

APPENDIX 1 BUSINESS RATES POOLING BOARD

Report of Pool Activities 2020-21 - Quarter 2 Estimate

1.0 Purpose

1.1 This report provides a summary of the Pool's estimated balances and transactions for 2020-21, in accordance with the monitoring requirements of the Business Rates Pooling Principles Agreement. It also summarises the 2020-21 estimated growth performance.

2.0 Background

2.1 Clause 11.2 of the Business Rates Pooling Principles Agreement requires the Accountable Body to provide quarterly update reports to the Board to include a summary of balances held, and a reconciliation of the Business Rates collected by, and distributed to, each UA.

2.2 These in-year figures reflect the original City Region Deal Designated Areas (EDF1), and also include the additional EZs for BANES and BCC (EDF2) in the growth performance in Section 4, however these are not included in the Pool balance in Section 3 below. The Board has stated that EDF2 will operate consistently with the remainder of the Pool, and therefore the new EZs will be fully incorporated into the growth model once information becomes available and the model can be developed as agreed.

3.0 Business Rates Pool Financial Summary Quarter 2 2020-21

3.1 The Business Rates Pool activities and Pool balance estimated at quarter 2 are provided below, analysed by UA. The table provides an estimate of the cash which will be received by the Pool, and of payments which will be made from the Pool.

3.2 The cumulative Pool balance is forecast to grow during the year by from £41.030m to £48.834m (an increase of £7.804m) as a result of transactions to and from the Pool attributable to EDF1 activities. Of the closing balance £2.296m is currently uncommitted, and expected to be held as contingency.

3.3 Within the 2020-21 accounts, the Pool is anticipated to distribute £6.418m of in-year Tier 2 funds to sponsor UAs, based on the current approved EDF profile (refreshed November 2020). Note that any amount in respect of future years' payments is only indicative, subject to cash being held, and the overall level and profile of approved and completed schemes.

Quarter 2 Estimated Outturn - EDF1	B&NES £'000	BCC £'000	NSC £'000	SGC £'000	Combined £'000
Funds held by BRP at 1 April	1,478	10,511	4,484	24,557	41,030
made up of:					
- Uncommitted cash - Tier 2	1,322	9,327	4,037	21,547	36,233
- Uncommitted cash - Contingency	52	451	130	1,316	1,949
- Committed cash	104	733	317	1,694	2,848
Growth figure paid into BRP in year	241	6,590	1,998	17,667	26,497
Less Paid out by BRP in year	275	5,189	1,713	11,516	18,694
made up of:					
- Tier 1 no worse off	87	3,161	986	5,159	9,392
- BRP Management Fee	13	13	13	13	50
- EDF Management Fee	19	19	19	19	75
- Tier 2 EDF funding	136	1,438	532	4,312	6,418
- Tier 3 service pressures	21	560	164	2,014	2,759
Unallocated Funds held by BRP at 31 March	1,444	11,912	4,770	30,708	48,834
made up of:					
- Uncommitted cash - Tier 2 EDF funding	0	0	0	0	0
- Uncommitted cash - Contingency	50	507	129	1,610	2,296
- Committed cash not yet allocated	1,395	11,405	4,640	29,098	46,538

4.0 Retained Business Rates Growth Performance Quarter 2 2020-21

4.1 The latest 2020-21 growth performance is shown below by Enterprise Area/Zone (including EDF2). As this table excludes interest, but includes the new EZs, the estimated growth differs from the amount reported in the table in section 3. (In-year and longer term interest forecasts are due to be refreshed in the growth model, in the light of the reduced national base rate).

Note that in the table below any growth has been grossed up to remove the effect of additional Business Rates reliefs for Covid-19, for which the individual authorities will be compensated through S31 grants. No such adjustment has been made to quarter 1 forecasts.

Growth Performance by Enterprise Area/Zone and UA

Enterprise Area/Zone and UA	2020-21 Estimated Growth (NDR1)	2020-21 Estimated Growth at Q2	2020-21 Change since NDR1	2020/21 Change since Q1
	£'000	£'000	£'000	£'000
Bristol Temple Quarter EZ	2,875	1,257	-1,618	757
Bristol Filton EA	51	52	1	52
Bristol Avonmouth EA	5,329	5,282	-47	160
Total Bristol UA (EZ & EA)	8,255	6,590	-1,665	1,075
Bath City Riverside EA/EZ	131	241	110	241
North Somerset Junction 21 EA (includes adjustment income re Port Cumulo)	2,050	1,998	-52	448
SGC Severnside EA	10,865	10,687	-178	-140
SGC Emersons Green EA	1,192	1,356	164	87
SGC Filton EA	4,966	5,471	505	1,488
Total SGC EA	17,023	17,513	490	1,434
TOTAL EDF1	27,460	26,343	-1,117	3,199
Bristol Temple Quarter Extension EZ	969	747	-222	599
Bath & Somer Valley EZ	-	-	-	-
TOTAL EDF2	969	747	-222	599
TOTAL EDF1 & EDF2	28,429	27,090	-1,339	3,798

4.2 EDF1 is now expected to see growth above baseline of £26.343m in 2020-21, and a further £0.747m growth is forecast for EDF2, less than our initial estimates by £1.117m and £0.222m respectively.

The main movements are explained as follows:

BCC – Adverse variance in TQEZ is attributable to two factors, being (1) a reduction in Gross Rates Payable by Nat West at Phases 1 & 2 Trinity Quay, with significant backdated impacts (-£1.7m), and (2) a reduction in Net Rates Payable attributable to an increase in Empty Property Exemption (-£0.3m).

BANES – A favourable variance attributable growth in gross Rates Payable, tempered by some increase in anticipated losses in respect of uncollectable debts and on appeals.

NSC – A small (3%) adverse variance.

SGC – A small (3%) favourable variance overall, mostly concentrated in Filton, and not seen in Severnside.

4.3 In line with Government recommendations, all four authorities continue to provide for appeals at 4.7% of net rates payable (less any refunds paid). Recent months have seen an acceleration in the numbers of Checks and Challenges being processed and settled by the VOA. However, Central Government confirmed in July that the next revaluation would now not take effect until April 2023 (being based on property values at April 2021 to better reflect impacts of Covid-19). Therefore, Checks and Challenges will continue to be lodged during 2020-21, which may result in provisions increasing further at the year-end.

4.4 The HM Treasury fundamental review of the business rates system will report in spring 2021. It is still unclear whether a full business rates baseline reset will take place in April 2022. However, it is anticipated that a delayed reset point will be incorporated into our local growth model for the calculation of Tier 1 shares, although the uncertain details of the future national scheme and the longer term impacts of Covid-19 continue to make long term modelling more challenging. The Finance Working Group will continue to monitor and assess the impact of the national BRR landscape.

5.0 Summary

5.1 The 2020-21 estimated outturn balance of the EDF1 pool is £48.834m, including interest on the cash balances.

5.2. It is estimated that Tier 2 expenditure of £6.418 will be distributed to sponsor UAs by the end of 2020-21, based on the information available at quarter 2, and based on a refresh of the EDF Financial Model from November 2020.

5.3 Estimated growth above baseline for EDF1 is £26.343m, being £1.117m less than our initial estimate. For EDF2 (TQEZ Extension), estimated growth above baseline is £0.747m, being £0.222m less than our initial estimate.

6.0 Recommendations

6.1 It is requested that the Business Rates Pooling Board:

- Formally note the Business Rates Pool transactions and available balance for the 2020-21, as estimated at quarter 2.
- Note the quarter 2 estimate of growth performance by EA/EZ for 2020-21.