

TEWKESBURY BOROUGH COUNCIL

Report to:	Executive Committee
Date of Meeting:	11 October 2017
Subject:	100% Business Rates Retention Pilots
Report of:	Simon Dix, Head of Finance and Asset Management
Corporate Lead:	Robert Weaver, Deputy Chief Executive
Lead Member:	Lead Member for Finance and Asset Management
Number of Appendices:	None

Executive Summary:

The government has issued a 100% business rates retention pilot prospectus and an invitation for authorities to submit bids to become a pilot authority for 2018/19. Bids are to be submitted by 27 October with the announcement of winning bids in December 2017.

This report requests that Members agree to Tewkesbury being part of a Gloucestershire-wide bid to become a pilot subject to further evaluation and consideration of the pilot details.

Recommendation:

That the Executive Committee delegates authority to the Chief Executive, in consultation with the Head of Finance and Asset Management, to agree Tewkesbury Borough Council's involvement in the submission of a county-wide bid to become a 100% Business Rates Retention Pilot in 2018/19 subject to:

- 1. the satisfactory assessment, in the opinion of the Head of Finance and Asset Management, of the benefits and risks of the pilot bid prior to making an application; and**
- 2. a further report to Council for full consideration of the pilot if the bid is successful and before formal acceptance of the pilot takes place.**

Reasons for Recommendation:

To inform Members of the government's recent announcement of further 100% Business Rates Retention Pilots for 2018/19 and to consider whether Gloucestershire should submit an application.

Resource Implications:

At this stage of the process, it is difficult to assess the potential financial impact on Tewkesbury Borough Council of a Business Rates Pilot, given the nature of the financial modelling and wider discussions that are yet to be completed. However, initial modelling of potential retained sums in Gloucestershire under a pilot suggest that a sum of approximately £17.36m additional rates could be retained in the county than if no pooling and no 100% Pilot took place in 2018/19.

Whilst further modelling is currently being undertaken, the latest modelling suggests that, even in the likely worst case scenario, around £4.8m additional rates would be retained across Gloucestershire.

Legal Implications:

None arising directly from the report.

Performance Management Follow-up:

None.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

1.1 Tewkesbury Borough Council has operated under a 50% business rate retention scheme since 2013. Initially operating inside a Gloucestershire-wide Pool, the Council has suffered from losses in three out of the four operational years to date as a result of successful business rate appeals. The current year-to-date depicts an improving position for the Council within this scheme.

1.2 100% retention of rates has been a government target for a number of years with reviews taking place and pilots agreed for the current year. However, the failure to include a Local Government Finance Bill within the Queen's Speech this year led to speculation about the future of 100% rates retention. It was therefore somewhat of a surprise when in September 2017, the government published a 100% business rates retention pilot prospectus for 2018/19; *"Invitation to Local Authorities in England to pilot 100% Business Rates Retention in 2018/19 and to pioneer new pooling and tier-split models."*

1.3 The pilot provides an opportunity for both the government and local authorities to explore how 100% retention can operate across different economic and geographic areas, and with different types of local authority. The government is particularly keen to gain a better understanding of how this would work in a 2-tier local authority area.

2.0 100% BUSINESS RATE PILOT INVITATION

2.1 The prospectus indicates that 2018/19 pilots would last for one year only and that they would need to incorporate all local authorities within the natural geographical/economical area. For Gloucestershire, this would mean that Tewkesbury would need to be included within any bid.

2.2 Under a pilot, local authorities would be expected to forego Revenue Support Grant (RSG)

and Rural Services Delivery Grant (RSDG) as well as potentially other grant funding streams. This will be taken into account and rolled up into a new business rates baseline funding level and included in the revised tariffs and top-ups set for the pilot area to ensure the pilot is cost neutral. The table below shows the expected level of RSG and RSDG for all Gloucestershire authorities.

Table 1 – RSG and RSDG payments to Gloucestershire authorities 2018/19

Authority	RSG 2018/19 (£'000)	RSDG 2018/19 (£'000)	TOTAL 2018/19 (£'000)
Cheltenham	102	0	102
Cotswold	101	372	473
Forest of Dean	393	77	470
Gloucester	617	0	617
Stroud	0	0	0
Tewkesbury	283	9	292
Gloucestershire	19,385	0	19,385
TOTAL	20,881	458	21,339

- 2.3** Under 100% retention, any business rates income generated over the baseline level, having taken into account tariffs paid to central government, is retained within the pilot area. The distribution of those funds within the pilot area is currently under consideration. Any pilot application submitted to the government will need to be clear on how it intends to distribute the monies and how the monies will be spent. The current Gloucestershire Pool arrangements allow for the resourcing of a Strategic Economic Development Fund with retained rates and this economic development focus could be used for the pilot bid. It is also expected that the current split in funding between tiers in Gloucestershire will need to be amended to reflect more focus on supporting the upper-tier authorities.
- 2.4** The Gloucestershire CFOs are working with Pixel (external advisers) on estimating the likely additional amount of funding that would be retained within Gloucestershire under the 100% pilot, with initial estimates suggesting a figure of circa £17.4m. The modelling will take into account not only the current level of business rates income, but will also assess the financial risk from appeals, losses and changes in reliefs (particularly the impact if NHS Trusts are successful in the legal challenge to receive Mandatory Relief and if Virgin Media were to be successful with appeals).
- 2.5** A key change for the new pilots is the government has asked local authorities to “include details of how authorities will work together to manage risk in line with their proposed pooling arrangements in the event that the 2018/19 pilots programme does not include a ‘no detriment’ clause. Applications should make it clear whether or not they would be willing to become a 100% BRR pilot if the 2018/19 pilots were expected to operate without the benefit of ‘no detriment’”.
- 2.6** The ‘no-detriment’ issue is important to consider as the four current 100% pilots have a ‘no detriment’ clause included in their agreement. The government is thereby effectively

guaranteeing no pilot member will be any worse off in the pilot. Proceeding without the clause introduces additional financial risks to pilot members, and must be considered carefully when modelling the financial risks and rewards.

2.7 Current modelling suggests that there will be sufficient funds within the pilot to meet impacts on individual authorities in a worst case scenario. Further modelling is currently being undertaken to substantiate this position.

2.8 Applications for a pilot must be made to the DCLG by 27 October 2017 with notification of successful pilots being made in December 2017.

3.0 OTHER OPTIONS CONSIDERED

3.1 The government has asked all interested local authorities to apply no later than 27 October 2017. Any application is subject to assessment and further negotiation with the government, with successful pilot areas being announced in December 2017.

3.2 There is no requirement for authorities to submit a bid if they do not think it is in their best interest to do so. Gloucestershire could choose to continue to operate the existing business rates pool for 2018/19.

3.3 In the event that the bid is unsuccessful, authority is delegated to the Head of Finance and Asset Management to assess whether Tewkesbury should continue to operate the 50% retained scheme as an individual authority or whether to negotiate with other authorities the re-joining of the Gloucestershire Pool.

4.0 CONSULTATION

4.1 Leadership Gloucestershire will consider the issue of a business rate pilot at its meeting on 26 October 2017.

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

5.1 None.

6.0 RELEVANT GOVERNMENT POLICIES

6.1 As detailed within the report.

7.0 RESOURCE IMPLICATIONS (Human/Property)

7.1 None.

8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

8.1 None.

9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

9.1 As detailed within the report.

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

10.1 None.

Background Papers: None.

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Appendices: None.