



REPORT TO: Cabinet
LEAD OFFICER: Executive Director

24 September 2018

**Constituent Council Consent for Business Rates Pilot Scheme
Submission 2019/20**

1. Purpose

- 1.1 The report seeks consent to the submission of the 1 year business rates retention pilot to be submitted to the Ministry of Housing, Communities and Local Government (MHCLG) by 25th September 2018 in the form as outlined in this report.
- 1.2 This is a key decision because it is significant in terms of its effects on communities living or working in an area comprising two or more wards or electoral divisions in the area of the local authority.
- 1.3 The Cambridgeshire and Peterborough Combined Authority (CPCA) report and relevant prospectus documents produced by MHCLG are attached at **Appendices 1 to 4**.

2. Recommendation(s):

- 2.1 That Cabinet consent to the submission of the Bid as outlined in this report with the additional funds to be apportioned as per paragraph 3.16 of the report, including acceptance to any minor changes by the S151 Officer which do not alter the substantial meaning.

Reasons for Recommendations

- 2.2 A successful bid could see significant additional resources becoming available for the Cambridgeshire and Peterborough area for investment in high priority areas and in supporting economic development.

3. Background

- 3.1 In July 2018 the Government published an invitation to local authorities to pilot 75% business rates retention in 2019 to 2020.
- 3.2 Proposals have to be submitted by 25th September 2018 and the s.151 officer of each authority will need to sign off the proposal before its submission.
- 3.3 Due to the timeframes set out by MHCLG the Cambridgeshire and Peterborough bid needs to be submitted before the CPCA Board can meet to give its approval and if the Board does not agree to ratify the submitted bid it will be withdrawn.

- 3.4 Over the last two years, the Government launched 15 pilots of 100% business rates retention. The first wave were granted to five areas with ratified devolution deals, the second wave were awarded to 10 groups of local authorities (and the Greater London area) and were awarded based on a competitive process.
- 3.5 These pilots retain 100% of business rates income and forego some existing grants. Over the pilot period they will retain all of their growth in business rates income.
- 3.6 The Government is now looking to create a third wave of pilot schemes, this time with 75% local growth retention to reflect the level of local growth retention in the planned national reform of the business rates system in 2020-21. The Government sees an opportunity for local authorities to work together as pools covering functional economic areas to make coherent strategic decisions about the wider area and to jointly manage risk and reward.
- 3.7 These pilots are also expected to test authorities' administration, technical planning for implementation, and to look at how the accounting, data collection and IT systems will work. The Government expects to learn from the pilots' experiences to inform the design of the national system of business rates retention.
- 3.8 Arrangements would also need to reflect the position of precepting authorities, such as Fire and Rescue authorities.
- 3.9 The Government has asked for pooled areas to propose a split for sharing additional growth and to see additional growth being used to either boost further growth, promote the financial stability of the pooled area or a combination of both.
- 3.10 Unlike the previous two waves the Government has not agreed a 'no detriment' clause for the 2019/20 pilots. While this presents the possibility of a Constituent Council being worse off, for this to occur in practice Business Rates income would have to be c. £55m lower than forecast: this would represent a drop of over 20% of the total rates income across the Combined Authority area and thus is considered a minimal risk; it is nonetheless dealt with in the proposal.
- 3.11 Authorities selected as pilots for 2019/20 will be expected to forego Revenue Support Grant (RSG) and Rural Services Grant. The value of the grant foregone will be taken into account in setting 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 and the removal of the levy on growth.
- 3.12 It is expected that successful applications will be announced before or alongside the publication of the draft local government finance settlement.
- 3.13 The 2019/20 pilot programmes will last for one year only at which point they will be replaced with the new national scheme.
- 3.14 Independent modelling of the financial benefits, carried out by Pixel, predict that the benefits of a pilot to the Combined Authority area would be an additional £20m being retained locally.
- 3.15 The Cambridgeshire and Peterborough area submission includes the seven constituent councils to the CPCA with Cambridgeshire County Council being the lead authority. The Lead Authority would be responsible for administering the scheme.
- 3.16 The principles set out in the pilot submission are that additional funds retained by the local area will be apportioned as follows:

- If any local authority is worse off as a result of being in the pilot, they will receive funding to put them back to the level they would have been in had they not participated in the pilot (an internal no-detriment clause) underwritten by the Combined Authority.
- Pre-approved costs related to the running of the pool/pilot will be retained by the lead authority.
- 10% (c. £2m) of the remaining funds will create a Business Growth Fund, held by the Combined Authority to promote further growth across the area.
- 10% (c. £2m) will be split between the two Social Care Authorities (Cambridgeshire County Council and Peterborough City Council) in recognition that the costs of growth fall disproportionately on these authorities.
- The remaining 80% (c. £16m) will be distributed per capita across all constituent authorities (Peterborough's population is counted twice to take account of its upper and lower tier responsibilities).

3.17 Given the strategic role of the Combined Authority, which covers the whole of the pilot geography, and the close alignment between the Business Growth Fund's aims and those of the Combined Authority and its Business Board this fund will be held and administered by the Combined Authority with projects seeking funding following the assurance and governance frameworks already in place within the Combined Authority.

3.18 As part of the bid it is required to set out what, if any, pooling arrangements are desired were a pilot not awarded. Based on modelling of the area's business rates top-ups and tariffs there is no benefit to creating a whole area business rates pool thus there will be no business rates pool created if the bid is not successful in securing a pilot.

4. Considerations

4.1. Appended to this report is the report to be considered by the CPCA on 26 September 2018 (Appendix 1). The constituent councils are individually required to give consent in respect of the submission of the Bid.

4.2 An alternative proposal was tabled by the Leader of South Cambridgeshire District Council on Friday 14th September 2018 to the Mayor and other board members of the CPCA to address inconsistencies and unfairness in the current proposal. The proposal was that 90% of the Business rates be allocated to each of the constituent councils to the CPCA on a per capita basis (population). The remaining 10% to be shared on the same basis between Cambridgeshire County Council and Peterborough City Council.

4.3 The Leader gave the reasons for the alternative proposal as follows:

- It was unclear why the CPCA should benefit from the bid.
- Districts which collect the Business Rates are entirely responsible for delivering the growth which is responsible for this pot of money increasing.
- By investing in District Councils to deliver high quality growth and exemplar place making we are actually investing in preventive work which will greatly reduce the burden on the crisis, demand driven County Council and Peterborough Council.

4.4. The Leader's proposal was not supported by the majority of board members and requires the unanimous support of all constituent authorities to proceed.

- 4.5 The CPCA, to try and reach consensus, has offered to underwrite a “no detriment” clause to the constituent authorities, prior to any distribution if the bid as outlined in 3.16 is supported by all constituent authorities.

5. Options

- 5.1. There are very tight timescales for the achievement of consent for this Bid with the application to be submitted to MHCLG by Tuesday 25th September.
- 5.2 The Council could decide not to support the bid in its current format.

6. Implications

- 6.1. There are no direct impacts to the Council in respect of granting this consent. The Bid requires evidence “that each local authority in the proposed pool fully supports the application and the proposed pooling arrangements.” Therefore if the Cabinet and all constituent councils do not consent to the bid application as per the terms set out in 3.16 of the report, the bid will not be submitted.

7. Timetable

- 7.1 Constituent Councils have to give consent for the Bid so it can be submitted by Tuesday 25th September.
- 7.2 It is expected that successful applications will be announced before or alongside the publication of the provisional Local Government Finance Settlement.

8. Call in and Urgency

- 8.1 Scrutiny and Overview Procedure Rule 12.19 provides that the call-in procedure shall not apply where the decision being taken by the executive decision taker is urgent. A decision will be urgent if any delay likely to be caused by the call-in process would seriously prejudice the Council’s or the public’s interests. The record of the decision, and notice by which it is made public, shall state whether in the opinion of the decision-making person or body, the decision is an urgent one, and therefore not subject to call-in.
- 8.2 The Chairman of the Council and Chairman of the Scrutiny and Overview Committee are required to agree both that the decision proposed is reasonable in all the circumstances and to it being treated as a matter of urgency. As Cabinet is required to give its authority to submit a bid by the deadline of 25th September, the decision is manifestly urgent and the consent of the Chairman of the Council and the Chairman of the Scrutiny and Overview Committee to an exemption from call in on the grounds of urgency will be sought.

9. Legal Implications

- 9.1 Paragraph 35(1) of Schedule 7B to the Local Government Finance Act 1988 allows the department to attach conditions to the designation;
- a) requiring the authorities to which it relates to appoint a lead authority to exercise the functions specified in the conditions, and
 - b) requiring the authorities, if the designation is revoked, to take the steps specified in the conditions before the revocation takes effect.

It also permits the department to attach such other conditions as it sees fit.

9.2. The decision is an executive function and is therefore before Cabinet.

10. Resource Implications

10.1 There are no direct resource implications arising from this report.

List of Appendices

•	Appendix 1: CPCA Business Rate Pilot Report.
•	Appendix 2: Business rates retention pilots 2019 to 2020: invitation to apply
•	Appendix 3: Supplementary Information on Pooling.
•	Appendix 4: Frequently asked questions produced by MHCLG and dated 29 th August 2018.

Background Papers

Where [the Local Authorities \(Executive Arrangements\) \(Meetings and Access to Information\) \(England\) Regulations 2012](#) require documents to be open to inspection by members of the public, they must be available for inspection: -

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

None

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