

Crawley Borough Council

Report to Cabinet 25 October 2017

Business Rates Retention – 100% Business rates pilot application

Report of the Head of Finance, Revenues and Benefits – **FIN/425**

1. Purpose

- 1.1 On 2 September 2017, the Department of Communities and Local Government (DCLG) invited pilot bids for 100% localisation of Business Rates in 2018/19. All the councils in West Sussex are currently modelling detailed financial scenarios and considering whether to submit a bid.

2. Recommendations

To the Cabinet

- 2.1 The Cabinet is recommended to:
- a) Determine whether to submit a bid to the Department of Communities and Local Government (DCLG) for Crawley Borough Council to take part in the West Sussex wide 2018-2019 pilot for 100% business rate retention.
 - b) Further if a decision is made to submit a Bid to delegate to the Head of Finance, Revenues and Benefits, in consultation with the Leader, the authority to accept the Pilot if the Council is successful.

3. Reasons for the Recommendations

- 3.1 To enable a bid to be prepared in line with the timescales set out by DCLG requires delegated authority to be granted. The deadline for submission is 27 October 2017.
- 3.2 If taxation receipts grow faster than spending on additional responsibilities, 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.

4. Background

- 4.1 The current local government funding methodology includes 50% localisation of Business Rates. In two-tier areas, 40% is allocated to the Council and 10% to the County Council. In practice, however, a system of tariffs means that the Council 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. West Sussex County Council retains 10% of growth.
- 4.2 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, the Department of Communities and Local Government (DCLG) invited further bids for pilot areas, this time specifically encouraging bids from two tier and rural authorities.

- 4.3 With 100% localisation, potentially all business 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. 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).
- 4.4 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, probably at the same time as the annual Settlement.
- 4.5 To enable a bid to be prepared in line with the timescales set out by DCLG requires delegated authority to be granted. The West Sussex Finance Officers have already commenced preparatory work, which was reviewed by the chief executives at the West Sussex Chief Executives Forum on 6 October 2017.
- 4.6 By working with partner councils across West-Sussex there is benefit residents and businesses helps to provide great value services.

5. Description of Issue to be resolved

- 5.1 Matters that will need to be worked up as part of a bid include:
 - How gains will be used and the outcomes from the gains. DCLG have indicated that they expect at least some of the gain to be used to generate economic growth.
 - How risks will be mitigated.
- 5.2 Experience of having operated a business rate pool in parts of the county means that much of the existing risk mitigation and governance arrangements can be built upon as part of this joint submission.
- 5.3 DCLG will announce successful submissions in December 2017. It is anticipated that following this date, the final decision Depending on the deadline for acceptance it is intended that the final decision be made by the Head of Finance, Revenues and Benefits, in consultation with the Leader under delegation.

6. Information & Analysis Supporting Recommendation

- 6.1 Financial 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. The deadline for submission to DCLG is 27 October 2017.

7. Consultation

- 7.1 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.

8. Resource and legal consequences

- 8.1 The submission of a bid does not require additional resources. A successful bid should generate additional revenue for the West Sussex councils, and help government shape the future roll out of fully localised business rates. Equally, however, if income from Business Rates falls, the Council could be more exposed to the downside risk. There are no legal implications identified at this stage.

9. Risk assessment

- 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 considerations

- 10.1 There are no implications of any action proposed in respect of Equality & Diversity at this stage.

11. Background Papers

[DCLG's invitation for pilots](#)