

TO: EXECUTIVE  
25 September 2018

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**BUSINESS RATES PILOT BID 2019/20**  
**Borough Treasurer**

**1 PURPOSE OF REPORT**

- 1.1 This report seeks the Executive's endorsement to a bid by the Berkshire local authorities and the Berkshire Fire Authority to be a pilot area for testing the 75% business rates retention system in 2019/20. This follows from the successful bid for 2018/19, through which Berkshire is set to secure at least £40m additional funding. In accordance with the terms of the bid, £25m of this is being spent on major infrastructure works, being co-ordinated by the Thames Valley Berkshire LEP. The remainder is being retained by the individual local authorities, proportionate to the level of their business rates income that exceeds the Government set baseline.

**2 RECOMMENDATIONS**

**That the Executive:**

- 2.1 Endorses the proposed draft submission from the Berkshire local authorities for Business Rates Pilot status in 2019/20 as set out in Annex 1 and authorises the Director: Finance to incorporate any proposed changes arising from the meeting of the Berkshire Leaders on 24 September.**

**3 REASONS FOR RECOMMENDATIONS**

The recommendations are intended to provide the Executive with the opportunity to review and endorse the Council's involvement in a bid to secure Business Rates Pilot status for Berkshire in 2019/20, with the submission date coinciding with the Executive's meeting.

**4 ALTERNATIVE OPTIONS CONSIDERED**

The bid could not be supported, which would mean the Council and other local authorities would not have the opportunity to benefit from additional funding in 2019/20.

**5 SUPPORTING INFORMATION**

- 5.1 The Government has committed to introduce a revised funding arrangement for local authorities in 2020/21, based on councils retaining 75% of business rates growth in their local areas compared to their assessed baseline. Work is on-going between Government officials and local authority representatives to develop the detailed arrangements for the new funding system and is expected to continue over the next 12 months.
- 5.2 In order to help inform the design of the new system, the Government has designated a number of areas as "pilots" for the last few years. Pilot areas, particularly those which have agreed devolution deals, have benefited from more flexibility around the use of funding. Most significantly, they are able to retain up to 100% of business

## Unrestricted

rates growth, compared to the standard level of 50%.

- 5.3 Given these benefits, the level of competition between areas to attain Pilot status has, understandably, been significant. As part of last year's bidding process for Pilot status in 2018/19, the Government made it clear that it was not interested in receiving bids from individual authorities. Consequently, agreement was reached across the Berkshire unitary authorities to submit a joint application. The bid preparation, submission and subsequent lobbying was led by Bracknell Forest at officer and Member level and proved successful, with the Berkshire bid being approved.
- 5.4 The agreed proposal was that a sum of £25m (estimated to be around 70% of the additional sum retained in the county area) would be invested in strategic infrastructure, prioritised in conjunction with the Thames Valley Berkshire LEP, with the remaining gain to be retained by the individual authorities. A report produced by the Institute of Fiscal Studies highlighted that Berkshire was expected to have the biggest financial gain per head of population of all 2018/19 pilot areas. Monitoring based on the first quarter's business rate collection data indicates that the expected gains are likely to be secured.
- 5.5 Following pressure from many local authority areas who were discontent about having their bids rejected and recognising the additional burden Pilots place on the Treasury, the Government has decided not to automatically continue with the current pilots, which was believed to be a possible scenario at one point. They have invited proposals to pilot a 75% rate retention system, reducing the incentive from the 100% retention in the current year to make it more affordable. Existing pilot areas are permitted to bid again, but will receive no favourable treatment. Unlike in the current year, there will be no "no detriment" arrangement, i.e. pilot authorities will need to accept the potential to lose as well as gain. It is worth noting that the Berkshire authorities were content to accept this for 2018/19.
- 5.6 Recognising the potential financial gains that Pilot status can bring to fund strategic infrastructure improvements and support local budgets, a proposal has been developed by the Berkshire authorities to attract Pilot status in 2019/20. It is very similar in structure to the successful 2018/19 bid, with 50% of the potential gains being pooled and the remainder being retained by individual authorities. For 2019/20 it is proposed that the potential to gain is extended to the Berkshire Fire Authority, who are keen to participate and would enable a slightly different offer to be presented.
- 5.7 The draft submission is attached as Annex 1. The Executive is asked to confirm Bracknell Forest's support for the proposal, which will be submitted by the Borough Treasurer to HMCLG on behalf of the Berkshire Authorities.

## **6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS**

### Borough Solicitor

- 6.1 There are no material legal implications arising from the proposal in this report.

### Borough Treasurer

- 6.2 The financial implications of this report are included in the report. Based on the current year's Pilot, it is likely that Bracknell Forest would receive an additional £3m as a result of being part of a 75% retention pilot in 2019/20, in addition to benefiting from priority strategic infrastructure improvements across the county area.

### Equalities Impact Assessment

6.3 None.

Strategic Risk Management Issues

6.4 Additional funding secured through a Pilot would help secure the Council's medium term financial position.

**7 CONSULTATION**

All Berkshire local authorities have been involved in developing the Pilot proposal.

Background Papers

Annex 1 – Draft Proposal for Pilot Status

Contacts for further information

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