

# TONBRIDGE & MALLING BOROUGH COUNCIL

## CABINET

8 October 2014

### Report of the Director of Finance and Transformation

#### Part 1- Public

#### Executive Non Key Decisions

#### 1 BUSINESS RATE POOLING

**This report requests that delegated authority be given to the Director of Finance & Transformation and the Director of Central Services & Monitoring Officer, in liaison with the Leader of the Council and the Cabinet Member for Finance, Innovation and Property, to determine whether Tonbridge & Malling Borough Council, if given the opportunity to do so, should be included within a Kent business rates pool for 2015/16.**

#### 1.1 Introduction

1.1.1 At the meeting of the Finance, Innovation & Property Advisory Board on 24 September, Members' attention was drawn to the Department for Communities and Local Government's (DCLG) business rates retention scheme pooling prospectus (minute 14/57 refers).

1.1.2 As Members were advised, a pool for 2014/15 presently exists within Kent, containing only Kent County Council and Maidstone Borough Council. Consideration is being given to whether the pool should be expanded and, accordingly, applications need to be made by 31 October 2014 to the DCLG including details of membership and governance arrangements.

1.1.3 Work is currently being carried out by Kent Finance Officers to establish the position of each authority and whether it would be advantageous for them to be included in the pool. Unfortunately it is unlikely that the work will be concluded before the date of Cabinet.

#### 1.2 Way Forward

1.2.1 Until we have completed our projections of the likely business rate position for 2015/16, it is unclear at this point whether it would be advantageous for TMBC to be part of the pool.

1.2.2 However, given that there are, potentially, additional financial benefits to be gained from being in a pool in the event that we find ourselves in a 'net growth' situation, I would like to 'keep our options open' for as long as possible. It is important to recognise that, even if we were to put ourselves forward as a

potential partner in the pool, it may be (collectively) decided that it would not be the right way forward to include TMBC in the pool. In other words, the final decision may not be in our hands.

- 1.2.3 In order to keep our options open, the purpose of this report is to request that delegated authority be given to myself and the Director of Central Services & Monitoring Officer, in liaison with the Leader of the Council and the Cabinet Member for Finance, Innovation and Property, to:
- 1) determine whether it is appropriate to put TMBC forward as a potential partner for the business rates pool in 2015/16 based on the financial data collated in liaison with other Kent Local Authorities; and
  - 2) If TMBC is offered an opportunity to participate, determine whether the offer should be accepted and name TMBC in the application to DCLG by the deadline of 31 October 2014.

- 1.2.4 Members will note that details of membership and governance will not be able to be concluded until the final 'shortlist' of participants is confirmed. In determining whether TMBC should be included in the application to DCLG, delegated authority needs to be given to myself and the Director of Central Services & Monitoring Officer, in liaison with the Leader of the Council and the Cabinet Member for Finance, Innovation and Property, to agree those details.

### **1.3 Legal Implications**

- 1.3.1 The pool's governance arrangements would form a memorandum of understanding that would set limits on risk, reward, entry and exit from the pool and the use of the surplus generated by the pool. The agreement must be acceptable for all members who wish to enter the pool. The report recommends that agreement to the final governance arrangements be delegated to the Director of Finance & Transformation and the Director of Central Services & Monitoring Officer, in liaison with the Leader of the Council and the Cabinet Member for Finance, Innovation and Property.

### **1.4 Financial and Value for Money Considerations**

- 1.4.1 Like all other districts within Kent, TMBC is a "tariff authority" and pays the maximum levy at 50% of the local share of all business rate growth. Conversely, Kent County Council, Kent & Medway Fire & Rescue Authority and Medway Council are all 'top up' authorities.
- 1.4.2 By combining into a 'pool' with the right mix of authorities within Kent, there is potential to maximise the retention of business rate growth within both TMBC and Kent (should growth occur).

## 1.5 Risk Assessment

- 1.5.1 Pooling transfers both reward and risk to the participants of the pool.
- 1.5.2 If all authorities in the pool performed on or above the baseline, 100% of business rate growth would be retained within Kent rather than being shared with central government.
- 1.5.3 The key risk from inclusion in a pool is the possibility that the districts within the pool will not deliver the levels of growth that they had projected. In particular, if one or more authorities suffer reductions in business rate income that takes them below the safety net, rather than the government being required to provide any shortfall outside of the safety net, the risk is transferred to the authorities in the pool.
- 1.5.4 It is important, therefore, that there is a sufficient level of confidence in the business rates forecasts projected by all participants.

## 1.6 Equality Impact Assessment

- 1.6.1 See 'Screening for equality impacts' table at end of report

## 1.7 Recommendations

- 1.7.1 It is **RECOMMENDED** that delegated authority be given to the Director of Finance & Transformation and the Director of Central Services & Monitoring Officer, in liaison with the Leader of the Council and the Cabinet Member for Finance, Innovation and Property, to :
- 1) determine whether it is appropriate to put TMBC forward as a potential partner for the business rates pool in 2015/16 based on the financial data collated in liaison with other Kent Local Authorities;
  - 2) determine whether any subsequent offer (if any) to participate in the pool should be accepted;
  - 3) subject to (2) above, accordingly agree whether to name TMBC in the application to DCLG by the deadline of 31 October 2014; and
  - 4) subject to (3) above, agree the final governance arrangements for the operation of the pool.

Background papers:

contact: Sharon Shelton

Nil

Sharon Shelton  
Director of Finance & Transformation

<b>Screening for equality impacts:</b>		
<b>Question</b>	<b>Answer</b>	<b>Explanation of impacts</b>
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	No	
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	N/A	
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		

*In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.*