

Proposed Decision to be made by the Deputy Leader (Finance and Property) on or after 14 September 2018

2019-20 75% Business Rates Pilot Application

Recommendations

That the Deputy Leader (Finance and Property):

- 1) Approves the County Council's support of the application to form a 75% business rates pilot across Warwickshire.
- 2) Delegates authority to the Joint Managing Director (Resources) and Head of Finance to agree the final wording within the application, following concluding discussions with Warwickshire Area Finance Officers (s.151 officers).

1. Background

- 1.1. In October 2017 the six Warwickshire authorities submitted a joint bid to be selected as a 100% business rates pilot; however, due to limited funds the government selected only a handful of pilots to test different aspects of 100% retention and Warwickshire was not one of the successful applicants.
- 1.2. The Secretary of State announced in December 2017 the Government's shift in thinking from full 100% business rates retention to instead introduce 75% retention from 2020/21. On 24 July 2018 the Government published a prospectus to continue with the pilot programme based on 75% business rates retention in 2019/20. The existing 2018/19 100% pilots will end and any new pilots approved will run for one year only.
- 1.3. The intention so far has been that existing pilots, and the new 2019/20 pilots, will help explore options for the design of the future local government finance system. The learning from the 2018/19 and 2019/20 pilots is intended to feed into the on-going work between the Government, local authorities and the Local Government Association in this area. Specifically, the 2019/20 pilots are seen as an opportunity for the Government to further test the technical aspects of a 75% business rates retention system. This will be focussed on the learning necessary for transition to the proposed new scheme in 2020/21, allowing the Government to test business rates retention at 75% in line with

the proposed level of retention for 2020/21 and resulting in a smoother transition to full implementation.

- 1.4. Groups of authorities interested in becoming a 75% business rates pilot for 2019/20 are required to submit an application to MHCLG by 25 September 2018.

2. Submitting the 75% Pilot Bid

- 2.1. Over the last few weeks discussions have taken place between Warwickshire Area Finance Officers on whether Warwickshire should re-submit an application and, if so, the form that the application should take. Agreement as to the outline content of the bid has now been reached across all authorities to update and re-use as much of the 2018/19 100% bid content as possible.
- 2.2. The 2018/19 100% proposal received widespread support locally and it is felt that re-submitting the previous bid updated for a 75% pilot could potentially bring a significant windfall to the Warwickshire area and raise the profile of all authorities involved. If Warwickshire is successful in its application then additional funding of between £10 million to £15 million to be shared across the area in 2019/20 would be available, based on estimates available at this stage.
- 2.3. As part of the application process the Government are keen to see evidence that all bidding authorities have sufficient approval to make the application so that once an application has been accepted authorities do not then back out of the process at a later date. Therefore, Portfolio Holder or equivalent approval is sought to authorise this bid. The formal bid documents will then be signed by the six Section 151 officers of the respective Warwickshire councils.
- 2.4. Given the potential financial reward, most shire county areas are likely to be re-applying and the funding available to support the pilot bids is again limited. The government have stated in their prospectus that given the limited time before 2020/21 and since there are fewer issues they can usefully test in pilots in that time, it is likely that the 2019/20 75% pilot programme may involve a smaller selection of authorities than in 2018/19.

3. Background Papers

- 3.1. None.

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