TONBRIDGE & MALLING BOROUGH COUNCIL

COUNCIL

25 October 2022

Report of the Director of Finance and Transformation

Part 1- Public

Matters For Information

1 KENT BUSINESS RATES POOL

This report informs Members of an urgent decision, D220009URG, dated 3 October 2022 taken as a departure from the Council's adopted Budget and Policy Framework and in accordance with paragraph 4 of the Budget and Policy Framework Procedure Rules.

1.1 Business Rates Pool - Background

1.1.1 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.

1.1.2 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(or even 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.

1.1.3 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.

1.1.4 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.

1.1.5 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).

1.1.6 Therefore, there is significant advantage in re-joining the pool. The decision about whether TMBC could 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.

1.1.7 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.

1.1.8 A “bid” was made for TMBC to re-join the Kent pool with effect from 1 April 2023. 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

1.1.9 The submission had to be made to the Secretary of State by no later than 7 October 2022 and this was done by the Pool Administering Authority, Maidstone Borough Council on 6 October. We now await a response from the Secretary of State.

1.2 Panattoni Park

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

1.2.2 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 Potential Income

1.2.3 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.

1.2.4 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 Potential Income

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

1.2.6 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

1.2.7 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.

1.2.8 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.

1.2.9 In the event that the upper range estimate was realised, the Council's business rates income for 2024/25 onwards could be £2.6m above its current baseline, giving retained income of between £1.3m and £2.1m dependent on our pool status.

1.3 Potential Changes to Business Rates

1.3.1 There is of course a potential that Central Government makes changes to the Business Rates Retention Scheme which could see adjustments to Business Rates baselines which will in any event be reset for all authorities at yet to be

defined intervals where any additional growth that had occurred in the period since the reset will effectively be “absorbed” into the new baseline other than any growth that might be allowed to be kept indefinitely. Therefore, it is important to remember that this additional income may not remain ‘in perpetuity’ and may therefore be effectively a windfall for a period of time.

1.3.2 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.

1.4 Legal Implications

1.4.1 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 were unable to convene a meeting of Council in this timeframe. Therefore, I requested that an urgent decision was taken under the Council’s Constitution Part 4, Rules para 4 page 195.

1.5 Financial and Value for Money Considerations

1.5.1 The Council will see an increase in income under the pooling regime as explained above until the Government makes changes to the current arrangements.

1.6 Risk Assessment

1.6.1 As the rateable values for buildings are set by the Government Valuation Office there is a risk that the Rateable value for the Panettoni Site could vary to a material degree. In preparing the estimates we have assessed the risk buy setting a low, mid and high range for the rateable value and the income has been assessed on this basis.

1.6.2 Confirmation from the Secretary of State that the pool submission has been approved is awaited.

1.7 Policy Considerations

1.7.1 Community

Background papers:

Decision Notice - D220009URG dated 3 October 2022 and associated papers

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