

POLICY AND RESOURCES COMMITTEE

7th September
2016

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

Response to consultation on 100% Business Rates Retention

Final Decision-Maker	Policy and Resources Committee
Lead Head of Service	Director of Finance and Business Improvement
Lead Officer and Report Author	Director of Finance and Business Improvement
Classification	Public
Wards affected	All

This report makes the following recommendations to this Committee:

1. That the Committee welcomes the commitment to greater devolution implicit in 100% business rates retention, but wishes to ensure that additional responsibilities are properly funded and are linked to local authorities' role in driving economic growth.
2. That it agrees the draft response to the consultation document 'Self-Sufficient local government: 100% Business Rates Retention' as set out in Appendix 2.

This report relates to the following corporate priorities:

- Keeping Maidstone Borough an attractive place for all
- Securing a successful economy for Maidstone Borough

Timetable

Meeting	Date
Policy and Resources Committee	7 th September 2016
Deadline for submission consultation response.	26 th September 2016

Response to consultation on 100% Business Rates Retention

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 In September 2015 the then Chancellor of the Exchequer, George Osborne, announced that the government would allow local authorities to keep 100% of business rates income by 2020. A formal consultation on implementation of the proposals was launched in July this year. Appendix 2 to this report sets out the Council's proposed responses to the questions set out in the consultation document.

2. INTRODUCTION AND BACKGROUND

2.1 Business rates retention for local authorities was introduced by the Coalition government in 2013. The local government funding regime introduced at that time allowed local authorities to retain 50% of business rates, with the remainder passported to central government. The government's share was then recycled, principally in the form of Revenue Support Grant to local authorities.

2.2 The 2013 reform was part of a localism agenda. However, its practical impact was limited. The business rates multiplier continues to be set by central government and central government determines when revaluations are carried out (the next revaluation is due at the end of 2016/17). In addition, a system of tariffs and top-ups was implemented at the same time as business rates retention, such that authorities with relatively low business rates income did not lose out. Finally, a levy is payable to central government on business rates growth. As a result of all these constraints, the cash benefit of 50% business rates retention is limited for this Council. The following table shows the projected distribution of the £61 million worth of business rates due to be collected by Maidstone Borough Council in 2016/17:

	£m	%
Central Government - 50% share	30.5	50.0%
Central Government - Tariff	19.7	32.3%
Central Government - Levy	0.3	0.5%
Kent CC	5.7	9.3%
Maidstone BC	4.3	7.0%
Kent Fire	0.6	1.0%
	61.0	100.0%

2.3 The proposed system of 100% business rates retention will retain many of the same features as the system introduced in 2013. The multiplier will be set centrally and there will be measures to ensure equalisation between authorities similar to the current tariff arrangements.

- 2.4 An important new feature of the proposals on which consultation is now taking place is that additional functions will be delegated to local authorities. The driver for this change is only partly a commitment to 'localism'; there is also a financial driver. Because the additional 50% of business rates that central government will hand over to local government exceeds the amount now distributed as Revenue Support Grant, 100% business rates retention, per se, would put more money in the hands of local authorities and leave a funding gap at national level. Devolving more functions to local authorities provides a means of resolving this funding gap.
- 2.5 A menu of functions that could potentially be devolved to local government is set out on pages 18-19 of the consultation document. These are as follows.
- Revenue Support Grant
 - Rural Services Delivery Grant
 - Greater London Authority Transport Grant
 - Public Health Grant
 - Improved Better Care Fund
 - Independent Living Fund
 - Early Years
 - Youth Justice
 - Local Council Tax Support Administration Subsidy and Housing Benefit Pensioner Administration Subsidy
 - Attendance Allowance
- 2.6 There is not necessarily a logical fit between these functions and local government's specific areas of skills and experience. However, local authorities have demonstrated the flexibility and management competence to take on additional functions (such as, in recent years, public health); accordingly, with the exception of Attendance Allowance, the Local Government Association has expressed a willingness on behalf of local government to see its role expanded by taking on further functions.
- 2.7 It is recommended that the Council's response to the questions posed in the consultation is broadly consistent with that of the local government community as a whole. That is, that greater devolution is welcomed, but additional responsibilities need to be properly funded, and need to be linked to authorities' role in driving local economic growth.
- 2.8 Detailed responses to the questions are set out in Appendix 2.

3. AVAILABLE OPTIONS

3.1 The options are:

- Do nothing – do not submit a response to the consultation.
 - Submit a response to the consultation.
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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The preferred option is to respond to the consultation. A draft response to the consultation is set out at Appendix 2. In common with other consultations of this type, it is highly structured, with specific views requested in response to a number of detailed questions.
- 4.2 Consideration was given to submitting a joint response with other Kent District Councils. We are all likely to have similar concerns in relation to the proposals. However, it was concluded that there will be more benefit in submitting separate responses.
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5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 Given the relevance of the government's proposals to business, the Council has consulted the local business community on its response to the government. Meetings have been held with the Maidstone Economic Business Partnership and One Maidstone.
- 5.2 The main concern of businesses at these meetings was about the level of business rates. Accordingly, measures that could potentially increase rates still further, such as an infrastructure levy, were not welcomed. Businesses supported the Council in its stance about not taking on further responsibilities unless these are fully funded and there is a logical fit with the Council's other activities.
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6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 Subject to the Committee's agreement, a response will be submitted to the Department of Communities and Local Government by the due date of 26th September 2016.
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7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	Future funding arrangements for local government, including business rates retention, have a fundamental impact on the Council's ability to deliver to deliver its corporate priorities.	Director of Finance and Business Improvement
Risk Management	The overall availability of	Director of

	<p>funding for the Council's activities is a key corporate risk. It is mitigated by development of a Medium Term Financial Strategy that reflects the likely availability of funding.</p>	<p>Finance and Business Improvement</p>
<p>Financial</p>	<p>Future funding arrangements for local government, including business rates retention, are fundamental to the Council's financial position and will be reflected when developing the Medium Term Financial Strategy and annual budgets.</p>	<p>Director of Finance and Business Improvement</p>
<p>Staffing</p>	<p>No specific implications identified at this stage.</p>	<p>Director of Finance and Business Improvement</p>
<p>Legal</p>	<p>The Council has a statutory obligation to set a balanced budget and will therefore have to operate within the new legislative framework to be put in place for 100% business rates retention.</p>	<p>Director of Finance and Business Improvement</p>
<p>Equality Impact Needs Assessment</p>	<p>No specific implications identified at this stage.</p>	<p>Director of Finance and Business Improvement</p>
<p>Environmental/Sustainable Development</p>	<p>No specific implications identified at this stage.</p>	<p>Director of Finance and Business Improvement</p>
<p>Community Safety</p>	<p>No specific implications identified at this stage.</p>	<p>Director of Finance and Business Improvement</p>
<p>Human Rights Act</p>	<p>No specific implications identified at this stage.</p>	<p>Director of Finance and Business Improvement</p>
<p>Procurement</p>	<p>No specific implications identified at this stage.</p>	<p>Director of Finance and Business Improvement</p>
<p>Asset Management</p>	<p>The Council is affected by business rates both as the</p>	<p>Director of Finance and</p>

	collecting authority and as an occupier of premises in the Borough.	Business Improvement
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8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix 1: Consultation Document - Self-sufficient local government: 100% Business Rates Retention
- Appendix 2: Draft response to consultation
- Appendix 3: Glossary of terms

9. BACKGROUND PAPERS

None.

APPENDIX 1

CONSULTATION DOCUMENT

SELF-SUFFICIENT LOCAL GOVERNMENT: 100% BUSINESS RATES RETENTION