SPECIAL GROWTH SCRUTINY COMMITTEE

Minutes of a special meeting of the Growth Scrutiny Committee held in the Council Chamber, The Arc, Clowne on Tuesday 23rd August 2016 at 1000 hours.

PRESENT:-

Members:-

Councillor S.W. Fritchley in the Chair

Councillors G. Buxton, S. Statter and J.Wilson

Officers:-

B. Mason (Executive Director – Operations), D. Clarke (Assistant Director – Finance and Revenues & Benefits), C. Millington (Scrutiny Officer) and A. Brownsword (Senior Governance Officer)

222. APOLOGIES

Apologies for absence were received from Councillors T. Alexander, J.A. Clifton, M. Dixey and B. Watson

223. DECLARATIONS OF INTEREST

There were no declarations of interest.

224. TO DISCUSS THE GOVERNMENT CONSULTATION ON BUSINESS RATE RETENTION

The Chair opened the meeting by commenting that this was an important Consultation Paper and that the Council needed to consider ways to ensure that all members were given the opportunity to input into the process.

The Executive Director – Operations gave a presentation which outlined the main points of the consultation document and covered:

- Business Rate Retention
- Incentivising Economic Growth
- Managing Risk
- Fiscal Neutrality/Public Sector Reform
- Incentivising Growth

- Promoting Growth Locally

The Executive Director – Operations noted that the prospect of 100% NNDR Business Rate retention was bringing shire and districts together as they were concerned that national funding could shift towards London and the Unitary authorities. .

The Chair noted that under the proposals, the Government would retain control of strategic matters e.g. setting the multiplier. A discussion took place regarding where the balance between incentive and need would rest in the new system. The Executive Director – Operations noted that the current system had provided Bolsover District Council with relatively good financial outcomes compared to others in the sector. .

While Bolsover District Council had invested in promoting economic growth, it only had a limited financial capacity. Accordingly partnership work and external funding were key factors in securing economic growth. There was a need to manage the risk of NNDR localisation as the Government currently provided a 'safety net' to offset any losses due to any large business contributors relocating or going bankrupt. The Assistant Director – Finance and Revenues & Benefits noted that the option of a Derbyshire wide pool was worth exploring. It had the advantage of operating within a distinct geographical area where we had a good understanding of the economic position.

The Chair noted that the national system had worked well for the last 25 years. The new proposals shifted liability and responsibility to local authorities and potentially puts them against each other in incentivising growth.

It was noted that the reform must be fiscally neutral and a discussion was held about what services local government should seek to assume responsibility for under the new arrangements. One risk identified was that the new services would go to the unitary or the upper tier authorities. While this might secure economies of scale there was a danger that Councils became too large with less accountability. There were some clear advantages around delivering services locally.

The Chair noted that the public did not want to see bigger local authorities. There was a conflict between representation of the people and economies of scale.
The Executive Director – Operations noted that the consultation was Members opportunity to get involved in the debate and look to see where functions could fit.

The Committee then considered the questions raised in the Consultation Paper. It was noted that this was made more difficult by the absence of any details about what the options. In a number of cases the Committee took the view that the issues were largely technical, or that insufficient detail had been given to provide a constructive response. There were, however, a number of areas in which the Committee provided views which would inform the Consultation response, detailed below.

Question 1: Which of these identified grants/responsibilities do you think are the best candidates to be funded from retained business rates?

It was noted that there were many unknowns and many of the proposals could see costs increasing as a result of demand growing due to the demographic of the area (eg ageing population). At this stage the Committee had no definite views.

Question 2: Are there other grants / responsibilities that you consider should be devolved instead of or alongside those identified above?

It was noted that there may be opportunities to look at current arrangements with the DWP. The District Council already has a strong customer interface arising from to its work with Housing and Council Tax benefits which could form the basis of wider service delivery either with DWP, or with other partners.

Question 3: Do you have any views on the range of associated budgets that could be pooled at the Combined Authority level?

The Committee were in favour of looking to move to continuing the principle of operating a Derbyshire wide NNDR pool in the new system. .

Question 5: Do you agree that we should continue with the new burdens doctrine post- 2020?

It was accepted that this should continue.

Question 6: Do you agree that we should fix reset periods for the system?

A discussion was held around a a five years period as the most appropriate option as this would reduce the level of adjustment necessary. There were, however, concerns that this may reduce much of the benefit of economic growth after a limited 'reward' period'.

Question 7: What is the right balance in the system between rewarding growth and redistributing to meet changing need?

The Committee considered the issue and noted the conflict between the desire to retain the benefits of growth, whilst recognising that an equitable system had to recognise and address needs. The Committee expressed the view that any new system needed to reflect the 'needs' of individual authorities and their representatives.

Question 9: Is the current system of tariffs and top-ups the right one for redistribution between local authorities?

It was felt that currently this worked well and there was no need to change.

Question 10: Should we continue to adjust retained incomes for individual local authorities to cancel out the effect of future revaluations?

It was felt that a full re-evaluation should take place every five years, but that adjustment should take place on a continual phased basis.

Question 11: Should Mayoral Combined Authority areas have the opportunity to be given additional powers and incentives, as set out above?

Members did not think that additional powers and incentives should be given to the Mayoral Combined Authorities.

Question 12: What has your experience been of the tier splits under the current 50% rates retention scheme? What changes would you want to see under 100% rates retention system?

The current system worked well although on the basis that 100% of growth is retained Members could see the potential advantages of County Council's receiving a higher share, provided this helped secure better economic growth

Question 13: Do you consider that fire funding should be removed from the business rates retention scheme and what might be the advantages and disadvantages of this approach?

Fire Authorities should continue to operate on a similar basis to the current scheme.

Question 14: What are your views on how we could further incentivise growth under a 100% retention scheme? Are there additional incentives for growth that we should consider?

Members noted that Local Government had always promoted growth and in that sense incentives in the system were not necessary, although appropriate resources were. It was also noted that the relationship between District Councils and Parish Councils needed to be considered in order to optimise growth.

Question 18: What would help your local authority better manage risks associated with successful business rates appeals?

The Committee took the view that the Government needed to deliver on its commitment to simplifying and making the current system less prone to fluctuation.

Question 19: Would pooling risk, including a pool-area safety net, be attractive to local authorities?

The Committee saw some benefits in managing risk locally but considered it important that any arrangements agreed were robust and secured many of the benefits arising from a national system.

Question 20: What level of income protection should a system aim to provide? Should this be nationally set, or defined at area levels?

A floor should be set below which income did not fall. Provided this was reasonable it was not crucial whether it was set nationally or locally.

What are your views on increasing the multiplier after a reduction?

Question 24: Do you have views on the above issues or on any other aspects of the power to reduce the multiplier?

The multiplier should be nationally set to provide a level playing field for all authorities.

The Chair thanked Members for their input and the meeting concluded at 1212 hours.