

BUSINESS RATES POOLING 2023/24

Business Rates Pool - Background

Under the national business rates retention scheme, local authorities are able to come together, on a voluntary basis, to pool their business rates, giving them scope to generate additional growth through collaborative effort and to smooth the impact of volatility in rates income across a wider economic area.

A core principle of pooling is that it is voluntary and local authorities establish a pool if pooling is a benefit to them. There is both risk and reward with pooling. Reward in that, if additional rates income achieved is above the baseline set for a local authority, there is the potential (dependent upon the pool composition) to pay a lower levy, if not no levy on the additional income to central government. However, the risk is that if the income achieved is less than baseline, the pool itself becomes responsible for managing the impact of that loss of income and there is no recourse to national government.

TMBC initially entered a Kent Pool, but in 2015 the largest ratepayer in the borough - Aylesford Newsprint - went into administration and consequently TMBC fell below baseline and therefore went into what is known as “safety net”. Since then, we have seen a steady recovery in business rates within TMBC and are now at the point of being on or around our baseline. Nevertheless in collaboration with other partners we exited the Kent pool as TMBC’s membership was not in Kent’s interests.

The emergence of Panattoni Park on the former Newsprint site is however now significantly changing this picture. TMBC has the potential to achieve business rates income well above its current baseline. However, because it is not in the Kent Pool, 50% of the additional income would need to be shared with central government in the form of a levy.

If TMBC were to be able to re-join the pool, it would have the opportunity to keep a greater proportion of that income, as well as establish a “growth fund” with Kent County Council which could be spent in our area (in agreement with KCC).

Therefore, there are significant advantages in re-joining the pool. The decision about whether TMBC can re-join is a collective one; and would be informed by the Pool assessing the income each partner could bring for the benefit of Kent as a whole.

Each year, DLUHC invites authorities to put forward proposals for pools. This could be rolling over an existing pool, terminating a pool and simply not resubmitting; or putting forward proposals to change the composition of an existing pool. In the case of the latter, effectively an existing pool is revoked and a new one is proposed.

A “bid” was made for TMBC to re-join the Kent pool with effect from 1/4/23 . After assessing the position, **the partners have agreed to make a proposal to the Secretary of State to revoke the existing Kent Pool and submit a new proposal including TMBC.** The other Pool partners are:

- Kent County Council
- Kent & Medway Fire & Rescue
- Ashford
- Dartford
- Folkestone & Hythe
- Gravesham

- Maidstone
- Swale
- Thanet
- Tunbridge Wells

The submission must be made to the Secretary of State by no later than 7 October 2022.

Panattoni Park

Panattoni Park is due be occupied within the next 12 to 18 months.

Based on the information gleaned from other Business Parks owned by the Company elsewhere in the country, we believe the rateable value of the entire site could be between £6m and £13m with a mid-range estimate of £9m. Based upon the current rate in the £ on RV of around 50p, this equates to increased business rates income of between £3m to £6.5m and a mid-range of £4.5m.

2023/24 Income

Whilst it is impossible to predict exactly when occupation will occur, we have assumed for the purposes of our own projections and estimates that several properties will commence occupation during 2023/24.

This would result in a **low to mid-range estimate** of TMBC being above its baseline by between £700k to £900k. This would deliver retained income of between £350k to £450k were we **not re-admitted to the pool**, compared to £560k and £720k including the growth fund element (which is spent in collaboration with KCC) were we to be **re-admitted to the pool**. The benefit of being in the pool is therefore an additional benefit of somewhere between £210k to £270k for the borough.

2024/25 Income

By April 2024 the Park is expected to be fully occupied.

Using the low to mid-range estimates, TMBC would be above its current baseline level by between £1.2m and £1.8m. This would deliver increased business rates income of between £600k and £900k were we not re-admitted to the pool compared to £960k and £1.4m if our re-admittance was approved by the existing Pool Members. As with 2023/24 the Pool figures include the shared growth fund which has to be spent in collaboration with KCC for approved projects.

Upper Range Estimates

The figures supplied above show our low to mid-range estimates. As Members are aware, the Rateable Values set are out of our control as they are determined by the Valuation Office.

When using the Rateable Values for the other Panattoni sites, all of these are located the Midlands and these values could be lower when compared to similar type properties in Kent and the South East.

In the event that the upper range estimate was realised, the Council's business rates income for 2024/25 onwards could be £2.8m above its current baseline, giving retained income of between £1.3m and £2.1m dependent on our pool status.

This of course does not take account of any changes that may be made to the Business Rates Retention Scheme by central government in the future. At some point in the future, the Business Rates baselines will be reset for all authorities and any additional growth that had occurred in the

period since the original baseline setting will effectively be “absorbed” into any new baseline. Therefore, it is important to remember that this additional income will not be TMBC’s in perpetuity and will effectively be a windfall for however long we can manage to hold onto it.

Nevertheless in the interests of all taxpayers in the borough, it is important that we maximise the receipts as much as we can, and for as long as we can.

Decision Making

This is a matter outside of the budget and policy framework and falls to Full Council. However, given the imminent deadline of 7 October, we are unable to convene a meeting of Council in this timeframe. Therefore, under the Council’s Constitution, I am asking that an urgent decision is taken. Extract from the Constitution (Part 4 Rules para 4 page 195).

Urgent Decisions outside the Budget or Policy Framework

(a) The Executive or officers discharging executive functions may take a decision which is contrary to the Council’s policy framework or contrary to or not wholly in accordance with the budget approved by full Council if the decision is a matter of urgency. However, the decision may only be taken:

- (i) if it is not practical to convene a quorate meeting of the full Council; and
- (ii) if the Chair of the Overview and Scrutiny Committee agrees that the decision is a matter of urgency.

The reasons why it is not practical to convene a quorate meeting of full Council and the Chair of the Overview and Scrutiny Committee’s consent to the decision being taken as a matter of urgency must be noted on the record of the decision. In the absence of the Chair of the Overview and Scrutiny Committee the consent of the Mayor, and in the absence of both the Deputy Mayor, will be sufficient.

(b) Following the decision, the decision taker will provide a full report to the next appropriate Council meeting explaining the decision, the reasons for it and why the decision was treated as a matter of urgency.

It is therefore RECOMMENDED that: TMBC joins the Kent Business Rates Pool with effect from 1 April 2023, and that the lead authority (Maidstone) be advised accordingly so that submission can be made to the Secretary of State by the deadline of 7 October 2022.

Sharon Shelton

Director of Finance & Transformation