
REPORT TO THE MEETING OF THE EXECUTIVE 1 NOVEMBER 2017**PORTFOLIO: RESOURCES****REPORT FROM: SECTION 151 OFFICER****SUBJECT: GREATER ESSEX 100% BUSINESS RATES PILOT BID****1 DECISION BEING RECOMMENDED**

- 1.1 To note the submission of a bid for participation in a Greater Essex 100% Business Rates Retention Pilot (assuming final agreement from the other Essex authorities was secured prior to the Department for Communities and Local Government (DCLG) submission deadline of 27th October).
- 1.2 To note that the outcome of the bid is expected be announced before the Local Government Settlement in December 2017.

2 REASON/S FOR RECOMMENDATION

- 2.1 To ensure that the Executive is aware of Rochford District Council's (RDC's) intended participation in a Greater Essex 100% Business Rates Pilot, and the potential risks and rewards associated with this.

3 SALIENT INFORMATION

- 3.1 Since April 2013 local authorities have retained a proportion of business rates raised locally. The proportion that is retained by the local government sector as a whole is 50%; however for individual authorities their local share is subject to a "top up" or "tariff" based on need, as well as a potential levy on growth (which for RDC is set at 50% of any growth above a baseline set by Central Government). The Business Rates Retention (BRR) scheme is intended to create incentives for local authorities to promote business growth over the long term, thereby strengthening the link between local authorities and local businesses, and reducing local authorities' dependency on central government.
- 3.2 As part of the current Business Rates Retention scheme, local authorities are able to voluntarily form a "pool" which is treated as a single authority for the purpose of certain calculations under the scheme. This has a number of advantages; the main one being that the levy paid by the pool as a whole can be lower than that for individual pool members, meaning a greater share of business rates growth is retained overall by the pool. Pooling can also reduce risks associated with volatility of Business Rates income. RDC has been part of an Essex pooling arrangement since 2015/16.
- 3.3 In September Central Government published a prospectus asking for bids for an expansion of a 100% Business Rates Retention Pilot, which allows areas to keep up to 100% of their local Business Rates growth. The key objectives of the Pilot are to "promote financial sustainability and coherent decision

making across functional economic areas”, with the intention that some of any additional retained income should be invested to encourage further growth.

- 3.4 It is up to individual local authorities to form a bid for 100% BRR which represents a functional economic area. The government cannot designate a Pilot area without explicit approval from the constituent local authorities. At the time of writing this report all the Essex LAs (including Southend and Thurrock) had expressed their desire to participate in a bid for a Greater Essex 100% BRR Pilot. As the bid had to be endorsed by all relevant parties prior to the DCLG submission deadline of 27 October, the decision for RDC to support the bid was made by the Section 151 Officer, in consultation with the Leader.
- 3.5 The Greater Essex bid document sets out the reasons why the area should be considered by DCLG for participation in the Pilot; the proposed terms of internal governance for the Pilot and the way any growth will be shared between the participating authorities. The Greater Essex authorities feel that they have a strong case for consideration by DCLG, particularly in light of their record of cross-boundary collaboration, e.g. the Pan-Essex Council Tax Sharing Agreement and current BRR Pool which are already operating successfully.
- 3.6 The outcome of the bid process is expected to be announced by DCLG prior to the 2018/19 Local Government Settlement in early December. If successful the Pilot would run for one year from April 2018/19; although the arrangement could potentially be extended if DCLG and all other parties agreed.
- 3.7 The Greater Essex bid includes a fall-back proposal if the bid is not successful (this is a competitive process with potential interest from many other areas). The fall-back position is to create a new Essex Pool (similar to the one RDC already participates in, but extended to include all the Essex LAs in the Pilot bid). In reality a re-designated Pool would be similar to the Pilot in nature, but the terms of the arrangement would be slightly different, with the overall gain-share limited to 50% of business rates growth rather than 100%.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 RDC could choose not to participate in the Pilot bid; however the potential gains from participation are judged to outweigh the risks (see Sections 6 and 9 below). In addition this could jeopardise the bid for Pilot status, as a Greater Essex bid would not be as strong if one or more authorities did not participate.
- 4.2 If all the Essex authorities who participate in the current Business Rates Pool agreed, the Pool could continue with the same membership as 2017/18. However all the Greater Essex authorities agreed that the potential gains from the 100% BRR Pilot outweighed the current benefits of pooling.

5 RISK IMPLICATIONS

- 5.1 The risks of participating in the Pilot are similar to those of the current BRR pool i.e. if the pilot area as a whole receives less business rates income than

the government's baseline amount for the area, each local authority would bear a proportion of that loss up to a "safety net" threshold. Under the terms of the Pilot the safety net would be set at 97% (i.e. the pilot area would only bear the first 3% of any losses). This is favourable compared to 92.5% threshold under current pooling arrangements.

- 5.2 Business Rates can be volatile and business rates growth is by its nature difficult to forecast accurately, if the actual business growth is worse than the forecast, all members of the pool may suffer as a consequence. However it appears unlikely that an Essex Pilot would find itself in a safety net position, since there would need to be an across the board reduction in business rates collected of around 10% in 2018/19 for this to be the case.
- 5.3 If the Pilot/Pool bid is successful there will be a period between the announcement and an agreed date set by DCLG when it will be possible to withdraw the bid; however a request to withdraw by one member of the bid would require the Pilot/Pool to be dissolved for all participating authorities.

6 CRIME AND DISORDER IMPLICATIONS

- 6.1 None.

7 ENVIRONMENTAL IMPLICATIONS

- 7.1 None.

8 RESOURCE IMPLICATIONS

- 8.1 The potential gains (Essex wide) from such a Greater Essex 100% BRR pilot (based on current business rates estimates) could be as high as £45m, compared to local authorities acting individually. The potential additional amount that RDC could benefit by will depend on the actual business rates growth achieved across the pilot area; however it is proposed that under the terms of an Essex pilot no authority should be worse off than in the current pooling arrangements, and any additional gains would be shared out according to a combination of size, need and contributions to total business rates growth (as per the current pool). The indicative gain could be in the region of £400,000 for RDC. It is proposed that any gains are returned to the individual LAs participating in the Pilot (i.e. there is no proposed top-slice for cross-authority projects) but should be used for schemes that benefit economic growth as far as possible.

9 LEGAL IMPLICATIONS

- 9.1 None.

10 EQUALITY AND DIVERSITY IMPLICATIONS

- 10.1 None.

I confirm that the above recommendation does not depart from Council policy and that appropriate consideration has been given to any budgetary and legal implications.

LT Lead Officer Signature:



Section 151 Officer

Background Papers:-

DCLG Prospectus - Invitation to local authorities in England to pilot 100% business rates retention in 2018 to 2019 and to pioneer new pooling and tier-split models

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/641555/Pilots_1819_Prospectus.pdf

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