

AGENDA MANAGEMENT SHEET

Name of Committee Resources, Performance & Development Overview & Scrutiny Committee

Date of Committee 4th March 2008

Report Title Supplementary Business Rates

Summary To consider the implications of the Government's proposals to introduce powers for local authorities to declare Supplementary Business Rates.

For further information please contact: Oliver Winters
Head of Finance
Tel: 01926 412441
01926 412962

Would the recommended decision be contrary to the Budget and Policy Framework? No.

Background papers Supplementary Business Rates White Paper, October 2007.

CONSULTATION ALREADY UNDERTAKEN:- Details to be specified

- Other Committees
- Local Member(s)
- Other Elected Members Cllr. Booth (Chair), Cllr. Atkinson, Cllr. Haynes
- Cabinet Member Cllr A. Cockburn
- Chief Executive
- Legal Sarah Duxbury
- Finance David Clarke - Strategic Director, Resources - reporting officer
- Other Chief Officers
- District Councils
- Health Authority
- Police

Other Bodies/Individuals

FINAL DECISION YES

SUGGESTED NEXT STEPS:

Details to be specified

Further consideration by this Committee

To Council

To Cabinet

To an O & S Committee

To an Area Committee

Further Consultation

Executive Summary

In October the Government issued a White Paper outlining proposals for the introduction of a Supplementary Business Rate of up to 2 pence in the pound. This report outlines the key issues of these proposals.

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Supplementary Business Rates

Report of the Strategic Director, Resources

Recommendation

That members consider the proposals on Supplementary Business Rates.

1. Introduction

- 1.1 Prior to 1990 the setting of business rates was in the control of local authorities. After this date Government centralised the control of business rates. Under this regime:
- a) The Government sets the annual increase in business rates.
 - b) Business rates are billed and collected locally.
 - c) Business rates income is paid over to a central business rates national pool.
 - d) The national pool is distributed to local authorities as part of the grant settlement.
- 1.2 For many years local government have campaigned for the return of control of business rates back to local authorities. The Government has resisted this claim by local government.
- 1.3 As part of Sir Michael Lyon's Review, published in March 2007, it was recommended that business rates remain under central control.

2. White Paper – October 2007

- 2.1 The Supplementary Business Rates White Paper was published in October 2007. This paper was in response to the recommendations of Sir Michael Lyon's inquiry into the role of financing of local government.

- 2.2 The Government expects to legislate to enable local authorities to declare a supplementary business rate by April 2010. The key proposals of the White Paper are:
- a) The government plans to introduce a power for local authorities to raise and retain local supplementary business rates.
 - b) Local authorities will be required to undertake statutory consultation with local businesses and other stakeholders on supplementary proposals. This consultation will need to cover expenditure plans, timescales, funding sources, further exemptions or reliefs, how expenditure overruns will be dealt with and an assessment of economic costs and benefits of the proposals.
 - c) While consultation will be mandatory for all proposals, the Government will require a ballot of businesses where the contribution supported by the supplement exceeds a third of the total project cost.
 - d) The Government will specify service areas where the supplement cannot be spent.
 - e) A national upper limit of 2 pence in the pound will be applied.
 - f) Small businesses with a rateable value of £50,000 or less will be exempt from the supplement.
 - g) The Secretary of State will reserve the power to intervene if the conditions of a supplement are breached.
 - h) The ability to charge a supplementary business rate rests with top-tier authorities only.

3. Impact for Warwickshire

- 3.1 The information regarding rateable values is held by District/Borough Councils. However, a survey of our District/Borough Councils has revealed a business rateable value above the £50,000 exemption threshold of £367.7 million. A supplementary business rate would generate £7.4 million. Details of the split of this across the Districts is set out in Table 1 below.

Table 1 Supplementary Business Rate		
	Rateable Value	2p. SRB
North Warwickshire	£91,406,000	£1,828,100
Nuneaton & Bedworth	£48,719,400	£974,390
Rugby	£55,872,500 *	£1,117,450
Stratford	£72,000,000	£1,440,000
Warwick	£99,700,000	£1,994,000
Total	£367,697,900	£7,353,940

- * The actual rateable value over the £50,000 threshold in Rugby is £62,792,780. However, as Rugby has a Business Improvement District Scheme in place, the business in this area cannot also have a Supplementary Business Rate imposed. Hence the lower rateable value for Supplementary Business Rate purposes.

4. Next Stages

- 4.1 The proposals have been issued in the form of a White Paper with the intended introduction date for the new powers being April 2010. However, the Government have stated that it is their intention to “consult on technical issues before finalising detailed arrangements”. We are currently waiting for the Government to issue the consultation paper.

DAVID CLARKE
Strategic Director, Resources

Shire Hall
Warwick

07 February 2008