

## Business Rates Retention Scheme Overview

### Previously

Local Government finance system is one of the most centralised in the world

Over 50% of funding is received direct from Central Government

All business rates income was collected by billing authorities but paid direct to Government

This was redistributed to local government via a VERY complex formula

### Current

Shift in financial responsibility for business rates  
Councils given the ability to keep at least 50% of growth in future business rates

A proportion of the income collected is retained  
*(only part is paid out to other government bodies)*

50% Government

10% County Council

40% Retained

A mix of “top-ups” and “tariffs” equalise funding across local government

### Pooling

Northamptonshire Councils entered into a pooling arrangement to retain even more of the growth  
As a result of pooling the Council gets back some of the 50% growth it had to pay to Government

## Businesses within the Borough

Northampton currently has 6,347 businesses within the borough with a rateable value of £245m  
87% (5,528) of these businesses have a rateable value (RV) of less than 50,000 which accounts for 26% (£63m) of the RV.

This means 13% (819) businesses accounts for 74% (£181m) of the total RV.

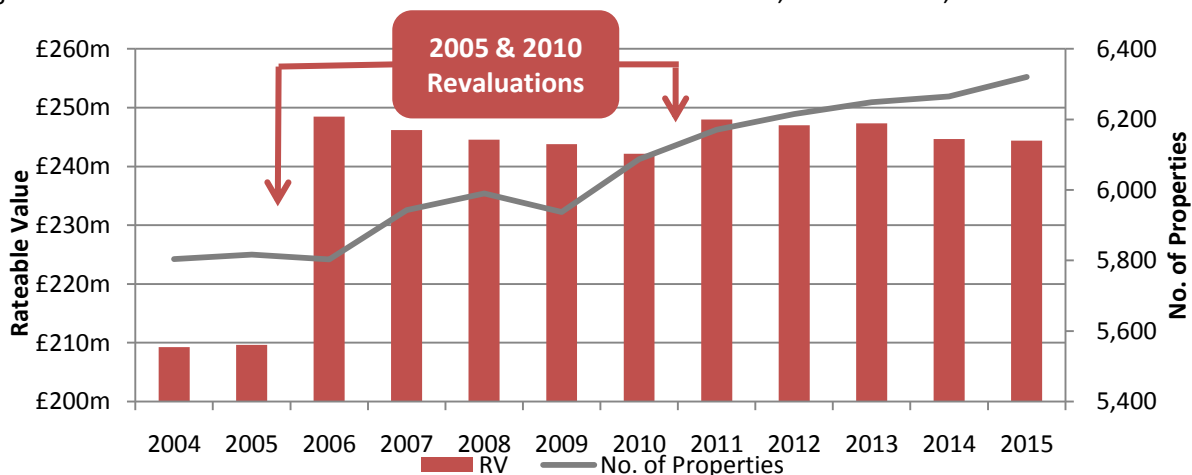
***A small proportion of total businesses make up the majority of the Rateable Value.***

## The last 10 years

The graph below shows the total value of business within Northampton (bars) and the total number of businesses (line) over the last 10 years.

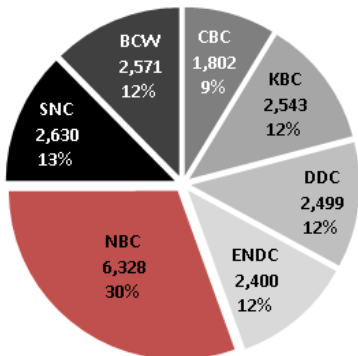
As can be seen there were 2 significant events in 2005 and 2010 which had a significant impact on the value of businesses in Northampton. The revaluations which took place in these years increased the values of businesses, as demonstrated by the increases. The value of businesses since each of the valuations has seen a decline.

During this time the number of businesses has increased from around 5,800 to over 6,300.



## Comparison with our Neighbours

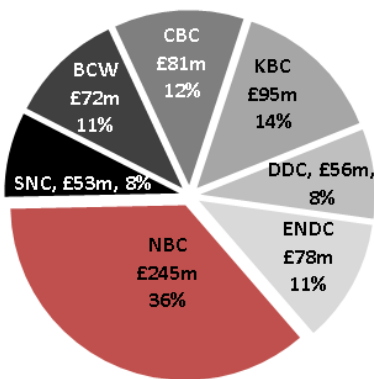
### No. of Properties



Northampton makes up around 30% of the total number of businesses across the County.

The volume of businesses within the borough makes it more difficult to predict the volatility and changes in circumstances that arise.

### Rateable Value



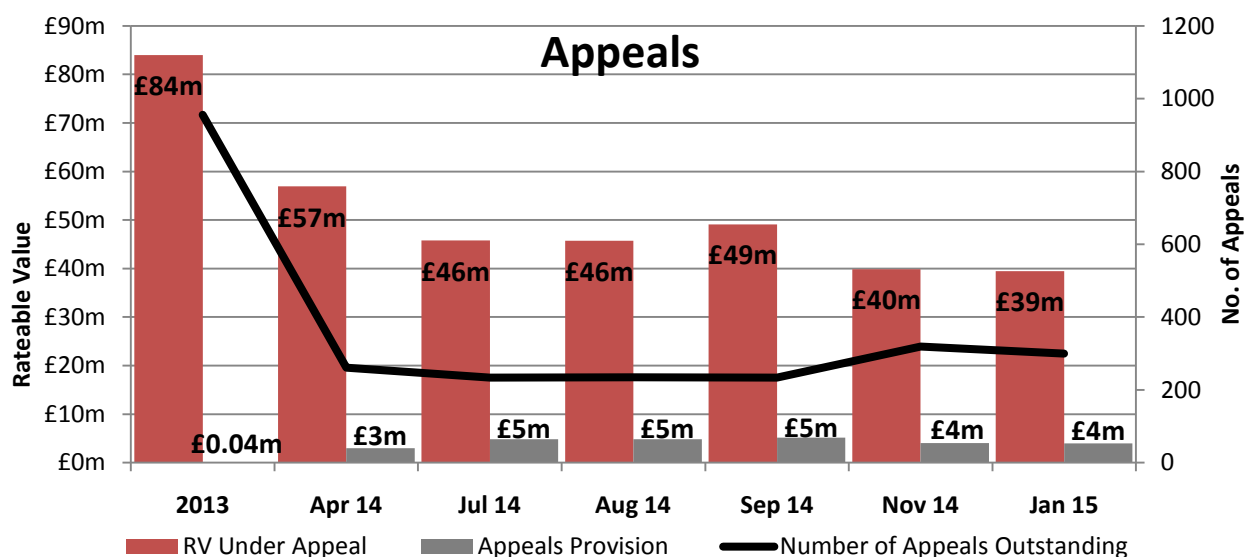
Northampton makes up around 36% of the total value of businesses across the County.

Changes to value of businesses can have a significant impact upon business rates collected within the Northampton.

The business rates retention scheme has highlighted the need to better understand movements and changes to businesses within the borough.

## Changes and Volatility

The main reason for reductions in rateable value over the past few years has been as a result of appeals lodged by businesses to the Valuation Office. The level and impact of appeals has been volatile and difficult to predict. The graph below sets out the number and level of appeals and the provision the Council is making to mitigate the risks of future successful appeals.



### Forecasting Future Business Rates

The impact of other changes and volatility could have a significant impact upon the level of business rates collected by the authority. Additional work is currently being undertaken to better understand the impact during 2014/15 and assess potential impact for future years.

Due to the amount of volatility being experienced in recent years the Council is ensuring that it has the right information to support future growth projections.

The Council has set up a Business Rates Forecasting Group. This is made up of officer from Planning, Economic Development, Revenues and Finance.

The aim of the group is to gather and analyse the business intelligence that is available to the Council and seek to forecast the amount of income the borough can retain in the future.

Further progress of this group will be reported to Management Board and will be incorporated into the Council's budget and MTFP.

### Budget and MTFP

Due to the amount of uncertainty and volatility that surrounds business rates forecasting, the Council currently has the baseline funding only included in the funding projections of the MTFP.

	2015/16	2016/17	2017/18	2018/19	2019/20
<b>Baseline Funding</b>	£6,252,252	£6,377,297	£6,504,842	£6,634,940	£6,767,639
<b>Additional Grant</b>	£1,000,000	£1,000,000	£1,000,000	£1,000,000	£1,000,000
<b>Growth</b>	Further work being undertaken by the Business Rates Forecasting Group to further develop these forecasts for Growth within Northampton				
<b>Pooling Benefit</b>	£187,000	£200,000	£200,000	£200,000	£200,000
<b>Total</b>	<b>£7,439,252</b>	<b>£7,577,297</b>	<b>£7,704,842</b>	<b>£7,834,940</b>	<b>£7,967,639</b>

Since the draft budget was set the Council has undertaken additional work to try to reach a forecast position which can be included in the final MTFP for February 2015. The Council is currently completing its business rates forecast for submission to Government by the end of January 2015. Completion of this form has enabled the Council to identify the amount of grant due, arising from the business rates measures announced by Government, such as the doubling of Small Business Rate Relief and localism reliefs. It is uncertain how long the grant will continue before this income forms part of general business rates funding in the future. As a result of this work, the Council expects to include the grant into its forecasts over the medium term.