

**100% BUSINESS RATE PILOT POOL**

Relevant Portfolio Holder	Councillor Bill Hartnett
Portfolio Holder Consulted	-
Relevant Head of Service	Jayne Pickering – Exec Director Finance and Resources
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No

**1. SUMMARY OF PROPOSALS**

- 1.1 To present the potential opportunities to participate in a 100% Business Rate Pool Pilot covering Worcestershire and seek delegated authority to conclude the 2018/19 Business Rate Pool arrangements with the Executive Director Finance and Resources, Portfolio Holder for Finance and the Leader.

**2. RECOMMENDATIONS**

- 2.1 **That the Council consider the information received to date on the potential opportunities to participate in a 100% Business Rate Pool Pilot covering Worcestershire and delegate the decision on the 2018/19 Business Rate Pool arrangements to the Executive Director Finance and Resources in agreement with the Portfolio Holder for Finance and the Leader.**

**3. KEY ISSUES**

- 3.1 On 1<sup>st</sup> September 2017 the Secretary of State published a prospectus inviting applications for business rate pool pilots to be submitted by 27th October. The Secretary of State is seeking pools that cover County areas where the pilot can help inform the tier splits between County and District authorities and mechanisms for encourage future business rate growth.
- 3.2 To be successful the pilot would require all Districts in the County to apply and after discussing with the Leader it was agreed to have a dialogue on the application for a Worcestershire Business Rate Pool Pilot as part of the 100% business rate retention. The decision will be informed by:-
- A view on the likelihood of the success of a bid
  - The tier splits proposed as part of the application
  - Confirmation that the impact of the loss of RSG is taken into account in the revised tariff calculation – ie cost neutral
  - A requirement for the County and all Districts to be part of the Pool
  - Understanding the safety net calculation, impact if the ‘no detriment’ guarantee is not part of the pilot and how this risk will be managed.

- Understanding how income earmarked in the Pool for further growth is to be applied. Redditch has major projects planned and proposed and would welcome resources to incentivise economic development which in turn will increase the future business rate pool (ie invest to gain future yield).
  - Understanding the impact of Redditch withdrawing from the GBS Pool and how the resources set aside for safety net would be applied.
- 3.3 The decision is a matter for Council. Discussions are still at an early stage and the information to make an informed decision will not be available until October. The next Council meeting is 20<sup>th</sup> November so authority is sought to delegate the decision to the Executive Director Finance and Resources in agreement with Leader.
- 3.4 At this stage the Council has the option of remaining a member of the Greater Birmingham & Solihull Pool or participating in the pilot. If we decide to apply for the Worcestershire Pool Pilot and it is successful this will be the Pool which will apply in 2018/19. However, if the application is unsuccessful the Council can determine which Pool membership would apply. This could be either the Greater Birmingham & Solihull Pool or the Worcestershire Pool Pilot. It is not possible in the arrangements to be a member of two pools. These matters are all part of the delegation within the decision on '2018/19 Business Rate Pool arrangements'.

**Financial Implications**

- 3.5 At the moment the Council receives 26.5% of the business rate growth through the Greater Birmingham & Solihull Pool. 20% is received automatically and 6.5% through the pooling arrangements. A diagram illustrating this split is attached as Appendix 1.
- 3.6 A summary of the current distribution of the business rate growth through the Pool is:-

	%
Redditch Borough Council	26.5
Birmingham City Council	1.5
Greater Birmingham & Solihull LEP	8.0
Safety Net Pot	4.0
Central Government	50.0
Worcestershire County Council	9.0
Hereford and Worcester Fire	1.0
Total	100.0

- 3.7 Prior to the distribution of business rate resources from the pool there is a top slice for administration costs incurred by Birmingham City Council who are the lead authority. These amount to £50,000 per annum. The current administration costs of the Worcestershire business rate pool are £10,000 per annum.
- 3.8 The safety net pot is required to protect pool members if there is a reduction in business rate income which could be from business decline but is more likely to be from successful appeals or applications for mandatory rate reliefs.

- 3.9 The main benefit from the 100% business rate pilot is that the Government's 50% share is retained locally. The pilot requires an agreement on the tier splits between Districts and County and there is an expectation that the County will receive a greater share than at the moment to deal with pressures such as Adult Social Care. The Government will also want to see a top slice to encourage future business rate growth. However, there is scope for the Districts to receive more than the current arrangements and also to have more influence over the resources to encourage business rate growth. For Redditch the final decision will require a share of growth in excess of 26.5%.

**Legal Implications**

- 3.10 Schedule 7B to the Local Government Finance Act 1988 provides the framework of the pooling arrangements including the designation of a lead authority and Governance requirements. There are currently five pilot pools, Greater Manchester, Liverpool City Region, the West Midlands, Cornwall and the West of England.

**Service / Operational Implications**

- 3.11 If the Council decided to apply to be a pilot for 100% business rate retention and it is successful it this is likely to provide additional corporate resources to fund services. The extent of the additional resource is unknown at this stage and the main factor will be the tier splits.

**Customer / Equalities and Diversity Implications**

- 3.12 There are no direct implications arising out of this report.

**4. RISK MANAGEMENT**

- 4.1 The main risk with business rates is if there were successful business rate appeals or new mandatory rate relief application. This could reduce business rate income and there is no Government safety net if you are a member of a pool. For this reason pools set aside resources to cover this risk.

**5. APPENDICES**

Appendix 1 – Business Rate Growth Diagram

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Appendix 1

**CURRENT - business rate growth**

RBC	WCC	Fire	CG
40%	9%	1%	50%
Keep 50% as a right			
20%			
Levy for 50%			
20%			
GBS Pool receives levy and pays back 32.5%			
6.5%			
District share of growth			
26.5%	or 66.25% of the 40%		

The levy is payable to the Government unless a Council is part of of Business Rate Pool

**BUSINESS RATE PILOT - business rate growth**

RBC	WCC	Fire	CG
			nothing to CG
Tier splits to be agreed but keep 100% locally , no levy			
<b>No central Government share so gain 50%</b>			
There must be a scheme to use a proportion of the resources to enhance future business rate growth			