

BRECKLAND DISTRICT COUNCIL

Report of: Councillor Phillip Cowen, Executive Member for Finance

To: Cabinet, 4 September 2018

Author: Christine Marshall, Executive Director Commercialisation

Subject: Norfolk Business Rates 75% Pilot 2019-20

Purpose: This report provides information on the 75% Business Rates Pilot and proposes that the Council takes forward an application in conjunction with all the other Norfolk authorities, subject to a positive business case.

Recommendation(s):

- 1) That Breckland agrees to be a partner in the Norfolk Business Rates Pilot Bid for 2019-20.
- 2) That delegated authority is given to the Section 151 Officer in consultation with the Executive Member for Finance to finalise the bid application, subject to a positive business case, whilst working in partnership with the other Norfolk authorities.

1.0 BACKGROUND

- 1.1 On 24 July 2018, the Ministry of Housing, Communities and Local Government (MHCLG) published the business rates pilot prospectus, inviting local authorities to apply to pilot 75% business rates retention in 2019-20. The deadline for submission of applications is 25 September 2018. Full documentation can be found at <https://www.gov.uk/government/publications/75-business-rates-retention-pilots-2019-to-2020-prospectus>

Due to the short timeframe between the MHCLG announcement and the closing date for submissions, this report only provides background information as the financial forecasts are not available at the time of writing the report.

- 1.2 The 2019-20 pilots are based on similar criteria as the 2018-19 pilots, which Norfolk submitted an application for, with a slightly increased focus on robust governance around risk and reward. There are however some key changes compared to the 2018-19 pilots which are:
- The offer is for 75% retention (in line with the proposed 20-21 scheme) rather than 100%, which leads to a reduced benefit from piloting when compared to current pilots.
 - There will **not** be a 'no detriment' clause, whereas there has been in previous years. This increases the risk of becoming a pilot as there is no protection to Norfolk authorities compared to the existing Pooling arrangements.
 - The safety net level will be set at 95% rather than 92.5% to reflect the additional risk from the pilot and the lack of 'no detriment' clause.
 - There will be a smaller programme and Government expects to approve fewer pilots.
 - The 2018-19 pilots will end and those interested will be required to re-apply for 2019-20 (although there will be a separate process for London and Devolution areas).

Norfolk Business Rates Pilot

- 1.3 All Norfolk authorities are in the process of providing financial forecasts for 2019-20 for consolidation and then consideration for pilot applications. The proposed timeline for the application process is:

By 24-08-18	Districts confirm 2019-20 forecasts
W/C 27-08-18	NCC consolidate forecasts, estimate benefits and develop draft application
By 04-09-18	S151's agree draft and Chief Executive/Leader report via email
06-09-18	Chief executives meeting to agree bid
13-09-18	Leaders meeting to sign off and agree bid
21-09-18	Norfolk Finance Officers Association meeting to confirm & sign off final application form
25-09-18	Bid submitted to MHCLG

- 1.4 The pilot prospectus states that '*authorities selected as pilots in 2019/20 will be expected to forego Revenue Support Grant (RSG) and Rural Services Delivery Grant (RSDG)*'. This means that the Norfolk business rates pilot would provide 'core' funding before the benefit of any retained growth.
- 1.5 The current Business Rates Pool is established to *target the retained revenue from additional business rates growth and promote actively and invest in economic development projects for the support and creation of new economic growth for the benefit of constituencies*. The additional business rates income is pooled into a Joint Investment Fund and the Pool Board allocate funding via a consensus. To date Breckland has been allocated £450k for the Thetford Enterprise Park, £783k for the Snetterton Power project and £240k jointly with South Norfolk Council for the Cambridge/Norwich tech corridor.
- 1.6 Announcements regarding successful pools is expected to be around the same time as the Provisional Local government Settlement announcements. If an application for a Norfolk pilot for 2019-20 is approved, the existing business rates Pool will be superseded and dissolved and the financial benefits would go to the pilot not the pool. Governance arrangements will need to be agreed between all authorities and will need to set out how the gain and loss of business rates growth and decline is split. We will also need to agree how to share the risks and rewards (tier splits).
- 1.7 75% business rates retention will increase the risk which business rates appeals pose. Taking on additional shares of business rates will increase the volatility in income that local authorities experience through business rates appeals and applications for rates relief. Predicting business rates income is very difficult and 75% retention will mean our budget setting is further reliant on business rates forecasting and impacted by the volatility of the business rates system.

2.0 OPTIONS

- 2.1 That Breckland agrees to be a partner in the Norfolk Business Rates Pilot Bid for 2019-20 and That delegated authority is given to the Section 151 Officer in consultation with the Executive Member for Finance to finalise the bid application, subject to a positive business case, whilst working in partnership with the other Norfolk authorities
- 2.2 That Breckland does not agree to be a partner in the Norfolk Business Rates Pilot Bid for 2019-20 (understanding that all other Norfolk authorities may agree or disagree to be a partner themselves).

3.0 REASONS FOR RECOMMENDATION(S)

3.1 That Breckland is included in any Norfolk authorities pilot bid put forward.

4.0 **EXPECTED BENEFITS**

4.1 Entering into a business rates pilot could generate additional income for the Council (subject to financial modelling).

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 If successful, 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 (subject to financial modelling) but the value is dependent on final income received by Norfolk authorities (after allowing for appeals, etc).

5.3 **Risk Management**

5.3.1 The 2019-20 pilots do not include the 'no detriment' clause that protects current pilots. Norfolk authorities will need to agree how to fund any reduction in business rates up to the safety net level should this event occur during the pilot.

5.4 **Stakeholders / Consultation / Timescales**

5.4.1 Deadline for submission is 25 September 2018 and we expect the outcomes to be communicated around the same time as the Provisional Local Government finance Settlement.

6.0 **WARDS/COMMUNITIES AFFECTED**

6.1 N/A.

7.0 **ACRONYMS**

7.1 NCC – Norfolk County Council

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