

# Taunton Deane Borough Council

## Council Meeting – 12 December 2017

### Part I

To deal with written questions to, and receive recommendations to the Council from, the Executive.

### **(i) Councillor John Williams**

#### **(a) Somerset Business Rates Pool and 100% Business Rates Retention Pilot**

Following a recent meeting with Group Leaders, the Executive was informed that a bid has been submitted to the Department of Communities and Local Government (DCLG) to become a pilot for 100% Business Rates Retention (BRR) in 2018/2019 with our County-wide district and County neighbours.

From the outset, it is important to be clear that 100% BRR does not mean all of the Business Rates collected will be kept in the area, but the Councils would keep 100% of the Business Rate growth above the funding baseline.

The current 50% BRR system was introduced in the 2013/2014 financial year as part of a wider suite of changes implemented following the Local Government Finance Review. It included the potential for groups of local authorities to apply to pool Business Rates resources.

As a result, Taunton Deane had joined a Business Rates Pool with Bath and North East Somerset, North Somerset, Somerset County Council (SCC), Mendip District Council (MDC), Sedgemoor District Council (SDC), and South Somerset District Council (SSDC) with effect from April 2015.

Although this pooling arrangement had ended on 31 March 2017, a smaller pool was formed in 2017/2018 comprising SCC, MDC and SDC.

On 1 September 2017, DCLG issued an invitation to local authorities to pilot 100% Business Rates retention in 2018/2019 – for one year only – and to pioneer new pooling and tier-split models.

The first set of pilots for 100% BRR were launched in 2017/2018. The Government has indicated it would like to see other authorities form pools and apply for pilot status. In assessing applications the Government has set out a criteria. This includes aspects that would suggest the potential for a successful Somerset bid, such as:-

- The proposed pooling arrangements operating across a functional economic area i.e. the County Council and all relevant District Councils;
- The Government is particularly interested in piloting in two-tier areas focussing on rural areas; and
- There is a variation in the types of Business Rates base represented.

The pilot areas – if selected - will retain 100% of Business Rates growth above the baseline. Under the 50% system, half of this growth is paid over to the Government. This provides an opportunity therefore to keep more funding locally and the Government has indicated it is looking for authorities to show how the additional retained resources would be of benefit locally, for example whether the proposals would promote the financial sustainability of the authorities involved.

Following the publication of the Government's invitation, the Section 151 Officers within the six local authorities in Somerset sought to urgently assess the potential gains from establishing a wider pool and applying to be a pilot for 100% BRR.

The specialist advisors, LG Futures, were appointed to undertake an initial assessment and having considered the analysis, advantages and disadvantages, it is believed the case for a County-wide pool and becoming a pilot is overwhelming.

The six Councils therefore decided it was worth investing in further analysis and preparing an application to become a pilot for 100% BRR in 2018/2019. LG Futures were again appointed to assist on a 'no win no fee' arrangement where they will only receive payment if the application to become a pilot area is successful.

It is expected DCLG will announce successful applications for new pools and pilot areas through the provisional Local Government Finance Settlement in December 2017. This will set the starting point for the new Business Rates Pool and will confirm the tariffs, top up and levy rates for each council, together with their spending baselines and should confirm the benefits arising through this pooling arrangement. The Government had indicated that the Safety Net for a 50% pool will remain at 92.5% of Baseline, and that under a 100% Pilot the Safety Net would rise to 97% of Baseline – reducing the risk of losses.

Councils will have the opportunity, during the 30-day Financial Settlement consultation period, to decide to withdraw from a pooling arrangement if they decide that it does not offer the benefits they had thought. Through the application to become a 100% BRR pilot the Councils have had to indicate what, if any, pooling arrangement we prefer and, at this stage, we have indicated that we wish to establish a new Somerset-wide Pool even if the pilot bid is unsuccessful.

It is important to highlight that the financial implications are based on indicative estimates of future Business Rates income, which can be affected by a variety of variable factors. However the modelling undertaken suggests the potential financial benefits are considerable, albeit not without risk.

The principle put forward by the authorities within the pool is that each Council should be no worse off than if it were to remain outside the pool. This means that the pool shares the risk of maintaining the safety net position for each individual

Council as a 'first call' on pooling gains. Each Council is exposed to risk of volatility in its Business Rates income, most notably in respect of appeals.

The Government has recently confirmed that any new 100% BRR pilots for 2018/2019 will benefit from a 'no detriment' clause within the funding agreement which will remove the risk of volatility in respect of 100% BRR gains in 2018/2019.

The analysis undertaken to assess the potential financial benefits, and potential benefit sharing arrangements, has indicated that a Somerset Pool would benefit by an estimated £4,400,000 (compared to acting as individual authorities) and a further £10,300,000 if the bid to be a pilot area for 100% BRR is successful. This is summarised in the table below:-

	<b>Projected Potential Gain in 50% BRR Pool £m</b>	<b>Projected Additional Gain under 100% BRR Pilot £m</b>	<b>Total Projected Gain if 100% BRR Pilot £m</b>
<b>Mendip</b>	0.8	0.9	1.7
<b>Sedgemoor</b>	1.0	1.1	2.2
<b>South Somerset</b>	0.5	0.5	1.0
<b>Taunton Deane</b>	0.2	0.5	0.7
<b>West Somerset</b>	0.6	0.7	1.3
<b>Somerset County</b>	1.2	6.6	7.8
<b>TOTALS</b>	4.4	10.3	14.7

This matter was considered by the Corporate Scrutiny Committee at its meeting on 16 and 27 November 2017. As well as supporting the proposals, Members asked the Executive to consider a fourth recommendation that the Section 151 Officer establishes a reporting system that meets the standards of transparency and accountability through the democratic process on any expenditure gained through the pilot bid, if successful. This was not endorsed by the Executive.

It is **recommended** that:-

- (a) The urgent decision made by the Leader of the Council and the Section 151 Officer that the Council participates in the pooling arrangement together with the other Somerset authorities under the 50% Business Rates Retention scheme for 2018/2019 be endorsed;
- (b) The urgent decision to apply to the Government for the Somerset Business Rates Pool comprising the County and five Districts Councils to become a pilot area for 100% Business Rates Retention in the 2018/2019 financial year be also endorsed; and
- (c) Authority be delegated to the Section 151 Officer, in consultation with the Leader of the Council, to decide whether to remain in the Pool and, if approved by the Government, the 100% Business Rates Retention Pilot scheme when the Government's Provisional Settlement Details

## **(b) Earmarked Reserves Review**

A review of a number of earmarked reserves held by the Council for various purposes has recently been undertaken with a view to balances being returned to the General Fund. .

The level of earmarked General Fund reserves as at 31 March 2017 was £17,344,000 which was equivalent to 120.5% of the Council's Net Revenue Budget.

As a result of the review, there are various earmarked reserves, totalling £91,649, that are no longer required. These related to budgets in connection with Climate Change, the F E Colthurst Trust, Waste, Debt Recovery, Legal Civica Hosting Costs and Transparency.

It is **recommended** that a Budget Return of £91,649 to General Reserves of surplus balances currently held in Earmarked Reserves be approved.

## **(ii) Councillor Richard Parrish**

### **Fees and Charges 2018/2019**

The Executive has very recently considered a report concerning the proposed fees and charges for 2018/2019.

Those services proposing an increase to charges include:-

- Cemeteries and Crematorium – It is proposed to increase the main cremation and interment fees and make minor increases for other charges within the service. The income increase from this is expected to be £120,000. Of this, £75,000 is needed to meet the cost of deferred maintenance to the cremator and filtration equipment and to increase the capacity of the waiting room and the refurbishment of the toilets for visitors within the chapel complex;
- Waste Services – The Somerset Waste Partnership proposes to make modest increases to its charges for the Garden Waste Collection and Recycling Service. The price increases will allow the service to continue on a cost neutral basis in terms of the contract price paid to Kier. There remained a service subsidy in the bin costs, administration and postage associated with the respective services. The increases would not alter the net position on green waste services as the increased charges are matched by the increasing cost of provision;
- Housing Services – In accordance with the 30 year Housing Business Plan, it was proposed to increase housing (non-rent) fees and charges by applying Retail Price Index (RPI) inflation as at September 2017 (3.9%), with some exceptions. The increases were likely to generate £336,000 for the Housing Revenue Account;

- Licensing – Although the fees in some areas had been increased last year any surplus or deficit would be dealt with across a rolling three years such that the balance is zero on those fees which were set locally. There would be no impact on the Medium Term Financial Plan;
- Environmental Health – It was proposed to introduce a cost recovery fee for the provision of food hygiene advice to food businesses in Taunton Deane from 1 January 2018 which could provide a potential increased income of up to £2,450;
- Flag Post Pennants and Promotional Spaces – The proposed increase for the pennant service will cover the increase in installation charge. The fees for promotional spaces have been altered to reflect research which show that the Council's charges were not comparable to other towns and actually deter bookings. Any additional income will contribute towards the Visitor Centre staffing budget;
- Court Fees – Following a High Court Case, there is a requirement to evidence a detailed breakdown of how the Court Fees are calculated. This has resulted in a proposal to reduce the Court Fees to £72. This was likely to result in a reduction of £860; and
- Open Spaces – The aim of this proposal was to formalise the charging for roundabout sponsorship and plant beds. It was anticipated that these proposals would generate additional income of £3,500.

No increases to the fees charged by Land Charges, Planning, Deane Helpline and Freedom of Information Enquiries were proposed.

The proposed fees and charges were discussed at the meeting of the Corporate Scrutiny Committee held on 16 and 27 November 2017. Although generally supportive of the proposals, Members suggested that in relation to charges for Open Spaces, a list should be drawn up of approved Community Organisations which would have an equal status to "Friends of" Groups in order to ensure that there would be no charges levied on Community Events organised by non-profit making organisations which are non-ticketed events.

This was considered by the Executive and it was agreed that a criteria should be drawn up against which requests for the waiving of charges could be assessed in the future.

It is **recommended** that:-

- (1) The fees and charges for 2018/2019 in respect of the Cemeteries and Crematorium, Garden Waste Collection and Recycling, Housing Services, Licensing, Environmental Health, Flag Post Pennants and Promotional Spaces, Court Fees and Open Spaces be agreed; and
- (2) The Portfolio Holder for Sports, Parks and Leisure be authorised to introduce

a criteria against which requests to waive charges for the use of the Council's Open Spaces could be assessed.