

Finance Update 29 June 2016

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We would like to keep you updated on changes to the Council's finances caused by a combination of the national Business Rates Retention Scheme and the outcome of the business rates valuation appeal for Sellafield Limited (SL).

In short, there has been an adverse effect on our business rate income but we are planning to use some of our reserves in the short term to support this. There is no impact on jobs and statutory services because of this position. Some non-statutory projects may be put on hold.

Background

In 2010 the Nuclear Decommissioning Authority (NDA) which own SL, appealed against the business rates on all its properties nationally. This was significant for us because more than 70% of our business rates comes from SL.

Under the previous business rates system, if such an appeal was successful, this would have been funded by central government. However, on 1 April 2013, the Government introduced a new Business Rates Retention Scheme which shifted 50% of the risk of financing appeals to local authorities (40% Copeland Borough Council and 10% Cumbria County Council) and also the benefit of any business rates growth could be retained by those local authorities broadly in the same proportions.

Due to the risk of this appeal being successful, Copeland Borough Council was unable to join the Cumbrian Business Rates pool, which would have shared that risk and any reward from business rates growth.

Knowing the appeal had been lodged, we set aside money each year so that we would have a pot of money prepared if the appeal was successful.

In March this year, the Valuation Office concluded their assessment and agreed that SL had been paying too much which meant we would have to repay a sum to SL. This sum in total is £31.5 million of which Copeland's share is £12.6 million (40%).

Whilst we had made adequate provision to repay this money, there is an additional impact which affects our financial position by £9.1 million and creates a deficit of that sum on our own accounts.

The 2014/15 accounts are still open because of this situation and we now need to close them. We will need to use our reserves to fund the £9.1 million in 2015/16. The Mayor and Executive, together with a group of councillors from Overview and Scrutiny will work together to oversee this work and the recommendations on the use of reserves will be subject to Executive and full Council approval.

We are the only local authority in the UK facing this situation - SL provides the second largest business rate to Government outside of Heathrow Airport.

Our £2 million risk based reserve (kept for emergencies) is unaffected. However, some non-statutory projects and initiatives will be put on hold.

Discussions are underway with SL about the terms of the rates refund. We are working together with the Government to ensure our Council is not disadvantaged. We're making sure the Government is fully aware of the uniqueness of the position we are facing.



Proud of our past. Energised for our future.

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