

RIBBLE VALLEY BOROUGH COUNCIL
REPORT TO POLICY AND FINANCE COMMITTEE

DECISION

Agenda Item No 9

meeting date: 25 SEPTEMBER 2018
title: BUSINESS RATE 75% PILOTS
submitted by: DIRECTOR OF RESOURCES
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1 PURPOSE

- 1.1 To inform members regarding the announcement of the Government's invitation for applications for 75% Business Rate Pilots for 2019/20.

2 BACKGROUND

- 2.1 The current 50% Business Rate Retention scheme was introduced in 2013.
- 2.2 Following this local authorities were encouraged to form Business Rate pools sharing risk and reward in return for retaining the levy payable on growth which would otherwise be paid over to the Government.
- 2.3 The Lancashire Business Rate Pool was formed in 2016/17 and has proved successful for all the constituent authorities. There have been some changes in membership since it was formed but the pool continues to operate on the same principles as originally agreed with the Government.
- 2.4 In 2017/18 the Government welcomed proposals for 100% pilots and launched five initial 100% business rates retention pilots in devolution deal areas. These pilots were continued into 2018/19. The government will continue to have separate discussions with the devolution deal areas about their pilot programme.
- 2.5 At the 2017 Autumn Budget it was confirmed that London would become a 100% business rates retention pilot for the duration of the 2018/19 financial year. The pilot comprises of the thirty-two London Boroughs, the City of London and the Greater London Authority. The government will continue to have separate discussions with London about their pilot programme.
- 2.6 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. Whilst these pilots are set to end on 31 March 2019, they are inviting the areas involved to apply to become 75% business rates retention pilots in 2019/20.
- 2.7 This latest announcement on 24 July 2018 sets out the Government's intentions to invite pools of authorities to submit applications to pilot 75% business rates retention in 2019/20, for one year only. The deadline for applications is 25 September 2018. The intention is that the new 75% pilots will provide an opportunity to test and gather information on the design of the new business rate retention system in preparation for 2020/21.

3 NEW 75% PILOTS

- 3.1 Authorities selected as pilots will be expected to forgo Revenue Support Grant and Rural Services Delivery Grant. The value of these grants will be taken into account when revised tariffs and top-up's for the pilot authorities are set up.

- 3.2 The Government expect that a proposed pool would comprise a county council and all of the associated district councils; a group of unitary authorities; or a two-tier area and adjoining unitaries, and it should extend across a functional economic area. Proposals would need to set out the tier splits for all authorities, including Fire and Rescue.
- 3.3 Bids will be required to set out how the pilot will manage risk and reward at a strategic level, and have regard to the financial sustainability of all local authorities involved and also set out how any potential business rate growth will be spent. The bid will also need to make clear the governance arrangements for strategic decision making.
- 3.4 The Government have decided that because the new 75% pilots are testing the pooled authorities approach to risk the 'no detriment' clause applied to previous pilots will no longer apply. Instead of this the Government have increased the safety net from 92.5% to 95% for these new pilot pools.

4 CURRENT BR POOL

- 4.1 As you are aware the current Lancashire Business Rate Pool has proved very successful for all members with retained levies last year totalling £6.011m. Individually pool members have benefitted with retained levies ranging from £389k to £1,113k.
- 4.2 Ribble Valley BC is lead authority for a 3 year period for the Lancashire Pool through whom all payments are channelled.
- 4.3 The table below shows the overall pool position for the last financial year.

2017/18 Lancashire Business Rates Pool Outturn	
	Total £
Retained Levy Calculation	
Total NNDR Income	194,459,738
Small Business Rate Relief	21,210,103
Relief to Other Ratepayers	0
Localism reliefs	1,429,240
Adjusted NNDR Income	217,099,081
40% District Share	86,839,632
Less Tariff payable	-51,222,860
Total Retained Income	35,616,772
Business Rate Baseline Funding Level 17/18	23,489,460
Growth for Year	12,127,312
Levy Rate if no pool existed	45-50%
Total Levy Payment Due to MHCLG if no pool	6,011,453
Retained Levy under Pooling Arrangements (90%)	5,410,308
Due to LCC under Pooling Arrangements (10%)	601,145
Forecast - Based on NNDR1	
Total Levy Payment Due if not under Pooling	4,071,648
Retained Levy under Pooling Arrangements (90%)	3,664,483
Due to LCC under Pooling Arrangements (10%)	407,165

4.4 As you are aware the Lancashire Pool operates on the basis that each member stands their own risk having given up their right to safety net protection on joining the pool. Incidentally a safety net of 92.5% does apply individually but only to the pool as a whole. Additionally each member retains 90% of their levy on growth above their baseline with the remaining 10% payable to LCC. As such the Lancashire Pool works very well and on a simple and transparent basis.

5 LANCASHIRE POSTION - 75% PILOTS

5.1 Discussions have taken place at S151 officer level regarding the potential for a Lancashire wide 75% pilot pool. As lead officer for the current Lancashire BR Pool I have carried out some modelling of a new 75% pilot based on current 2018/19 expected business rate income.

5.2 LCC have independently commissioned a piece of work by Local Government Futures to explore how the financial benefits of a potential 75% pilot in Lancashire.

5.3 Two meetings have been held of LCFO's (6 September 2018 and 13 September 2018) and also a brief discussion took place at the CE's/Leaders meeting on 11 September 2018 where the appetite for a new 75% pilot, and developing a potential application to the Government were explored

6 POSSIBLE FINANCIAL BENEFITS

6.1 Detailed calculations of the financial benefits of a 75% pilot pool have been estimated.

6.2 This is based on the assumption that the Government's 25% share forgone is shared out pro-rata to current tier splits. It is also based on 2018/19 NNDR1 returns completed by each authority. The model includes all Lancashire authorities for illustration purposes.

6.3 A summary is shown in the table below which compares the growth (or loss) we are currently all set to receive for 2018/19 compared with how much growth (or loss) we could receive if we were a 75% pilot will everyone included.

LA	Summary			
	Current Growth £	Pilot Growth £	Extra Growth £	After reallocated to cover losses due to pilot £
Burnley	2,020,664	3,030,997	1,010,332	987,922
Chorley	1,736,086	2,604,128	868,043	848,789
Fylde	1,292,008	1,938,013	646,004	631,675
Hyndburn	229,324	343,986	114,662	112,119
Pendle	832,981	1,249,472	416,491	407,253
Ribble Valley	1,263,730	1,895,595	631,865	617,850
Rossendale	776,324	1,164,486	388,162	379,552
South Ribble	2,385,956	3,578,934	1,192,978	1,166,517
West Lancashire	975,755	1,463,633	487,878	477,056
Wyre	1,360,267	2,040,400	680,133	665,047
Preston	-131,204	-196,806	-65,602	0
Lancaster	770,281	2,310,845	1,540,564	1,506,393
Blackpool	-358,920	-538,381	-179,460	0
Blackburn with Darwen	2,527,745	3,791,617	1,263,872	1,235,839

LA	Summary			
	Current Growth £	Pilot Growth £	Extra Growth £	After reallocated to cover losses due to pilot £
Lancashire CC	3,213,552	4,820,329	1,606,776	1,571,137
Lancashire Fire & Rescue	401,323	601,985	200,662	196,211
Total	19,295,873	30,099,233	10,803,360	10,803,360

- 6.4 You will see two Authorities are predicting a loss in 18/19 based on their NNDR1's (Blackpool and Preston). Under a pilot these losses would actually increase, because the government is reducing how much they are standing of these losses from 50% to 25%. Given the principles of pilots put forward by the Government I have shown the increases in these losses being shared pro rata across the rest of the pilot for illustration purposes
- 6.5 As you are aware the current Lancashire Business Rate Pool has proved very successful for all members with retained levies last year totalling £6.011m. However as you can see from the table above we could be looking at a further £10m of growth within our Lancashire authorities.
- 6.6 As you are aware the Lancashire Pool operates on the basis that each member stands their own risk having given up their right to safety net protection on joining the pool. Incidentally a safety net of 95% will apply to the new pilot pool as a whole. Nonetheless the issue of each member underwriting any losses will be a principle we will all have to agree to.
- 6.7 The table above only shows the extra loss of going to a 75% pilot being shared amongst members. It may be that the authorities affected would expect the full loss to be shared which would fit in with the government's intentions.

7 LATEST POSITION

- 7.1 Lancashire Leaders at their meeting on 11 September 2018 considered whether there was potentially an appetite to submit a 75% pool pilot bid for 2019/20.
- 7.2 The general consensus was a bid should be submitted as the opportunity to retain a further £10m of business rates growth was financially very attractive.
- 7.3 However, how we reach agreement across Lancashire regarding how risks and benefits would be shared was identified as being more difficult to achieve.
- 7.4 Chief Financial Officers were asked to explore whether a proposal for a pilot bid could be put together that was supported by all Lancashire councils bearing in mind that to submit a pilot bid would require all S151 officers signing up to the submission by 25 September.
- 7.5 At the time of writing this report discussions are ongoing regarding the proposed pilot principles and I will update the Committee as soon as more information is available.

8 RECOMMENDATION

- 8.1 Consider whether we would be interested in joining a Lancashire bid to become a new 75% pilot pool.

DIRECTOR OF RESOURCES
17 SEPTEMBER 2018