

Name of meeting: Cabinet

Date: 15th January 2018

Title of report: Business Rates 100% Retention Pilot

Purpose of report: To inform Cabinet about the Government's decision to award the Leeds City Region (LCR) pool pilot status for 100% business rate retention in 2018/19, to set out the key issues involved and to seek member confirmation of the council's continued involvement in the pilot as part of the LCR pool.

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| Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards? | Yes. |
| Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?) | Yes If yes also give date it was registered |
| The Decision - Is it eligible for call in by Scrutiny? | Yes/ no or " not applicable" Cabinet have 28 days from the date of publication to confirm or withdraw their support from the 100% LCR business rate pilot. |
| Date signed off by <u>Strategic Director</u> & name | Rachel Spencer Henshall – Strategic Director Corporate Strategy 22 December 2017 |
| Is it also signed off by the Service Director for Finance IT and Transactional Services? | Debbie Hogg – Service Director, Finance, IT and Transactional Services 3 January 2018 |
| Is it also signed off by the Service Director for Legal Governance and Commissioning? | Julie Muscroft — Service Director, Legal, Governance and Commission – 4 January 2018 |
| Cabinet member portfolio | Cllr Turner Cllr Khan |

Electoral wards affected: All

Ward councillors consulted: N/A

Public or private: Public

1. Summary

In September this year the Government announced a decision to proceed with the expansion of the pilot programme for 100% business rates retention for 2018/19. These pilots will run for one year only, beyond this period the assumption is that the pilot will end and the pool will revert to its previous incarnation as a Business rates pool operating in accordance with the 2019/20 finance settlement.

An application together with the current members of the LCR business rates pool was submitted on 27th October 2017, following an emergency decision taken by the Chief Executive, in conjunction with the Leader. Subsequently all political group leaders were advised on the 1 November 2017.

Agreed pilots were announced on 19th December 2017 alongside the draft local government finance settlement. The LCR submission was successful but if Cabinet decides not to proceed with the pilot, there is the option to revoke the application as any member of the proposed pilot pool is able to withdraw during the statutory 28 day window after Government designates the new 100% pilot pool, as set out in the Local Government Finance Act 1992.

It must be noted that, should any member withdraw, not only would the pilot pool be revoked but there would be no opportunity to fall back on the existing pooling arrangements. This would result in all Authorities having to operate individually and each Authority would take on its own individual risk. The 'no detriment clause' attached to being a pilot pool would not exist under these arrangements.

2. Information required to take a decision

These pilot schemes are for one year only and allow participating authorities to retain all additional growth in business rates above the business rate baseline determined by Government, whereas currently 50% of that growth is remitted to Government and is then subsequently redistributed.

Government wants to see this additional growth income being used to promote financial stability and sustainability in pooled areas and being invested to encourage further growth.

The LCR Business Rates Pool submitted an application to pilot 100% retention in October 2017. Within the application, the projected additional growth which could be retained regionally was estimated to be in excess of £30m for the across all Pool authorities. The business plan submitted to Government proposed that member authorities would be allocated 50% of this additional growth income to improve financial stability within their authorities, with the Pool itself retaining 50% to continue to support and enable regional economic growth.

For the 2017 pilots Government agreed a 'no detriment' clause, guaranteeing that authorities would not be worse off as a result of participating in these pilots, and all 2018 pilots will also be subject to this clause. The LCR governance agreement has established an internal 'no detriment' arrangement to ensure as far as possible that no member would be worse off as a result of participation in this pilot. An additional 'no detriment' clause from Government provides further assurance should the Pool as a whole fail to realise the level of income it would have achieved under the current 50% retention scheme.

Given the 'no detriment guarantee', the opportunity to pilot 100% retention appears to offer the prospect of significant financial benefits for the Leeds City Region, with minimal risk to the constituent authorities.

It is recommended that Cabinet agree that Kirklees should continue as a member of the LCR Business Rates Pool for 2018/19. Notwithstanding this decision, the continuation of the pool will be dependent upon none of the other member authorities choosing to withdraw within the statutory period after designation. At the date of writing this Leeds, York, Bradford and Wakefield have agreed to implement the pilot. Calderdale are considering a report at the same date as this Cabinet meeting.

3. Implications for the Council

3.1 Early Intervention and Prevention (EIP)

N/A

3.2 Economic Resilience (ER)

This proposals provides significant opportunities for regional investment. At this stage no investment proposals have been developed. The governance arrangements are set out below in paragraph 3.5.

3.3 Improving Outcomes for Children

N/A

3.4 Reducing demand of services

N/A

3.5 Other (eg Legal/Financial or Human Resources)

As part of the application a governance agreement has been submitted. This describes the relationship between the pooling authorities including setting out how the pooling arrangements will work in terms of financial distribution and service provision and evidencing how business rates income growth will be shared. The governance agreement also sets out how balances and liabilities will be treated if the pool were to be dissolved. As with the existing pool arrangements the proposal envisages that the pool will be managed by a Joint Committee consisting of the Leaders of the pooling authorities or their substitutes.

The 'no detriment guarantee' provides assurance that the current MTFP assumptions will not be adversely affected. The potential financial benefits to the authority of continued membership of the pool in 2018/19 and as part of the successful pilot are dependent overall on the performance of the individual authorities in 2018/19. As the pool will only run for one year, any gains will be one-offs and will not be able to be accurately quantified until the end of 2018/19 and as such they have not formed part of the current MTFP.

Not agreeing to be part of the pilot pool would have adverse financial consequences in that the existing pool would cease and the Council would lose out on its share of the business rates growth experienced within the LCR pool as a whole.

4. Consultees and their opinions

Debbie Hogg – Service Director, Finance, IT and Transactional Services
Eamonn Croston – Head of Finance and Accountancy

5. Next steps

N/A

6. Officer recommendations and reasons

It is recommended that Cabinet agree that Kirklees should continue as a member of the LCR Business Rates Pool and be part of the 100% business rates retention pilot as described in this report.

7. Cabinet portfolio holder's recommendations

The portfolio holder is pleased that the Leeds City Region has been accepted as part of the pilot and this pilot will build on the strong ties that exist amongst the City Region members.

8. Contact officer

James Anderson – Senior Finance Manager

9. Background Papers and History of Decisions

Draft Financial Settlement 2018/19:

[Provisional settlement 2018 to 2019: statement - GOV.UK](#)
[Supplementary information for pilots - GOV.UK](#)

10. Service Director responsible

Debbie Hogg – Service Director, Finance, IT and Transactional Services