

**North East Derbyshire District Council**

**Cabinet**

**5 September 2018**

**Business Rates Retention Pilot**

**Report of Councillor P R Kerry, Portfolio Holder for Finance**

This report is public

**Purpose of the Report**

- To seek approval of Cabinet that delegated powers be granted to the Head of Finance & Resources in consultation with the Leader of the Council to submit an expression of interest to enter into a Derbyshire Business Rates Pilot arrangement for 2019/20.

**1 Report Details**

- 1.1 Under the Business Rates Retention Scheme, local authorities are able to come together, on a voluntary basis, to pool their business rates, giving them scope to generate additional business rates growth through collaborative effort, and to smooth the impact of volatility in rates income across a wider economic area. The Council has been part of a very successful Derbyshire Business Rates Pool that has been in operation since April 2015 which has helped to secure approximately £0.5m additional income per annum.
- 1.2 The Government has previously announced the expansion of the pilot programme for 100% business rates retention for 2018-19. The Derbyshire Business Rates Pool was accepted by the Government as one of ten pilot pools for 2018/19. As previously reported, forecasts show that the one year benefit to the Council will be in the region of £1.516m. Additionally, there is a County wide benefit, estimated at around £8m which has been allocated to the Derby and Derbyshire Joint Committee for Economic Prosperity via its Accountable Body, Derbyshire County Council, to support new business and business growth across the county. The pilots are deemed as an opportunity for the Government to test more technical aspects of the 100% business rates retention system, such as tier-splits. It will provide the opportunity to evaluate how collaboration between local authorities works in practice.
- 1.3 The Government have recently announced their proposals for 2019/20 which seeks invitations for Business Rate Pilots but will only retain 75% of local rates, reducing the local share from 100% to 75%.
- 1.4 We assume that the reduction in local share from 100% has been done for two reasons: firstly, it makes sure that the pilots align with the 75% local share that will be in place nationally in 2020/21 and secondly, it helps to reduce the cost of the pilots, which in the current financial year could easily exceed £750m.

- 1.5 Not all authorities with pilots in 2018-19 will necessarily continue them into 2019/20. All the pilots that were successful in 2018/19 will have to re-apply for 2019/20. There is also a suggestion that the number of pilots in 2019/20 will be fewer than in 2018/19. Again this suggests an attempt to manage the cost of the pilot programme.
- 1.6 The Government is interested in further exploring how rates retention can operate across more than one authority to promote financial sustainability and to support coherent decision-making across functional economic areas. A proposal for a pool must be in the form of a business case with supporting analysis, which must set out the following:
- **Membership details** – including an explanation of relevance to the economic geography of the area, that each member fully supports the application and confirmation of the lead authority;
  - **Governance arrangements** – details of how the additional business rates income will be utilised, how risk is managed, proposals for sharing additional growth and how the pool will work together in the longer term;
  - **Additional supporting evidence** – benefits to the area of participation in the pilot and proposals for the tier-split;
  - **Membership** – the identity of all local authorities in the pool;
  - **Benefits** – details on how participation in the pilot scheme will benefit the area;
  - **Lead Authority** – the pool must nominate a lead authority who will be responsible for receiving payments from and to Government on behalf of the entire pool;
  - **Governance agreement** – setting out how the pooling arrangements will work in terms of financial distribution and service provision, evidencing how business rates income growth will be shared.
- 1.7 All proposals will need to be submitted to Government by 25 September 2018 and must be signed off by the S.151 officer of each authority in the pilot. Successful pilots will be announced in December 2018 and launched in April 2019. Between these dates the Government will support authorities in preparing for implementation.
- 1.8 The Council has had preliminary discussions with the current members of the Derbyshire Pilot, who have expressed an interest in forming a 75% pilot for 2019/20 subject to financial projections. It is anticipated that a similar arrangement would be adopted, therefore generating further retained income for each authority as well as wider economic prosperity options for the county as a whole.
- 1.9 Given the technical and complex nature of submitting a proposal in a short timeframe, Derbyshire County Council has engaged specialist support to draft the business case. The Council will be expected to make a contribution towards this but it is anticipated that this can be met from existing resources.

## **2 Conclusions and Reasons for Recommendation**

- 2.1 The report considers the case for entering into a Business Rates Pilot across a two tier area that should bring additional financial advantages through the retention of a higher proportion of business rates income and to gain additional benefits from any further growth. The pooling arrangement in operation since April 2015 and more

recently the pilot have been a success, and we are looking to build upon these successes by participating further in a two tier pilot.

### **3 Consultation and Equality Impact**

- 3.1 The proposals within this report are concerned with increasing the level of funding from business rates. This is largely a technical issue which is considered to be unlikely to have any requirement for external or partner consultation. There is likewise no direct impact upon equality issues.

### **4 Alternative Options and Reasons for Rejection**

- 4.1 The alternative option is not to join and to remain outside a Derbyshire Business Rates Pilot. The reasons for rejecting the option of remaining outside the Business Rates Pilot is that we would be potentially losing out on additional income for the Council and may jeopardise any piloting possibilities for other authorities within Derbyshire.

### **5 Implications**

#### **5.1 Finance and Risk Implications**

- 5.1.1 These are covered throughout the report.

#### **5.2 Legal Implications including Data Protection**

- 5.2.1 Legal issues are covered in the body of the report where appropriate. There are no Data Protection issues arising directly from this report.

#### **5.3 Human Resources Implications**

- 5.3.1 There are none arising directly from this report

### **6 Recommendations**

- 6.1 That Cabinet notes the report and requirements of the invitation to pilot 75% Business Rates Retention in 2019/20.
- 6.2 That Cabinet grants approval for the Head of Finance & Resources, in her capacity as the Council's S.151 Officer and in consultation with the Leader of the Council, to submit an expression of interest and to enter into 75% Business Rates Pool Pilot in 2019/20.

## 7 Decision Information

<p><b>Is the decision a Key Decision?</b>  A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds:  BDC: Revenue - £75,000 <input type="checkbox"/>  Capital - £150,000 <input type="checkbox"/>  NEDDC: Revenue - £100,000 <input type="checkbox"/>  Capital - £250,000 <input type="checkbox"/>  <input checked="" type="checkbox"/> Please indicate which threshold applies</p>	No
<p><b>Is the decision subject to Call-In?</b>  (Only Key Decisions are subject to Call-In)</p>	No
<p><b>Has the relevant Portfolio Holder been informed</b></p>	Yes
<p><b>District Wards Affected</b></p>	None directly
<p><b>Links to Corporate Plan priorities or Policy Framework</b></p>	Transforming our organisation. Providing our customers with excellent service.

## 8 Document Information

Appendix No	Title
N/A	
<p><b>Background Papers</b> (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)</p>	
<p>Invitation to Local Authorities in England to pilot 75% Business Rates Retention in 2019/20 - MHCLG</p>	
Report Author	Contact Number
Dawn Clarke – Head of Finance & Resources	01246 217658