

## Decision under Delegated Powers

### Officers Making the Decision

Chief Executive and Section 151 Officer (Director of Corporate Services).

### Recommendation

That the Council informs Leicestershire County Council, as lead authority of the Leicester and Leicestershire Business Rates Pool, that it is in agreement with the decision to dissolve the aforesaid Business Rates Pool.

### Reason

To reduce the financial risks associated with the existence of a business rates pool in the light of current economic conditions and regulatory uncertainty.

### Authority for Decision

On 27 September 2012 Cabinet resolved (Minute 52):

*1. that delegated authority is given to the Chief Executive and Section 151 Officer, in consultation with the Leader and Lead Member for Finance, to enter into an agreement with other Leicestershire local authorities for the pooling of locally retained business rates, and:*

*2. that delegated authority is given to the Chief Executive and Section 151 Officer, in consultation with the Leader and Lead Member for Finance, to exit from any agreement with other Leicestershire local authorities for the pooling of locally retained business rates that the Council may have entered into in accordance with recommendation (1) above, in the event that the potential financial consequences for the Council are unacceptable.*

The Chief Executive and Section 151 Officer therefore have authority, subject to appropriate consultation, to facilitate the Council's exit from the Leicester and Leicestershire Business Rates Pool.

### Decision and Date



SIMON JACKSON

13 JANUARY 2014

### Background

The Business Rates Pool was created for the financial year 2013/14 with all local authorities in Leicestershire being participants. The likely financial outturn of the Pool compared to the situation where each authority operates on a stand-alone basis was reviewed on a periodic basis, together with prospective Pool prospects for 2014/15, under the auspices of the Leicestershire Treasurers Association (LTA). The LTA met on 6 January 2014 and recommended to Leicestershire District Chief Executives that:

1. The existing Leicester & Leicestershire Business Rates Pool is dissolved after 2013/14 (ie. for 2014/15 each Authority would operate on an individual basis)
2. Potential benefits of pooling are considered by the LTA over the summer of with a view to forming a new Business Rates Pool for 2015/16
3. The first £400k of any surplus\* generated by the Pool in 2013/14 be earmarked by authorities as buffer funding for the prospective new Business Rates Pool commencing 2015/16

(\* Additional amounts to be allocated to the LLEP in line with the Pooling agreement)

- The LTA consider the inherent risks in pooling business rates have increased in the last 12 months due to:
  - Lack of certainty around appeals
  - Continued uncertainty around the detailed operation of various aspects of the new regime
  - A more negative outlook on prospective business rate outturns amongst billing authorities
  - The increasing political profile of the ‘burden of business rates’ on businesses, and the increased likelihood that changes adverse to local authorities will be introduced
- At present it is difficult to produce reliable estimates of the prospective Pool outturn for 2013/14 and 2014/15; DCX should note that both significantly favourable or adverse outturns are possible
- Going forward it is hoped that more clarity on the detailed operation of the business rates regime, and the appeals position, will emerge enabling a firmer view on the prospects for pooling in 2015/16

This recommendation was accepted at a subsequent meeting of Leicestershire District Chief Executives held 9 January 2014. The same recommendation has also been accepted by Leicestershire County Council and Leicester City Council meaning that all parties are in agreement.

This Decision therefore records the Councils formal ratification of this decision.

## **Financial Implications**

This decision has no direct financial impact on the Council. The possibility of a negative financial situation arising as a result of the Council's membership of the Business Rates Pool has been eliminated.

It is possible that this decision may impact on potential revenues that could have been allocated to the Leicester and Leicestershire Economic Partnership (LLEP). Amounts are not quantifiable but would not be material.

## **Risk Management**

There are no specific risks to the Council associated with this decision.

As noted above, some revenue attributable to the LLEP may be forgone.

Key Decision: No

Background Papers: None