

Report of:	Meeting	Date
Councillor David Henderson, Leader of the Council and Clare James, Head of Finance (S.151 Officer)	Council	3 October 2019

Lancashire Business Rates Pool: 75% Business Rates Retention Pilot – Strategic Economic Growth and Financial Sustainability Fund

1. Purpose of report

- 1.1 To allow advance funding of Wyre’s contribution to the Greater Lancashire Plan from general balances on the basis that it will be clawed back from the Strategic Economic Growth and Financial Sustainability Fund (SEGFSF) generated from additional business rates growth by being in the Lancashire Business Rates Pool (75% Pilot).

2. Outcomes

- 2.1 Agreement to contribute to the Greater Lancashire Plan, with the intention that any contribution is ultimately funded by the SEGFSF.

3. Recommendations

- 3.1 That, subject to a unanimous vote by the Business Rate Pool’s Governing Body (expected to be held on 26 September 2019), a contribution of £21,853 (estimated) will be made to the Greater Lancashire Plan based on the current local government structure in Lancashire (see Appendix 2). This sum is based on an aggregate £400,000 contribution from the pool members and will be clawed back from the SEGFSF in 2020/21 subject to there being sufficient additional growth to cover the full amount. Any further contribution to the next steps for the Greater Lancashire Plan would require approval.
- 3.2 That responsibility for finalising the arrangements for the contribution are delegated to the Head of Finance (s.151 Officer) in consultation with the Leader of the Council.

4. Background

- 4.1 On 24 September 2018 a report was approved by full Council for Wyre to join the application for a Lancashire Business Rates Pool: 75% Business Rates Retention Pilot. The application was successful and the pilot arrangements commenced on 1 April 2019.

- 4.2** The modelling for the pilot showed that if a 75% BRR scheme existed across all of Lancashire (excluding Lancaster City Council but including the Fire Authority) then based on the 2018/19 figures, there was in the region of £7.1m of predicted growth that could be retained in the county either as an investment fund and/or to promote financial sustainability.
- 4.3** Key issues and risks were set out in detail in that report and for that reason this report does not replicate them here. However it is important to note the following:
- The 2019/20 pilots do not benefit from the 'no detriment' clause enjoyed by pre-existing 100% BRR pilots. Instead the safety net threshold for the entire pool is raised from 92.5% to 95% to recognise the increased risk sharing.
 - Participating councils are exposed to a higher level of business rate risk for the duration of the pilot in 2019/20. There will be a higher share of any losses, arising as a result of appeals, bad debts and empty premises, being 75% rather than the former 50%.
 - The Safety Net threshold will only be activated by Central Government on a pool wide basis and is therefore unlikely to be triggered. As such each authority will bear its own risk over and above the 5% Resilience Fund created by the 25% additional growth only.
- 4.4** Authorities selected as pilots have forgone Revenue Support Grant (nil for Wyre) and Rural Services Delivery Grant (not applicable to Wyre). The value of these grants are taken into account when revised tariffs and top-ups for the pilot authorities are set up but the impact on Wyre and other participating authorities is intended to be revenue neutral.
- 4.5** The report agreed that the first 5% of any additional growth will be used to create a new resilience reserve to mitigate against any extra loss arising from being a pilot member. If funds are remaining this will be returned on a pro-rata basis to the contributing authorities.
- 4.6** The report agreed that a further 25% of the additional growth will be set aside to create a Lancashire wide fund to be used to target strategic economic growth and sustainability. This investment fund will be allocated on the basis of unanimous decisions by members of the Lancashire Leaders Business Rates Pilot Governing Body.
- 4.7** Finally, the remaining retained growth will be apportioned according to the new tier splits i.e. Districts 56% (was 40%); County Council 17.5% (was 9%); unitaries 73.5% (was 49%); fire 1.5% (was 1%) to promote local economic growth and to enable the financial sustainability of pool members.

<u>Authority Type</u>	<u>Tier splits under 50% BRR Scheme</u>	<u>Tier splits under 75% BRR Scheme</u>
Two Tier arrangements:		
Districts	40%	56%
County	9%	17.5%
Fire	1%	1.5%
Total	50%	75%
Unitary arrangements:		
Unitaries	49%	73.5%
Fire	1%	1.5%
Total	50%	75%
Central Government	50%	25%

- 4.8** At the time, a draft governance agreement was not yet finalised and subsequently this was agreed and signed up to by all the participating authorities (Appendix 1). The Memorandum of Understanding stated that:

“8.9 - At the end of the financial year the Lead Authority will inform both the Governing Body and the Executive Body of the funds available in the Strategic Economic Growth and Financial Sustainability fund.

8.10 - The Executive body will invite and collate bids against this fund from Pool Members for submission to the Governing Body.

8.11 - Following this the Governing Body will make decisions on the allocation of the funds available.”

- 4.9** As such, it was not envisaged that any spend would be attributable to the SEGFSF prior to 2020/21 when the actual outturn for the Pool would be known. In order to comply with the governance arrangements, advance spend will be at the council’s risk, as sufficient growth may not materialise, although this is considered unlikely based on the 2019/20 forecast.

5. Key issues and proposals

- 5.1** That, subject to a unanimous vote by the Business Rate Pool’s Governing Body (expected to be held on 26 September 2019), a contribution of £21,853 (estimated) will be made to the Greater Lancashire Plan based on the current local government structure in Lancashire (see Appendix 2). This sum is based on an aggregate £400,000 contribution from the pool members and will be clawed back from the SEGFSF in 2020/21 subject to there being sufficient additional growth to cover the full amount. Any further contribution to the next steps for the Greater Lancashire Plan would require approval.

- 5.2 That responsibility for finalising the arrangements for the contribution are delegated to the Head of Finance (s.151 Officer) in consultation with the Leader.

Financial and legal implications	
Finance	<p>Whilst it is impossible to project with total accuracy the 2019/20 financial position in terms of Business Rates Retention, based on the NNDR1 forecast for 2019/20, it is forecast that £157,377 will be payable to the SEGFSF this year. This amount is slightly higher than the forecast used by the Lead Authority in their briefing note to Lancashire Leaders but is not significantly different. Major variations in the Pool growth achieved would have an impact on the pro-rata split but this will not be known until after 31 March 2020. For the purpose of this report, a contribution of around £21,853 is thought to be a reasonable estimate of the outturn position and although it may vary, if growth were not achieved to cover this sum then any shortfall could be met from General Balances.</p>
Legal	<p>The legal framework for the formation of a business rates pool is set out in paragraph 34 of Schedule 7B of the Local Government Finance Act 1988 (as inserted by Schedule 1 to the Local Government Finance Act 2012). Each pool has to propose governance arrangements to the Government, which have to be approved by MHCLG. Governance arrangements must cover the rights and obligations of pool members, including how rates income is to be distributed between pool members and central government; and the treatment of pool balances and liabilities following the pool's dissolution.</p> <p>The approach outlined above would is not intended to impact on the existing governance arrangements which would continue to be adhered to.</p>

Other risks/implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

risks/implications	✓ / x
community safety	x
equality and diversity	x
sustainability	✓
health and safety	x

risks/implications	✓ / x
asset management	x
climate change	x
ICT	x
data protection	x

Processing Personal Data

In addition to considering data protection along with the other risks/ implications, the report author will need to decide if a 'privacy impact assessment (PIA)' is also required. If the decision(s) recommended in this report will result in the collection and processing of personal data for the first time (i.e. purchase of a new system, a new working arrangement with a third party) a PIA will need to have been completed and signed off by Data Protection Officer before the decision is taken in compliance with the Data Protection Act 2018.

report author	telephone no.	email	date
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List of background papers:		
name of document	date	where available for inspection
None		

List of appendices

Appendix 1 – Memorandum of Understanding

Appendix 2 – Briefing Note for Lancashire Leaders meeting on 1 August 2019

Lancashire Business Rates Pilot Pool Memorandum of Understanding

This Memorandum of Understanding (MoU) sets out the Governance Arrangements that are voluntarily entered into by members of the Lancashire Business Rates Pilot Pool.

1. PURPOSE OF PILOT POOL

- 1.1 It is the intention of Pool Members to improve the well-being of the communities they serve. By forming a Pool they can retain a greater proportion of business rate growth within the geographic area therefore providing opportunities to promote further economic growth as well as building financial resilience.
- 1.2 The Pool is entirely voluntary and builds on the strong and well established partnership between the Lancashire authorities. The Lancashire Business Rates Pilot Pool is a natural Pooling arrangement given our geography.
- 1.3 It is the purpose of this MoU to act as a statement of intent that will support the realisation of the above benefits.

2. GLOSSARY OF KEY TERMS

Lead Authority

- 2.1 The Pool member who will act as the lead in managing the Pool's resources and being the key contact between central government and the Pool

Schedule of Payments

- 2.2 The Lead Authority will prepare an annual schedule that reflects the payments to be processed through the pool, clearly indicating the amount and timings of each payment.

Additional Growth

- 2.3 The amount of business rates growth which is over and above the amount that a member would have received if they had not joined this Pilot Pool.

Pilot Pool Governing Body

- 2.4 The Pilot Pool Governing Body will consist of the Leaders of the local authorities in the Pilot Pool and Chairman of the Lancashire Combined Fire Authority.

Pilot Pool Executive Body

- 2.5 An Executive Body will consist of the S151 Officers of the Pool Members.

3. POOL MEMBERSHIP:

- Blackburn with Darwen Council
- Blackpool Council
- Burnley Borough Council
- Chorley Borough Council
- Fylde Borough Council

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- Hyndburn Borough Council
- Lancashire County Council
- Lancashire Combined Fire Authority
- Pendle Borough Council
- Preston City Council
- Ribble Valley Borough Council
- Rossendale Borough Council
- South Ribble Borough Council
- West Lancashire Borough Council
- Wyre Borough Council

4. TERM OF AGREEMENT

- 4.1 This Agreement shall continue to be in place unless terminated in accordance with these terms.
- 4.2 Any Pool Member can leave the Pool from 1 April of the following financial year providing:
- Written notice is given to other Pool Members and MHCLG in at least sufficient time for the Pool to apply to continue for the remaining Pool Members, should they wish it to continue. Sufficient time is taken to be at least the time specified by MHCLG regulations and/or guidance.
 - All liabilities to and from the Pool are paid.

5. GOVERNANCE

- 5.1 The Pilot Pool Governing Body will consist of the Leaders of the local authorities in the Pilot Pool and Chairman of the Lancashire Combined Fire Authority or their nominated representatives.
- 5.2 Meetings of the Governing Body will be arranged when required and hosted by the Lead Authority.
- 5.3 Each member will have one vote in relation to decisions to be taken by the Governing Body.
- 5.4 The Governing Body will receive monitoring reports during the year which will forecast growth/losses for pilot members.
- 5.5 The Governing Body will make decisions regarding how the strategic growth and resilience fund will be allocated. Any decision must be unanimous with each member authority being present and voting for the decision to be effective.

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5.6 An Executive Body will consist of the S151 Officers of the Pool Members or their nominated representatives. The Executive Body will make recommendations, when required, on operational matters to the Governing Body.

6. LEAD AUTHORITY

6.1 Ribble Valley Borough Council will act as Lead Authority for the Pilot Pool.

6.2 The responsibilities of the Lead Authority are:

- To make payments on behalf of the Pool to central government and Pool Members on time and in accordance with the schedule of payments.
- To prepare an annual forecast on the projected Pool outturn based on NNDR1's.
- To prepare an annual report on the Pool outturn and supply information required by Pool Members in preparing their Statement of Accounts.
- To liaise with and complete all formal Pool returns to central government on behalf of Pool Members.
- To keep Pool Members informed of all communications with central government.
- To manage the resources of the Pool in accordance with this MoU.

6.3 The Lead Authority is responsible for all accounting requirements as set out in legislation.

6.4 The Lead Authority will be paid £2,000 per annum by each pool member. This will be payable on 1 April each year.

7. RESPONSIBILITIES OF POOL MEMBERS

7.1 To assist the Lead Authority in fulfilling their role, the responsibilities on individual Pool Members are:

- To make payments on time and in accordance with the schedule of payments.
- To pay amounts due to the Lead Authority in respect of contributions to the risk reserve and the strategic growth and resilience fund.
- To provide accurate and timely information to the Lead Authority to enable all formal Pool returns to central government to be completed.
- To inform the Lead Authority, as soon as is practical, of any intelligence that may impact on the resources of the Pool either in the current year or in future years.
- To provide such information as the Chief Finance Officers agree is reasonable and necessary to monitor/forecast the Pool's resources within the timescales agreed.
- To provide such information as the Chief Finance Officers agree is reasonable and necessary for inclusion in the Pool's annual outturn report.

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- To provide accurate and timely information on the end of year financial performance of the business rates collection fund to enable the Lead Authority to calculate the end of year accounting entries needed.

8. KEY PRINCIPLES OF THE POOL

8.1 The collection of business rates will continue to be the responsibility of each billing authority.

8.2 The tier splits for the Pilot Pool will be as follows:

Districts	56%
County Council	17.5%
Unitaries	73.5%
Fire	1.5%

8.3 Each Pool member will retain 70% of their additional growth in order to promote local economic growth and to build resilience to improve their financial sustainability.

8.4 At the end of the financial year, each Pool member also undertakes to pay to the Lead Authority a proportion of their additional growth as follows:

- 5% to be set aside in a risk resilience reserve to mitigate against losses in business rate income.
- A further 25% to be set aside in a Lancashire wide fund to be used to target strategic economic growth and improve financial sustainability

8.5 If a Pool member experiences a loss which is over and above the amount that they would have lost if they had not joined this Pilot Pool, then this loss will be claimable against the resilience reserve.

Risk Resilience Reserve

8.6 Claims against the resilience reserve will be aggregated by the Lead Authority and settled pro-rata to the amount available.

8.7 Any balance on the reserve will be returned to the contributing Pool members pro-rata to their contributions.

8.8 If there are no claims against the risk resilience reserve the contributions will be returned to the contributing Pool members.

Strategic Economic Growth and Financial Sustainability Fund

8.9 At the end of the financial year the Lead Authority will inform both the Governing Body and the Executive Body of the funds available in the Strategic Economic Growth and Financial Sustainability fund.

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- 8.10 The Executive body will invite and collate bids against this fund from Pool Members for submission to the Governing Body.
 - 8.11 Following this the Governing Body will make decisions on the allocation of the funds available.
9. STATUS OF THIS MOU
- 9.1 The Pool Members agree that this shall be a binding contractual relationship and mutual commitment between them created by this MoU and shall from the date hereof be construed accordingly.

Briefing Note for: Lancashire Leaders meeting on 1 August 2019
 Prepared by: Jane Pearson (on behalf of Lancs BR Pool Executive Body)
 Subject: Advance release of £400k to fund work on Greater Lancashire Plan
 Date: 30 July 2019

1. The Lancashire BR Pool Executive Body met on 14 June 2019 and 26 July 2019.
2. They explored how £400k could be released from the Strategic Economic Growth and Financial Sustainability Fund (SEGFSF) in this financial year to fund work on the Greater Lancashire Plan i.e. prior to the BR growth income being realised and available in this fund.
3. The Executive Body considered 2 options:
 - Option 1 - That the advance funding is provided by one authority, or;
 - Option 2 -That the advance funding is provided by pool members in proportion to their anticipated contribution to the fund based on NNDR1's.
4. The Executive Body members present were minded to agree Option 2 and, subject to the views of those authorities not present, would be recommending this option to the next Governing Body meeting.
5. The table below shows the initial contribution which would be required from each pool member in the final column:

	Contribution to SEGFSF £	All to underwrite pro rata to expected contribution to SEGFSF £
Blackburn with Darwen	445,648	65,669
Blackpool	0	0
Burnley	236,219	34,808
Chorley	177,840	26,206
Fylde	137,497	20,261
Hyndburn	26,500	3,905
Lancashire	773,067	113,916
Lancashire Fire Authority	53,363	7,863
<i>Lancaster</i>	<i>0</i>	<i>0</i>
Pendle	69,242	10,203
Preston	38,913	5,734
Ribble Valley	147,776	21,776
Rosendale	94,801	13,969
South Ribble	244,386	36,012
West Lancashire	120,961	17,824
Wyre	148,302	21,853
	2,714,515	400,000

6. They will also recommend that there is an adjustment carried out at year end following production of NNDR3's when actual outturn is known.
7. A full report from the Executive Body will be submitted to the next Governing Body meeting.