

LOCALISATION OF BUSINESS RATES
(Report by the Overview & Scrutiny (Economic Well-Being))

1. INTRODUCTION

- 1.1 At its meeting held on 12th July 2012, the Overview and Scrutiny Panel (Economic Well-Being) considered a report by the Head of Financial Services on the planned basis for the localisation of Business Rates. This report summarises the Panel's discussions.

2. THE PANEL'S DELIBERATIONS

- 2.1 The Head of Financial Services has provided the Panel with details of proposals for the localisation of business rates which will come into effect in April 2013. Information has also been provided on the opportunities for local authorities to pool their business rates and the benefits which the Government envisage this will present.
- 2.2 As the legislation has not yet been finalised, the Panel has drawn attention to some aspects of the proposals that will need to be taken into account when a decision on whether to proceed with pooling is taken. Pooling will operate on the principle that none of the authorities that are party to the pooling agreement should be in a worse-off position than they would otherwise have been. There will then have to be agreement on what to do with any remaining money. This will require negotiation with the other Cambridgeshire authorities.
- 2.3 It needs to be stressed that it cannot be assumed income from business rates will not go down. Attention is drawn to the table in paragraph 2.7 of the report by the Head of Financial Services, which indicates that if there is growth there will be some small benefit to authorities but if business rate income falls there would be a significant overall reduction in Councils' income. It is estimated that business rates income would have to go down by more than 1% for these significant effects to be realised.
- 2.4 Where there is growth, there are clear benefits of pooling. Without pooling the levy rate Huntingdonshire would pay to the Government would be 78% compared to 36% with pooling. On this basis and given that authorities will be able to withdraw if it transpires that it is not advantageous, the Panel supports the suggestion that the Council should register its interest in pooling at this stage.
- 2.5 Business rate income from the Enterprise Zone is not included in these proposals. This income will be distributed throughout the Local Enterprise Partnership area. It should be noted there is the potential that Huntingdonshire businesses might relocate to the Enterprise Zone. Income from these businesses would not be included in the pooling arrangement. In addition, there is a question about what will happen if there is growth in one

area of the County and a decline in another area. Modelling is to be undertaken to identify the range of effects of pooling.

3. **RECOMMENDATION**

3.1 At the conclusion of its discussion on this item, the Panel has endorsed the recommendations that the Cabinet should

- ❖ note the planned basis for the localisation of Business Rates; and

- ❖ express to the DCLG the Council's interest in pooling with the County Council and other Cambridgeshire Districts on the understanding that the governance arrangements will be based on no authority losing from pooling, and noting that there will be the opportunity to review that decision later in the year.

3.2 The Cabinet is invited to consider the discussions of the Overview & Scrutiny Panel (Economic Well-Being) as part of their deliberations on this item.

Contact Officer: C Bulman, Democratic Services Officer
01480 388234