

# SHEFFIELD CITY COUNCIL

## Economic and Environmental Wellbeing Scrutiny and Policy Development Committee

### Meeting held 26 October 2016

**PRESENT:** Councillors Steve Wilson (Chair), Ian Auckland (Deputy Chair), Penny Baker, Lisa Banes, Neale Gibson, Dianne Hurst, Talib Hussain, Abdul Khayum, Robert Murphy, Chris Peace, Martin Smith, Paul Wood and Adam Hanrahan (Substitute Member)

.....

#### **1. APOLOGIES FOR ABSENCE**

- 1.1 Apologies for absence were received from Councillors Helen Mirfin-Boukouris and Andy Nash, with Councillor Adam Hanrahan attending the meeting as Councillor Nash's substitute.

#### **2. EXCLUSION OF PUBLIC AND PRESS**

- 2.1 No items were identified where resolutions may be moved to exclude the public and press.

#### **3. DECLARATIONS OF INTEREST**

- 3.1 In relation to Agenda Item 7 (Business Rates - Changes, Risks and Opportunities for Sheffield), Councillors Neale Gibson, Abdul Khayum and Paul Wood declared personal interests as business rate payers in the City.

#### **4. MINUTES OF THE PREVIOUS MEETING**

- 4.1 The minutes of the meeting of the Committee held on 27<sup>th</sup> July 2016, were approved as a correct record, subject to the amendment of (a) paragraph 4.1.11, by the substitution of the words 'based on her own experiences and feedback that her fellow Ward Councillors had received from customers' for the words 'based on the level of customer feedback she had received' and (b) paragraph 4.1.13, by the substitution of the words 'for reasons of commercial confidentiality' for the words 'for data protection purposes' and, arising therefrom:-.
- 4.2 **RESOLVED:** That the Committee requests the Chair writes to Stephen Edwards, Executive Director, SYPTE, requesting a written explanation, on behalf of the Sheffield Bus Partnership, on the points raised in (i) to (iii) in paragraph 4.1.15 (b), together with a response to the query now raised by Councillor Paul Wood in terms of what progress had been made by the Partnership in terms of utilising low emission vehicles in areas of the City with high pollution levels.

#### **5. PUBLIC QUESTIONS AND PETITIONS**

- 5.1 There were no questions raised or petitions submitted from members of the public.

## **6. BUSINESS RATES - CHANGES, RISKS AND OPPORTUNITIES FOR SHEFFIELD**

- 6.1 The Committee received a report of the Interim Executive Director of Resources providing an overview of the major changes that would be taking place to the Business Rate system over the coming years, including the implementation of a revaluation of rateable values in April 2017. The report referred to the Government's announcement to fully localise Business Rates to English councils in 2020. Under the current system, local councils retained 50% of locally generated Business Rates, with the other 50% going back to Government, who would then redistribute that money to councils, through grants. From 2020, it was proposed that councils would keep 100% of their locally generated Business Rates, and the Government intended to phase out the main Revenue Support Grant (RSG) which Councils currently received, at that point. The Government's stated intention was for councils to be further incentivised to increase economic growth and become less reliant on funding from Whitehall. The proposals represented a fundamental policy and financial change for local government, and was the first step towards local fiscal reform in England.
- 6.2 The report was supported by a presentation from Laurie Brennan, Policy and Improvement Manager, and Mike Thomas, Acting Assistant Director, Strategic Finance.
- 6.3 Laurie Brennan provided a brief overview of the three major changes to the Business Rate system, relating to appeals and Business Rates for Small Medium Enterprises (SMEs), revaluation and Business Rate localisation. He pointed out that this was a very complex change and that full localisation of Business Rates was a developing policy and thus, further details would be announced by Government over the coming years, ahead of 2020.
- 6.4 Mike Thomas reported, in more detail, on the changes regarding the appeals system and rate reliefs for SMEs. He stated that the Government had recognised that there were huge challenges with the appeals system, and that there was a general acceptance that the system was in need of major reform. Although the new system, to be known as '*Check, Challenge, Appeal*', was to be implemented in April 2017, following consultation, this element of the process still remained a major area of uncertainty. Mr Thomas also reported on the proposals with regard to revaluation, together with details of the impact of this on Sheffield, and on Business Rate localisation, from 2020, including details of how the changes would affect businesses and Councils.
- 6.5 Laurie Brennan concluded by reporting on the impact and longer term

growth ambitions, referring to the next steps and the implications, in terms of both opportunities and risks, for Sheffield and the Sheffield City Region (SCR).

6.6 Members of the Committee raised questions and the following responses were provided:-

- There were obvious concerns in terms of the Business Rate system being hugely inequitable, and needing a strong redistribution mechanism. The Council was strongly in favour of the distribution, as well as a tariff and top-up mechanism, and was making a strong case for this, as well as for a partial reset. Officers were also working alongside the Local Government Association (LGA) and the Special Interest Group of Municipal Authorities (SIGOMA) to ensure the new redistribution method was fair. Whilst the Council was aware of the risks associated with the changes, specifically with regard to future development prospects for the City, there was hope that there were positive signs in terms of growth prospects, particularly with regard to the new retail quarter and out of town retail developments. It was noted that the busy Parliamentary timetable meant that implementing the proposed reforms to Business Rates would be tight for Government, but officers were continuing to influence the working groups that the Government and the LGA had established to shape how the new system would work.
- The Government would publish a 'ready reckoner' online, which would enable businesses to work out how the revaluation of Business Rates from 2017 would affect them. The Government was consulting on the multiplier that would be used to calculate how much a business would pay in Business Rates. It was expected that the Council would receive a final indication of the City's likely Business Rate by early 2017.
- Revenue Support Grant (RSG) would be removed from councils when 100% Business Rates were implemented. The system of top-ups and tariffs would remain in place, which meant that the Business Rates councils received could be "topped-up" or "tariffed", based on an assessment of their local needs. The assessment of need would be done at intervals (resets), where Government would look at the whole Business Rate system, and re-adjust top-ups and tariffs to make sure councils would be able to retain any growth in their Business Rates base. The Council was still waiting for confirmation from the Department for Communities and Local Government (DCLG) about how often resets would occur.
- At present, the Government's proposal was for Business Rates localisation to be to councils, and not to Combined Authorities or

city regions. This was because Business Rates were part of core funding for local authorities, and like Council Tax, helped pay for vital core services.

- Government have agreed a series of 100% localisation pilots, including Chester, Manchester, Merseyside and West Midlands, and whilst the pilots were Combined Authority areas, they involved all the local authorities in those areas, and not looking at Business Rates as a whole city region. Sheffield City Region (SCR) had been discussing a pilot with the Government, with such talks ongoing.
- In terms of making arrangements to prepare for localisation, officers were in dialogue, at a number of different levels, with the DCLG, as well as supporting, and sharing views with, colleagues from other local authorities. Officers would be making sure that the Council's views were being considered to ensure that the City benefited from the proposed changes. Every effort was being made to ensure that the Council had representation at meetings of the various steering groups, and the Council was consulting with as many stakeholders as possible, including the Business Advisory Panel, which represented the business community in the City. In addition, the Policy and Improvement Manager had supported, and would continue to support, the Council Leader by providing regular updates on the changes. The Treasurers of all the Core Cities met regularly to discuss the Business Rate element, making representations to the DCLG.
- Sheffield still compared favourably with the other Core Cities in terms of its income through Business Rates.
- Nearly all the Core Cities received a Business Rate top-up grant. Details on this would be forwarded to Members of the Committee.
- Statistics in terms of Sheffield's ranking in overall Business Rates yield would be forwarded to Members of the Committee.
- It was very difficult at this stage to provide any level of detail in terms of how the changes to the system could affect the Council's spending priorities in the future, mainly due to the number of variables. However, officers would be working on this, by looking at the cost drivers in each of the Council Services.
- Government wanted the system to be "fiscally neutral", in that the change would not cost any more, and was simply moving control of Business Rates money to councils. Reset periods enabled the Government to re-assess how much top-up or tariff

a council would get. Thus, between resets, councils had an opportunity to increase their Business Rates income.

- Representatives in a number of other local authorities had expressed concerns with regard to the potential for councils to pursue development solely for the purpose of increasing its income in terms of Business Rates. It was stressed that the Council had a number of checks and balances in place, including Planning legislation, to ensure that wider considerations were taken into account when development proposals were made.
- One potential risk area involved academies as when status changed from a school to an academy. Academy schools were entitled to 80% relief in terms of its Business Rates, therefore the more schools changing status would result in a reduction in Business Rates for the City.
- Whilst there were no details in respect of the precise number of outstanding appeals for Sheffield, it was believed that there were a high number still outstanding, which included a considerable number outstanding from 2010. The high number, and the need to determine such appeals, remained a major concern nationwide. The LGA was currently lobbying hard for the Government to underwrite appeals going into 2020. Details of the precise number of outstanding appeals for Sheffield would be forwarded to Members of the Committee.
- Rate relief under the new arrangements would be payable with effect from 1st April 2017.
- Whilst there was an argument that all businesses should pay Business Rates regardless of their size, the Government would compensate Sheffield for the loss of Business Rate income from providing rate relief to SMEs.

6.7 RESOLVED: That the Committee:-

- (a) notes the contents of the report now submitted, the information reported as part of the presentation, and the responses to the questions raised;
- (b) thanks Laurie Brennan and Mike Thomas for attending the meeting and making the presentation, and responding to Members' questions, and welcomes the work being undertaken by them, and their colleagues, in terms of speaking up for Sheffield in connection with what was one of the biggest changes to local government funding for a very long time; and
- (c) requests Laurie Brennan and Mike Thomas to attend a future

meeting of the Committee, in around six months' time, to report on any future developments with regard to the changes to the Business Rate system.

**7. ROYAL SOCIETY OF ARTS (RSA) - INCLUSIVE GROWTH COMMISSION - UPDATE**

7.1 The Committee received a report of the Director of Policy, Performance and Communications providing a brief update on the interim report published by the Inclusive Growth Commission of the Royal Society of Arts (RSA) in September 2016.

7.2 In attendance for this item was Laurie Brennan, Policy and Improvement Manager.

7.3 The report set out information on the background to the RSA City Growth Commission, the key findings of the Commission's interim report, the recommendations emerging from the report and details of current activity.

7.4 RESOLVED: That the Committee:-

- (a) notes the contents of the report now submitted; and
- (b) requests that a report providing a further update on the RSA City Growth Commission be submitted to a future meeting.

**8. DRAFT WORK PROGRAMME 2016/17**

8.1 The Policy and Improvement Officer (Alice Nicholson) submitted a report attaching the Committee's draft Work Programme for 2016/17.

8.2 Ms Nicholson referred to a number of suggested changes to the Programme, including moving consideration of the item on Sheffield Trees and Woodland Strategy from the meeting in November 2016, to the meeting in January 2017, and having the item on Protecting Sheffield from Flooding as the only main item on the agenda for the meeting in November 2016.

8.3 Members of the Committee also raised suggestions, including the need to receive reports/updates on the Chinese Investment Deal, the New Retail Quarter and the changes to the Business Rate system.

8.4 RESOLVED: That the Committee:-

- (a) notes the contents of the report now submitted, together with the comments now made; and
- (b) subject to the amendments and suggestions now reported, which the Policy and Improvement Officer, in consultation with the Chair, would look to incorporate, approves the draft Work Programme for 2016/17 now

submitted.

**9. DATE OF NEXT MEETING**

- 9.1 It was noted that the next meeting of the Committee would be held on Wednesday, 30<sup>th</sup> November 2016, at 5.00 pm, in the Town Hall.