

EXECUTIVE - 12 OCTOBER 2017

100% BUSINESS RATES RETENTION PILOT

Executive Summary

On 1 September 2017 the government published a prospectus seeking bids for 100% Business Rates Retention in 2018/19. The pilot is for one year only and is intended to explore options for the further development of future local government funding.

A proposal is being prepared for a Surrey-wide pilot in accordance with the terms of the prospectus which, to be accepted, will need to incorporate Surrey County Council and all the Surrey Districts and Boroughs.

If successful the pilot would mean that additional resources would be retained locally with the government expecting to see funds allocated to promote financial stability and sustainability and to encourage further growth.

The deadline for submissions is 27 October 2017 with the successful pilots likely to be announced as part of the local government settlement in December.

Reasons for Decision

To approve arrangements for the Council's inclusion in the Surrey County bid for 100% Business Rates Retention in 2018/19.

Recommendations

The Executive is requested to:

RESOLVE That

- i) the Council works with Surrey County Council and the other Surrey Districts and Boroughs to develop a joint bid to be a pilot for the 2018/19 Business Rates retention scheme; and
- ii) the Chief Finance Officer, in consultation with the Portfolio Holder and Leader, approves the detail and terms of the bid and signs the application on behalf of the Council.

The Executive has authority to determine the above recommendations.

Background Papers:

None

Sustainability Impact Assessment
Equalities Impact Assessment

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1.0 Introduction

- 1.1 On 1 September 2017 the government published a prospectus seeking bids for 100% Business Rates Pilots for 2018/19. The prospectus is attached as Appendix 1.
- 1.2 These pilots will be in addition to the 5 pilots already in place. It is intended that these new pilots will test various options and provide support for the reforms of local government finance. In particular the government is looking to test the system in two tier areas, and encourages County areas with all their Districts/Boroughs to apply. The pilot areas will therefore have the opportunity to influence the development of the future system.
- 1.3 Pilots retain a greater amount of their business rates, with 100% of growth above the 'baseline' level retained for the area. It is for the area to agree how any additional funds retained will be used.
- 1.4 The pilot will be for one year only. Applications must be submitted by 27 October 2017 and it is expected that the successful pilots will be announced as part of the provisional local government settlement in December.

2.0 Conditions and Assessment Criteria

- 2.1 The government has set a series of conditions for applications:
 - All relevant Districts in a county area must sign up for the pilot.
 - The bid must propose a split for sharing additional income from growth.
 - Some of the benefit of the pilot should be used to promote financial stability and sustainability and some should be invested in further growth in the area.
 - The 2018/19 pilots may no longer have the 'no detriment' clause which featured in previous pilots. This protected pilots by ensuring no authority was worse off than they would have been if not participating in the pilot.
 - Applications must set out the alternative pooling arrangements if the pilot is unsuccessful.
- 2.2 Given the financial benefits which are expected to accrue to pilot areas, it is expected that there will be competition for a limited number of pilots.
- 2.3 The prospectus sets out that the government will consider a spread of locations with a focus on rural areas, pilots containing different types of authorities in particular 2 tier area and how the additional resources will be used in determining successful bids.

3.0 Surrey Bid

- 3.1 The Surrey Treasurers group are working to develop a model, draft the joint bid and prepare governance arrangements for a 2018/19 pilot.
- 3.2 Discussions are ongoing to agree how best to meet the government criteria, including the split of resources across the tiers and the use of those additional funds.
- 3.3 It is proposed that Surrey County Council act as the lead authority as they currently operate the administration for the Business Rates pool. The Surrey Business Rates pool

has worked successfully since 2015/16 and in the event that the pilot bid is not accepted will continue to be managed as in previous years.

- 3.4 The details of the bid will not be available for the Executive to consider before the deadline of 27 October. It is proposed that the Finance Director, in consultation with the Portfolio Holder and Leader, be delegated authority to approve and sign the final application.
- 3.5 The 'no detriment' clause is not considered to be a significant issue for Surrey as the County currently generates business rates substantially over its baseline level. As a whole the pilot area will continue to be protected by a safety net, and protection for any individual authority will need to be incorporated into the pilot governance.
- 3.6 In the event that the pilot bid is unsuccessful, a Surrey Business Rates pool would operate instead. This pool would consist of the County Council and those best placed Districts to maximise the funds retained in Surrey. Woking is not a member of the pool in 2017/18, but was part of the pool in 2015/16 and 2016/17. The pilot bid will set out the details of the pool for 2017/18 and if Woking is selected to participate the Finance Director will agree this as part of the bid submission.

4.0 Implications

Financial

- 4.1 As an individual Council (outside of a Business Rates pool/pilot) if the Council collects its 'baseline' level of Business Rates, approximately 4% is retained by Woking (£2m). Any growth in Business Rates above the baseline level is allocated 50% to the government, 10% to Surrey County Council, 40% to Woking. The government charges a 50% levy on the amounts allocated to Woking resulting in a 20% retention of that growth.
- 4.2 As a member of a pool, the Council does not have to pay the 50% levy from its allocation of the growth, the benefit of this is shared between the County and District/Borough. But the government continues to retain 50% of the growth.
- 4.3 Piloting 100% retention means that all amounts over the baseline level are retained for the pilot area, the government does not take a proportion of the growth. In each year since the introduction of the current system of 50% retention of Business Rates, the Districts and Boroughs have been significantly over the combined baseline. It is therefore forecast that retention of the additional 50% would result in a significant amount of additional funding retained locally.

Human Resource/Training and Development

- 4.4 There are no human resource/training and development implications.

Community Safety

- 4.5 There are no implications for community safety.

Risk Management

- 4.6 The government has suggested that the 'no detriment' clause, included in 2017/18 pilots may not be offered for 2018/19 pilots. Whilst this increases the risk, there remains a safety net for the pilot as a whole which is set at 97% - higher than the current 92.5%.

- 4.7 The government expect pilots to set out how risk will be managed, this will be included in the Surrey bid. The Surrey authorities are significantly above their baseline due to growth since the introduction of the existing system.
- 4.8 It is expected that accepting the 'no detriment' clause will improve the chances of a successful bid.

Sustainability

- 4.9 Retained funds are expected to be used to promote financial sustainability and encourage further growth.

Equalities

- 4.10 There are no equalities issues arising from this report.

5.0 Consultations

- 5.1 The detailed approach to the bid has been considered by the Surrey Treasurers, Surrey Chief Executives and Surrey Leaders groups.

REPORT ENDS

EXE17-069

APPENDICES

Equality Impact Assessment

The purpose of this assessment is to improve the work of the Council by making sure that it does not discriminate against any individual or group and that, where possible, it promotes equality. The Council has a legal duty to comply with equalities legislation and this template enables you to consider the impact (positive or negative) a strategy, policy, project or service may have upon the protected groups.

		Positive impact?			Negative impact?	No specific impact	What will the impact be? If the impact is negative how can it be mitigated? (action) THIS SECTION NEEDS TO BE COMPLETED AS EVIDENCE OF WHAT THE POSITIVE IMPACT IS OR WHAT ACTIONS ARE BEING TAKEN TO MITIGATE ANY NEGATIVE IMPACTS
		Eliminate discrimination	Advance equality	Good relations			
Gender	Men					X	
	Women					X	
Gender Reassignment						X	
Race	White					X	
	Mixed/Multiple ethnic groups					X	
	Asian/Asian British					X	
	Black/African/Caribbean/Black British					X	
	Gypsies / travellers					X	
	Other ethnic group					X	

		Positive impact?			Negative impact?	No specific impact	What will the impact be? If the impact is negative how can it be mitigated? (action) THIS SECTION NEEDS TO BE COMPLETED AS EVIDENCE OF WHAT THE POSITIVE IMPACT IS OR WHAT ACTIONS ARE BEING TAKEN TO MITIGATE ANY NEGATIVE IMPACTS
		Eliminate discrimination	Advance equality	Good relations			
Disability	Physical					X	
	Sensory					X	
	Learning Difficulties					X	
	Mental Health					X	
Sexual Orientation	Lesbian, gay men, bisexual					X	
Age	Older people (50+)					X	
	Younger people (16 - 25)					X	
Religion or Belief	Faith Groups					X	
Pregnancy & maternity						X	
Marriage & Civil Partnership						X	
Socio-economic Background						X	

The purpose of the Equality Impact Assessment is to improve the work of the Council by making sure it does not discriminate against any individual or group and that, where possible, it promotes equality. The assessment is quick and straightforward to undertake but it is an important step to make sure that individuals and teams think carefully about the likely impact of their work on people in Woking and take action to improve strategies, policies, services and projects, where appropriate. Further details and guidance on completing the form are [available](#).

Sustainability Impact Assessment

Officers preparing a committee report are required to complete a Sustainability Impact Assessment. Sustainability is one of the Council's 'cross-cutting themes' and the Council has made a corporate commitment to address the social, economic and environmental effects of activities across Business Units. The purpose of this Impact Assessment is to record any positive or negative impacts this decision, project or programme is likely to have on each of the Council's Sustainability Themes. For assistance with completing the Impact Assessment, please refer to the instructions below. Further details and guidance on completing the form are [available](#).

Theme (Potential impacts of the project)	Positive Impact	Negative Impact	No specific impact	What will the impact be? If the impact is negative, how can it be mitigated? (action)
Use of energy, water, minerals and materials			X	
Waste generation / sustainable waste management			X	
Pollution to air, land and water			X	
Factors that contribute to Climate Change			X	
Protection of and access to the natural environment			X	
Travel choices that do not rely on the car			X	
A strong, diverse and sustainable local economy			X	
Meet local needs locally	X			
Opportunities for education and information			X	
Provision of appropriate and sustainable housing			X	
Personal safety and reduced fear of crime			X	
Equality in health and good health			X	
Access to cultural and leisure facilities			X	
Social inclusion / engage and consult communities			X	
Equal opportunities for the whole community			X	
Contribute to Woking's pride of place			X	