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To The Chairman and Members of the Cabinet
All other Members of the Council – for information

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Date 13 October 2017

Dear Sir/Madam,

CABINET - TUESDAY 17 OCTOBER 2017

I refer to the agenda for the above-mentioned meeting and enclose the following item:

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9.	<u>Norfolk Business Rates 100% Retention Pilot 2018-19</u> Report of Councillor Phillip Cowen, Executive Member Finance.	283 - 286

Yours faithfully

Julie Britton

Democratic Services Officer

Item No **Report Title**

Page Nos

BRECKLAND DISTRICT COUNCIL

Report of: Councillor Phillip Cowen, Executive Member Finance

To: Cabinet, 17 October 2017

(Author: Christine Marshall, Executive Director Commercialisation)

Subject: Norfolk Business Rates 100% Retention Pilot 2018-19

Purpose: This report proposes that Breckland Council takes forward an application for Business Rates Pilot status in conjunction with all the other Norfolk Districts and Norfolk County Council

Recommendation(s):

- 1) That Breckland agrees to be a partner in the Norfolk Business Rate Pilot bid for 2018-19.
- 2) That if the pilot bid is un-successful to agree that Great Yarmouth Borough Council becomes a full partner in the 2018-19 Business Rates Pool.
- 3) That delegated authority is given to the Section 151 Officer in consultation with the Executive Member for Finance to finalise the pilot bid application, subject to a positive business case, whilst working in partnership with the other Norfolk authorities.

1.0 BACKGROUND

- 1.1 Central Government is looking for local authorities to apply to pilot 100% business rates retention in 2018-19 and are particularly keen to receive submissions from two tier areas and rural authorities.
- 1.2 The Department for Communities and Local Government (DCLG) published the business rates pilot prospectus on 1 September 2017. This included an invitation to local authorities to apply to pilot 100% business rates retention in 2018-19 and supplementary guidance about the implications for existing business rates pools. The full documents can be accessed at <https://www.gov.uk/government/publications/100-business-rates-retention-pilots-2018-to-2019-prospectus>
- 1.3 Norfolk County Council (NCC) has taken reports through Section 151 Officers, Norfolk Chief Executives and Leaders and to date all Norfolk authorities have indicated support to submit a Business Rate Pilot application, subject to agreeing a final business case.

NORFOLK BUSINESS RATES PILOT

- 1.4 Currently all Norfolk districts are forecasting to receive business rates in excess of their Settlement business rates baselines for 2018-19. These forecast levels allow a Business Rates Pool to be beneficial, with Norfolk predicted to retain an additional £4m in saved levy payments. Under the current 50% system, central Government receive half of the growth in Norfolk's business rates. By piloting 100% business rates retention, Norfolk local authorities would retain the central Government share of rates growth, which provides the financial benefit for becoming a pilot in Norfolk (the pilot is for one year only).

- 1.5 The pilot prospectus states that ‘authorities selected as pilots for 2018-19 will be expected to forego Revenue Support Grant (RSG) and Rural Services Grant’. This means that the Norfolk pilot would provide ‘core’ funding for £246m of services before the benefit of any retained growth. The pilots still operate within the system of tariffs and top-ups to adjust for differences between funding levels and business rates collected. Government baselines expect Norfolk to collect £262m business rates in 2018-19 so the Norfolk pilot would be in a tariff position of around £16m.
- 1.6 If an application for a Norfolk pilot for 2018-19 is approved, the existing Business Rates Pool will be superseded and dissolved. The forecast £4m saved levy would go to the pilot not the pool. The governance arrangements will need to set out how the gain and loss of business rates growth and decline (including this £4m) is split between the Norfolk authorities. In addition, Norfolk authorities will need to come to an arrangement on how to share the risks and rewards (tier splits).
- 1.7 Following submission of papers at Chief Executive and Leader meeting and through S151 Officers discussions, benefit sharing proposals have been put forward for further discussion and consideration, based on forecast figures:
- £4m for economic development/infrastructure projects
 - £8m for Norfolk County Council
 - £4m for equal sharing between the district councils
 - £4m to be shared between districts based on the percentage of growth achieved

Table - Potential pilot sharing proposals (one option)

Authority	Saved Pool Levy £m	NCC Share £m	Equal District Share £m	District Share Based on Growth £m	Total Share £m	% Share (Excl Ec. Dev.)
Norfolk County Council		8.232			8.232	50%
Breckland			0.588	0.774	1.362	8.27%
Broadland			0.588	0.467	1.055	6.41%
Great Yarmouth			0.588	0.410	0.998	6.06%
Kings Lynn West Norfolk			0.588	0.766	1.354	8.22%
North Norfolk			0.588	0.611	1.199	7.28%
Norwich			0.588	0.048	0.636	3.86%
South Norfolk			0.588	1.04	1.628	9.90%
Economic Development	4.116				4.116	
	20%	40%	20%	20%	100%	
NORFOLK	4.116	8.232	4.116	4.116	20.580	100%

- 1.8 100% business rates retention will increase the risk which business rates appeals pose. Taking on the central share of business rates will increase the volatility in income local authorities experience through business rates appeals and applications for rates relief. Appeals are dealt with entirely by the Valuation Office and Tribunal and it will be some time before any clear information on the impact and the likely levels of appeals is available.
- 1.9 Government is looking to test authorities’ governance and administration arrangements to learn from pilots’ experiences. Predicting business rates income is very difficult and authorities are dependent on third parties. The move to 100% rates retention will mean our budget setting is further dependent on business rates forecasting and impacted more by the volatility of the business rates system. There are also areas which require clarification around the workings of the new system (such as the continuation of S31

grants). NCC is currently the lead authority for the pool and has offered to carry out lead authority for the pilot and close collaboration between all the Norfolk authorities will be required.

- 1.10 The pilot prospectus sets out an expectation for pilots to cover 'functional economic areas (FEA)'. It is unclear what Government would consider the Norfolk FEA to be.
- 1.11 The deadline for pilot applications is Friday 27 October 2017. This is a very short window for Norfolk authorities to all agree on a pilot proposal. Successful pilots will be announced in December 2017, leaving a small amount of time to include the implications in the budgets.

2.0 **OPTIONS**

- 2.1 That Breckland agrees to be a partner in the Norfolk Business Rate Pilot for 2018-19 and that if the pilot bid is un-successful to agree that Great Yarmouth Borough Council becomes a full partner in the 2018-19 Business Rates Pool and that delegated authority is given to the Section 151 Officer in consultation with the Executive Member for Finance to finalise the pilot application, subject to a positive business case, whilst working in partnership with the other Norfolk authorities
- 2.2 Do not agree to be a partner in the business rates pilot and agree that Great Yarmouth Borough Council becomes a full partner in the 2018-19 Business Rates Pool.
- 2.3 Do not agree to be a partner in the business rates pilot and do not agree that Great Yarmouth Borough Council becomes a full partner in the 2018-19 Business Rates Pool

3.0 **REASONS FOR RECOMMENDATION(S)**

- 3.1 To agree that Breckland is included in the Norfolk authorities to put forward a 100% business rates retention pilot bid.

4.0 **EXPECTED BENEFITS**

- 4.1 Funding is kept within the county of Norfolk rather than being passed to central Government.
- 4.2 Entering into a business rates pilot could generate additional income for the council (based on current assumptions and projections).

5.0 **IMPLICATIONS**

In preparing this report, the report author has considered the likely implications of the decision - particularly in terms of Carbon Footprint / Environmental Issues; Constitutional & Legal; Contracts; Corporate Priorities; Crime & Disorder; Equality & Diversity/Human Rights; Financial; Health & Wellbeing; Reputation; Risk Management; Safeguarding; Staffing; Stakeholders/Consultation/Timescales; Transformation Programme; Other. Where the report author considers that there may be implications under one or more of these headings, these are identified below.

5.1 **Constitution & Legal**

- 5.1.1 The final outcome of the bid will need incorporating into the Council's budget for approval.

5.2 Financial

- 5.2.1 Entering into a business rates pilot could generate additional income for the council (based on current assumptions and projections) for the year, but the value is dependent on final income received by all Norfolk authorities (after allowing for appeals etc).

5.3 Risk Management

- 5.3.1 For the 2017-18 pilots the Government agreed a 'no detriment' clause, guaranteeing that these areas will not be worse off (as a whole) as a result of participating in the pilot. However there is no such guaranteed provision for the 2018-19 pilots. Should the Norfolk bid proceed without this 'no detriment' clause, Norfolk authorities will need to agree how to fund any reduction in business rates up to the level of the pilot safety net. The pilot safety net is 97% of baseline funding level across Norfolk, meaning the unfunded risk to the pilot is a potential £7.371m.

There is currently a substantial risk to the pool or pilot if the NHS Trusts appeal regarding charity status, if this were to be successful in future this would represent a significant financial outlay for the Norfolk authorities. In the event that the DCLG proceed without the 'no detriment' clause, it is proposed to request that DCLG underwrite this specific risk relating to NHS appeals.

5.4 Stakeholders / Consultation / Timescales

- 5.4.1 The deadline for pilot applications is Friday 27 October 2017 and the outcome will be known in December 2017.

6.0 WARDS/COMMUNITIES AFFECTED

- 6.1 N/A.

7.0 ACRONYMS

- 7.1

Background papers:- [See The Committee Report Guide for guidance on how to complete this section](#)

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Key Decision: No

Exempt Decision: No

This report refers to a Discretionary Service

Appendices attached to this report: None