

# Cheltenham Borough Council

## Officer Decision – Deputy Chief Executive (Section 151

## Officer) – Paul Jones

**Date of Decision: 29 October 2024**

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### **Background information:**

Where an authority's business rates baseline exceeds its funding baseline, they pay the difference to central government as a tariff, which is used to pay for a top-up for authorities whose funding baseline is less than its business rates baseline. These tariffs and top-ups are updated each year by the business rates multiplier, normally RPI.

Local authorities which pay tariffs also are liable to pay a levy on business rates growth above the baseline and the levy revenue is then used to fund the safety net system to protect those councils which see their year-on-year business rate income fall by more than 7.5 per cent.

The business rate retention system was introduced in April 2013. This gave Councils the ability for local authorities to retain a percentage of the rates revenue raised from businesses in their local area, with the remainder retained centrally by the government and used to provide grant funding for local authorities as mentioned above. On 15 October 2012, Cheltenham Borough Council established the Gloucestershire Business Rates Pool with the other Gloucestershire District Authorities. This decision proposes changes to the Gloucestershire Pool to enable it to become more efficient.

Prior to the Revaluation 2017 the Gloucestershire Pool had a net tariff of £7.6m and a levy rate of 8.5%. Revaluation 2017 altered the tariff amounts of the districts (and therefore top up of the county); with net increases in Rateable Value (RV) above the national average. This led to the pool have a net tariff by 2022/23 of £16.5m and a levy rate of 15.3% - growth in both tariff and levy.

Revaluation 2023 has again altered adversely the tariff amounts of the districts and the top up of the county. This has increased the net tariff of the area to £26.0m and the levy rate to 20.9%.

The levy rate of 20.9% makes it the highest levy rate of any pool since the start of the scheme and one of only three pools with a levy rate above 5.0% for 2024/25 (the others being at 7.4% and 15.5%), with 14 of the 24 pools having a levy rate of 0%.

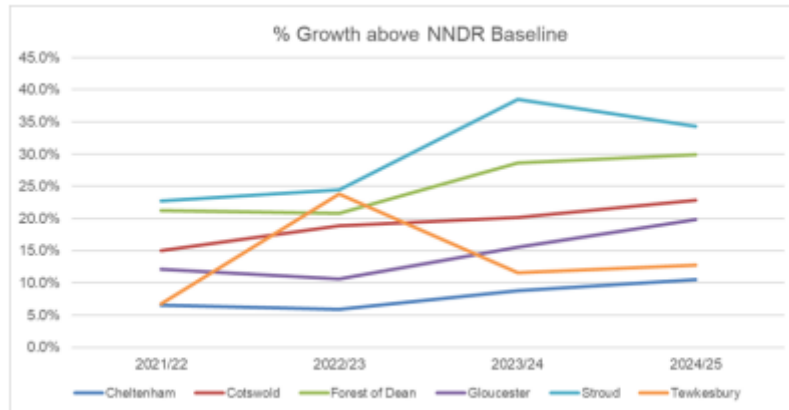
The benefits derived from the current pool are split:

- 20% Strategic Economic Development Fund (allocated by the Gloucestershire City Region

Board)

- 16% County Council
- 32% split equally between the 6 districts
- 32% split across the 6 districts based on growth (i.e. levy due)

It is evident that all the Gloucestershire districts are benefitting from the Business Rates Retention scheme, with consistent growth above baselines (and therefore levy amounts due). The chart below shows the respective growth levels of the districts, for previous years and the current forecast for 2024/25.



LG Futures undertook a review of the composition of the pool to establish if there were more efficient options to support the primary objective of the pool to maximise retention of business rates locally.

The review showed that the current pool design is one of the least efficient, with rankings of 19th to 21st (out of 22) for the four years.

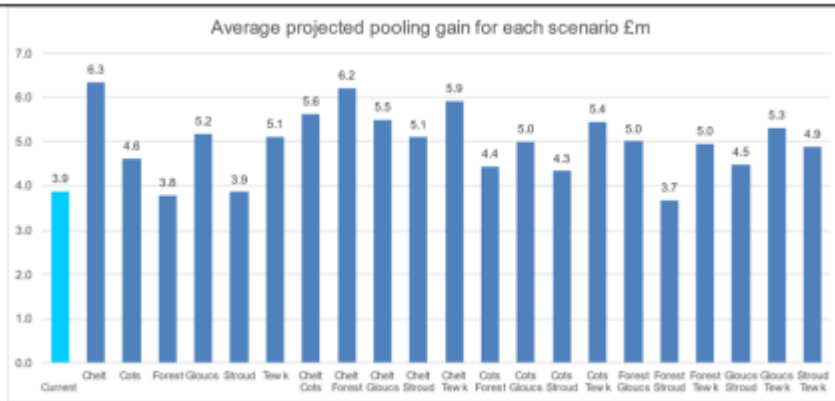
However by reducing the number of districts in the pool it is likely to increase the gains by a material amount. The average gain for the three highest scenarios is +£2.0m per annum higher than with all the districts in (and in excess of £2.5m for last two years' data).

The three highest gaining changes are:

- To exclude Cheltenham Avg. total gain of £6.3m
- To exclude Cheltenham & Forest of Dean Avg. total gain of £6.2m
- To exclude Cheltenham & Tewkesbury Avg. total gain of £5.9m

This compares to the average total gain of all of the authorities in at £3.9m.

The chart below shows the average projected gain for each scenario using the last 4 years of data:



The highest gain using each of the four data years is to exclude Cheltenham. Using the four data sets, the difference in gains would be:

- 2021/22 data All £2.9m exc Cheltenham £4.7m +£1.8m
- 2022/23 data All £3.8m exc Cheltenham £6.3m +£2.5m
- 2023/24 data All £4.2m exc Cheltenham £6.9m +£2.7m
- 2024/25 data All £4.6m exc Cheltenham £7.4m +£2.8m

Whilst it is not possible to change previous years arrangements it demonstrates that the proposal to amend the pool for 2025/26 is based on historic trends.

Given the purpose of the Gloucestershire Pool is to share benefit and maximise the retention of business rates locally, it is intended that the local distribution agreement will be updated (it was last updated in 2012) to ensure that Cheltenham receives benefit as if it were a member of the formal business rates pool using the current allocation basis in place.

Should pooling of business rates remain post 2025/26, it may be that other combinations of councils are optimal and this will be reviewed on an annual basis.

In terms of next steps:

- As accountable body, Stroud District Council will rewrite the pool governance arrangement and produce a separate distribution agreement
- One Legal will provide advice on both documents
- Each council will consider the decision route in their authority – this report addresses this for Cheltenham Borough Council.
- Governance documents will be circulated for consideration and signature.

The pooling deadline is 29th October 2024.