

17 September 2018

Agenda Item: 5

## **REPORT OF SERVICE DIRECTOR FOR FINANCE, INFRASTRUCTURE AND IMPROVEMENT**

### **BUSINESS RATES RETENTION PILOT BID**

#### **Purpose of the Report**

1. To seek approval for the Council to enter into an agreement with District/Borough Councils, Nottingham City Council and the Nottinghamshire & City of Nottingham Fire & Rescue Authority to progress the bid to become a Business Rates Retention Pilot for 2019/20.

#### **Detail**

2. On 24 July 2018 the government issued a prospectus inviting local authorities, particularly in two tier areas, to submit applications to be pilots for the 2019/20 Business Rates Retention Scheme by 25 September 2018.
3. This will be the second year of the pilot programme. As was the case in 2018/19 the pilot will only last for one year - 2019/20 - with the aim of exploring the options for Local Government finance reforms, including promoting sustainability and promoting growth. It is anticipated that this will be the last year of such pilots. 2020/21 should see the introduction of the new 75% business rates retention and new funding basis being implemented across local government.
4. The 2018/19 prospectus was based on 100% business rates retention. In addition to the Pilot for London, 10 other authorities were successful in becoming Pilots;
  - Berkshire
  - Derbyshire
  - Devon
  - Gloucestershire
  - Kent and Medway
  - Leeds
  - Lincolnshire
  - Solent
  - Suffolk
  - Surrey
5. The prospectus seeks applications for areas to form business rates pilots, either for a county area, or beyond. If the application is for a whole county area, then all local authorities must be supportive.

6. As Members will recall, the county council and the seven district and borough councils have been in a business rates pooling arrangement since April 2013 based on the existing 50% business rates retention. To date this has seen the retention of an additional £14.6 million of business rates growth retained within the County of Nottinghamshire.
7. Applications are to be received by the Ministry for Housing, Communities and Local Government by 25 September 2018, and there is an expectation that the decision will be known within the Provisional Local Government Financial Settlement, probably in December 2018.
8. For 2019/20 the pool of local authorities in the pilot will be based on 75% Business Rates Retention and would be entitled to keep all of the growth in business rates since the baseline was set in 2013. At present the government imposes a levy of 50%. Across the county area the potential gain could be £10 million, albeit only for 2019/20. In addition it will allow Nottinghamshire local authorities to influence the future development of local government funding.
9. The prospectus, attached as Annex A, sets out several conditions and assessment criteria to be used by DCLG. These are summarised in the table below.

Condition	Proposed Action/ Comment
All authorities must agree to be in the proposed business rates pilot pool for 2019/20. If any one authority in an area does not agree, then it will not succeed.	Nottinghamshire Authority Leaders have agreed to progress the bid.
Arrangements must propose a split for sharing additional pooled business rates income.	Nottinghamshire Authority Section 151 Officers to lead on modelling and agreement of the split prior to bid submission.
Proposals should show MHCLG how pilots will use additional growth to promote the financial stability and sustainability of the pilot area (and expects investment of some retained growth to encourage further growth in the area).	The existing Nottinghamshire Pool is able to demonstrate our continued joint approach to investment.
While the 2018/19 pilots have a 'no detriment' clause, the 2019/20 pilots will not benefit from such a clause, applications should detail how authorities will work together to manage risk within their proposed arrangements.	The risk of this is low for Nottinghamshire based upon business rates growth from 2013 to date.  Participants to the Pilot Pool will need to understand how risk will be dealt with within the Pool.
Pool applications must nominate the lead authority. MHCLG will treat pilot pools as one entity for business rates	Proposal that Nottinghamshire County Council act as the lead authority.

retention with one tariff or top up and safety net threshold.	
Clear outline of the proposed pooling arrangements and governance. Authorities cannot apply to be part of more than one pilot pool. Authorities in existing Business Rates pools, such as the Nottinghamshire Pool, need to state their non-pilot pool proposals if the pilot application is unsuccessful.	<p>Nottinghamshire Authority Section 151 Officers to develop pooling and governance arrangements based on the existing Nottinghamshire Pool and the existence of the Nottinghamshire Economic Prosperity Committee.</p> <p>The bid will indicate that failure to succeed to becoming a Pilot will fall back to the existing Nottinghamshire Pool arrangement.</p>

10. A group of Nottinghamshire Authority Section 151 Officers are developing modelling and a draft application and monitoring arrangements for a Business Rates pilot in 2019/20. The outlines of this have been considered and agreed at a meeting of Nottinghamshire Local Authority Chief Executives on 14 September 2018.
11. The Nottinghamshire Authority section 151 Officers would be the signatories to the bid and due to the timing for producing the bid it is proposed that the Committee delegates authority to the Service Director for Finance, Infrastructure and Improvement to agree and sign the bid on behalf of the County Council.

### **Other Options Considered**

12. This proposal is to enter into an agreement for the bid and governance for managing the agreement if successful.

### **Reason/s for Recommendation/s**

13. The opportunity to become a pilot authority for the 75% Business Rates Retention Scheme aligns with the council's strategy of seeking to influence the development of the local government finance system. In addition, if successful, being a pilot will enable local retention of all business rate growth within the county for use to assist in ensuring financial stability and sustainability as well as to invest in economic prosperity.

### **Statutory and Policy Implications**

14. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## **Financial Implications**

15. All local authorities in Nottinghamshire, and in particular the county council, are experiencing severe financial pressures due to funding reductions and increases in demand for services, especially for social care. A Nottinghamshire-wide pilot retaining the growth in business rates since 2013 could expect to share in a significant gain.
16. The split of the gain between the tiers will be modelled to determine an optimum level for all authorities. The split of the growth in business rates up to 75% retention will be based upon optimising the share of total retained business rates in line with tiers' need to spend and managing the risks in relation to the proposed business rates tariffs, top-ups and safety net.
17. The authorities within the pool will need to consider and agree on the use of any gain from being a pilot. The prospectus from the MHCLG has indicated that the applications should broadly state that the proceeds will be used for financial stability and sustainability, and also for investment in economic development.
18. The most significant risk of becoming a part of a 75% Business Rates Pilot is the removal of the no detriment clause. This is a clause included in the agreement for the 2018/19 pilot authorities and ensured that those authorities would not be financially disadvantaged by being a member of the pool. This could occur if business rates had fallen since the baseline year of 2013.
19. For Nottinghamshire, this is a small risk as in most areas, and in total, business rates have grown in the period from 1 April 2013. Experience gained from the existing Nottinghamshire Pool is that by being a member of a pool, where district or boroughs have experienced a decline in business rates, the total gain within the pool has been shared so those authorities have also benefited.

## **RECOMMENDATION/S**

1. That Committee approve entering into an agreement with the seven Nottinghamshire District/Borough Councils, Nottingham City Council and the Nottinghamshire & City of Nottingham Fire & Rescue Authority to progress the bid to become a Business Rates Retention Pilot for 2019/20.
2. That the Committee delegates authority to the Service Director for Finance, Infrastructure & Improvement to finalise and sign the agreement/bid on behalf of the County Council.

**Nigel Stevenson**  
**Service Director for Finance, Infrastructure & Improvement**

**For any enquiries about this report please contact:**  
**Nigel Stevenson**

### **Constitutional Comments**

20. The recommendation in this report is within the remit of the Finance and Major Contracts Management Committee by virtue of its terms of reference.

### **Financial Comments (NS 31 August 2018)**

21. The council's current Medium Term Financial Strategy (2018-21) and current budget monitoring position, reported separately to this Committee meeting, clearly show that the council will require further actions to finalise a balanced budget proposal for 2019/20. Although for one year only, if successful the gain from a 75% business rate pilot would assist in enabling the council to prepare a balanced budget for 2019/20.

22. The Government have indicated the outcome of the application will be announced as part of the Provisional Local Government Financial Settlement for 2019/20, expected in December 2018.

### **Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

### **Electoral Division(s) and Member(s) Affected**

- All