

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 3 OCTOBER 2017
REPORT OF THE EXECUTIVE DIRECTOR (RESOURCES, ENVIRONMENT AND
CULTURAL SERVICES)

PILOT SCHEME FOR BUSINESS RATES GROWTH RETENTION

1 Executive Summary

- 1.1 On 1 September 2017, the Department of Communities and Local Government (DCLG) announced that they were inviting Councils to work together in putting forward proposals to retain 100% of growth in business rates in the local area.
- 1.2 The principal behind these pilot areas retaining 100% of income growth locally, is to allow authorities to jointly make coherent strategic decisions about the wider area and to jointly manage risk and reward.

2 Recommendations

- 2.1 That Cabinet agrees to give delegated authority to the Executive Director for Resources, Environment and Cultural Services, in consultation with the Executive Member for Resources, to enter into a Hertfordshire business rates pool and/or to submit a joint application to DCLG to enter the pilot scheme for business rates growth retention, if after full consideration, there is a financial case for doing so.

3 Explanation

- 3.1 Under the current model of business rates retention, the Government estimated for each authority, a baseline level of business rates income. This is directly linked to the amount of business rates retained locally. These amounts are known as the baseline income level and baseline funding level.
- 3.2 Any growth in the total business rates income in the Borough, after taking into account both the initial sharing proportions and the levy, against the baseline income level would be shared as follows:

	Current Arrangements	Optimum Pooling Arrangement	Pilot Scheme
Central Government	70%	50%	0%
Local Share	30% split as: 20% to WHBC 10%to HCC	50% Split between WHBC and HCC to be confirmed	100% Split between WHBC and HCC to be confirmed

- 3.3 For the financial year 2017/18, the Government approved five pilot schemes that enabled Councils within those pilot areas to retain 100% of business rates growth locally. The pilot schemes approved did not include any two-tier areas.
- 3.4 For 2018/19, the Government would like to see authorities form pools and, with agreement in place from all authorities, applications for pilot status. The opportunity to work together as a pool across a functional economic area will allow authorities to make coherent strategic decisions about the wider area and to jointly manage risk and reward. As no two-tier areas were included in the 2017/18 pilots, the Government is particularly interested in applications from two-tier areas for 2018/19.
- 3.5 Authorities selected as pilots for 2018/19 will be expected to forego Revenue Support Grant. The value of the grant foregone will be taken into account in setting the revised tariffs and top-ups, which will be used to ensure that the changes are cost neutral, except for the value of any growth retained. The value of this grant in 2018/19 for the Council would be £104k.
- 3.6 The Government has recognised that there is additional risk with pools and pilot schemes, and so for each pilot area, will reduce the maximum risk to the pool from 7.5% to 3%. This means the Government will guarantee, by means of grant payment to authorities, that funding levels will not fall below 97% of the baseline funding amount set at the commencement of the pool.
- 3.7 To be accepted as a pilot for 2018/19, agreement must be secured from all Hertfordshire authorities. Local arrangements would need to be put into place to pool business rates income, and as part of the application process, authorities will be expected to evidence how pooled income growth will be used in the pilot area, how the proposals will promote financial sustainability, and how additional growth will be shared locally.
- 3.8 Chief Finance Officers from the eleven Hertfordshire Councils recently met to discuss this invitation, and jointly agreed to set up a working group to undertake detailed modelling and sensitivity analysis for a Hertfordshire business rates pool.
- 3.9 The working group will be led by Hertfordshire County Council, and will consist of officers from Welwyn Hatfield Borough Council, East Herts District Council and Hertsmere Borough Council. This group will also be supported with specialist advice from LG Futures.
- 3.10 The initial analysis and recommendations from this group will be presented at the next Hertfordshire Chief Finance Officers Group on 5 October 2017. If agreement is achieved from all Hertfordshire Authorities, an application will be drafted for approval, along with formalising the agreements on governance and sharing arrangements.
- 3.11 Applications must be submitted to DCLG by 27th October 2017. Given the short timeframes, it is recommended, that should Welwyn Hatfield Borough Council be guaranteed to be no worse off from a pooling arrangement, then the decision to enter a Hertfordshire pool and apply to enter the pilot scheme be delegated to the Executive Director for Resources, Environment and Cultural Services, in consultation with the Executive Member for Resources

Implications

4 Legal Implications

- 4.1 Formal agreements for sharing of business rates income will need to be in place should Hertfordshire authorities agree to proceed with a pool and pilot scheme. These will need to be submitted to DCLG as part of the application process.

5 Financial Implications

- 5.1 Application to enter into a business rates pool and the pilot scheme for 2018/19, will only be made if the Council's Section 151 Officer, in consultation with the Executive Member for Resources is satisfied the Councils funding levels are protected under the polling arrangements.
- 5.2 Should the pilot scheme be successful, it will enable a higher level of business rates income to be retained locally both at Borough and County level.

6 Risk Management Implications

- 6.1 Risks around business rates volatility will be modelled through sensitivity analysis. Should the application proceed, risk will be manage and as part of the formal arrangements in place with the other Hertfordshire authorities.

7 Security & Terrorism Implication(s)

- 7.1 There are no security or terrorism implications arising from this report.

8 Procurement Implication(s)

- 8.1 There are no procurement implications arising from this report.

9 Climate Change Implications

- 9.1 There are no direct climate change implications to consider.

10 Link to Corporate Priorities

- 10.1 The subject of this report is linked to the Council's Corporate Priority of engaging with our communities and provide value for money and specifically with regard to delivering value for money.

11 Equalities and Diversities

- 11.1 An Equality Impact Assessment (EIA) has not been carried out in connection with the proposals as there are no equalities or diversities issues arising from the report.

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