ADUR & WORTHING
COUNCILS

Joint Strategic Committee
10 October 2017
Agenda Item 5

Key Decision [~~Yes~~/No]
Ward(s) Affected: All

100% Business Rate Retention

Report by the Director for Digital and Resources

Executive Summary

1. Purpose

1.1 In the current financial year the government is trialling 100% rate retention scheme in unitary council areas, as a precursor to fulfilling their policy intention to fully localise business rates. On 2nd September 2017 the Department of Communities and Local Government (DCLG) invited further bids for pilot areas, this time specifically encouraging bids from two tier and rural authorities.

1.2 Councils wishing to be considered for pilot status in 2018-2019 must have submitted their bid to DCLG by 27th October 2017. It is likely that there will be a competitive process and not all bids will be successful. DCLG intends to announce the outcome of the bidding process in December 2017.

1.3 The purpose of the report is to request a delegated authority to bid in line with the timescales set out by DCLG. The West Sussex finance officers have already commenced preparatory work, which will be reviewed by the chief executives.

1.4 A successful bid should generate additional revenue for the West Sussex authorities, and help local government shape the future roll out of fully localised business rates.

2. Recommendations

2.1 The Joint Strategic Committee is recommended to delegate authority to the Chief Executive and Chief Financial Officer following consultation with the Executive Members for Resources, to determine whether to submit a bid to the Department of Communities and Local Government (DCLG) for Adur District Council and Worthing Borough Council to take part in the 2018-2019 pilot for 100% business rate retention.

3. Context

3.1 Under the current business rate retention scheme, business rate income is subject to a complex sharing arrangement involving initial shares of the income generated (40% to the Council, 10% to the County Council, 50% to the Treasury), tariff payments to the Treasury, and a 50% levy payments on any surplus rates. As a result of these arrangements neither Council keeps a significant share of the income generated, with the majority of the income going back to Treasury.

2017/18 business rate forecast:	Adur £'000	Worthing £'000
Baseline funding	1,650	2,514
Retained surplus rates	736	506
Business rate income retained locally	2,386	3,020
Net business rate income	17,563	31,133
Percentage retained locally	13.59%	9.70%

3.2 The Chancellor announced in the Autumn Statement 2015, the intention to allow Local Government to retain 100% of business rate income. However, such a reform is to be fiscally neutral with Councils assuming financial responsibility for services which had previously been funded by government grant.

3.3 The Government are currently trialling 100% retention in unitary council areas, as a precursor to fulfilling their intention to fully localise business rates. The Government invited on the 2nd September 2017 further bids for pilot areas, this time specifically encouraging bids from two tier and rural authorities.

4. Issues For Consideration

4.1 Officers are preparing a West Sussex county-wide bid to become one of the pilot areas for the 100% business rate retention scheme. Detailed financial modelling will be required to ensure pilot status will be financially beneficial to all authorities. If the initial modelling indicates that being a pilot is not financially advantageous, or is significantly risky a bid would not be submitted.

4.2 Other matters that will need to be worked up as part of a bid include:

i) Tier splits ie how much growth will be retained by county and district Councils respectively.

ii) Which additional responsibilities, or loss of existing grants, would be rolled in to make the scheme fiscally neutral.

iii) How gains will be used. DCLG have indicated that they expect at least some of the gain to be used to generate economic growth.

iv) How risks will be mitigated.

4.3 Experience of having operated a business rate pool in the county means that much of the existing risk mitigation and governance arrangements can be built upon as part of this submission.

4.4 Finance officers are currently modelling different scenarios, with the aim of reporting these to the chief executives to consider on 6th October 2017 at their regular meeting. Following that meeting a bid submission can be refined in time for the 27th October 2017 deadline. The Executive Members for Resources will be consulted on the bid to be made.

4.5 DCLG will announce successful submissions in December and depending on the deadline for acceptance it is intended that the final decision be reported back to Council for final sign off. If, however, DCLG deadlines means that it is not possible to take the matter back to full council, urgency provisions may need to be exercised in accordance with the constitution.

4.6 The Councils could continue to operate with the West Sussex business rate pool for 2018/19 as is the current case. This enables more of the income growth to be retained locally than would be the case without a pool (30%). However a successful pilot bid would enable all growth to be retained within the pilot area..

4.7 The timescale set for submission of a bid, and the relatively short notice period means that it would not be practicable to take a draft scheme through committee in the normal way. Hence it is essential to obtain delegated authority.

5. Engagement and Communication

5.1 All district, borough and county councils in West Sussex will need to collaborate on a scheme for a bid to be successful. Finance officers and chief executives are therefore collaborating to enable a bid to be drafted. Each authority will need to consult their members according to their own constitutional requirements.

6. Financial Implications

6.1 The submission of a bid does not require additional resources, the cost of any consultancy is being met from the current Business Rate Pool. However, if successful, the bid should benefit the Councils' financially as more of the business rate growth would be retained in 2018/19.

7. Legal Implications

7.1 To be accepted as a pilot for 2018/19, agreement must be secured locally from all relevant authorities to be designated as a pool for 2018/19 (in accordance with Part 9 of Schedule 7B to the Local Government Finance Act 1988) and to put in place local arrangements to pool their additional business rates income.

7.2 The S.151 officer of each authority participating in the Pool must sign off the proposal before it is submitted. In Adur and Worthing Council, this Officer is the Chief Financial Officer.

Background Papers

DCLG’s invitation for pilots:

Invitation to Local Authorities in England to pilot 100% Business Rates Retention in 2018/19 and to pioneer new pooling and tier-split models.

https://www.gov.uk/government/publications/100-business-rates-retention-pilots-2018-to-2019-prospectus

Officer Contact Details:-
Sarah Gobey
Chief Financial Officer
01903 221221
sarah.gobey@adur-worthing.gov.uk

SUSTAINABILITY AND RISK ASSESSMENT

1. ECONOMIC

1.1 The government expects that some retained income from growth to be invested to encourage further growth across the area.

2. SOCAL

2.1 Social Value
If successful, the bid will generate additional resources for the Council supporting a wide range of services which benefit the local community.

2.2 Equality Issues
Matter considered and no issue identified

2.3 Community Safety Issues (Section 17)
Matter considered and no issue identified

2.4 Human Rights Issues
Matter considered and no issue identified

3. ENVIRONMENTAL

Matter considered and no issue identified

4. GOVERNANCE

4.1 A governance agreement will be developed as part of the bid This will include details of:

i) how any additional business rates income is to be used;

ii) how risk is to be managed; and

iii) how residual benefits/liabilities would be dealt with once the pilot ends;

The agreement will also include an indication of how the pool will work in the longer term and the proposals for sharing additional growth.

4.2 There is a potential risk that taxation receipts do not grow as fast as spending on the additional responsibilities. It is therefore essential that financial modelling is undertaken to establish which additional responsibilities are requested, and the risk is mitigated as far as possible.