

By: Chief Executive
To: Kent and Medway Fire and Rescue Authority - 16 October 2013
Subject: BUSINESS RATE POOLING 2014/15
Classification: Unrestricted

FOR DECISION

SUMMARY

The purpose of this report is to set out the background to the option of Business Rate Pooling and seek Members' approval to delegating a final decision on whether the Authority should participate in a pool to the Chief Executive in consultation with the Chairman, in order to meet Government deadlines.

RECOMMENDATION

Members are requested to:

1. Approve the delegation of final decisions in respect of Business Rates Pooling to the Chief Executive in consultation with the Chairman (paragraph 3 refers).

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BACKGROUND PAPERS: None

COMMENTS

Background

1. The Government has radically reformed the Local Government Finance System and from 1 April 2013 introduced a number of changes. One of the most significant is the Business Rates Retention Scheme (BRRS) which allows local authorities to keep 50% of the business rates they collect, with the other 50% being paid to the Government.
2. As part of the BRRS local authorities can come together on a voluntary basis and formally seek designation as a pool, which allows them to combine their resources under the scheme and be treated by Government as a single entity for the purposes of calculating tariffs, top-ups, levies and safety net payments. In 2013/14 the Government designated 13 pools comprising 90 different authorities and it has now set out the process for the designation of business rates pools for 2014/15.
3. This process involves the submission of proposals to the Government by 31 October 2013 and, given the extent of financial modelling and continuing discussions between Kent County Council (KCC), Medway Council and the Kent District Councils, it is unlikely that a final decision can be made regarding the Authority's position until nearer the Government's deadline. Because of this, Members' approval is sought to delegate the final decision to the Chief Executive, in consultation with the Chairman, if the proposals for pooling appear to be beneficial to the Authority.

Process for Setting up a Pool

4. **Management and governance** – Setting up a pool is a complex process. It is entirely voluntary and authorities need to decide how many participants should form the pool and the pool's geographic coverage. Decisions also need to be made about the management and governance of the pool relating to such matters as distribution of pool income; arrangements for meeting any liabilities; and appointing a lead authority to deal with administrative/payment arrangements. Authorities can only belong to one pool and any proposals to form a pool should set out potential advantages to its participants including their role in working together to promote growth, as well as the financial benefits.
5. **Designating a pool** - Applications to form a pool must be submitted to Government by 31 October 2013. For the pool to come into effect from the start of the 2014/15 financial year, the Government must make a pooling designation before the publication of the draft Local Government Finance Report which is usually in late November/early December.
6. While the authorities in the proposed pool will be treated as a single body for the purposes of calculating tariffs, top-ups or levy, and safety net payments, individual authorities in the pool will be notified of their own position in the draft Local

Government Finance Report in order for them to confirm if pooling is still of benefit to them.

7. Local authorities can withdraw from a designated pool before it comes into effect and this option must be exercised within 28 days of publication of the draft Local Government Finance Report and before the final Report is laid before Parliament which, in practical terms, means before the end of January. If one authority withdraws from the designated pool then the designation is revoked for the whole pool.

How Pooling Works

8. The financial position of a pool is determined by adding together the key baseline figures for its constituent authorities. Thus the pool will pay a tariff or top-up which is the sum of the tariffs and top-ups of its member authorities. A levy rate will be determined using this figure and the sum of the business rates' baselines for the constituent authorities. A single safety net will be determined for the pool as a whole.
9. In essence the main attraction of forming a pool is to reduce the levy paid by the pool to nil or close to nil thereby retaining funding within the area of the pool rather than paying it to the Government. This will be the case where the pool contains levy and non-levy authorities. This is best achieved by a pool combining district councils which are levy-paying authorities with some or all of the upper tier authorities like KCC or the KMFRA which are top-up authorities and do not pay a levy.
10. It must be emphasised that although there may be potential advantages with pooling, there is also the possibility for an authority to receive a lower aggregate amount if it would previously have been eligible for the safety net but ceases to be eligible due to being part of a pool.

Next Steps

11. Currently some modelling work is being carried out in Kent to determine whether there is a financial benefit from forming a pool and for which combination of authorities. This is a complex piece of work and relies heavily on forecasting future levels of business rate income. However, it should enable a more informed judgement to be made as to whether benefits outweigh any potential risks.
12. At the same time possible governance arrangements are being explored which will identify how any potential additional income will be shared amongst participating authorities.

IMPACT ASSESSMENT

13. The proposal is dependent upon other Kent authorities seeing potential benefit and working collectively within the pool. There are risks associated with this initiative but

they may be mitigated to some extent by developing governance arrangements that ensure that no pool member is worse off by being a pool member than they would have been if they had not been in the pool.

RECOMMENDATION

14. Members are requested to:

14.1 Approve the delegation of final decisions in respect of Business Rates Pooling to the Chief Executive in consultation with the Chairman (paragraph 3 refers).