

**Business Rates Retention Pilot 2019/20**

<b>Final Decision-Maker</b>	Council
<b>Lead Head of Service</b>	Director of Finance and Business Improvement
<b>Lead Officer and Report Author</b>	Director of Finance and Business Improvement
<b>Classification</b>	Public
<b>Wards affected</b>	All

**Executive Summary**

Following two years of piloting the extension of business rates retention, the government has now invited applications for further pilots in 2019/20. Maidstone Borough Council is part of the Kent & Medway Pilot in the current financial year. The new pilot will involve 75% Business Rates Retention, rather than 100% as with the current Pilot.

Along with its fellow Pilot members, the Council will need to re-apply if it wishes to be considered for pilot status in 2019/20. This report recommends that authority is delegated to the Director of Finance and Business Improvement, in consultation with the Chairman of the Policy and Resources Committee, to sign off a joint proposal for pilot status.

**This report makes the following recommendations to this Committee:**

That delegated authority is granted to the Director of Finance and Business Improvement, in consultation with the Chairman of the Policy and Resources Committee, to sign off a joint Kent proposal for a 75% Business Rates Pilot, together with the associated governance arrangements, on behalf of Maidstone Borough Council.

**Timetable**

<b>Meeting</b>	<b>Date</b>
Policy and Resources Committee	19 September 2018

# Business Rates Retention Pilot 2019/20

## 1. INTRODUCTION AND BACKGROUND

- 1.1 The Government plans to extend business rates retention following the end of the current four year local authority funding settlement in 2020. Originally it planned to move from the current 50% level of business rates retention by local authorities to 100%, but this would have required primary legislation, which cannot now be accommodated within the parliamentary timetable. However, it still plans to introduce 75% business rates retention.
  - 1.2 Last year, the Department for Communities and Local Government invited local authorities to participate in a pilot of 100% Business Rates Retention in 2018/19. Kent County Council, Medway Council, and all twelve districts within the Kent county area were successful in an application to become a pilot area. This meant that the Government has allowed 100% of business rates growth to be retained within the local area. The consequent financial gain across the whole area was originally estimated to be £24.7 million, to be split between a Financial Sustainability Fund and a Housing and Commercial Growth Fund.
  - 1.3 Maidstone's share of the Financial Sustainability Fund(FSF) was estimated as being £640,000. This Committee has approved projects to be funded using this money and is receiving regular reports on progress with these projects.
  - 1.4 The Government has now invited applications for further pilots in 2019/20. The new pilots will offer 75% business rates retention, rather than 100% as with the current pilot. There is no guarantee that Kent & Medway will continue to be a pilot in 2019/20, so it is important that a persuasive and well-written bid is submitted again.
  - 1.5 Assuming no changes to the original assumptions about business rates growth, and no changes to the governance of a business rates retention pilot, the proceeds from participation in a further pilot would be £320,000, given the reduction from 100% retention to 75%. In practice, business rates income, both in Maidstone and across Kent as a whole, is currently higher than the level projected when the original pilot application was submitted, but this does not necessarily guarantee that this will be the case in 2019/20.
  - 1.5 Initial discussions have taken place between Kent Leaders and Chief Executives about submitting a bid to become a pilot again in 2019/20 and a submission is currently in preparation.
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## **2. AVAILABLE OPTIONS**

- 2.1 Do nothing.
  - 2.2 Take part in a joint application to pilot 75% business rates retention.
  - 2.3 Submit a single authority application.
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## **3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 3.1 The preferred option is to take part in a joint application. Kent & Medway authorities were successful with a joint application last year. Any new pilot application will need to build on all the strengths of the previous one to have any chance of success.
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## **4. RISK**

- 4.1 The main risk associated with participation in a Business Rates Retention pilot is that business rates income, rather than growing, actually falls. Business rates income in Kent and Medway for the current year is projected to be around 5% above the baseline. The risk that this could reverse within a year would appear to be low.
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## **5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 5.1 Members are familiar with the concept of the Business Rates Retention Pilot and have supported Maidstone's participation in 2017/18.
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## **6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 6.1 The deadline for submitting a proposal for a pilot is Tuesday 25<sup>th</sup> September 2018. If Policy and Resources Committee agrees the recommendations set out in this report, the Director of Finance and Business Improvement will liaise with other Kent Finance Officers to finalise and submit a proposal.
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## 7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	The Medium Term Financial Strategy sets out the financial challenges facing the Council. Under the circumstances it is appropriate to embrace opportunities such as that described in this report.	Section 151 Officer & Finance Team
<b>Risk Management</b>	Covered in section 4 above.	Section 151 Officer & Finance Team
<b>Financial</b>	The potential financial benefits from participating in a 100% Business Rates Retention pilot are set out in the report.	Section 151 Officer & Finance Team
<b>Staffing</b>	None.	Section 151 Officer & Finance Team
<b>Legal</b>	Existing enabling legislation allows pilot business rates retention schemes to be introduced.	Section 151 Officer & Finance Team
<b>Privacy and Data Protection</b>	None.	Section 151 Officer & Finance Team
<b>Equalities</b>	None.	Section 151 Officer & Finance Team
<b>Community Safety</b>	None.	Section 151 Officer & Finance Team
<b>Crime and Disorder</b>	None.	Section 151 Officer & Finance Team
<b>Procurement</b>	None.	Section 151 Officer & Finance

**8. REPORT APPENDICES**

None.

**9. BACKGROUND PAPERS**

None.