

# Oxfordshire

## Application for 100% Business Rate Retention Pilots 2018-19



## **100% Business Rates Pilot 2018-19 - application from Oxfordshire**

### **Introduction**

The Government recently released a prospectus inviting all local authorities to apply to be a pilot for 100% Business Rates Retention in 2018-19. The prospectus highlights that bids from two-tier areas are of particular interest;

Oxfordshire's six councils are committed to the principle of 100% business rate retention, and have therefore worked together to prepare and submit this bid to pilot the scheme locally.

Oxfordshire has the fastest growing economy of any LEP area since the recession, according to ONS figures on Regional GVA. Oxfordshire has a wealth of knowledge-led industry, both connected to our Universities and in separate industries and research institutions - but our thriving economic base is broader than that, across finance, real estate, advanced manufacturing, and distribution, as well as a significant public sector and military presence.

The authorities are keen to ensure that this Economic Growth drives Financial Sustainability, and to build upon a strong track record of delivering sustainable business growth. There is also a willingness to work collaboratively, which is demonstrated by the intention to use the majority of the benefit from pooling to support economic growth across the County as a whole, linked to our place based devolution deal bid.

The remaining benefit from pooling is intended to be used to support sustainable finances, applying the funds to commonly agreed projects and shared priorities agreed through the Oxfordshire Growth Board, a statutory joint committee. Demonstrating that economic growth delivers benefit not just for businesses, but for the people who live and work in Oxfordshire, for the infrastructure they use, and the services they access, is vital to ensuring continued local support for our high-growth economy.

### **Membership**

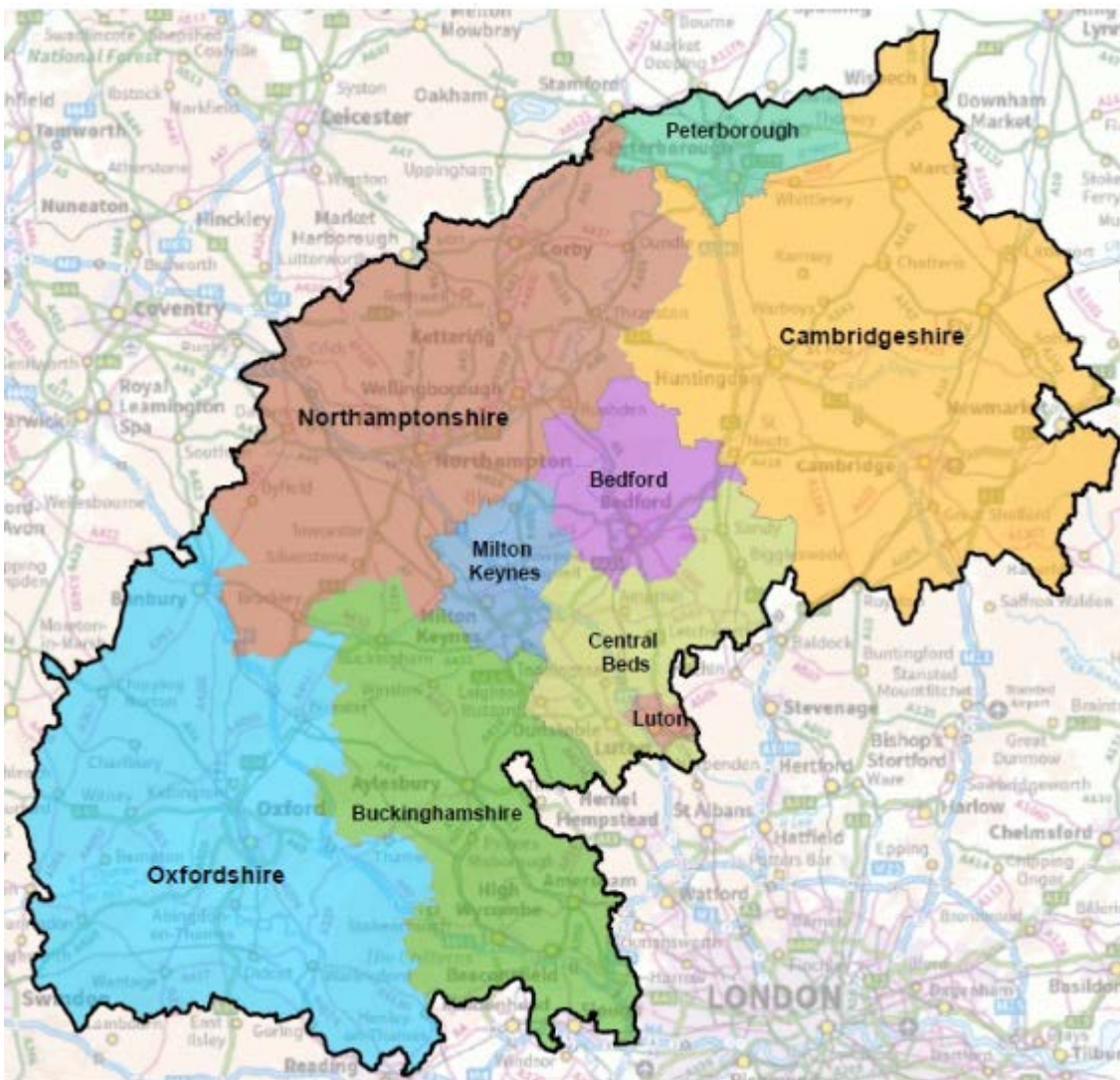
The proposal is supported by all six authorities in Oxfordshire as outlined below:

- Cherwell District Council
- Oxford City Council
- South Oxfordshire District Council
- Vale of White Horse District Council
- West Oxfordshire District Council
- Oxfordshire County Council

Membership has been approved by all Chief Executives (or equivalent Officers) and Chief Finance Officers, as well as receiving Member approval through the formal governance arrangements in place at each of the Councils.

Oxfordshire is a diverse county - it is both the most rural county in south-east England, and home to Oxford City, a significant key city and a world-famous brand. Three of Oxfordshire's Districts are eligible for Rural Services Delivery Grant (RSDG) - South Oxfordshire, Vale of White Horse and West Oxfordshire, and Oxfordshire also benefits from two Enterprise Zones. The authorities understand and accept that acceptance as a pilot would result in foregoing RSG and RSDG.

The proposed pilot for Oxfordshire benefits from a number of synergies. All the authorities are members of the Oxfordshire Local Enterprise Partnership (OxLEP) and all in turn are members of England's Economic Heartland partnership, which brings together local government across the Oxford-Milton Keynes-Cambridge corridor, of which Oxfordshire is the Western anchor. This is one of the fastest growing areas in the country and as a result of the work of the partnership Oxfordshire benefits from significant residential and commercial growth.



The geography of England's Economic Heartland

Oxfordshire is therefore uniquely placed to play major role in delivering Government's ambitions for housing growth and the industrial strategy.

Partners in Oxfordshire, including the 6 Councils, 2 Universities and the LEP have been working together on an ambitious, comprehensive and integrated approach to delivering growth in high quality sustainable developments across the County. Their commitments reflect the shared ambition of the public authorities in Oxfordshire, working together to build on our existing track record of planning and delivering housing and economic growth that offer good quality of life for new and existing residents

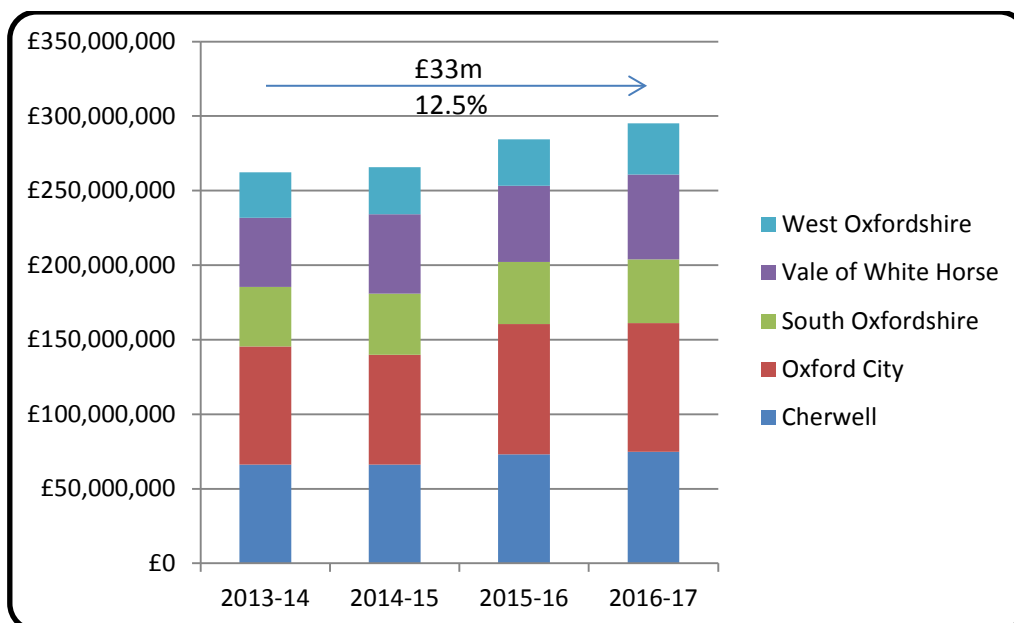
This strong collaboration, under the auspices of the Oxfordshire Growth Board – a statutory joint committee - has resulted in an ambitious Strategic Economic Plan, successful delivery of the City Deal and Local Growth programmes, cross-boundary agreement on meeting housing need and an extensive assessment and ranking of all of the infrastructure development required to support the scale of growth expected over the next 25 years (Oxfordshire Infrastructure Strategy (OxIS)).

This has supported all councils to pursue Local Plans to support sustainable housing growth. The County Council is developing an ambitious transport strategy taking forward innovative approaches to improve travel options. The partners are jointly committed to delivering 100,000 additional homes needed by 2031 to support planned growth.

However, significant investment in infrastructure is needed to deliver these growth commitments and ensure that growth is inclusive and supported by local communities. Sustaining the level of increase in housing and employment sites will require a long term approach and certainty to effectively plan for and attract investment. OxIS has identified an estimate funding gap of £1.7 billion to secure £8.4 billion infrastructure investment required by 2040 to deliver growth commitments.

Oxfordshire has, as the table below illustrates, been very successful at generating business rate growth since the inception of the Business Rate Retention scheme in 2013-14. Income has increased by 12.5% (£33m) and all districts have growth. The Oxfordshire authorities have used the incentives from BRRS to support and encourage both existing and new businesses in the area. It is clear that this has significant benefits in terms of our financial sustainability, complementing the positive regeneration and improvements seen in our town centres and rural areas.

## Business Rates Income in Oxfordshire since 2013-14



There is a wide variation in the size and type of business operating across the County; the tables below show the scale of this and the diverse nature of the types of business that are located in our County:

RV Bands	Rateable Value		Number	
	£'000	%	No.	%
> £2,000,000	93,675	16.93%	26	0.22%
> £1,000,000 < £2,000,000	56,340	6.73%	44	0.32%
> £500,000 < £1,000,000	91,432	12.67%	138	1.18%
> £250,000 < £500,000	119,744	13.64%	349	2.37%
> £100,000 < £250,000	136,465	18.50%	891	7.30%
> £51,000 < £100,000	98,929	12.17%	1,407	10.60%
> £25,000 < £51,000	94,461	9.98%	2,674	17.11%
> £15,000 < £25,000	53,182	4.45%	2,758	14.03%
> £12,000 < £15,000	18,420	1.40%	1,381	6.38%
< £12,000	58,223	3.51%	11,122	40.50%
<b>Total</b>	<b>820,871</b>	<b>100%</b>	<b>20,790</b>	<b>100%</b>

Analysis Class Description	Rateable Value		Number	
	£'000	%	No.	%
SHOPS, BANKS, POST OFFICES ETC.	222,143	27%	4,524	22%
OFFICES	132,659	16%	5,283	25%
WAREHOUSES, STORES ETC.	88,331	11%	2,439	12%
FACTORIES, WORKSHOPS ETC.	84,273	10%	2,527	12%
UNIVERSITIES	41,022	5%	112	1%
LICENSED PROPERTIES	26,295	3%	708	3%
LOCAL AUTHORITY SCHOOLS AND COLLEGES	25,104	3%	300	1%
HOTELS, BOARDING HOUSES ETC.	21,330	3%	368	2%
PRIVATE HOSPITALS, CLINICS ETC.	20,186	2%	300	1%
ROYAL PALACES, OTHER CROWN	18,835	2%	14	0%
RESTAURANTS, CAFES ETC.	16,911	2%	409	2%
PETROL FILLING STATIONS, GARAGES ETC.	16,207	2%	265	1%
PRIVATE SCHOOLS AND COLLEGES	14,030	2%	77	0%
OTHER	93,545	11%	3,464	17%
<b>Total</b>	<b>820,871</b>	<b>100%</b>	<b>20,790</b>	<b>100%</b>

Housing growth has increased by 4.5% (12,360 properties) across Oxfordshire over the past 6 years. The ambition being to deliver 100,000 additional homes needed by 2031 to support planned growth

Number of domestic dwellings in Oxfordshire 2011-17



If the application is unsuccessful the intention, for 2018/19, is to revert back to the 2017/18 arrangements and continue with the North Oxfordshire Pool, consisting of Cherwell District Council, West Oxfordshire District Council and Oxfordshire County Council.

The Oxfordshire authorities had agreed to proceed without the support of a “no detriment” provision for a one year Pilot in 2018/19. This has been amended since the announcement that all pilots will now have a “no detriment” provision.

## **Benefits and Financial Business Case**

The pilot scheme provides an opportunity to think very differently about how the funding is used countywide.

The discussions held during this process have led to universal agreement in two key areas, which have been used to shape the financial business case. They are:

- That the biggest pressures in terms of financial sustainability rest with the County Council largely caused by Social Care, both adults and children;
- That the best way to maximise the additional funding is collaborate and fund schemes that have mutual benefits.

It is therefore proposed that the additional benefit from the pilot would **all** be pooled and used to fund the following:

- **70% Economic Growth** – to be linked to the Place Based Growth Package deal, which may include funding the costs of developing the joint spatial plan for the whole of Oxfordshire.
- **30% Sustainable Finances** – applying the funds to commonly agreed projects and shared priorities agreed through the Growth Board.

Whilst the whole new pot is pooled and the principle agreed that the funding is to support schemes that mutually drive growth and financial sustainability it is useful and informative to identify the authority from which the funds derive. This could then be used by the Growth Board to direct the funding. The proposal is as follows:

- **Current 50% share:** to remain the same as the current BRR scheme, i.e. 80% Districts, 20% County Council
- **Additional 50% share:** 20% Districts, 80% County Council

In overall terms, this would mean that the Districts will have a 50% share and the County a 50% share of Business Rates under the 100% Business Rates Retention Scheme.

The distribution of the pooling surplus would be on the following basis:

- **First 50% share:** Current local pooling arrangements (90% Districts and 10% County)
- **Additional 50% share:** 100% pooled for Economic Growth and Sustainable finances.

We estimate that the additional share to be used on Economic Growth and Sustainable Finances is in the region of £20m.

## How would the additional funds be invested?

<b>Economic Growth</b>	<b>Outcomes</b>
Support for Housing Infrastructure Fund bids.	<ul style="list-style-type: none"> <li>• Speed up housing delivery;</li> <li>• Taxbase Increases;</li> <li>• New Homes Bonus.</li> </ul>
To provide gap funding for infrastructure schemes.	<ul style="list-style-type: none"> <li>• Improved transport links;</li> <li>• Productivity gains for businesses.</li> </ul>
Town and Village Regeneration Schemes	<ul style="list-style-type: none"> <li>• Improvements in communities and place across the County;</li> <li>• Investment opportunities;</li> <li>• Increased business rates.</li> </ul>
Joint spatial planning	<ul style="list-style-type: none"> <li>• Co-ordinated planning objectives creating better and links between property and infrastructure plus more sustainable developments.</li> </ul>
Investing in the business infrastructure	<ul style="list-style-type: none"> <li>• Capital investment schemes which leverage our ESIF Innovation Support for Business programme</li> <li>• Development of a programme promoting Oxfordshire investment opportunities in key international markets.</li> </ul>
Nurturing talent	<ul style="list-style-type: none"> <li>• Support for SME's on high performance leadership &amp; management</li> <li>• Schemes supporting social mobility (particularly across Oxfordshire's world class science and innovation base)</li> <li>• Scheme to establish skills infrastructure into high value, technology sectors for young people.</li> </ul>

<b>Financial Sustainability</b>	<b>Outcomes</b>
Support for Key Worker Accommodation	<ul style="list-style-type: none"> <li>• Increased affordable housing;</li> <li>• Taxbase Increase;</li> <li>• New Homes Bonus.</li> </ul>
Cycle Paths	<ul style="list-style-type: none"> <li>• Contribution to improved physical and mental wellbeing.</li> </ul>
Delivery of Shared Ownership Housing	<ul style="list-style-type: none"> <li>• Increasing affordability of housing;</li> <li>• Taxbase Increase;</li> <li>• New Homes Bonus.</li> </ul>



Customer Service Centre Integration	<ul style="list-style-type: none"> <li>• Efficiency Savings across tiers;</li> <li>• Improvements in service to customers.</li> </ul>
Further investment in Disabled Facilities Grant	<ul style="list-style-type: none"> <li>• Reduction in social care costs;</li> <li>• Improvements in service to customers.</li> </ul>
Explore opportunities for waste collection, recycling and disposal	<ul style="list-style-type: none"> <li>• Efficiency Savings across tiers;</li> <li>• Environmental improvements.</li> </ul>
Explore opportunities for co-locating across the public sector	<ul style="list-style-type: none"> <li>• Efficiency Savings across tiers;</li> <li>• Maximising the use of assets;</li> <li>• Receipts from the disposal of assets.</li> </ul>
One Public Estate	<ul style="list-style-type: none"> <li>• Maximise the use of assets countywide;</li> <li>• Generate grant funding across the County;</li> <li>• Improvements in service to customers.</li> </ul>

### **Pool Aims**

The aims of the pool would be to:

- a) be an important enabler to drive forward economic growth and create a positive framework for targeted investment across Oxfordshire;
- b) encourage Members of the pilot to work together to promote growth and service integration in Oxfordshire;
- c) allow Members to co-operate in an open way, including sharing data and intelligence outside of the formal reporting mechanisms on any substantive issues relating to business rate retention within their area; and
- d) maintain and improve, through management of cash flows and the rewards of pooling, the position of all pilot Members.

### **Governance arrangements**

#### Decision making structures

A Governance Board consisting of the members of the Oxfordshire Treasurers' Association (OTA) (Section 151 officers) will be responsible for guiding and managing the operational day to day running of the Pool.

The Governance Board will work to achieve unanimous agreement on all issues involving the Pool. Where, despite all reasonable efforts to do so, unanimity cannot be reached on any issue involving the Pool, the circumstances and difficulties arising will be reported to and guidance sought from the Members' Chief Executives (or equivalent Officers), who meet as part of the regular series of meetings of all the Oxfordshire Chief Executives.

If unanimity cannot be reached by the Oxfordshire Chief Executives, then a decision will be sought from the Members' Leaders, ensuring that they have requisite delegations from their authorities to resolve the issue referred to them. The Leaders may meet as part of the regular series of meetings of all the Oxfordshire Leaders.

### Lead Authority

The Lead authority will be Cherwell District Council. The Lead Authority will be supported, as appropriate, by other pool members.

### Dissolution of the Pool

The Pilot pool will be in operation for 2018-19, the arrangements for 2019-20 will be reviewed if the pilot is allowed to continue for another year. Each pool member would be able to leave following the end of the pilot scheme.

On dissolution of the Pool, each Pool Member reverts to their individual top-up or tariff amounts as calculated by the Department for Communities and Local Government. The governance arrangements are to remain in place until the pilot is fully dissolved.

### Conclusion

The bid is for a two-tier area with a mixture of rural and urban areas to provide the learning experience for the Government in the design of a future national business rates scheme.

The proposed scheme focusses on using the additional pooling benefit on economic growth and financial sustainability across the County on schemes prioritised through the Growth Board which is already established and has governance arrangements in place.

Oxfordshire have a track record of successfully managing a business rates pool since 2014. All councils are supportive of the bid and welcome the opportunity to join the pilot scheme for 2018-19.

## **Appendix 1**

### **Governance Agreement**

#### Operation of the Pool

The collection of business rates will continue to be the responsibility of billing authorities who will continue to use their own bank accounts for this purpose. In addition, the operation of collection funds for business rates will continue to be the responsibility of individual billing authorities.

Pool Members will make payments into the Pool and to any organisation outside of the Pool as required in accordance with guidance issued from time to time by the Department for Communities and Local Government. The intention is that the timing of payments will mirror payment schedules that would apply if no Pool existed.

All Pool Members will use best endeavours to ensure each organisation's obligations are met with regard to cash flow and the flow of funds. A Pool Member agrees to compensate another Pool Member where these obligations are not met which requires any other Pool Member to incur costs that could have reasonably been avoided.

Where the Pool is required to make a payment to the Secretary of State, each authority in the Pool is jointly and severally liable to make that payment.

#### **5. Definition of Pooled Funds**

Subject always to the requirements of the Local Government Finance Act 2012 and its related regulations (which shall take precedence), Pooled Funds will include monies involved in Central Government's 100% Business Rates Retention Scheme. Members of the Pool shall pay into the Pool the following elements:

- (a) The tariffs payable by each Member if there was no Pool.
- (b) All the business rates collected by each Member of the Pool.
- (c) Any amounts owed by district council Members to fund a deficit on the Pool.

Subject always to the requirements of the Local Government Finance Act 2012 and its related regulations (which shall take precedence), payments from the Pool will include the following elements:

- (d) The tariff due to Central Government.
- (e) The top up due to Oxfordshire County Council if there had been no Pool.
- (f) Payments to baseline for members of the Pool, if required.
- (k) The share of business rates to district council Members (50%) and to Oxfordshire county council (50%); and
- (l) Any Pool Dividend calculated in accordance with section 6.

The Pool will exclude the rates yield / growth in business rates from the Science Vale or any other local Enterprise Zone or from Renewable Energy schemes or similar exemptions, as set out in current or future legislation.

## **6. The Pool Dividend**

The first priority for the pool will be to pay the agreed administration costs for the Pool to the Lead Authority.

The second priority for the Pool will be to ensure wherever possible no Member of the Pool will be worse off than if they had not joined the Pool, subject to sufficient funds being available.

Thus the third priority for the Pooled Funds will be that if any Member would have been eligible for a safety net payment if they had not joined the Pool, they will be compensated for this back to their baseline position. This will ensure that a new “no worse off” principle.

The Pool Dividend is defined as funds left after these priorities and the ‘no worse off’ requirement have been met. This is the additional money that the Pool will receive over and above the sum of the net figures that each Pool Member would have received if there was no Pool.

## **7. Allocation of the Pool Dividend**

### **Current 50% Share**

The current local pooling arrangements for distribution of benefits not associated with the 100% pilot will remain the same.

- a) The first call on this part of the pooling dividend will be the administration cost, and then:
- b) 10% to Oxfordshire County Council; and
- c) 90% to district council Members as per the Pool distribution agreement, allocated as agreed by Pool.

### **Additional 50% Share**


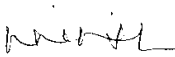
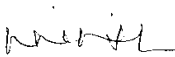

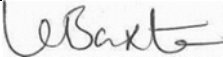
- a) 70% set aside for economic growth
- b) 30% to support sustainable finances

Districts will pool the additional dividend and transfer cash balances to the lead authority following the completion of the NNDR3.

The cash balances of the pooled funds will be held by the Lead Authority under the direction of the Pool Chief Executives in consultation with their s151 Officers.

Investment of the pooled fund will be in accordance with the Lead Authority’s Treasury Management policy and in accordance with relevant regulations. Cash balances held by the Lead Authority will be credited to the Economic growth Fund and Sustainable Finances Fund.

Appendix 2

<b>Local Authority</b>	<b>S151 Officer</b>	<b>Signature</b>
Cherwell District Council	Paul Sutton	
Oxford City Council	Nigel Kennedy	
South Oxfordshire District Council	William Jacobs	
Vale of White Horse District Council	William Jacobs	
West Oxfordshire District Council	Frank Wilson	
Oxfordshire County Council	Lorna Baxter	

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