

**STROUD DISTRICT COUNCIL**  
**STRATEGY AND RESOURCES COMMITTEE**

**AGENDA  
ITEM NO**

**12 OCTOBER 2017**

**9c**

<b>Report Title</b>	<b>100% BUSINESS RATES RETENTION PILOTS</b>
<b>Purpose of Report</b>	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.
<b>Decision(s)</b>	<b>The Committee RECOMMENDS to COUNCIL:</b>  <b>(1) Subject to confirmation of the potential financial benefits outweighing risks, the Council agrees to be part of the Gloucestershire bid for business rate pilot status for 2018/19. The bid should make clear that it is submitted on the basis that it is conditional on there being no financial detriment to Gloucestershire in 2018/19. Should subsequent analysis or the terms of the Government's proposed scheme change, this matter be brought back to S&amp;R Committee and Council for further consideration before proceeding with a pilot.</b>
<b>Consultation and Feedback</b>	Leadership Gloucestershire will consider the issue of a business rate pilot at their meeting on 12 October 2017.
<b>Financial Implications and Risk Assessment</b>	At this stage of the process, it is difficult to assess the potential financial impact on Stroud District Council of a Business Rates Pilot, given the nature of the financial modelling and wider discussions that are yet to be completed.  However, in some ways, the financial implications can be viewed as similar in nature to the current Gloucestershire Business Rates Pool. There is potential for the county as a whole to see a financial benefit from the pilot, but at the same time there is an increased financial risk faced by individual authorities as they will be foregoing a safety net from government at individual authority level.

<b>Financial Implications Cont'd</b>	<p>For reference, the business rates pool has, since 2013 seen more funding returned to Stroud District Council (£0.233m), even after taking into account the losses incurred by the pool in 2014/15.</p> <p>The financial risks with a business rates pilot are more significant, especially if the 'no-detriment' clause is foregone.</p> <p>David Stanley – Accountancy Manager (Section 151 Officer)  Tel: 01453 754100  Email: <a href="mailto:david.stanley@stroud.gov.uk">david.stanley@stroud.gov.uk</a></p>
<b>Legal Implications</b>	<p>Report should also be considered with reference to strategic risks e.g. CCR1. CCR6 (Ref:draft/rd2809c2909)</p> <p>Karen Trickey, Legal Services Manager  Tel: 01453 754369 Email: <a href="mailto:karen.trickey@stroud.gov.uk">karen.trickey@stroud.gov.uk</a></p>
<b>Report Author</b>	<p>David Stanley – Accountancy Manager (Section 151 Officer)  Tel: 01453 754100  Email: <a href="mailto:david.stanley@stroud.gov.uk">david.stanley@stroud.gov.uk</a></p>
<b>Options</b>	<p>The Government have 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.</p> <p>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 chose to continue to operate the existing business rates pool for 2018/19.</p>
<b>Background Papers/ Appendices</b>	None

## 1. INTRODUCTION / BACKGROUND

- 1.1 This report will inform Members of the Government's recent invitation to all local authorities (excluding those in London and participants in the 2017/18 pilots) to make a proposal to become a pilot of 1000% business rates retention in 2018/19.
- 1.2 Due to the timing of both the announcement and submission deadline, this report seeks broad support for officers to assess the financial viability of participating in a 100% business rates pilot. As lead authority of the existing Gloucestershire Business Rate Pool, Stroud is well-placed to work through the submission process with the other Gloucestershire Councils.

## 2. 100% Business Rates Pilot invitation

- 2.1 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.”*
- 2.2 Gloucestershire has had a business rate pool in operation since April 2013 and as a result has been able to retain £1.455m of additional business rates income within the County. The business rates pool operates under the existing 50% local retention scheme.
- 2.3 The Government have indicated that local government will retain 100% of business rates income, but it is unclear when this will take place. 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.
- 2.4 Local authorities in a pilot would be expected to forego Revenue Support Grant (RSG) and Rural Services Delivery Grant. This will be taken into account when the revised tariffs and top-ups are 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.
- 2.5 A key change for the new pilots is the government have 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 4 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 It is also expected that all local authorities in a geographic/economic area are included within the pilot. For Gloucestershire, this means that Tewkesbury would have to be included within any bid.

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

<b>Revenue Support Grant / Tariff adjustments</b>	<b>RSG 2018/19 (£'000)</b>	<b>RSDG 2018/19 (£'000)</b>	<b>TOTAL 2018/19 (£'000)</b>
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	291
Gloucestershire	19,385	0	19,385
<b>Average</b>	<b>20,881</b>	<b>458</b>	<b>21,338</b>

- 2.8 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. This 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).
- 2.9 The governance arrangements for the pilot and an indication of how the additional business rates income would be utilised will need to be considered prior to submission of a bid. The government have indicated that they expect to see how any additional growth will be used to promote financial stability and that some growth is invested to encourage further growth across the area. Consideration will also have to be given to how any growth is split between pilot members in a 2-tier area.
- 2.10 The Gloucestershire Business Rates pool have, as part of their governance arrangements, distributed 20% of the pool growth to the Strategic Economic Development Fund. This fund is made available to support for growth initiative across the county, and is a model that could be used for the pilot.
- 2.11 Forecasting the level of business rates income for 2018/19 and within a pilot area is extremely complex. There are a number of factors that need to be taken into account in the financial modelling which is currently being undertaken. Initial estimates produced in June (based on the 2017/18 NNDR1 figures) indicated that potential additional growth of £10m could be realised. However, much further detailed analysis of the risks need to be undertaken of the coming 2-3 weeks before any recommendation from the CFOs to submit an application can be made with confidence.**