



Executive Summary of Agenda Item No. 14

Report title: 100% Business Rates Retention - Pilot

Wards affected: City Wide

Strategic Director: Anna Klonowski – Interim Strategic Director – Business Change

Report Author: Annabel Scholes – Interim Service Director Finance & S151 Officer

Recommendation for the Mayor's approval:

1. Subject to the West of England devolution arrangements being implemented, approve in principle Bristol joining a 100% business rate retention pilot with B&NES and South Gloucestershire in 2017-18, subject to the Cabinet Member for Finance Governance and Performance and the Interim Service Director Finance (S151 Officer) being satisfied as to the terms relating to the pilot.
2. Delegate the final decision on the terms of the pilot to the Interim Service Director Finance & S151 Officer in consultation with the Cabinet Member for Finance, Governance and Performance, following DCLG issuing a detailed proposal later in September 2016.
3. Approve the funding streams that are proposed for the 100% business rate retention pilot.

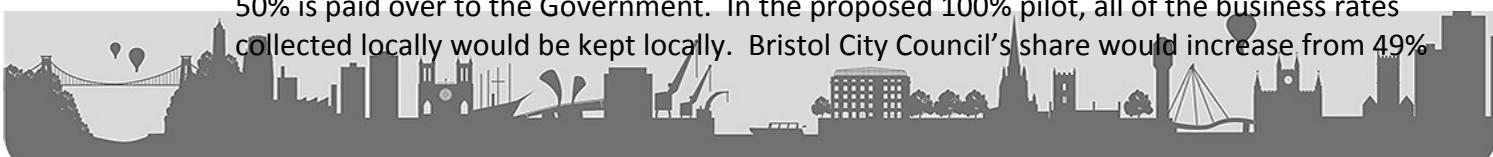
Key background / detail:

a. Purpose of report:

The Government is introducing pilot schemes in 2017-18 in advance of full 100% business rate retention later in the parliament. Only authorities with signed devolution deals are eligible to be in a pilot: the pilot for the West of England would therefore include Bath and North East Somerset (B&NES), Bristol and South Gloucestershire. The 100% pilot would give the West of England the opportunity to retain 100% of any business rates growth over the next 2-3 years, with no downside financial risk. It also gives the West of England the opportunity to help shape the national scheme. This report sets out the benefits of Bristol joining the Pilot.

b. Key details:

1. The Government is introducing pilot schemes in 2017-18 in advance of full 100% business rate retention later in the parliament. Only authorities with signed devolution deals are eligible to be in a pilot: the pilot for the West of England would therefore include Bath and North East Somerset, Bristol City Council and South Gloucestershire Council. The 100% pilot would give the West of England the opportunity to retain 100% of any business rates growth until the 100% business rate retention is introduced nationally in 2-3 years, with no downside financial risk. It also gives the West of England the opportunity to help shape the national scheme.
2. In the existing business rates scheme, 50% of business rates is retained locally, and the other 50% is paid over to the Government. In the proposed 100% pilot, all of the business rates collected locally would be kept locally. Bristol City Council's share would increase from 49%



to 94%, giving it the bulk of locally collected business rates. New funding streams will be devolved to BCC in return for the higher retention rate, and there will be an adjustment to the Council's tariff so that the pilot is fiscally neutral. Under the proposed pilot, the newly-formed combined authority will have a 5% share of business rates (to pay for the funding streams that will be devolved to it). Avon Fire Authority will continue with its 1% share.

3. The 100% pilot would give Bristol City Council the opportunity to retain more of the growth in business rates that is generates. Firstly, Bristol City Council would retain 94% of any growth in business rates compared to the current 49%. Secondly, there would be no levy on any above-baseline growth in business rates (currently the Government deducts a levy – 9% - from any growth generated in Bristol).
4. It is expected that 100% business rate retention will be introduced nationally in 2020-21, and possibly as early as 2019-20. At that point, the pilot will end and Bristol City Council, along with the other councils in the pilot, will join the full national scheme. The terms of the pilot will cease at that point and might be changed to conform with the full national scheme. Enterprise zones will be unaffected by both the pilot and the introduction of 100% retention nationally.
5. The Government has proposed a “no detriment” provision for the 100% pilot to ensure that, if business rate income is lower than expected, Bristol City Council and the West of England pilot would be no worse off than had it been operating the existing 50% rate-retention scheme.
6. Current estimates suggest a potential net gain in retained business rates for Bristol of between £1.2m and £6.0m prior to any adjustments for losses.

