

Economic Prosperity Sub-Committee

15 March 2017

Present: Councillor Janet Hunter (Chair)
Councillors K Barrie, J Cassidy, S L Cox,
K Lee, P Earley, D McMeekan, A McMullen,
A Percy, J Walker and F Weetman.

EP38/03/17 Apologies

There were no apologies for absence.

EP39/03/17 Substitute Members

There were no substitute members appointed.

EP40/03/17 Declarations of Interest and Dispensations

There were no Declarations of Interest or Dispensations reported.

EP41/03/17 Minutes

Resolved that the minutes of the previous meeting held on the 15 February 2017 be confirmed and signed by the Chair.

EP42/03/17 100% Business Rates Retention

The Head of Finance, Janice Gillespie, attended the meeting to present an overview of the government's proposals that by 2020 local government would retain 100% of the business rates they raise locally.

Prior to April 2013 local businesses had paid business rates to the Council who had then paid the money into one single national pool. The money was then distributed back to local authorities by the Government in the form of grants. Since April 2013, local government as a whole had kept 50% of the business rates collected as a 'local' share. The remaining 50% central share continued to be paid to the Government and was used to pay grants to councils. Individual local authorities kept 50% of any growth in rates collected in their area above those projected.

In October 2015, the Government had announced that by the end of the parliament, local government would be able to retain 100% of the business rates they raise locally. Local authorities would no longer receive Revenue Support Grant but they would receive enhanced powers to vary the level of rates and, in mayoral combined authority areas, add an additional premium for major infrastructure projects. The proposed changes would create an incentive for authorities to promote economic growth in their areas and in turn generate increased income from business rates.

Implementation of the proposals would involve a significant and time consuming amount of work to redesign the system of local government finance. A series of working groups had been established by the Department for Communities and Local Government (DCLG) and the Local Government Association (LGA) with other relevant stakeholders to consider various aspects of the proposals, including:

- a) the extent to which local authorities would be able to determine locally the multiplier and possibly reduce the levels of business rates to attract inward investment;
- b) how long authorities could rely on additional income generated from economic growth before the whole system would be reset by central government to maintain the overall level of income across the country;
- c) clarification of the strategic assets such as power stations and sewerage works that would be included on the central list and therefore beyond the scope of locally determined business rates,
- d) the scope of additional responsibilities to be funded from retained business rates rather than grants; and
- e) whether authorities would continue to be required to set a balanced budget each year.

To date the government had undertaken two formal consultations in relation to the broad principles of the scheme and initial legislation had been passed to enable pilot schemes to proceed in different areas around the country. There remained a great deal of work for the government to finalise the details of the proposed system and for authorities to understand the implications and to prepare for its implementation which had been tentatively set for April 2019.

The sub-committee asked a series of questions of Janice Gillespie when members noted a range of risks associated with 100% business rate retention, including income not covering the costs of additional responsibilities placed on the authority, the loss of additional income generated by economic growth being lost in whole system resets and the impact of appeals decisions on projected income.

The Chair thanked Janice Gillespie for her presentation and suggested that the sub-committee may wish to revisit the topic when more detailed proposals are known. Given the broad implications of the proposals on the overall financial management of the authority she suggested that any work might be undertaken in conjunction with the Finance Sub-Committee.

EP43/03/17 Business Support Sub-Group (Previous Minute EP17/09/16)

At its meeting on 13 September 2016 the sub-committee had approved the appointment of the Business Support Sub Group to:

- a) examine the range of support available to start up businesses;
- b) examine the sustainability of new businesses in their 3rd and 4th years;
- c) consider whether providing extended and enhanced support for businesses in their 3rd and 4th years would reduce the likelihood of businesses failing and consequently have a positive impact on the local economy; and
- d) formulate recommendations as to how existing support might be enhanced or how additional services might be developed to improve the success rate of start up businesses. Any recommendations to be supported with an assessment of the financial implications.

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Following its study which had involved a series of meetings with Council officials, representatives of the local business community and commissioners and providers of business support, the sub group had prepared a report and a series of recommendations.

The chair of the sub group, Councillor Earley, presented the report to the sub-committee and in doing so he thanked all those who had contributed to the exercise. He explained that in order to include further supplementary information regarding the financial implications associated with the recommendations, the report may be subject to minor amendments.

It was **agreed** that (1) the report and recommendation of the Business Support Sub-Group be endorsed, subject to any further amendments considered necessary by the Chair of the Sub-Group to clarify the financial implications associated with the recommendations; and (2) the report and recommendations be submitted to the next meeting of the Overview, Scrutiny and Policy Development Committee together with a recommendation that it approves the report for submission to Cabinet.