

# TONBRIDGE & MALLING BOROUGH COUNCIL

## CABINET

20 April 2016

### Report of the Director of Finance and Transformation

#### Part 1- Public

#### Matters for Information

##### **1      CHANCELLOR OF THE EXCHEQUER BUDGET 2016**

**This report highlights the main issues affecting local authorities contained within the Budget 2016 announcement. It also appends some information regarding the impact on small businesses in the borough.**

##### **1.1    Introduction**

- 1.1.1 The Chancellor of the Exchequer made his Budget 2016 announcement to the House of Commons on 16 March 2016.

##### **1.2    Overview**

- 1.2.1 Detailed below is an overview of the announcement, with emphasis on areas relevant to the public sector and more specifically local government.

##### *Government Spending*

- 1.2.2 The Chancellor has committed to a revised level of public spending with the aim of achieving a budget surplus of over £10bn by 2019/20.

- 1.2.3 Forecasts suggest that this will require a further £3.5bn of savings from public spending in 2019/20. What is unknown is how much of the additional savings required will fall on the Department for Communities and Local Government and, in turn, local authorities. It also brings into question how the recent offer of a multi-year settlement for the four-year period 2016/17 to 2019/20 is to work as a result.

- 1.2.4 The Chancellor also announced a reduction to the public service pension scheme discount rate which will increase the contributions employers pay to the schemes from 2019/20 onwards.

##### *Business Rates*

- 1.2.5 There will be a number of changes to business rates. The main changes are:

- 1) From April 2017 permanently doubling Small Business Rate Relief (SBRR) from 50% to 100%. Local authorities currently receive a grant to make up for the lost revenue (as their NDR Baseline assumed the relief would only be at 50%).
  - 2) From April 2017 increasing the thresholds to benefit a greater number of businesses. Businesses with a property with a rateable value (RV) of £12,000 and below will receive 100% relief. Businesses with a property with a RV between £12,000 and £15,000 will receive tapered relief.
  - 3) From April 2017 increasing the threshold for the standard business rates multiplier from an RV of £18,000 to a RV of £51,000.
  - 4) From April 2020 indexation of business rates will switch from RPI to CPI.
- 1.2.6 Clearly, this is good news for businesses in the area, and in particular small businesses. Whilst we have not yet received the detailed regulations in respect of the 2017 changes above, my staff have calculated how many businesses they anticipate will benefit, **based on the current rating list**. Information regarding the RVs of (small) business premises is set out in **[Annex 1]**, split out over the different areas of the borough. By way of context, the total number of business premises, as recorded on the business rates system at the time of writing, is also provided (3,588, excluding those with £0 RV).
- 1.2.7 As Members are aware, currently small business occupying premises with a RV of £6,000 or under are eligible for 100% rate relief and therefore pay no rates at all. Under the new proposals, eligibility would increase to those small businesses occupying premises of £12,000 RV or less. As Members will note from the table at **[Annex 1]**, based on the current rating list, the number of businesses who would pay no rates at all would increase from 588 to 965 (an increase of 377). In summary:
- 965 businesses in the borough would pay no rates at all from April 2017 (representing 26.9% of the total);
  - 46 businesses would receive ‘tapered’ relief from April 2017;
  - 906 businesses with RV of less than £51,000 would pay the small business rate multiplier of currently 48.4 p in the £ (compared to the standard rate multiplier of currently 49.7p in the £) from April 2017.
- 1.2.8 Based on the total number of businesses within the borough at the time of writing and based on the current rating list, from **[Annex 1]** it can be seen that 1,917 businesses (53.4%) will qualify for either small business relief or be eligible for the small business multiplier. Members are reminded that the Valuation Office Agency is in the process of updating the rateable values of all business properties through the ‘2017 Revaluation’ process. The Revaluation to be effective from 2017/18 and therefore these figures can only be treated as indicative.

- 1.2.9 The Government are to compensate local government for the loss of income as a result of the business rates measures above and the impact will be considered as part of the consultation on the implementation of 100% business rates retention.
- 1.2.10 The government also announced changes to the administration of business rates including an aim to introduce more frequent business rate revaluations and to transform business rates billing and collection.

*Education*

- 1.2.11 All schools are expected to become academies by 2020, or to have an academy order in place to convert by 2022. Academies are entitled to 80% mandatory relief, and as a result business rates income will reduce as a result of this proposal.

*Other*

- 1.2.12 Housing – the government will provide technical and financial support to areas that want to establish garden villages and market towns of between 1,500 to 10,000 homes.
- 1.2.13 Planning – the government announced measures to speed up the planning process including minimising the delays caused by planning conditions and ensuring the delivery of local plans by 2017.
- 1.2.14 Insurance – insurance premium tax will be increased by 0.5% to 10%. The additional revenue will be used to fund an extra £700m for flood defences up to 2019/20.
- 1.2.15 Apprenticeships – as announced at the Autumn Statement 2015, an apprenticeship levy will be introduced in April 2017 which together with the apprenticeship scheme proposals brings with it further budgetary pressure.
- 1.2.16 Competition – the government will consult on new rules requiring local authorities to be transparent about the cost of in-house services they provide, and whether there could be savings from using competitive external providers.

### **1.3 Summary - implications for the Council**

- 1.3.1 The Chancellor made reference to delivering stability, but after the Budget announcements this feels further away than ever for local government.
- 1.3.2 It is not clear where the further £3.5bn of savings from public spending in 2019/20 will fall, but experience suggests local government would be in the ‘frame’. It was only a few months ago local government was offered the “certainty” of a four-year funding settlement (for which we are being asked to “sign up” by October 2016). The question this begs is how does this now sit with the need for additional savings from public spending in 2019/20?

- 1.3.3 On the implementation of 100% business rates retention the Government will need to continue to compensate local government for the loss of income as a result of the business rates measures set out above. If this is not the case the overall business rates 'take' to be shared out to local government will be less than previously forecast.
- 1.3.4 Two key questions remain, what will our business rates baseline be on the implementation of 100% business rates retention; and where, and to what extent, does New Homes Bonus feature in future government funding? We do not, yet, know the answers to these questions.

#### **1.4 Legal Implications**

- 1.4.1 None.

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

- 1.5.1 As set out above.

#### **1.6 Risk Assessment**

- 1.6.1 The Medium Term Financial Strategy sets out the high level financial objectives the Council wishes to fulfil and underpins the budget setting process for the forthcoming year and over the Strategy period. As the Council's high level financial planning tool the Strategy needs to be reviewed and updated at least annually and in the current climate regularly reviewed by Management Team.
- 1.6.2 There is so much uncertainty and volatility particularly in some of our major sources of income that financial planning is becoming increasingly difficult with the increased risk of significant variances compared to projections. The Budget 2016 announcement serving to further highlight that uncertainty.

Background papers:

Nil

contact: Neil Lawley  
Paul Worden  
Glen Pritchard

Sharon Shelton  
Director of Finance and Transformation