

## Coventry & Warwickshire Business Rates Pool

### 2013/14 Year End Briefing Note

- 1 As outlined in the Memorandum of Understanding the fundamental objective of the pool is to generate increased resources for the region, and individual pool members.
- 1.1 The benefit of a pool is produced by reducing the levy on any growth that would otherwise be paid to central government.
- 1.2 A pool is not without risk however and should business rates income decline, the risk is that safety net payments to pool members will need to be made from the resources within the pool.
- 1.3 The pool is showing that the retained income from business rates has declined by £1.482m across the pool. Although this has meant two pool members receiving a safety net payment, the benefit of the pooling is the £0.279m that would otherwise have been payable in levy to central government.
- 1.4 This is shown in the table below.

	<b>Growth / (Decline) before Levy £m</b>	<b>Levy £m</b>	<b>Growth / (Decline) after Levy £m</b>
<b>Pool</b>	<b>(1.482)</b>	<b>(0.244)</b>	<b>(1.238)</b>
Warwickshire	(0.052)	0.000	(0.052)
North Warwickshire	(0.436)	0.000	(0.436)
Nuneaton and Bedworth	0.286	0.143	0.143
Rugby	0.268	0.134	0.134
Stratford-on-Avon	0.004	0.002	0.002
Warwick	(0.332)	0.000	(0.332)
Coventry	(1.220)	0.000	(1.220)
<b>Without Pool</b>	<b>(1.482)</b>	<b>0.279</b>	<b>(1.761)</b>
<b>Gain from Pooling (Levy Saved)</b>			<b>0.279</b>

- 1.5 The £0.279 million retained levy is notionally allocated as follows:
  - £0.030m Pool Administration Fee.
  - £0.062m Local Safety Net
  - £0.062m Allocated according to Performance across Pool Members
  - £0.124m Allocated by Spending Baseline across Pool Members
- 1.6 Appendix A included with this note provides the breakdown in more detail and includes the pool T Accounts and journals needed.
- 1.7 Due to the extent of the decline in business rates in North Warwickshire and Warwick District a local safety net payment is due to both, £0.350 million is payable to North Warwickshire and £0.179 million to Warwick District.

- 1.8 As a result of these payments, the balance on the pool account will be £0.467 million overdrawn.
- 1.9 We propose to hold this within the WCC accounts as an overdrawn reserve, as outlined in the memorandum of understanding.
- 1.10 However, we need to recognise in our statement of accounts that this funding is due to WCC should any member decided to leave the pool. We will therefore include the £467,000 as a net contingent asset.
- 1.11 This is in line with the code of Practice on local authority accounting in the UK (p332) as it is dependent on either the pool dissolving or a member leaving and will only be confirmed by an increase in business rates (the uncertain future event !).
- 1.12 This will be held as a contingent asset on the WCC balance sheet and will be repayable by / payable to pool members according to the memo safety net column in appendix A should the pool dissolve or a member leave.
- 1.13 Therefore, although due to the appeals provisions 2013/14 has been much worse than forecast it is still in the pool members' best interests to continue to work together as a pool as the table below shows the benefit from belonging to the pool, through the retained levy and safety net payments received.

<b>Pool Member</b>	<b>Additional Spending Power with Pool</b>
Warwickshire	£0.050m
North Warwickshire	£0.042m
Nuneaton and Bedworth	£0.035m
Rugby	£0.032m
Stratford-on-Avon	£0.002m
Warwick	£0.075m
Coventry	£0.063m
<b>Pool Total</b>	<b>£0.300m</b>

- 1.14 A report providing additional analysis into the figures will be issued shortly.

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