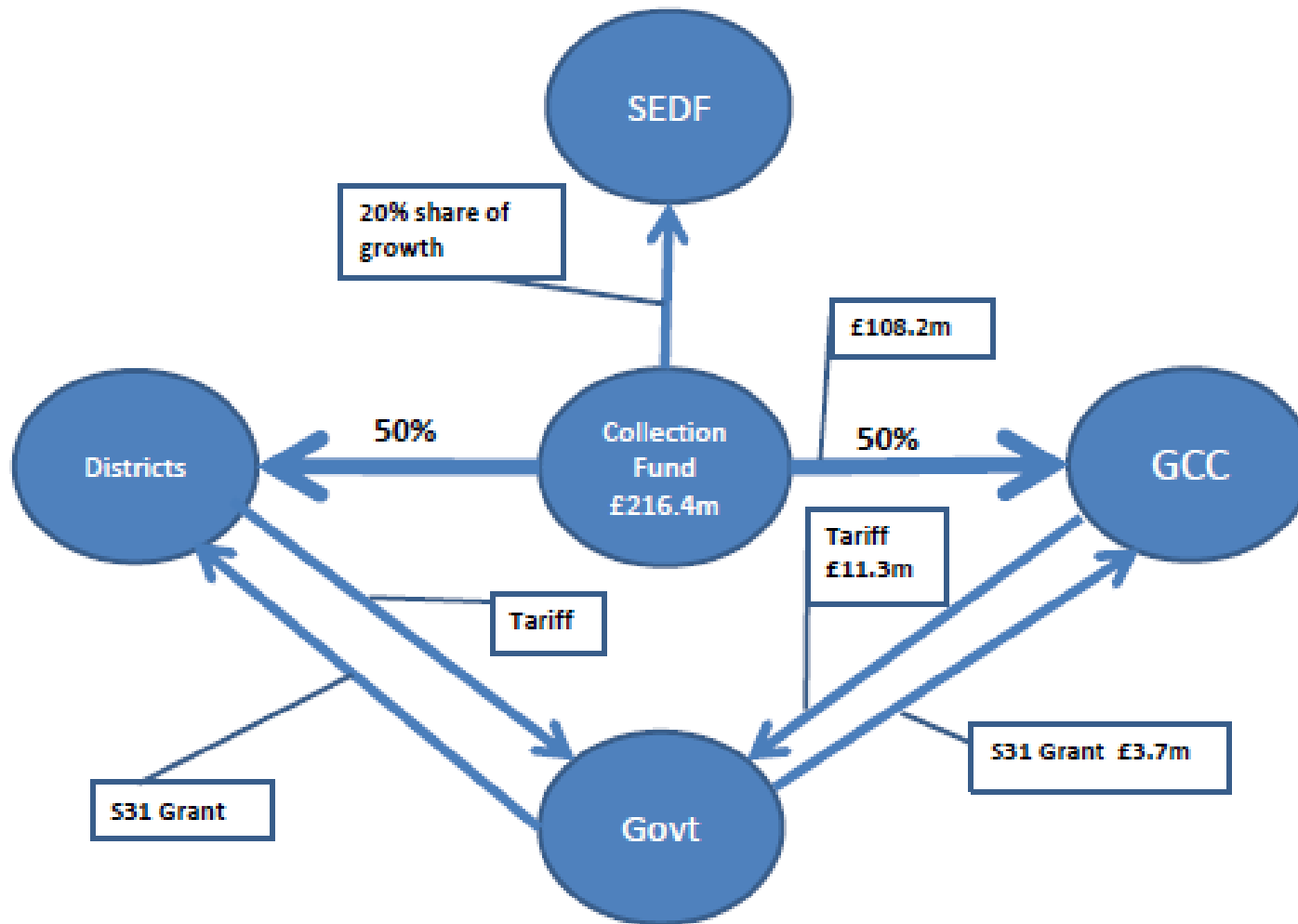


Pilot Authorities

- **Berkshire,**
- **Derbyshire,**
- **Devon,**
- **Gloucestershire,**
- **Kent and Medway,**
- **Leeds,**
- **Lincolnshire,**
- **Solent,**
- **Suffolk and**
- **Surrey.**



BRR – How it Works: Pilot 100% System





100% BRR Pilot – Financial benefit

- **Estimated benefit** **£9.2m**
 - Shared:
 - **GCC** **£4.6m**
 - District £2.8m
 - SEDF £1.8m



100% BRR Pilot - Risks

Key risks:

- Revaluations and appeals leading to reduced income
 - 2017/18 was a revaluation year so normally get peak in revaluation appeals the year following this
 - Appeals risk – ongoing appeals affect income streams
 - Currently significant appeal ongoing with NHS Trusts who are claiming charitable status, which would lead to an 80% loss of income
- Closure of businesses
 - results in loss of business rates income eg closure of Maplin's, Toys R Us, and Carpet Right
- Businesses moving to the central list
 - results in loss of income locally



Overall Governance

- **Technical Working Group** – meet six times a year
- **Pool / Pilot Management Team (PMT)** - meet regularly, as part of the normal cycle of Chief Financial Officer Meetings, with the Business Rates Pilot an agenda item on a quarterly basis.
- **Gloucestershire Economic Growth Joint Committee (GEGJC)** - PMT report to GEGJC at least 4 times per year on the financial performance of the Pool / Pilot
- **Distribution** – based on pre agreed percentages



Internal Governance

- **Monthly meetings with Head of Finance and Strategic Finance Director**
- **Officers feed into technical working group alongside district reps.**
- **Pool Management Team (PMT) – officers sit on the PMT, which meets quarterly**
- **Internal reporting and allocation of funding via Budget Monitoring report to Cabinet**



Timelines

- **Draft figures available 1st February 2019**
 - National Non Domestic Rates 1 (NNDR) Forecasts for 2019/20
 - Collection Fund Surplus / Deficit from 2018/19
- **Final figures available April 2019**
 - Outturn position, NNDR 3, for 2018/19
 - Pilot benefit for 2018/19
 - Additional cash to be distributed / clawed back



Questions?

