

POLICY & FINANCE COMMITTEE
20 SEPTEMBER 2018

BUSINESS RATES PILOT 2019

1.0 Purpose of Report

1.1 To seek approval from Committee to submit a joint application with the other 8 Nottinghamshire Councils and Nottinghamshire Fire and Rescue, for the 2019 Business Rates Pilot scheme.

2.0 Background Information

2.1 Members will be aware that the current Business Rates system applicable at Newark & Sherwood District Council (NSDC) is that 50% of the total business rates collected is retained locally (shared 10% with the major preceptors). The other 50% is paid over to central government. Similarly, NSDC retains 50% of any growth and pays the remainder 50% as a levy to the Nottinghamshire Business Rates Pool, (if we were not members of the Pool then this levy would be paid to government).

2.2 More councils are being invited by the Secretary of State for the Ministry of Housing, Communities & Local Government (HCLG) to bid to become part of a 75% Business Rates Pilot scheme. This scheme, which would last for one year and would begin 1 April 2019, would see a larger proportion of money, generated within the County and retained locally. The prospectus was issued on 24 July 2018 and applications need to be submitted by 25 September 2018. This follows the success of previous waves of business rates retention pilots, launched in a wide range of areas across country in 2017 and 2018.

2.3 Findings from the new round of pilots will help the government understand how local authorities can smoothly transition into the proposed system, of 75% local retention of growth in 2020. This Pilot therefore gives NSDC and Nottinghamshire a one year window to additional funding through the retention of business rates growth.

2.3 The majority of the prospectus content is in line with the 2017/18 and 2018/19 Pilots; with the following key areas of differences:

- Pilots will be for 75% local retention of growth (and not 100%, as in 2018/19).
- There will **not** be a “no detriment clause”.
- A 95% safety net which provides some protection on removal of the “no detriment clause (higher than the current 92.5% safety net).

3.0 Proposals

3.1 On 24 July 2018, the Secretary of State for Communities, Rt. Hon. James Brokenshire MP announced that from April 2019, selected pilot areas will be able to retain 75% of the growth in income raised through business rates, incentivising councils to encourage growth in business in their areas and allowing money to stay in communities and to be spent on local priorities - including more funding to support frontline services. The pilots will see councils rewarded for supporting local firms and local jobs and ensure they benefit directly from the proceeds of economic growth.

- 3.2 It is, however, anticipated that there will be fewer pilots granted in 2019/20 (ten in 2018/19), reflecting the proximity of the proposed reforms in 2020. There are, however, expected that there are going to be more bids (around 30, compared to 24 in 2018/19). To be successful, therefore, the proposal for Nottinghamshire will need to demonstrate collaborative working and how the additional funding will be applied for the economic benefit for the communities.
- 3.3 The timescales for submission of the application are very tight and therefore, this report is seeking delegated authority for the Deputy Chief Executive, Director - Resources, in consultation with the Chief Executive, to agree the detail of the application.
- 3.4 The final sign off and submission of the application will be made collectively by the Nottinghamshire Chief Executives.
- 3.5 The Council's Deputy Chief Executive, Director - Resources, with external support from LG Futures, has been working with the Nottinghamshire Chief Finance Officers and the Nottinghamshire Chief Executives to review the existing Pooling arrangements and comparing this to the forecast growth under the terms of the 2019 Pilot. LG Futures, who have previously advised and assisted a number of successful 2017 and 2018 Pilot applications, have produced the following forecast of retained growth for the existing Pool and compared this to the forecast of the local share under the 75% Pilot.

	Without Pilot	With Pilot: 40% Dist. 30% NCC 5% CFA	Gain	Gain
	£m	£m	£m	%
Newark and Sherwood	5.40	6.0	0.6	11.1%
Ashfield	5.90	6.6	0.7	11.9%
Bassetlaw	5.30	5.7	0.4	7.5%
Broxtowe	4.00	4.3	0.3	7.5%
Gedling	4.10	4.4	0.3	7.3%
Mansfield	4.60	4.9	0.3	6.5%
Rushcliffe	2.90	3.1	0.2	6.9%
Nottingham City	100.10	102.3	2.2	2.2%
Nottinghamshire County	112.10	115.9	3.8	3.39%
Nottinghamshire CFA	11.60	12.60	1.0	8.6%
Total	256.00	265.80	9.8	3.8%

- 3.6 From the table above it can be seen that Nottinghamshire, as a whole, would gain just under £10m from participating in the 2019 Pilot, of which NSDC's share would be 0.6m. The guidance to the prospectus states that income will be available to:

“to encourage growth in business on the high street in their areas and allowing money to stay in communities and be spent on local priorities - including more funding to support frontline services”.

4.0 Equalities Implications

4.1 There are no equality implications arising from this report.

5.0 Impact on Budget/Policy Framework (FIN18-19/635)

5.1 As detailed at paragraph 3.6 there is a potential gain for Nottinghamshire as a whole of £9.8m with the Council's element of that being £0.600m from the pilot scheme. This assumes that the Business Rates income would continue at the 18/19 levels adjusted for inflation.

5.2 There is however, a potential risk from a decline in business rates. The pilot collectively would need to fund any reduction in rates up to the new safety net level (being 95% of the baseline funding). The current pooling arrangements have similar risks, albeit the safety net threshold within the current scheme is 92.5%. This increase in safety net level seeks to mitigate the impact of the Government's decision not to include a "no detriment" clause within this round of pilot schemes.

5.3 Based on the 17/18 outturn position, the current pool generated a surplus of £5.685m, of which the Council's element amounted to £0.461m. This therefore shows that income currently is significantly above the 95% safety net threshold.

5.4 Should the pilot scheme not go ahead, the current pooling arrangements would continue to take effect into the 2019/20 financial year.

6.0 RECOMMENDATIONS that:

- (a) the participation of the Council in preparing a joint application for the 2019 Business Rates Pilot, together with the other 6 Nottinghamshire District Councils, Nottinghamshire County Council, Nottingham City Council and Nottinghamshire Fire and Rescue be approved;**
- (b) delegated authority be granted to the Deputy Chief Executive, Director - Resources, in consultation with the Chief Executive and the Leader of the Council, to agree the detail of the application to MHCLG; and**
- (c) delegated authority be granted to the Chief Executive, in consultation with the Leader of the Council, to approve the application together with the Chief Executives of the 6 Nottinghamshire District Councils, Nottinghamshire County Council, Nottingham City Council and Nottinghamshire Fire & Rescue.**

Reason for Recommendations

- Selection to be a Pilot for 2018/19 will mean additional funding across Nottinghamshire of just under £10m and for NSDC of £0.600m**
- Delegated authority for the Deputy Chief Executive, Director of Resources and the Chief Executive, in consultation with the Leader of the Council is required in order to meet the submission deadline of 25 September 2018**

Background Papers

- Nottinghamshire Business Rates Pooling arrangements
- Presentation Slides from LG Futures.

For further information please contact Sanjiv Kohli, Deputy Chief Executive, Director – Resources on Ext. 5303

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