

SOUTH HOLLAND DISTRICT COUNCIL

Report of: Portfolio Holder for Finance

To: Strategy Board Tuesday, 12 September 2017
Cabinet 19 September 2017

Author: Jane Crosby Strategic Business Partner

Subject Lincolnshire Business Rates Pool 2018/19

Purpose: To seek approval for South Holland DC to be re-admitted to the Lincolnshire Business Rates Pool for 2018-19.

Recommendation(s):

- 1) That members approve that South Holland are re-admitted to the Lincolnshire Business Rates Pool for 2018-19 and subsequent years
- 2) That delegated authority be given to the S151 Officer in consultation with the Finance Portfolio Holder, to confirm the arrangements with the other Lincolnshire local authorities.

1.0 BACKGROUND AND BUSINESS RATES POOL EXPLAINED

- 1.1 With the introduction of the business rates retention scheme as part of local government funding there was an opportunity to maximise the level of funding retained by joining a business rates pool with other local authorities.
- 1.2 As SHDC collects more business rates than central government determines that it needs, a levy is applied to that additional amount and 50% is taken by central government. A Pool is a mechanism for avoiding having to pay this levy and enabling authorities to retain a higher proportion of any growth to local business rates income. In the case of the Lincolnshire Pool each District Council gets to keep 60% of the growth and passes 40% to Lincolnshire County Council. It is therefore retaining 10% more of any growth than it would do outside the Pool.
- 1.3 In the case of South Holland there were some substantial appeals lodged against the level of business rates payable on the two power stations located in South Holland. The significant reduction in the business rates payable from these two stations posed a significant risk to the viability of the Lincolnshire Pool. As such SHDC are currently not part of the Lincolnshire Pooling arrangement. .
- 1.4 The business rates payable on these power stations has now been largely resolved. In common with all Lincolnshire authorities there are ongoing risks and rewards around levels of business rates that will be payable but a review of the current position means that there are likely to be benefits for all Lincolnshire authorities and for South Holland if SHDC is re-admitted to the Pool for 2018-19 onwards.

- 1.5 The exact risks and rewards of the Pool are covered in the 'Memorandum of Understanding' agreed between the parties in the Pool. Predicting the financial benefit with any certainty is difficult. The position for 2018-19 will be known with more certainty once the projections for next year's business rates are calculated. However based on the initial estimates for 2017/18 and the position at the end of quarter 1, it is possible that the Pooling gain for SHDC could be £300k to £450k. Future further growth in business rates could improve this position but likewise any significant successful appeals or business rates failures would have the opposite effect.
- 1.6 There are risks attached to pooling as the arrangement prevents a local authority from qualifying for the safety net should business rates significantly fall (because effectively the other members of the pool who have growth will keep the overall pool above the safety net level). This was the risk imposed by the South Holland power stations and the reason why they were not in the Pool.
- 1.7 If authorities wish to make arrangements for revised business rates pools for 2018/19 then these have to be submitted to DCLG by 31 October 2017. Ahead of this a review of the anticipated levels of future business rates across Lincolnshire Authorities has been undertaken. This has shown an overall positive position with most authorities anticipating positive growth projections.
- 1.8 A revised Memorandum of Understanding is being prepared and a decision is required as to whether SHDC wishes to join the Lincolnshire Business Rates Pool.

2.0 **OPTIONS**

- 2.1 The Council could assess that it does not want not to join the Lincolnshire Business Rates Pool, primarily because of the risks that it could present should another authority have a significant reduction in the level of Business Rates that it is able to collect. However, in the event that this risk does not materialise SHDC could stand to lose a significant levels of additional retained business rates income if it is not part of the Pool. As noted above it is not possible to predict the financial benefits with any certainty.
- 2.2 As recommended the Council could decide to join the business rates pool leaving the final decision and the signing of the Memorandum of Understanding delegated to the S151 Officer and the Portfolio Holder for Finance. This decision would be based on the most up to date information prior to the 31 October 2017 deadline.

3.0 **REASONS FOR RECOMMENDATION(S)**

- 3.1 The projected figures for the Lincolnshire Business Rates Pool does present SHDC with a potentially significant financial gain, now that the rates appeals lodged by the power stations have been largely resolved.

4.0 **EXPECTED BENEFITS**

- 4.1 As noted above the anticipated benefits of joining the pool are financial and could be in the region of £300k to £450k.

5.0 **IMPLICATIONS**

5.1 **Financial**

See paragraphs above.

6.0 **WARDS/COMMUNITIES AFFECTED**

None

ACRONYMS

NA

Background papers:- [See The Committee Report Guide for guidance on how to complete this section](#)

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Key Decision: Y

Exempt Decision: N

This report refers to a Mandatory Service

Appendices attached to this report: None.