

Meeting: Combined Fire Authority

Date: 28th September 2017

Subject: Business Retention Rates - Pilots

Report by: The Treasurer

Author: Mark Noble

For: Decision

1. Purpose

The purpose of this report is to advise the Combined Fire Authority (CFA) of the Government's request for bids to pilot 100% business rates retention.

2. Recommendations

The CFA is asked to:

- a) Authorise to delegate the decision to bid to the Chief Fire and Rescue Officer (CFO) and Treasurer, in consultation with the Chair and Vice Chair;
- b) Authorise to delegate to the CFO and Treasurer, in consultation with the Chair and vice Chair, the taking of any future decisions about the Authority's membership of the business rates pool.

3. Report Detail

Business Rates Retention

- 3.1. Since 2013/14, local authorities have retained 50% of business rates raised in their areas. This is now an integral part of the local government finance system, and less government grant is received as a consequence. Retained business rates are shared between the different tiers of local government: the fire service receives 1%.
- 3.2. The Government has, for some time, been planning to introduce 100% business rates retention "from 2020". Plans to achieve this were included in the Local Government Finance Bill, but this was dropped from the legislative programme after the general election.
- 3.3. The Government has been piloting 100% business rates retention in five areas since 2017/18 (these being areas with agreed devolution deals).
- 3.4. The Government now believes that 100% business rates retention can be achieved without new primary legislation. At the beginning of September, it

requested bids for further areas to become pilots in 2018/19. The deadline for bids is 27th October.

- 3.5. No two tier areas are included in the current pilots, and the Government is therefore interested in a two tier pilot in 2018/19. The Government's aim is "to test more technical aspects of the 100% business rates retention system, such as tier splits", and to better understand the administrative implications. The Government also believes that pilots will "provide the opportunity to evaluate how collaboration between local authorities works in practice."
- 3.6. The Government is encouraging authorities to form "business rate pools", and bid jointly to become a pilot. Pools are a feature of current legislation which enable authorities working together to keep more rates growth than they otherwise would (conversely, more loss is borne when rates fall). Leicester and Leicestershire already has a rates pool, consisting of the County Council, City Council, district councils and Combined Fire Authority.
- 3.7. The business rates pool has been working successfully. Rates growth retained which would not otherwise have been available is paid to the LEP (after setting aside a contingency). £2m was transferred to the LEP during 2016/17, and has been used to support local economic regeneration.
- 3.8. It is believed that the current pooling arrangements in the area, and the nature of those pooling arrangements, leave Leicester and Leicestershire well placed to submit a successful bid.

A Possible Leicester and Leicestershire Bid

- 3.9. The authorities in the pool are currently considering a bid for pilot status.
- 3.10. The benefits of a bid are likely to be an opportunity to influence the Government's thinking, creation of more opportunities for joint working, and an expectation of financial benefit through retaining more rates growth.
- 3.11. However, a bid may not be without risk. In the first wave of pilots, the Government guaranteed that the pilot authorities would suffer "no detriment" – i.e. would be no worse off than they would have been had they not participated. This time, however, the Government is considering setting up pilots without a "no detriment" clause, and applicants have been asked to make clear whether or not they would be willing to become a pilot in this case. Clearly, it is possible to submit a bid conditional on "no detriment", but such a bid may be less likely to succeed.
- 3.12. The fire service could decide not to take part in a bid at all. In practice, the service is not in a position to determine policies which influence rates, and would not want to be exposed to significant risk.
- 3.13. However, it is believed that the service's participation will work in the bid's favour (we believe that the request for bids is likely to be significantly oversubscribed). The Government has not yet made up its mind whether fire authorities should be included in future business rates retention arrangements (there is the option to revert to grant). The service's participation in the pilot may help the Government

to reach a conclusion, and indeed influence that conclusion.

- 3.14. Clearly, a lot of work needs to be done before deciding whether to submit a bid, including financial modelling, and determining how any extra growth will be allocated. Time is tight, and therefore authority is sought to delegate the decision to participate to the Chief Fire Officer and Treasurer.

Other

- 3.15. The fire service has been part of the business rates pool since 2013/14. Continued participation of authorities in the pool is considered each year in the light of circumstances at the time. As any decisions usually need to be taken quickly, authority is also sought for the Chief Fire Officer and Treasurer to take these decisions. A decision to withdraw from the pool is not currently envisaged, even if the pilot bid is unsuccessful.

4. Report Implications / Impact

4.1. *Legal (including crime and disorder)*

These are contained within the body of the report.

4.2. *Financial (including value for money, benefits and efficiencies)*

If Leicester and Leicestershire succeed in becoming a pilot, it is expected that:-

- a) There will be an increased level of income for Leicester and Leicestershire as a whole – the split of this extra income is yet to be determined;
- b) The composition of our income will change: because 50% of rates will no longer be paid to central government, reductions will be made in grants to compensate. Revenue Support Grant paid to Leicester and Leicestershire, for instance, will be reduced in 2018/19 (probably to nil). Other grants may also be affected, although this is unlikely to affect fire service grants.

The Government states that pilots will last for one year only.

4.3. *Risk (including corporate and operational, health and safety and any impact on the continuity of service delivery)*

There may be increased risk. Work in the coming weeks will seek to estimate the level of risk, and to mitigate it if appropriate;

4.4. *Staff, Service Users and Stakeholders (including the Equality Impact Assessment)*

None.

4.5. *Environmental*

None.

4.6. ***Impact upon Our Plan Objectives***

Any change to central government funding could have an adverse effect in the ability of the CFA to meet its corporate objectives

5. **Background Papers**

None.

6. **Appendices**

None.