

POLICY AND RESOURCES COMMITTEE - 4 SEPTEMBER 2018

PART I – NOT DELEGATED

9. BUSINESS RATES PILOT FOR 2019/20 (DoF)

1 Summary

- 1.1 The Government has issued an invitation to apply to become a pilot for 75% Business Rates Retention in 2019-20. The pilot schemes are in advance of a proposed extension of the business rates retention scheme nationally from 50% to 75%. The deadline for applications is 25 September 2018. If successful, the pilot would begin 1 April 2018. Discussions at Chief Executive and Chief Finance Officer have agreed in principle to make a bid to become a pilot for 2019/20 and work has commenced on preparing a potential bid and modelling the financial impact.
- 1.2 The pilot would need to include all Councils within Hertfordshire and current forecasts, based on last year's modelling, suggest that the County as a whole would have gained by £5.3M by becoming a pilot. Agreement will need to be reached as to how to spend this additional money within the County as part of the pilot.
- 1.3 As part of the pilot scheme, Local Authorities agree to forego RSG grant in 2019-20, this does not impact on Three Rivers District Council as it would not receive RSG in 2019-20 in any case. It is recommended that Three Rivers District Council agrees to become a business rates pilot for 2019-20, as part of a Hertfordshire business rates pilot bid, subject to final confirmation that the business case shows a positive forecast outcome.
- 1.4 Should a pilot bid not be made or the bid be unsuccessful it is expected that the existing business rates pool will continue for 2019-20.

2 Details

- 2.1 On 1 April 2017 the government launched five initial 100% business rates retention pilots¹ in devolution deal areas. These pilots were continued into 2018-/19. At the provisional Local Government Finance Settlement in December 2017, the government announced a further ten 100% business rates retention pilots for the duration of the 2018/19 financial year in local authority areas across England. On-going business rates retention pilots, set to operate for the duration of the 2018-19, will end on 31 March 2019. The Government is inviting these authorities, alongside other authorities in England, to bid to pilot 75% business rates retention in 2019/20.
- 2.2 75% Business Rate Retention is due to be introduced from 2020-21, the current proposals are that the pilot schemes would effectively go a year early and their experience will be used in the design of the final scheme. For two-tier areas, the Government expects the pool to comprise a county council and all of the associated district councils. Proposals will need to set out tier split arrangements of all precepting authorities, including Fire and Rescue authorities.
- 2.3 Experience of having operated a business rate pool in the county means that much of the existing risk mitigation and governance arrangements can be built upon as part of this submission.

3 Reasons for Recommendations

- 3.1 Pilot authorities will retain half of the 50% income currently transferred to central government. They will no longer receive RSG and Rural Services grant: instead, this funding will be provided through the additional retained income. Tariffs and top ups will be recalculated to ensure the overall impact is cost neutral. For Three Rivers the council will not receive RSG for 2019-20 and the Council does not receive any Rural Services grant.
- 3.2 Pilot areas will be expected to operate under the arrangements which are currently in place for safety net payments for pools. However, the safety net threshold will be set at 95% of the baseline funding level instead of the current 92.5%. This is to reflect the additional risk of the proposal.
- 3.3 The benefit comes from the retention of income from growth above baseline – the 50% of growth paid directly to DCLG, and the 50% levy currently paid on districts' share of growth. This growth will all be retained locally. Based on the modelling carried out for last years' bid there would be a net gain to Hertfordshire of approximately £5.3M.
- 3.4 Due to the short deadline for bids of 25 September 2018, approval is sought for agreement for Three Rivers District Council to be part of the Hertfordshire bid subject to Council ratification in October. The bid will be subject to the financial modelling currently being carried out demonstrating a clear financial benefit.
- 3.5 Should a pilot bid not be made, or the bid be unsuccessful, it is expected that the existing business rates pool will continue for 2019-20.

4 Policy/Budget Reference and Implications

- 4.1 Medium Term Financial Plan 2017-2020 currently includes income in relation to Business Rates. The Plan only includes the base income for Business Rates, no growth is currently included. Any changes to these figures will be included in the 2018-2021 Medium Term Financial Plan.
- 4.2 The recommendations in this report are not within the Council's agreed policy and budgets.

5 Financial Implications

- 5.1 The financial implications are contained within the report.

6 Legal Implications

- 6.1 None specific.

7 Equal Opportunities Implications

Has a relevance test been completed for Equality Impact?	No The full details of the proposal are not known at this stage.
Did the relevance test conclude a full impact assessment was required?	N/A

8 Staffing Implications

8.1 None specific.

9 Environmental Implications

9.1 None specific.

10 Community Safety Implications

10.1 None specific.

11 Public Health implications

11.1 None specific.

12 Customer Services Centre Implications

12.1 None specific.

13 Communications and Website Implications

13.1 None specific.

14 Risk Management and Health & Safety Implications

In some exceptional cases (e.g. a recommendation “to note the report”) there are no risks associated with the decision Members are being asked to make, in which case enter ‘none specific’ and delete the remainder of Paragraph 13.

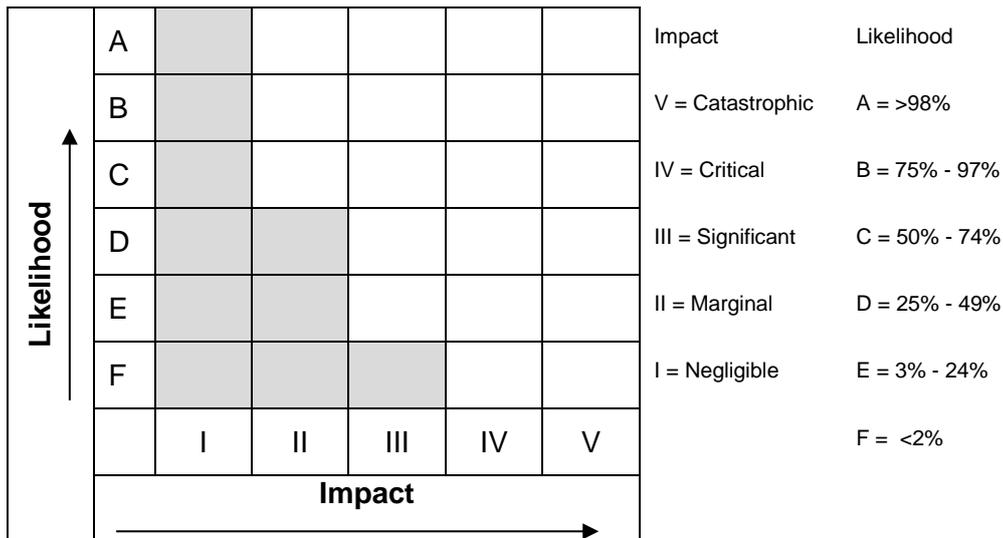
14.1 The Council has agreed its risk management strategy which can be found on the website at <http://www.threerivers.gov.uk>. In addition, the risks of the proposals in the report have also been assessed against the Council's duties under Health and Safety legislation relating to employees, visitors and persons affected by our operations. The risk management implications of this report are detailed below.

The following table gives the risks if the recommendation(s) are agreed, together with a scored assessment of their impact and likelihood:

	Description of Risk	Impact	Likelihood
1	Business Rates growth is lower than forecast	III	E
2	Safety Net payments maybe higher than the business rates growth	III	E
3	Appeals may be higher than the provisions	III	E

14.2 The above risks are plotted on the matrix below depending on the scored assessments of impact and likelihood, detailed definitions of which are included in the risk management strategy. The Council has determined its aversion to risk and is prepared to tolerate risks where the combination of impact and likelihood are plotted in the shaded area of the matrix. The remaining risks require a treatment plan.

14.3



In the officers' opinion, of the new risks above, were they to come about, the following would seriously prejudice the achievement of the Strategic Plan and are therefore strategic risks. Progress against the treatment plans for strategic risks is reported to the Policy and Resources Committee quarterly. The effectiveness of all treatment plans are reviewed by the Audit Committee annually.

15 Recommendation

15.1 The Policy and Resources Committee approves that the Council be part of the Hertfordshire Bid, subject to Full Council ratification at its meeting in October.

Report prepared by: Alison Scott, Head of Finance

Data Quality

Data sources:

Medium Term Financial Strategy

Data checked by: Alison Scott, Head of Finance.

Data rating:

1	Poor	
2	Sufficient	
3	High	x

Background Papers – None

APPENDICES / ATTACHMENTS- None