

# Chichester District Council

THE CABINET

3 October 2017

## 100% Localisation of Business Rates 2018-2019 Pilot Scheme

### 1. Contacts

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### 2. Recommendation

- 2.1 That authority be delegated to Chichester District Council's Chief Executive and Head of Finance and Governance Services following consultation with the Cabinet Member for Finance and Governance Services, to determine whether to submit a bid to the Department of Communities and Local Government (DCLG) for Chichester District Council to take part in the 2018-2019 pilot for 100% business rate retention.**

### 3. Background

- 3.1 The current local government funding methodology includes 50% localisation of business rates. In two-tier areas 40% is allocated to the district and borough authorities and 10% to the county council. In practice, however, a system of tariffs means that we actually retain much less, and most significantly we only retain 20% of any growth in business rates due to a 50% levy being applied to our 40% district share. The county council retains 10% of growth.
- 3.2 In the current financial year the government is trialling 100% retention in unitary council areas, as a precursor to fulfilling their intention to fully localise business rates. On 2 September 2017 DCLG invited further bids for pilot areas, this time specifically encouraging bids from two tier and rural authorities.
- 3.3 With 100% localisation potentially all rates collected could be retained, but pilot authorities would need to take on additional responsibilities, or lose other grant funding to offset the additional income. Any difference ie should the value of additional responsibilities be less than the additional funding, a tariff would be applied to ensure the starting point would be fiscally neutral for the government. However, levies would no longer be applied to growth, and so all of the growth in business rates would be retained (split between the county and district councils).

- 3.4 Councils wishing to be considered for pilot status in 2018-2019 must have submitted their bid to DCLG by 27 October 2017. It is likely that there will be a competitive process and not all bids will be successful. DCLG intends to announce the outcome of the bidding process in December 2017.

#### **4. Outcomes to be Achieved**

- 4.1 To enable a bid to be prepared in line with the timescales set out by DCLG requires delegated authority. The West Sussex finance officers have already commenced preparatory work, which will be reviewed by the chief executives.
- 4.2 A successful bid should generate additional revenue for the west Sussex authorities, and help government shape the future roll out of fully localised business rates.

#### **5. Proposal**

- 5.1 Officers are preparing a West Sussex county-wide bid. Detailed financial modelling will be required to ensure pilot status will be financially beneficial to all authorities. If the initial modelling indicates that being a pilot is not financially advantageous, or is significantly risky a bid would not be submitted.
- 5.2 Other matters that will need to be worked up as part of a bid include:
- I. Tier splits ie how much growth will be retained by county and district councils.
  - II. Which additional responsibilities, or loss of existing grants, would be rolled in to make the scheme fiscally neutral.
  - III. How gains will be used. DCLG have indicated that they expect at least some of the gain to be used to generate economic growth.
  - IV. How risks will be mitigated.
- 5.3 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.
- 5.4 Finance officers are currently modelling different scenarios, with the aim to report these to the chief executives to consider on 6 October 2017. Following that meeting a bid submission can be refined in time for the 27 October 2017 deadline. The Cabinet Member for Finance and Governance Services will be consulted at each stage.
- 5.5 DCLG will announce successful submissions in December and depending on the deadline for acceptance it is intended that the final decision be reported back to Council for final sign off. If, however, DCLG deadlines means that it is not possible to take the matter back to full council, urgency provisions may need to be exercised in accordance with the constitution.

#### **6. Alternatives Considered**

- 6.1 Chichester District Council could continue to operate a business rate pool for 2018/19. This enables more of the growth to be retained (50%) than would be

the case without a pool (30%). However a successful pilot bid would enable all growth to be retained.

- 6.2 The timescale set for submission of a bid, and the relatively short notice period means that it would not be practicable to take a draft scheme through committee in the normal way. Hence it is essential to obtain delegated authority.

## **7. Resource and Legal Implications**

- 7.1 The submission of a bid does not require additional resources. However it should benefit the authority financially as more growth would be retained.

## **8. Consultation**

- 8.1 All district, borough and county councils in West Sussex will need to collaborate on a scheme for a bid to be successful. Finance officers and chief executives are therefore collaborating to enable a bid to be drafted. Each authority will need to consult their members according to their own constitutional requirements.

## **9. Community Impact and Corporate Risks**

- 9.1 A successful bid should result in a greater share of local taxation being retained in the area, for the benefit of residents and service users.
- 9.2 There is, however, a potential risk that taxation receipts do not grow as fast as spending on the additional responsibilities. It is therefore essential that financial modelling is undertaken to establish which additional responsibilities are requested, and the risk is mitigated as far as possible.

## **10. Other Implications**

	Yes	No
<b>Crime and Disorder</b>		X
<b>Climate Change</b>		X
<b>Human Rights and Equality Impact</b>		X
<b>Safeguarding and Early Help</b>		X
<b>Other</b>		X

## **11. Appendices**

- 11.1 None

## **12. Background Papers**

- 12.1 DCLG's invitation for pilots:  
<https://www.gov.uk/government/publications/100-business-rates-retention-pilots-2018-to-2019-prospectus>