

Council Meeting – 24 February 2011

Notice of Motion – National Non Domestic Rates (NNDR) / Business Rates redistribution of funding

Introduction

The following notice has been submitted from Councillor T Oliver:

“This Council supports the principle of a national pooling of business rates and subsequent ‘formula based’ distribution across Councils on the basis of need - as opposed to any alternative system which favours the “haves” as against the “have nots”.

Background Information

1 Current funding mechanism

The Government provides funding to councils through formula grant, specific grant (which must be used to deliver government specific outcomes), and un-ring fenced grants which the council can decide how to utilise.

Formula grant is based on a complex formula which takes account of relative need (factors that affect the costs of service delivery eg. levels of deprivation), relative resources (reflecting the income councils can raise locally from council tax) and a central allocation shared on a per capita basis. For 2011/12, the Government has changed the way formula grant is calculated to take greater account of relative need and less account of central allocation.

The grant comprises two elements :-

- Revenue support grant
- Business rates (NNDR)

The Business Rates element of the formula grant relates to the pooled redistribution of the income that is raised locally. Councils collect business rates from local businesses in their area as their contribution to the cost of local public services, which is paid into a central pool and then redistributed by central government.

As part of the White Paper on Local Growth, the government announced a review of business rates with the intention that in the future local government will be able to keep what they collect. This local Government Resource Review will begin in 2011.

2 Impact of funding on any proposed change in redistribution

Views were initially sought on this white paper, and a formal response sent on 1 December 2010 with the following key responses :-

- We strongly oppose the local retention of business rates on the basis that we would lose up to £57m of funding annually

- Seeking confirmation on how council's would be compensated for any loss of income.

The data in the following table shows the funding received through business rates redistribution, and a comparison to the income raised locally from business rates.

	<u>Redistributed</u> <u>Grant</u> <u>Received by</u> <u>Walsall</u> <u>£m</u>	<u>Business Rates</u> <u>Paid to NNDR</u> <u>pool</u> <u>£m</u>	<u>Surplus grant</u> <u>received</u> <u>£m</u>
2010/11	119.84	*62.79	57.05
2009/10	108.30	62.79	45.51
2008/09	113.10	62.79	50.31
2007/08	100.19	60.21	39.99
2006/07	94.84	58.24	36.60

*2010/11 payments into the pool is estimated based on previous year

This table shows that the council currently received more grant from the redistribution of business rates, rather than retaining the income directly received locally.



James Walsh
Chief Financial Officer

16 February 2011