

PILOT FOR 100% BUSINESS RATES RETENTION IN 2018/19

<u>Report of the:</u>	Head of Financial Services
<u>Contact:</u>	Lee Duffy
<u>Urgent Decision?(yes/no)</u>	Yes
<u>If yes, reason urgent decision required:</u>	To allow Council to be included within pilot scheme
<u>Annexes/Appendices (attached):</u>	None
<u>Other available papers (not attached):</u>	None Stated

REPORT SUMMARY

This report provides an update on the 100% retention of business rates prospectus recently issued by DCLG inviting local authorities to submit bids to become pilots for 2018/19 and the work currently being undertaken by Surrey Treasurers in preparing a submission.

RECOMMENDATION (S)

That the Chairman of Strategy and Resources Committee be given authority to agree or reject the terms of the Surrey bid to become a pilot for 100% retention of business rates

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

- 1.1 Income from retained business rates supports the achievement of the Council's Medium Term Financial Strategy.

2 Background

- 2.1 On 1 September 2017, the Government issued its prospectus inviting local authorities to make applications to become pilots for 100% Business Rates Retention in 2018/19.
- 2.2 This pilot programme will only last for one year - 2018/19. The aim of the pilot is to explore the options for Local Government finance reforms, including promoting sustainability and promoting growth. It is not clear at present what is intended for 2019/20 and beyond except that the pilots will help inform this.

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- 2.3 The prospectus seeks applications for areas to form business rates pools, either for a county area, or beyond. If the application is for a whole county area, then all local authorities must be supportive.
- 2.4 Applications are to be received by the Department for Communities and Local Government by 27 October 2017, and there is an expectation that the decision will be known within the Provisional Local Government Financial Settlement, probably in December 2017.
- 2.5 The prospectus sets out several conditions and assessment criteria to be used by DCLG. The core conditions are set out below.
- 2.6 The Surrey Treasurers have met, on 8 September, and have developed an indicative plan for an application as a Surrey-wide pool to take to the Surrey leaders for their meeting on 27 September.

3 Proposals

- 3.1 The table below sets out the core conditions of any application to be a Business Rates Pilot, along with the actions proposed by the Surrey Treasurers.

Condition	Proposed action(s) / comment
All authorities must agree to be in the proposed pool for 2018/19	Surrey Leaders to jointly agree an application for a Surrey-wide Pilot at meeting on 27 September 2017 All Surrey local authorities to determine their processes for approval. County is recommending that the Cabinet delegate the final approval to the Leader at its September meeting, and that this is endorsed at their meeting on 31 October
Arrangements must propose a split for sharing additional pooled BR income	S151's lead on modelling using external resource to support. Options will need political consideration at Leaders' meeting on 27th September
Proposals should show DCLG how pilots will use additional growth to promote the financial stability and sustainability of the pilot area (and expects investment of some retained growth to encourage further growth in the area)	Determine proportion of growth to re-invest and the broad areas for investment as is only for one year.
While the 2017/18 pilots have a 'no detriment' clause, if the 2018/19 pilots do not benefit from such a clause, applications	The risk of this is low for Surrey based upon business rates growth from 2013 to date.

Condition	Proposed action(s) / comment
should detail how authorities will work together to manage risk within their proposed arrangements	Needs further assessment following modelling
Applications should make clear whether they would be willing to be a 100% BRR pilot if the 2018/19 pilots did not benefit from a 'no detriment' clause	Political decision based on above
Pool applications must nominate the lead authority. DCLG will treat pilot pools as one entity for BRR with one tariff or top up and safety net threshold.	Need to agree a nominated lead. The Surrey Treasurers propose Surrey County Council as they have been acting as the lead authority for the Business Rate Pools for three years
Clear outline of the proposed pooling arrangements and governance. Authorities cannot apply to be part of more than one pilot pool. Authorities in existing BR pools need to state their non-pilot pool proposals if the pilot application is unsuccessful	Surrey Treasurers to develop pooling and governance arrangements. The modelling to include the most appropriate members of a pool if the Pilot bid is unsuccessful

4 Development of application

- 4.1 To ensure all required aspects of the Government's prospectus are covered in the bid document and that the bid is supported by modelling and an evaluation of options, external expertise and capacity is required. In addition, the Surrey councils will require on-going support to develop the pool if the application is successful. Surrey Treasurers have developed a specification of the work required and this is attached as Annex A.
- 4.2 For several years the Surrey Business Rates Pools have been supported by a firm, LG Futures. This firm have developed detailed knowledge of Surrey's business rates and the councils. Given the short time frame to develop the application, the Surrey Treasurers suggest that LG Futures provide a quote against this specification and a procurement waiver is approved.
- 4.3 The following key milestones have been identified to ensure the application is developed and approved by the 27th October.
 - 4.3.1 Surrey CEO's meeting (15/9): consider strategic issues and provide a steer on the use of business rates growth gains
 - 4.3.2 Surrey Treasurers (22/9): to review modelling work on financial implications
 - 4.3.3 Surrey Leaders' meeting (27/9): consider strategic issues and outline proposal, and agree further work on the application

4.3.4 October – individual authorities approval processes

4.3.5 Surrey-wide application for Business Rates pilot is delivered to DCLG before 27th October.

5 Support for Surrey Bid

5.1 At the time of writing this report no details were available for the proposed model. Due to time constraints in submitting the bid to the DCLG it is proposed that the Chairman of Strategy and Resources Committee is given authority to agree or reject the terms of the Surrey bid on behalf of Epsom and Ewell Borough Council.

6 Financial and Manpower Implications

6.1 The current Financial Plan for 2018/19 anticipates the Council retaining £1.6 million from a total of £25 million expected to be collected in business rates within the Borough.

6.2 ***Chief Finance Officer's comments:*** *The Pilot is only for 1 year and any benefit received from a successful bid cannot be assumed for 2019/20.*

7 Legal Implications (including implications for matters relating to equality)

7.1 ***Monitoring Officer's comments:*** *to follow*

8 Risk Assessment

8.1 The Council's current Financial Plan assumes £1.6m share of locally collected business rates for 2018/19, any proposal supported by this Council should not see this level of funding reduced.

9 Conclusion and Recommendations

9.1 The detail on how the Surrey bid proposal will operate will be reviewed at the Surrey Treasurers meeting on 22/9/17 and considered at the Surrey Leaders meeting on 27/9/17.

9.2 It is proposed that the Chairman of Strategy and Resources Committee is delegated authority to agree or reject terms of the proposal on behalf of Epsom and Ewell Borough Council.

WARD(S) AFFECTED: (All Wards);