



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

BUSINESS RATE RETENTION PILOT BID

Report of the Chief Fire Officer

Date: 28 September 2018

Purpose of Report:

To note the approval through delegated powers for the Authority to enter into a joint bid alongside Nottinghamshire District / Borough Councils, Nottingham City Council and Nottinghamshire County Council for the Business Rates Retention Pilot for 2019/20.

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1. BACKGROUND

- 1.1 On 24 July 2018, the government issued a prospectus inviting local authorities, particularly in two tier areas, to submit applications to be pilots for the 2019/20 Business Rates Retention Scheme by 25 September 2018.
- 1.2 This will be the second year of the pilot programme. As was the case in 2018/19, the pilot will only last for one year (2019/20) with the aim of exploring options for local government finance reforms, including promoting sustainability and promoting growth. It is anticipated that this will be the last year of such pilots. 2020/21 should see the introduction of the new 75% business rates retention and new funding basis being implemented across local government.
- 1.3 The prospectus seeks applications for areas to form business rates pilots, either for a county area or beyond. If the application is for a whole county, as it is for Nottinghamshire, then all local authorities and the Fire Authority must be supportive.
- 1.4 Applications were to be received by the Ministry for Housing, Communities and Local Government (MHCLG) by 25 September 2018, and there is an expectation that the decision will be known within the provisional Local Government Financial Settlement, probably in December 2018.
- 1.5 Due to the short timescale and the submission date, the inclusion of the Authority in the Nottinghamshire Business Rates Pilot Bid 2019 has been approved through delegated powers.

2. REPORT

- 2.1 The seven district and borough councils have been in a business rates pooling arrangement since April 2013, based on the existing 50% business rates retention. The Fire Authority is not a member of the pool, but receives 1% of business rates available for distribution. Should business rates across the county fall there is a safety net set at 92.5% of the baseline position.
- 2.2 The 2019/20 pilot requires all authorities, including fire, to be within the pool which will retain 75% of business rates rather than the existing 50%. This will see Nottinghamshire City Council and the Fire Authority join the pool.
- 2.3 A breakdown of the Authority's anticipated funding for 2019/20 under the existing system is shown in the table below.

	2018/19 £	2019/20 £
Revenue Support Grant	5,961,472	5,335,308
Business Rates	3,585,468	3,621,323
Section 31 Grant	298,000	250,000
Top Up Grant	6,999,939	7,155,193
Total External Funding	16,844,879	16,361,824

- 2.4 Current budget projections anticipate a total of £10.777m to be raised in 2019/20 from business rates and business rate top up grant, with a further £250k expected from related Section 31 grants, which are received from central government to compensate for changes in legislation such as small business rate relief.
- 2.5 If successful, the pilot would see the Authority lose all the 2019/20 Revenue Support Grant (RSG) allocation, anticipated to be £5.3m, but would receive an increased share of business rates to compensate for this. The Authority will take a share of the additional 25% business rate income being retained in the pool – which is thought to be in the region of £10m across the whole county.
- 2.6 A proportion of the additional funding will be paid into the Economic Development Committee to be allocated to approved economic development projects. This will assist in ensuring sustainable business rate growth in future years.
- 2.7 There is very little risk from taking part in the pilot scheme, despite the removal of the no detriment clause, which was included in the 2018/19 pilot scheme. The Authority is currently protected if business rate funding drops below 92.5% of its baseline level. The governance arrangements of the pilot scheme would see this rise to 95%, providing a level of extra protection.
- 2.8 It is anticipated that business rate income across the county would have to fall in excess of 10% for the Authority to be in a worse funding position than at present. If this happened it would affect the Authority's business rate income whether the Authority was in the pool or not.

3. FINANCIAL IMPLICATIONS

- 3.1 Any additional income resulting from a successful pilot bid will be for 2019/20 only, as from 2020/21 onwards a national business rate retention scheme is expected to be introduced. Additional funding will therefore be used to help transition into the new funding regime and to support future collaborative projects.

- 3.2 The outcome of the bidding process is expected to be announced as part of the provisional finance settlement, allowing any implications to be built into the 2019/20 budget process.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising directly from this report.

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because this report is not associated with a policy, function or service.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report.

7. LEGAL IMPLICATIONS

- 7.1 Should the bid be unsuccessful then the current funding arrangements will continue into 2019/20.
- 7.2 The governance arrangements for the business rate pool reflect those of the existing pool and have been considered by the Authority's Monitoring Officer.
- 7.3 The bid requires signing off by the Authority's Treasurer.

8. RISK MANAGEMENT IMPLICATIONS

The risk management implications have been considered in the body of this report. The purpose of running the pilot schemes is to ensure a robust funding regime for the future of local government.

9. COLLABORATION IMPLICATIONS

The bid has been drawn up in collaboration with all Nottinghamshire Authorities.

10. RECOMMENDATIONS

That Members endorse the approval through delegated powers of the inclusion of the Authority in the Nottinghamshire Business Rates Pilot Bid 2019.

11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

John Buckley
CHIEF FIRE OFFICER