

Tracey Crouch MP



HOUSE OF COMMONS

LONDON SW1A 0AA

Kris Hopkins MP
Parliamentary Under Secretary
Department of Local Government & Communities
2 Marsham Street
London SW1P 4DF

24 March 2015

Dear Kris

Aylesford Newsprint

Thank you for taking the time to see me and representatives from Tonbridge & Malling Borough Council yesterday regarding the financial implications for the Council following the liquidation of Aylesford Newsprint (ANP), a 'unique' facility within the South East.

As I said at our meeting, in my experience Tonbridge & Malling Borough Council is exceptionally proactive and keen to engineer solutions to new challenges. Traditionally the Council does not 'sit back' looking to others to find answers. In particular the Council has a strong track record in facilitating the redevelopment of major brownfield sites which have led to numerous high quality schemes. I have been talking actively with the Council about potential future uses of the site (which covers an area of 100 acres) and we are collectively of the view that the options for the site present an exciting opportunity for investment and development. The Council is well progressed in the preparation of its next local plan and we would expect the ANP site to be brought forward for positive mixed use redevelopment within that context. The Council continues to work closely with its partners through the LEP including the County Council and although there are significant challenges with the site I have every confidence that, in time, we will see the beneficial regeneration of the area through innovative measures as we have seen elsewhere in Tonbridge and Malling.

However, despite all the efforts that I am confident the Council will devote to resolving this issue for the benefit of local taxpayers, it is very unlikely that a new development solution (whatever that may be) will be in place within the next five years. Experience shows that there will inevitably be significant lead-in time and preparatory work that will need to take place.

In the meantime the Council are very concerned about the financial impact the closure of ANP will have on them, and more importantly their council taxpayers, through the business rate retention model. I understand that the 'baselines' for business rate retention will not be reset until 2020, and therefore until that time the Council will be treated as though the potential business rate income from the ANP site is still collectable, when clearly it is not.

I understand that the Rateable Value of the main site is £3m (there are some smaller sites belonging to ANP which are rated separately) which, ordinarily, would generate business rate income of £1.479m. I understand the Council's share of this income (or loss, as it now is) would be 40% - £

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591,600 per annum – which is a significant sum. The main ANP site has the joint largest rateable value in the borough.

As a matter of interest, the other largest rateable value belongs to the incinerator (waste plant) which suffered an unexpected and major reduction in RV of some £760,000 during the financial year 2013/14. It is to the credit of the Council that, as the local MP, I did not even appreciate this fact – they simply took the ‘hit’ and tried to address the financial impact through other means. This new blow to their financial position is, however, a further and most serious one at a time when as a relatively small local authority the maintenance of good local services is under severe financial pressure.

I can vouch for the fact that the Council has been working hard to ‘grow’ business within the borough boundaries, but from what I understand it has been a case of one step forward and two steps back due to the fact that Valuation Appeals (including the Incinerator mentioned earlier), completely outside of the Council’s control, have completely wiped out any growth in the business rate base. I was interested to see a graphical representation of this (included in the briefing note which I handed to you yesterday) which clearly shows that even though the number of businesses have grown over the last five years, perversely the actual business rate income that can be collected has significantly fallen. As was mentioned by one of your officials yesterday, although the ‘gearing’ principles of the business rate retention model have worked very well for some councils, clearly the opposite has been the case for Tonbridge & Malling Borough Council which I feel is very unfortunate given the progressive stance the Council has always adopted.

I am assured that the Council will be responding to the latest consultation regarding the business rate retention model and I hope that the Council’s unfortunate experience can help to adapt and improve the model for the future. Nevertheless, I am concerned about the immediate financial impact on the Council and the council taxpayers in my constituency and across the Borough. We discussed two key issues yesterday:

The first was an immediate ‘cash flow’ issue, which was acknowledged by one of your officials. As I understand it, the Council will have to pay over to DCLG its share of the ANP business rate income on a monthly basis – money which clearly will not be collected and will need to come out of the council’s own balances, putting other council services at risk. I understand that roughly this equate to £62,000 per month. **As an immediate step, can the payment schedule to DCLG be amended to reflect the fact that the business rate income from ANP will not be collectable?**

The second point relates to the Council’s business rate baseline which I am told is part of the overall Settlement Funding Assessments for councils. The concern that the Council has is that their baseline will continue to carry the assumption that the ANP site is economically viable until either the site is regenerated, or the business rate retention ‘reset’ occurs in 2020. As I have expressed above, despite every effort that I know the Council will make to resolve this problem, I cannot envisage the site being economically viable and successfully redeveloped for some years due to the ‘issues’ on the site. Therefore, unless the baseline is amended, the Council will be in a safety net position until the reset occurs. In a nutshell, the Council and its taxpayers will be faced with funding the safety net threshold of currently £156,000 per annum (cumulatively over £800,000 until ‘reset’) and the Kent Business Rates Pool will need to cover the remaining loss. As mentioned at our meeting, the other partners in the Pool have acted very professionally in respect of this news regarding the loss of this significant ratepayer, but it cannot be taken as read that Tonbridge & Malling will continue to be part of the Pool until ‘reset’ occurs in 2020. As you may be aware, the issues with Manston Airport in the Thanet area could also prove to be a significant pressure for the Kent Pool in due course and, although I am not an expert in these matters, I might speculate that all these issues combined could

well instigate a review of the pooling arrangements. If this were to happen and TMBC were no longer part of a pooling arrangement, I am advised that the remaining 'loss' beyond the safety net would revert to government.

Taking all these matters into account, our second request is, therefore, that TMBC's baseline and tariff level be adjusted on an exceptional basis to reflect the loss of this significant and unique ratepayer.

I have taken the liberty of attaching a copy of the briefing paper which I handed to you yesterday and which sets out the key figures. I am certain that the Council will be pleased to talk to your officials about any of the issues contained in the paper and to clarify any points.

Once again, may I thank you for your time yesterday and I look forward to hearing from you.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Tracey', with a large, sweeping flourish above the first few letters.

TRACEY CROUCH MP