

<b>Cabinet Meeting</b>		<b>Agenda Item: 11</b>
<b>Meeting Date</b>	4 October 2017	
<b>Report Title</b>	Business Rate Localisation Pilot	
<b>Cabinet Member</b>	Cllr Duncan Dewar-Whalley, Cabinet Member for Finance & Performance	
<b>SMT Lead</b>	Nick Vickers, Chief Financial Officer	
<b>Head of Service</b>	Nick Vickers, Chief Financial Officer	
<b>Lead Officer</b>	Phil Wilson, Financial Services Manager	
<b>Key Decision</b>	No	
<b>Classification</b>	Open	
<b>Forward Plan</b>	<b>Reference number:</b>	
<b>Recommendations</b>	1. To delegate responsibility to the Chief Financial Officer in consultation with the Leader and Cabinet Member for Finance & Performance to determine whether the Council should participate in a bid to be a pilot for the full localisation of business rates in 2018/19.	

## **1 Purpose of Report and Executive Summary**

- 1.1 The Government has invited Councils to submit bids to be pilots for the full localisation of business rates in 2018/19. A decision has to be taken by 27 October and this report seeks a delegation to allow the Council to decide to participate depending upon the work to be undertaken over the next few weeks and the views of all Kent Councils.
- 1.2 The issue was discussed at the Kent Chief Executives Group and Kent Finance Officers in the week beginning 10 September and will be discussed by Kent Leaders on 28 September.

## **2 Background**

- 2.1 Whilst the Government has postponed the full localisation of business rates it undertook a small number of pilots in 2017/18. The full localisation would have seen the removal of many Government grants to local authorities and the allocation of additional responsibilities to reflect the fact that the value of the localised business rates was greater than the value of the grants removed. The pilots appear to have additional funding allocated to them to incentivise participation.

2.2 The DCLG invitation is for:

- (1) The additional 2018/19 pilot programme that will last for one year only;
- (2) Successful bids will be announced before or alongside draft local government finance settlement;
- (3) The deadline for proposals for new pilots must be sent to DCLG on or before 27 October 2017.
- (4) Applications should cover functional economic areas ie in Kent's case the County, Unitary and District Councils.

2.3 Key issues outlined in the prospectus include:

- (1) A key objective of a Pilot would be to promote financial sustainability and coherent decision making across functional economic areas and use some of the additional retained income invested to encourage further growth;
- (2) The government cannot designate a pool without explicit approval from the constituent local authorities;
- (3) A key issue in two tier areas will be the proposed approach to splitting/sharing the additional growth;
- (4) The 'no detriment' clause applied to 2017/18 Pilots may or may not apply for 2018/19 Pilots, and the government wishes authorities to identify if they would proceed with an application in the absence of the 'no detriment' clause;
- (5) There will be a Safety Net set at 97%, and this will apply pilot wide and not to individual authorities; and no levy will be paid;
- (6) There may have to be a limit to the number of Pilots agreed. Therefore the process may be competitive.

2.4 The current business rates system is extremely complex and the pilot would be much simpler with the Councils retaining the levy currently paid to the Government and all growth above the baseline. Kent Finance Officers commissioned LG Futures to undertake some initial financial modelling and the financial gains for this Council were the largest of any of the District Councils reflecting the strong business growth in the area. However, any benefit would need to be redistributed to incentivise those Councils with flat line or diminishing business rates growth to participate and there is also a major issue over the split of any gain between the tiers of Councils.

### **3 Proposals**

- 3.1 Timescales are extremely short to make a decision and the likelihood is that it will not be possible to get all the Kent Councils to agree. Nonetheless it is proposed that a delegation is given to allow the Council to participate if subsequent works shows that there is a very clear benefit in doing so.

### **4 Alternative Options**

- 4.1 The Council does not have to participate.

### **5 Consultation Undertaken or Proposed**

- 5.1 Consultation with the other Kent Councils is ongoing.

### **6 Implications**

<b>Issue</b>	<b>Implications</b>
Corporate Plan	Increasing the resources available to the Council will support the achievement of the Council's priorities.
Financial, Resource and Property	The Council would only participate if this generates additional revenue.
Legal and Statutory	None identified at this stage.
Crime and Disorder	None identified at this stage.
Environmental Sustainability	None identified at this stage.
Health and Wellbeing	None identified at this stage.
Risk Management and Health and Safety	None identified at this stage.
Equality and Diversity	None identified at this stage.
Privacy and Data Protection	None identified at this stage.

**7 Appendices**

None

**8 Background Papers**

None