

**CITY OF NOTTINGHAM AND NOTTINGHAMSHIRE ECONOMIC  
PROSPERITY COMMITTEE – 27 SEPTEMBER 2019**

<b>Subject:</b>	<b>Nottinghamshire's National Non-Domestic Rates (NNDR) Pooling Arrangements – Key Decision</b>		
<b>Presenting authority / representative:</b>	Bassetlaw District Council		
<b>Report author and contact details:</b>	Neil Taylor, Chief Executive <a href="mailto:Neil.Taylor@bassetlaw.gov.uk">Neil.Taylor@bassetlaw.gov.uk</a>		
<b>Key Decision</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<b>Subject to call-in</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
<b>Value of decision:</b> £5.05m			<input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Capital
<b>Authorities affected:</b> Nottinghamshire County, Ashfield DC, Bassetlaw DC, Broxtowe BC, Gedling BC, Mansfield DC, Newark & Sherwood DC, Rushcliffe BC	<b>Date of consultation with relevant authorities:</b> N/A		
<b>Summary of issues (including benefits to citizens/constituent authorities):</b>			
<p>The initial expectation was that under Business Rates (NNDR) pooling arrangements, 50% of the surpluses would be retained for countywide initiatives and 50% for individual authorities use. The attached report (Appendix A) reviews the arrangements, and in broad terms considers three areas:</p> <p>i) Covering the risk of any power station exposure;</p> <p>ii) Funding collective schemes for the benefit of the County;</p> <p>iii) Boosting individual authorities' financial standing by returning as much resource to them as possible.</p>			
<b>Exempt information:</b> None			
<b>Recommendation(s):</b>			
It is recommended that the Committee agrees:			
<ol style="list-style-type: none"> <li>1) To review the situation with power stations as part of a formal National Non-Domestic Rates (NNDR) Pool assessment in March each year, or as required if there are developments on either the closure programme or the mitigation sought from Ministers.</li> <li>2) To allocate £0.5m from the Business Rates Pool for 2018/19 (when the final figure is declared) towards feasibility studies for a few specified strategically significant infrastructure schemes that will help unlock the growth potential of the area. These studies would be integral to the eventual business cases for submission to Government or the D2N2 LEP for funding and an annual sum is being sought to increase the County's capacity.</li> <li>3) To set aside a further £0.1m as a contingency for countywide issues/planning.</li> <li>4) That all other surpluses be returned to the constituent authorities for economic development purposes as a matter of course for each year once the figures are declared at the 31<sup>st</sup> March.</li> <li>5) That a paper is taken annually in October to the N2 Chief Executives meeting to review the projected pool performance and a further report in March annually to agree any future top slicing and contingency funding.</li> </ol>			

1 **REASONS FOR RECOMMENDATIONS**

- 1.1 The recommendations are designed to collectively unlock the growth potential of the area whilst boosting the finances of the constituent authorities.

2 **BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)**

- 2.1 The background is set out in Appendix A.

3 **OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS**

- 3.1 Return 100% surpluses to constituent authorities. However, this would deny an opportunity to make strategic interventions to unlock economic growth where needed.

4 **PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT**

None

## **Appendix A: Nottinghamshire's NNDR Pooling Arrangements**

Nigel Stephenson has produced a chronology of the Pool since its inception in 2013/14 which has generated surpluses of c.£18.9m projected up to the end of 2018/19. Following the stalling of the devolution initiative it is timely to review the arrangements for the Pool, as in the initial expectation was to retain 50% of the surpluses for countywide initiatives and 50% for individual authorities use. In broad terms there are three areas for consideration now:

- i) Covering the risk of any power station exposure
- ii) Funding collective schemes for the benefit of the County
- iii) Boosting individual authorities' financial standing by returning as much resource to them as possible.

### 1, Power Stations

Bassetlaw, Rushcliffe and the County Council have all lobbied the MHCLG about the effect of the policy of shutting coal fired powered stations and have advocated the transfer of them to the national NNDR "Central List". The Central List includes things like the national grid network and is spread over the national NNDR system, otherwise the impact would be disproportionate on individual councils who had a closing coal fired stations in their area.

The closure programme is dependent on national energy tariffs and the efficiency of each station to match them in relation to their costs:

- (i) Cottam Power Station (Bassetlaw) which is declared to be closing in 30<sup>th</sup> September, 2019
- (ii) West Burton Station (Bassetlaw) which has capacity agreements in place until September 2021, but is subject to closure review after that date.
- (iii) Ratcliffe-on-Soar (Rushcliffe), anytime from 2021, but likely to be 2023.

Whilst there is some risk with this which will not be known until later in the year Ministers have been sympathetic to the Central List solution. Although they cannot commit to it as yet as they have also to contend with the Spending Review, the new system of local government finance, new safety net arrangements and possible changes to tier financing splits. It is not thought that this will be something that cannot be collectively managed and therefore the recommendation is that:

Prospects are reviewed each year, and any suitable adjustments made if there is likely to be exposure, dependent on the level of concern.

### 2, Collective Schemes

Over the years surpluses have built up year on year as little was spent on devolution or common EPC schemes with "refunds" of the initial countywide 50% of £1.5m, £2.6m and £0.97m approved in the last three years. Estimates point to up to a further £5.05m being returned to councils for 2018/19 (current estimate only), £2.5m going back as part of the 50:50 NNDR pool/council split. Out of the £7.1m generated by the end of 2017/18, only £1.9m has been retained for central projects.

This is not to say that collective schemes are not a good idea, it is that under the 50:50 arrangement there are insufficient initiatives to justify setting aside 50% of the surplus each year.

The County Council however would like to make the following proposal as part of this paper:

Top Slice £500,000 for Strategic Infrastructure:

Transport is one of the key enablers to encourage growth and enhance the vitality of the local centres across Nottinghamshire. Working with partners, Nottinghamshire County Council have identified the corridors financial resources are not in place to enable the necessary work to develop business cases to submit when bidding opportunities come forward.

Nottinghamshire has started this process but cannot, without additional resources, provide opportunities for funding across the entire County. The County has had some success in bidding to national Major Road Network, but in order to do so in the future as well as position our priority schemes for the Large Local Majors, further dedicated resources and studies are required.

These studies/business cases will determine existing traffic conditions, identify existing constraints, test the operation of existing junctions along the corridor, estimate future traffic conditions, identify possible mitigation measures and test their effectiveness. The studies will seek to identify a package of mitigation measures to address existing and forecast traffic delays along the corridor. This will enable a preferred package to be agreed to feed into an outline business case with an agreed Appraisal Specification Report. These documents are the required baseline for any bids to either Department for Transport (DfT) or Local Enterprise Partnerships.

To bring forward a pipeline of a few specified (and strategically significant) infrastructure schemes, aimed at unlocking development, to a point where we have a business case that can be submitted to Government or the D2N2 LEP for funding, it is proposed that Chief Executives prioritise the infrastructure schemes detailed at Appendix C. This would be conditional on the schemes being identified in the relevant local authority plans. The County Council would client collaboratively, with the Chief Executives determining the annual programme.

### 3, Return 100% Surpluses to Constituent Authorities

All the authorities in the County face financial challenges as the level of central government funding falls to nil, and there is an uncertain future with local government financial self-sufficiency. However, to just passport back all the surpluses would collectively deny an opportunity to make strategic interventions where needed. The suggestion is to provide a contingency of £0.1m, which would only be topped up each year if used. This will save any future funding requests being reliant on reports back to each authority.

### RECOMMENDATIONS:

- 1) Review the situation with power stations as part of a formal NNDR Pool assessment in March each year – or as required, if there are developments on either the closure programme or the mitigation sought from Ministers.
- 2) To unlock the growth potential of the area, Pool members agree to allocating £0.5m from the Business Rates Pool for 2018/19 when the final figure is declared towards feasibility studies for a few specified strategically significant infrastructure schemes. These studies would be integral to the eventual business cases for submission to Government or the D2N2 LEP for funding and an annual sum is being sought to increase the County's capacity.
- 3) Set aside a further £0.1m as a contingency for countywide issues/planning.
- 4) All other surpluses returned to the constituent authorities for economic development purposes as a matter of course for each year once the figures are declared at the 31<sup>st</sup> March.
- 5) That a paper is taken annually in October to the Chief Executives meeting to review the projected pool performance and a further report in March annually to agree any future top slicing and contingency funding.

## **Appendix B**

### **Nottinghamshire Business Rates Pool**

#### **Brief History – see attached report**

1. Began for Financial Year 2013/14
2. First year surplus small and CEO agreed 100% would go into the N2 Reserve. Subsequently, decision was taken to set this at 50% unless CEO changed the approach.
3. Requires one top-up authority to work. Nottingham City would only dilute NCC gain and explains why they not part of Pool.
4. EPC began after Pool MoU and governance. Set up originally for Combined Authority purposes its remit has used N2 Reserves to help fund the work. As CA fell away the EPC's role in managing the N2 Reserve has been in doubt as membership of the EPC includes City Council.
5. A refresh of Pool governance is required as structures and use of Pool funding as changed.
6. MHCLG does not seek evidence of spend of any Pool surpluses.
7. Pools not allowed to use National Safety Net. Instead the Pool is there to provide same protection that the national safety net.
8. The Pool has gone further than the national scheme and ensures no tariff authority has lost any BR whilst in the Pool.
9. Re-distribution from the Pool is based on a proportion of growth and baseline funding level. Although practice has been to use for other countywide initiatives in support of the Pool as the percentage set aside for the volatility fund has not been adequate to cover funding issues within the Pool.
10. Each year the Pool has to indicate if it will continue. Any change to the Pool effectively needs a new Pool MoU and agreement with MHCLG. Other Pools use this as a financial mechanism and so see a lot of changes in annual pool membership.
11. We have often used LG Futures to work up strategies for pooling or Business Rates Pilot work paid for from the volatility fund.
12. NCC receives a fee of £10k to administer the Pool.

#### **Purpose of the N2 Pool Reserve**

13. Although not explicit in the MoU overtime the Chief Executives have considered how these pooled resources should be used and proposed the following framework for investments, with funds from the pool being invested in activity that aligns with the seven priority themes of:
  - Skills and employment (including apprenticeships)
  - Transport (including transport infrastructure)
  - Business support, trade and investment
  - SMART infrastructure (energy and digital)
  - Physical regeneration (including town centres)
  - Place marketing
  - Site development / investment zones (including housing)

#### **Governance**

14. Submission to MHCLG indicated that the plan was to use existing groups/committees for governance of the Pool.
  - i. Leaders & Chief Executive's meetings – could be construed as included the EPC.
  - ii. Section 151 Officers manage the Pool finances, operational issues and receive quarterly reports.

15. Ringfencing/Restrictions. The Memorandum of Understanding (MoU) for the Business Rates Pool across Nottinghamshire sets out the following:
- a) Subject to budgetary constraints, Pool Members intend to allocate a significant proportion of the Net Retained Levy allocated to them for projects that support:
- the creation of an environment where it is easy for businesses to start, locate and thrive,
  - acceleration of the growth of our economy through targeted support in our key strategic sectors, and
  - tackling the skills problems by aligning supply and demand.
16. The Section 151 Officers shall be responsible for overseeing the operation of the Pool and making recommendations to their respective authorities about the way forward.
17. For the avoidance of doubt, any substantive decision e.g. commitment of resources, changes in governance or major operational changes shall be referred to each Pool Members' decision-making regime.

#### Monies in and out

Financial Year	% of Pool surplus	Value Contributed	Note	Cumulative Contribution
2013/14	100	£392,000		£392,000
2014/15	50	£1,504,434		£1,504,434
2015/16	50	£1,044,217		£1,044,217
2016/17	50	£1,506,617	refunded	
2017/18	50	£2,695,711	refunded	
			additional refund	-£975,651
		<b>£7,142,979</b>	<b>Total</b>	<b>£1,965,000</b>

#### Approved Schemes (January 2019 report to Chief Executives)

Commitments	Scheme	Spent	Committed	Total
A	Devolution/CA Dev		£135,000	£135,000
B	Timewise	£24,000	£6,000	£30,000
C	NPDF	£628,682	£525,278	£1,153,960
D	Town Centre Programme		£346,040	£346,040
G	Innovation Centres	£225,000	£75,000	£300,000
	<b>Total</b>	<b>£877,682</b>	<b>£1,087,318</b>	<b>£1,965,000</b>

## Estimated Contributions 2018/19 (mid-year estimates only)

Authority	Without Pool (Baseline Funding + share of growth) £000	With Pool (Baseline Funding + share of growth +share of retained levy) £000	Contribution to Pooling surplus £000
Ashfield	4,722	5,045	323
Bassetlaw	4,211	4,340	129
Broxtowe	3,008	3,100	92
Gedling	3,286	3,411	125
Mansfield	3,884	4,006	122
Newark & Sherwood	4,858	5,277	419
Rushcliffe	3,102	3,360	258
Notts CC	105,712	106,772	1060
<b>SUB TOTAL</b>	<b>132,783</b>	<b>134,311</b>	<b>2,528</b>
N2 Contribution			<b>2,528</b>
<b>TOTAL DISTRIBUTED</b>			<b>£5,056</b>

### Size of the Volatility Fund

18. The balance of the volatility fund as at 31st March 2018 was £540,363. Further contributions into the fund in the 2018/19 financial year total £263,963 leaving an overall balance of £804,326.

### Issues to Remember

19. 75% Business Rates Retention – Pooling likely to continue: Full v's Partial Re-sets
20. Tier Splits discussion – will determine need and likely benefits/risk of pooling post BRR
21. Appeals – modelling required, outstanding NHS appeals, appeal process changes, post/pre-revaluation risks, BBR risk and central list option to manage appeal risk in future (opportunity to let Members drop out of the Pool as a mechanism to protect other members from excessive appeal issue)
22. Power Stations and implications for membership of the Pool - planned to close all coal-fired power stations by 2025
  - a. Cottam (Bassetlaw) – closes 30<sup>th</sup> September 2019
  - b. West Burton (Bassetlaw) ?2023
  - c. Ratcliffe-on-Soar (Rushcliffe) - ?2022/3

## Appendix C: The corridors / areas suggested for further work

District	Site	Infrastructure	Work Required
1. Rushcliffe	Sharphill Edwalton and Tollerton / Gamston SUE, Sites in Radcliffe on Trent	Eastern (A52) Park & Ride	<ul style="list-style-type: none"> <li>Site identification/highway infrastructure feasibility and optioneering</li> </ul>
2. Gedling	Top Wighay Farm, Lindhurst Mansfield	Leapool Park & Ride	<ul style="list-style-type: none"> <li>Feasibility/design of highways infrastructure requirements</li> </ul>
3. Newark & Sherwood	Newark South, Fernwood (Balderton) and Newark East	A617 Kelham Bridge / Bypass	<ul style="list-style-type: none"> <li>Feasibility and design work of highway improvements along the corridor to facilitate proposed/potential development and to help improve the reliability of journey times and address existing journey time delay</li> </ul>
4. Ashfield / Mansfield	Lindhurst, Summit Park Emerging sites in Ashfield especially those with current planning permissions (Coxmoor Road etc) Mansfield Local Plan allocations	A617 MARR	<ul style="list-style-type: none"> <li>Feasibility and design work of highway improvements along the corridor to facilitate proposed / potential development and to help improve the reliability of journey times and address existing journey time delay</li> <li>Undertake detailed design and localised strip widening / sustainable transport improvement works</li> </ul>
		A38 corridor	<ul style="list-style-type: none"> <li>Feasibility and design work of highway improvements along the corridor to facilitate proposed / potential development and to help improve the reliability of journey times and address existing journey time delay</li> <li>Stage 2 feasibility work only</li> </ul>
		A611 Corridor	<ul style="list-style-type: none"> <li>Feasibility and design work of highway improvements along the corridor to facilitate proposed / potential development and to help improve the reliability of journey times and address existing journey time delay</li> <li>Detailed design of two deliverable junctions only</li> </ul>
5. Gedling / Newark & Sherwood	Thoresby Colliery, Ollerton housing sites, 3 sites in Bilsthorpe, Calverton growth (1,000 houses), Teal Close, Gedling Colliery, Newton Airfield and Chapel Lane Bingham. Sites in Bassetlaw adjacent to A57 Worksop Bypass	A614 / A6097 Corridor	<ul style="list-style-type: none"> <li>Feasibility Design (including Ollerton Roundabout cycling infrastructure feasibility / design)</li> <li>Contribution to delivery of junction improvements</li> </ul>
6. Mansfield / Newark & Sherwood	Thorseby Colliery, Ollerton Housing Sites, Sites on Market Warsop (400 houses)	Dukeries Line Extension	<ul style="list-style-type: none"> <li>Study on potential residential / employment investment opportunities beyond rail investment assessment</li> </ul>
7. Broxtowe	Toton (Peveiril Homes), Chetwynd Barracks, Boots Beeston, Field Farm and Coventry Lane sites in Stapleford	High Speed 2 links	<ul style="list-style-type: none"> <li>Transport infrastructure access links feasibility / design</li> </ul>
8. Potentially Ashfield / Bassetlaw / Mansfield / Newark & Sherwood	Visitor economy related		<ul style="list-style-type: none"> <li>Detailed design and delivery of cycling / walking infrastructure links between Nottinghamshire County Council visitor economy priorities</li> </ul>