

BUSINESS RATES RETENTION PILOT 2019/20

Cabinet - 13 September 2018

Report of	Chief Finance Officer
Status	For Decision
Also considered by	Finance Advisory Committee - 4 September 2018
Key Decision	No

Executive Summary:

Members will recall that this Council is participating in the Kent and Medway 100% Business Rates Retention Pilot scheme for 2018/19 following a successful bid.

The Ministry of Housing, Communities and Local Government (MHCLG) have now invited local authorities to participate in a pilot of 75% Business Rates Retention in 2019/20.

The submission deadline is 25 September 2018.

Portfolio Holder	Cllr. John Scholey
Contact Officers	Adrian Rowbotham, Ext. 7153 Alan Mitchell, Ext. 7483

Recommendation to Finance Advisory Committee:

That the recommendation below to Cabinet, be endorsed.

Recommendation to Cabinet:

If a Kent and Medway pilot for 2019/20 is proposed, authority is delegated to the Finance Portfolio Holder, in consultation with the Leader, to decide whether this council should participate.

Introduction and Background

- 1 There has been a commitment from central government to introduce 100% Business Rates Retention since before the 2015 General Election. The former Department for Communities and Local Government (DCLG) invited local authorities to participate in a pilot of Business Rates Retention in 2018/19. A Kent and Medway pilot bid was submitted including this council, which was agreed by Cabinet on 12 October 2017.

- 2 It was announced in the Local Government Finance Settlement that the Kent and Medway pilot bid was one of ten successful bids. This successful bid resulted in the Business Rates Retention amount in the 10-year budget for 2018/19 being increased from £2.15m (the safety net amount) to £2.7m based on the Kent-wide modelling exercise. The actual amount retained will depend on Business Rates collection levels across the county during the year but current forecasts estimate that this council will retain in excess of £2.7m.
- 3 As part of the 2018/19 pilot, it was agreed that 70% of the additional Business Rates retained would be allocated directly to local authorities and 30% would be put in to Housing and Commercial Growth Funds. One of these funds is the West Kent Cluster consisting of Tonbridge and Malling BC, Tunbridge Wells BC and Sevenoaks DC. Officers are working across the authorities to ensure that these funds are spent in the most beneficial way.
- 4 The Ministry of Housing, Communities and Local Government (MHCLG) has now invited local authorities to participate in a pilot of 75% Business Rates Retention in 2019/20.
- 5 Pilot areas that were successful in 2018/19 have been invited to apply as well as those areas that were not successful or did not apply. The MHCLG's prospectus is included at Appendix A.
- 6 The Kent Finance Officers Group have started work on a pilot bid that will ultimately be presented to the Kent Council Leaders Group ahead of the deadline for submission on 25 September 2018.

Rewards

- 7 The 2018/19 100% pilot is currently forecast to be very successful and deliver a clear financial benefit to the area as a whole in excess of the £24.7m estimated when the bid was constructed.
- 8 This benefit represents Business Rates income that would otherwise have gone to central government. This council currently collects £34m of Business Rates per annum.
- 9 The 2019/20 pilot is for 75% rather than 100% Business Rates Retention, as it is for 2018/19, therefore the rewards are expected to be less.
- 10 At this stage it is expected that it would still be beneficial to be in a pilot for 2019/20 but further modelling will be carried out prior to a decision being required.

Risks

- 11 Participation in a pilot involves bearing the cost of any negative growth amongst pool members, subject to an overall pilot safety net of 95% of baseline business rates income. The MHCLG has stated that there will not be

a 'no detriment' clause, therefore it would technically be possible for a local authority to retain less business rates than if they were not in a pilot.

Application Process

- 12 Time is of the essence, as an application must be submitted by 25 September. Discussions are continuing across the county and an update will be provided at the meeting.
- 13 Maidstone Borough Council administers the existing Business Rates pilot. In the interests of continuity, Maidstone have indicated that they are willing and able to take on the role as lead authority.

Key Implications

Financial

It is expected that being part of a Business Rates Pilot in 2018/19 will have significant financial benefits to this council. Even though a pilot in 2019/20 will be based on 75% Business Rates Retention rather than 100%, it is still expected that this will be beneficial to this council.

Further financial modelling will be carried out and considered before a decision is made to participate in a pilot for 2019/20.

Legal Implications and Risk Assessment Statement.

To be accepted as a pilot for 2019/20, agreement must be secured locally from all relevant authorities to be designated as a pilot for 2019/20 (in accordance with Part 9 of Schedule 7B to the Local Government Finance Act 1988) and to put in place local arrangements to pool their additional business rates income.

The risks are included in the body of the report.

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Conclusions

A Business Rates Retention Pilot is expected to be financially beneficial to the county as a whole. However, discussions will continue prior to any submission being made by the deadline of 25 September 2018.

It is therefore recommended that authority be delegated to the Finance Portfolio Holder, in consultation with the Leader, to decide whether it would be beneficial for this council to participate in the 2019/20 pilot.

Appendices

Appendix A - MHCLG Invitation to Pilot 75%
Business Rates Retention in 2019/20

Background Papers

None

Adrian Rowbotham

Chief Finance Officer