



**Policy, Finance and
Development
Committee**

**Tuesday, 10 October
2017**

**Matter for
Information and
Decision**

**Title: Prospective Participation in 100% Business Rates
Retention Scheme (Part I)**

**Author(s): Stephen Hinds (Director of Finance &
Transformation / Section 151 Officer)**

1. Introduction

- 1.1. This report sets out the approach for Oadby and Wigston Borough Council's participation in a business rates pilot scheme in which monies that would normally be passported to Central Government would be retained. This pilot scheme would operate on a Leicestershire-wide basis, including all authorities within the Leicester and Leicestershire Economic Partnership.
- 1.2. This report asks that the Committee agrees the principles of the pilot scheme devised by the member local authorities and requests that delegated authority to be given to the Director of Finance and Transformation (as Section 151 Officer) to agree the application on behalf of the Council, and to carry out any of the required administrative arrangements where necessary.

2. Recommendation(s)

- 2.1. That the Committee approve that the Council's application to participate in a pilot scheme allowing for 100% Business Rate Retention in 2018/19 in accordance with the principles set out in Part II of this report as part of the Leicestershire-wide proposal.
- 2.2. That the Committee give delegated authority to the Director of Finance and Transformation, in consultation with the Chair of Policy, Finance and Development Committee and the Leader to agree on behalf of the Council and the other authorities within Leicester and Leicestershire, the detail contained within the application to participate in the business rate retention pilot scheme.

3. Background

- 3.1. The Department for Communities and Local Government (DCLG) issued an invitation to Local Authorities in England to 'Pilot 100% Business Rate Retention in 2018/19 and to pioneer new pooling and tier-split models.' The innovation was issued in September 2017 and requires applications to be completed and submitted by Friday 27 October 2017. The pilot will run (initially) for one year from 1 April 2018. There is a possibility that the scheme could run for longer, but this is not confirmed and no decision with respect to the duration is required currently.
- 3.2. The innovation from the DCLG states that the Government is committed to continuing to give local authorities greater control over the monies raised locally and wishes to expand the pilot programme of 100% Business Rate Retention. These 2018/19 pilots are 'an opportunity to test more technical aspects of the system, such as tier splits.' These pilots will provide the opportunity to evaluate the collaborative working of local authorities in practice, and to test administrative aspects, such as ICT, data collection and technical accounting principles.

- 3.3. It is from these schemes that the government anticipates learning that will aid the design and implementation of a national scheme, which has been earmarked for 2020/21. However, this has yet to be confirmed, and this may be pushed back.

4. Existing Arrangements

- 4.1. The current scheme for local government the calculations are somewhat complex in practice being based on a system of baselines, top-ups, tariffs, levies and safety nets. In Oadby and Wigston, the outcome of these calculations has been that whilst the Council collects around £12m of business rates annually, it can retain only about £1.6m (13% of the total collected) for its own funding. Additionally, the change in regime now means that the Council bears an element of business rate collection risk, stemming from both bad debts (where occupants refuse or are unable to settle their bills) and changes to the business rate 'listing' (the rateable values assigned to properties) . The latter risk is particularly significant as the Council bears the risk of valuation appeals which may be both substantial in value and backdated for several years.
- 4.2. The current Business Rate regime allowed for local authorities working together and creating a business rate pool. The local authorities in Leicestershire formed such a pool which although creating a slight increase in financial risk, offers the ability to retain levy payments within Leicestershire which would otherwise have been payable over to central government. In the previous financial year, around £2m was retained in Leicestershire as a result of these pooling arrangements, and this figure is expected to increase for the most recent year.

5. 100% Business Rate Retention – Pilot Scheme Prospectus

- 5.1. Applications to pilot 100% business rate retention are required by Friday 27 October 2017. Key features of the application prospectus issued by the Department for Communities and Local Government (DCLG) are:
- The government wish to look at how rates retention might operate for groups of local authorities across functional economic areas;
 - There is a particular interest in how arrangements might work in 'two-tier' areas;
 - Groups of local authorities applying to participate in the pilot would be expected to operate as a business rates pool;
 - DCLG expect applicants to set out how the benefits of additional business rates growth would be shared; this should cover 'financial stability and sustainability' (possibly a reference to social care funding) and investment in future economic growth;
 - Participating authorities would agree to forego Revenue Support Grant (RSG) and Rural Services Grant , plus other grants that authorities may volunteer to forego as part of their pilot application;
 - Although not an absolute prerequisite, pilot participants are expected to show how they would manage risk; therefore, in contrast to the first wave of pilots where authorities were offered a 'no detriment' assurance the possibility of financial loss should be inherent within the application.
- 5.2. The principal criteria the DCLG will use to assess applications are whether they encompass business rate pooling and two tier areas, together with plans put forward to promote financial sustainability and economic growth. If further assessment is required the DCLG say they will consider the spread of geographical areas (from applications received), rurality and variation in the business rate tax base.

With Leicestershire a two-tier area with a pre-existing business rates pool linked to the Leicester and Leicestershire Enterprise Partnership (LLEP) there appears to be a good basis for a successful application from Leicestershire local authorities.

6. Financial Implications

- 6.1. The basis of the scheme is that it is envisaged that the scheme would prove to be financially beneficial to the Council, or at the very least will not result in any detriment to the Council's finances.
- 6.2. Financial modelling carried out by Leicestershire Treasurers indicate that any financial risks of entering the pilot scheme are low based upon the comparisons between expected business rate collection baselines and latest forecasts of actual rates of collections. The pilot scheme (as with the current pooling arrangements) includes a safety net function that would ensure that participating local authorities would receive at least 97% of their collective baseline funding. This risk is mitigated by unallocated surpluses built up by the current Leicestershire Business Rates Pool.

7. Summary

- 7.1. The main benefit of participation in the pilot scheme is that significant additional funding would remain in Leicestershire, with latest estimates ascertaining this to be in the region of £18m (as at the beginning of October) - funding that would normally be passed back to central Government.
- 7.2. Monies that are effectively capital funds would be available directly to Oadby and Wigston to enable improvements to projects that improve the borough and enable continuous service improvements.

Background Documents:

None.

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Implications Prospective Participation in 100% Business Rates (Part I)	
Finance	The pilot scheme is engineered to ensure that no authority is worse off financially (with relative mitigation to ensure this occurs), and allows for the borough to access additional funds directly to fund Town Centre improvements and service improvements.
Chris Raymakers (Head of Finance, Revenues and Benefits)	
Legal	No legal implications apparent.
Dave Gill (Deputy Monitoring Officer)	
Corporate Risk(s) (CR)	<input checked="" type="checkbox"/> Key Supplier/Partnership Failure (CR2)
Stephen Hinds (Director of Finance and Transformation / Section 151 Officer)	<input checked="" type="checkbox"/> Effective Utilisation of Assets/Buildings (CR5) <input checked="" type="checkbox"/> Regulatory Governance (CR6) <input checked="" type="checkbox"/> Economy/Regeneration (CR9)
Corporate Priorities (CP)	<input checked="" type="checkbox"/> Effective Service Provision (CP2)
Stephen Hinds (Director of Finance and Transformation / Section 151 Officer)	
Vision & Values (V)	<input checked="" type="checkbox"/> Accountability (V1)
Stephen Hinds (Director of Finance and Transformation / Section 151 Officer)	<input checked="" type="checkbox"/> Teamwork (V3) <input checked="" type="checkbox"/> Innovation (V4) <input checked="" type="checkbox"/> Customer Focus (V5)
Equalities & Equality Assessment(s) (EA)	No equalities implications apparent.
Stephen Hinds (Director of Finance and Transformation / Section 151 Officer)	<input checked="" type="checkbox"/> Not Applicable (EA)