

REPORT OF THE CHAIRMAN OF FINANCE AND PROPERTY COMMITTEE**BUSINESS RATES POOLING 2013-15****Purpose of the Report**

1. The purpose of this report is to inform Members of the final outturn position on the Nottinghamshire Business Rate Pool as at 31st March 2015, and the proposed distribution of the Pool surplus.

Information and Advice

2. Following approval by Finance & Property Committee (January 2012) from 1st April 2013, Nottinghamshire County Council joined all of the seven Nottinghamshire District Councils to form a Business Rates Pool. This arrangement works exactly the same as for an individual authority, except the tariff or top-up, and the safety net payment or levy, is calculated on the Pool as a single entity.
3. This approach has enabled a greater level of financial resources to be retained within Nottinghamshire, as any levy paid by a district council on business rate growth would ordinarily be paid to central government, whereas under the pooling arrangements, this is retained locally for economic growth or distribution back to partner authorities.
4. Another benefit from joining the pool is the assurance against the volatility of business rates by spreading the risk across all members of the pool. This acts as an insurance mechanism so that all members could see a financial benefit from rapidly growing members of the pool, whilst offering to subsidise other pool members experiencing lower or negative growth.
5. The pooling arrangements afford the same degree of protection against volatility of business rates as would have occurred without the pool i.e. a safety net payment for any reduction in business rates income below 92.5% of the expected baseline figure.
6. In addition to securing funding within Nottinghamshire, the aim of the pool was to provide the opportunity to build a critical mass to the funding required for critical economic investment and affords the Councils to work collectively in partnership with the private sector to prioritise economic development activity. These partnership ambitions are aligned with the D2N2 LEP's adopted Strategic Priorities and Areas of Economic Focus and within the wider ambitions for the establishment of the Combined Authority.

7. The proposed pooling of business rates therefore provides opportunities to “match” the LEP resources to ensure key projects maximising economic growth are brought forward quickly and effectively.

Pool Surplus 2013/14

8. The net surplus generated by the Pool in 2013/14 was £0.392 million. The County’s share of this net surplus amount was £0.2 million.
9. The issue of how to use this surplus was initially considered at The City of Nottingham and Nottinghamshire Economic Prosperity Committee meeting of 24th July 2015 – see the attached link to the agenda for that meeting:-

<http://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?MId=5133&x=1>

10. The joint committee supported the following proposal (whilst recognising that this would require approval by each of the constituent Councils)

“To approve the retention of the Pool surplus in 2013/14 (£392,000) for use by the Combined Authority.”

Pool Surplus 2014/15

11. The net surplus generated by the Pool in 2014/15 was £3.0 million. A significant factor in this outturn was the introduction of West Burton B power station into Bassetlaw’s rating list. The County Council’s share of this net surplus amount was £1.3 million.
12. The City of Nottingham and Nottinghamshire Economic Prosperity Committee on 24th July 2015 also supported the following proposals (which again required approval by each of the constituent Councils):-

“To approve that 50% of the Pool surplus in 2014/15 and future years would be retained for use by the Combined Authority.”

“To approve that the remaining 50% surplus generated in 2014/15 and future years, net of retention for the volatility fund, would be distributed to Pool members in line with the Memorandum of Understanding.”

“To approve that the 50/50 distribution approach would be reviewed annually by the Nottinghamshire Chief Executive Group.”

13. If this approach is agreed the County Council is due to receive a one-off payment of £0.65 million during this financial year, which will be utilised to fund ongoing budget pressures.
14. In light of the above proposal that the distribution for future year’s surpluses be reviewed annually by the Nottinghamshire Chief Executives’ Group, it is recommended that the decision on future distribution approaches as regards Nottinghamshire County Council is delegated to the Chief Executive, in consultation with the Chair of Finance & Property Committee. Any proposed changes to the distribution approach would be reported to meetings of Finance & Property Committee.

15. It is not proposed that this fund is there to meet the cost for the establishment of the Combined Authority. In addition, the release of these funds is dependent upon the spending plan being agreed by the City of Nottingham and Nottinghamshire Economic Prosperity Committee.

Other Options Considered

16. None – this report provides Members with an update on the current position of the Nottinghamshire Business Rate Pool and seeks approval for the proposals supported by the City of Nottingham and Nottinghamshire Economic Prosperity Committee. If however the Combined Authority is not established then Pool Member Authorities may wish to review these proposals including the reversion to the originally agreed distribution of pool surpluses as set out in the Pool Memorandum of Understanding (MoU). This would see all but a small amount of the surplus retained to cater for volatility being distributed to Pool Member Authorities.

Reason/s for Recommendation/s

17. Under the Memorandum of Understanding the Pool is designed to encourage economic growth, and this approach promotes this objective.

Statutory and Policy Implications

18. This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

19. Services continue to be funded by a combination of locally retained business rates and Revenue Support Grant. However the business rates quantum is relatively fixed, so central government is using the Revenue Support Grant element to manage reductions in the central budget aligned with the well-publicised cuts in national public spending. The Council therefore has to find alternative means to maintain core funding levels and protect services.

20. The manner in which local government is funded will continue, but with total funding levels being eroded over time. The £0.65 million income does not feature in the Medium Term Financial Strategy (MTFS) and will therefore be treated as a “windfall” that will be set against future budget pressures. Any future distributions from the Pool will not be built into the MTFS until they have been realised.

21. The Council has a duty under The Non-Domestic Rating (Rates Retention) Regulations 2013 No. 452 (previously the Local Government Finance Act 1988) to prepare a business rate retention scheme and consider potential policy arrangements available within Nottinghamshire.

RECOMMENDATION/S

22. It is recommended that the Committee:

- a. Notes the outturn for the Nottinghamshire Business Rates Pool for the years 2013/14 and 2014/15.
- b. Agrees the proposal supported by the City of Nottingham and Nottinghamshire Economic Prosperity Committee to retain the entire Pool surplus generated in 2013/14 for use by the Combined Authority.
- c. Agrees the proposal supported by the City of Nottingham and Nottinghamshire Economic Prosperity Committee to retain 50% of the Pool surplus generated in 2014/15 for use by the Combined Authority, and distribute the other 50% to Pool members.
- d. Notes the release of these funds is dependent upon the spending plan being agreed by the City of Nottingham and Nottinghamshire Economic Prosperity Committee.
- e. Delegates the approval of the distribution approach for future financial years to the Chief Executive in consultation with the Chair of Finance and Property Committee. This would include the reversion to the originally agreed distribution of pool surpluses as set out in the Pool MoU if the Combined Authority is not established.
- f. Agrees that any further proposed changes to the distribution approach be presented to future meetings of Finance and Property Committee.

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Chairman of Finance and Property Committee

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Constitutional Comments (SLB 16/9/2015)

Policy Committee is the appropriate body to consider the content of this report.

Financial Comments (NS 14/9/2015)

The financial implications are set out in the report.

Background Papers

Nottinghamshire Business Rate Pool: Pooling Proposal and Memorandum of Understanding

Electoral Division(s) and Member(s) Affected

All