

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

11 October 2017

Report of the Director of Finance and Transformation

Part 1- Public

Executive Non Key Decisions

1 THE 2018-19 LOCAL GOVERNMENT FINANCE SETTLEMENT – TECHNICAL CONSULTATION PAPER

The consultation paper sets out the Government's intended approach for the third year of the multi-year local government finance settlement.

1.1 Introduction

1.1.1 On 14 September 2017 the Government published the above consultation paper. The Government has already set out indicative figures for local government funding over the four year period of the multi-year settlement, but each year issues a technical consultation in advance of the settlement.

1.1.2 The return date for responses to the consultation paper is 26 October 2017 and a copy of the proposed response from TMBC is attached at **[Annex 1]**. The consultation paper can be found at the following link:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/645012/2018-19_Local_Government_Finance_Settlement_-_technical_consultation.pdf

1.1.3 Barring exceptional circumstances, those amounts agreed as part of the multi-year settlement are expected to be presented to parliament for the 2018/19 provisional local government finance settlement.

1.1.4 Changes to the New Homes Bonus Scheme in 2017/18 included a national baseline below which no payment is made. This was set at 0.4% for 2017/18 and the Government retains the option to adjust this baseline for 2018/19 and future years.

1.2 Overview

1.2.1 This Council's experience, unlike many others including other Kent district councils, of the business rates retention scheme has not been positive. The Council continues to suffer after its highest business ratepayer went into administration in early 2015 (a matter taken up at the time with the then Minister

for Local Government) pushing us into safety net where we remain to this day despite encouraging growth in our business rates base. In contrast, many others have found themselves up to £500,000, £1,000,000 or a higher sum above their baseline.

- 1.2.2 On the other hand, the Council has also done what was asked and encouraged growth in house building. We are one of the best performing district councils in the south east in this respect. As a consequence we have seen New Homes Bonus allocations help to mitigate in part what can only be described as projected devastating reductions in general government grant funding of more than 80% between 2010/11 and 2019/20 and also the experience to date in respect of business rates as detailed above.
- 1.2.3 New Homes Bonus is no different to our share of business rates in that it is used in full to support the provision of local services as was overall grant funding before the introduction of New Homes Bonus. Proposed further reductions in New Homes Bonus, following on from a significant decrease as a result of the changes introduced in 2017/18, is of grave concern bringing into doubt the financial sustainability of the Council. It seems wholly unfair and unjust for the growth in business rates to be retained whilst this funding stream is 'nibbled away' over time and included in determining core spending power.
- 1.2.4 To aid financial planning, and to avoid bringing some councils' financial sustainability into question depending on what happens to this funding stream, we ask the government what they propose to do to address the inequity and uncertainty going forward.

1.3 Summary of Responses

- 1.3.1 The current New Homes Bonus scheme is both simple and transparent and a powerful incentive to encourage growth in house building. Introducing a mechanism for payments to be reduced in part or in full where residential development is allowed on appeal would only complicate matters unnecessarily whilst adding little to 'sharpen the incentive' and could see a reduction in payments where the original decision may have been made on legitimate grounds. It is entirely possible for refusals of planning permission to be based on matters other than the principle of development (such as design, layout, accessibility and so forth) that might be important locally but could be vulnerable at appeal. The proposals in this regard could have the perverse incentive of encouraging local planning authorities to drop standards of sustainable development which is a priority in national planning and development policy. Directly linking decision making on specific planning matters and cases with financial reward is inappropriate.
- 1.3.2 To give greater control and flexibility over their finances council tax levels should be a decision for the elected representatives of each council and the council tax referendum principles withdrawn.

1.3.3 Both the multi-year settlement and changes introduced to New Homes Bonus were designed in the context of the particular pressures experienced by councils with responsibility for social care. Effectively, in simple terms, this means taking resources from district councils and giving them to upper tier authorities and, in so doing, placing added funding pressure on district councils and the services they provide - putting financial sustainability at risk. In recognition of this redistribution of funding, we suggest that either district councils should be removed from the council tax referendum principles or at the very least enable council tax increases equal to that of authorities with responsibility for social care including the social care precept.

1.4 Legal Implications

1.4.1 None.

1.5 Financial and Value for Money Considerations

1.5.1 As set out in the response to the consultation.

1.6 Risk Assessment

1.6.1 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.

1.7 Equality Impact Assessment

1.7.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

1.8 Recommendations

1.8.1 Cabinet is asked to approve the proposed response to the above consultation paper attached at **[Annex 1]**.

Background papers:

Nil

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