

CABINET

6 SEPTEMBER 2016

GOVERNMENT CONSULTATION: 100% BUSINESS RATES RETENTION ADDENDUM REPORT

Portfolio Holders: Councillor Alan Jarrett, Leader
Councillor Rupert Turpin, Business Management

Report from/Author: Phil Watts, Chief Finance Officer
Michael Turner, Democratic Services Officer

Summary

This addendum report sets out the comments of the Business Support Overview and Scrutiny Committee, following their consideration of this matter on 26 August 2016.

1. Background

1.1. The Chief Finance Officer introduced this report which advised that on 1 July 2016 the Government had commenced consultation on proposals for local authorities and their preceptors to retain 100% of the business rates collected, in return for the cessation of central grant support to local government. The report sought the Committee's views on the Council's response to these proposals and the 36 questions asked by Government prior to consideration by Cabinet on 6 September, where a final response to the consultation would be agreed.

1.2. Members made the following comments in relation to the proposed response:

1.3 *Question 1: Which of the grants and responsibilities identified at Appendix 2 do you think are the best candidates to be funded from retained business rates?*

A Member argued strongly that public health funding should continue as a ring fenced grant in order that the positive work so far in Medway on public health would continue and was not lost. Reference was also made to the possible devolution of responsibility for attendance allowance and the point was made that, should this happen, then the Council needed to learn lessons from how Local Welfare Provision had been dealt with.

- 1.4 *Question 4: Do you have views on whether some or all of the commitments in existing and future deals could be funded through retained business rates?*

A Member asked for clarification in relation to what tax raising powers were being referred to in the proposed response. The Chief Finance Officer responded that this was primarily a reference to business rates and the rationale was that devolution deals at present came with additional funding but if they were to be funded through 100% business rates retention then the Council would need some flexibility to raise taxes in order to meet commitments.

- 1.5 *Question 8: Having regard to the balance between rewarding growth and protecting authorities with declining resources, how would you like to see a partial reset work?*

A Member emphasised that this issue was of critical importance in terms of the whole concept of 100% business rates retention. The Council had no control over large businesses closing down or relocating out of the area. Therefore with the move to 100% business rates retention, this was the biggest risk facing local government finance in decades. A Member asked that Cabinet make this point more robustly in order to emphasise this issue in its response to Government.

- 1.6 *Question 11: Should Mayoral Combined Authority areas have the opportunity to be given additional powers and incentives, as set out above?*

There was support for the position expressed in the proposed response that elected mayors should not be given additional powers. It was argued that if there was no appetite locally for an elected mayor then a council should still have the maximum powers available to a local government body. Whilst this point was made in the proposed response it was felt it should be further emphasised.

The point was also made that there was a difference of opinion amongst Members of the Council regarding combined authorities, with some Members opposed under any circumstances and others prepared to consider the idea if it meant Medway received additional resources.

- 1.7 On a more general point, a Member referred to the risk management section in the report and argued that there needed to be a reference to the need to focus on increasing income streams as a risk mitigation measure. The Chief Finance Officer undertook to look at ensuring the corporate risk register was more reflective of the risks and mitigations.
- 1.8 The Committee agreed to recommend to Cabinet the proposed response to the consultation, as laid out at Appendix 1, and ask Cabinet to consider the Committee's comments, as set out above, when agreeing the final response to Government.

2. Chief Finance Officer's comments

- 2.1 The Business Support Overview and Scrutiny Committee made a number of points in relation to the proposed response to the consultation exercise and the Cabinet is asked to consider their comments prior to making a final decision on the proposed response.
- 2.2 As referred to in paragraph 1.7 above, whilst reference to the risks has been made in the proposed response to this consultation, I will resolve to ensure that these are clearly articulated within the Council's corporate risk register and managed accordingly.

3. Recommendation

- 3.1 The Cabinet is asked to consider the comments of the Business Support Overview and Scrutiny Committee.

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