

TONBRIDGE & MALLING BOROUGH COUNCIL

FINANCE, INNOVATION and PROPERTY ADVISORY BOARD

17 September 2018

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Cabinet - Non-Key Decision (Decision may be taken by the Cabinet Member)

1 THE 2019-20 LOCAL GOVERNMENT FINANCE SETTLEMENT TECHNICAL CONSULTATION AND INVITATION TO LOCAL AUTHORITIES IN ENGLAND TO PILOT 75% BUSINESS RATES RETENTION IN 2019-20

On the 24 July 2018 the Ministry of Housing Communities and Local Government (MHCLG) published “The 2019-20 Local Government Finance Settlement Technical Consultation” as well as an “Invitation to Local Authorities in England to pilot 75% Business Rates Retention in 2019/20”. This report provides an overview of both documents, together with our response to the Technical Consultation.

1.1 Introduction

- 1.1.1 On the 24 July the MHCLG published ‘The 2019-20 Local Government Finance Settlement Technical Consultation’ and an ‘Invitation to Local Authorities in England to pilot 75% Business Rates Retention in 2019/20’. This report provides an overview of both documents, together with our response to the Technical Consultation.
- 1.1.2 The aim to roll out 75% business rates retention to all English local authorities in 2020/21 and to move to 100% business rates retention at a future date remains.

1.2 The 2019-20 Local Government Finance Settlement Technical Consultation

1.2.1 The Technical Consultation:

- Reiterates the Government’s intention for the 2019-20 Settlement to confirm the final year of the 2016-17 multi-year settlement.
- Outlines the Government’s position on the New Homes Bonus (NHB) threshold – The Government expects to increase the baseline below which NHB will not be paid from the current 0.4%. Councils to be informed of any change to the baseline alongside the provisional Local Government Finance Settlement. NHB funding remains at risk of change year on year at best and at worse withdrawal.

- Outlines the Government's proposals for council tax referendum principles for 2019-20 – principles to follow that applied in 2018/19. For shire district councils a referendum will be triggered where council tax is increased by 3%, or more than 3% and more than £5. Again, to be confirmed alongside the provisional Local Government Finance Settlement.
- Outlines the Government's proposals for dealing with the issue known as 'Negative RSG' – The Government's preferred approach to resolving the issue of 'Negative RSG' in 2019-20 recognises the commitment made that tariff and top-ups would be fixed until the system was reset so that local authorities would benefit directly from supporting local business growth. In practice this means the Government is to meet the cost of 'Negative RSG' in 2019-20 from their share of business rates income. In our case 'Negative RSG' in 2019-20 is circa £998,000 which we would otherwise had to pay over which is in itself welcome, albeit for one year only.

1.2.2 Beyond 2019/20, the 2019 Spending Review will determine the overall funding envelope for local government over the Spending Review period, the Fair Funding Review how that funding is shaken down to individual councils and, in turn, business rates baselines and baseline funding levels. How we will fair at the end of that process is anyone's guess. This does not aid financial planning and it will be some time before the outcome of the above process is known.

1.2.3 The consultation paper can be found at the following link:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728573/Settlement_Technical_Consultation_2019-20.pdf

1.2.4 The return date for responses to the consultation is 18 September 2018. As this is the day following the meeting of the Advisory Board the response was agreed with the Leader of the Council, the Cabinet Member for Finance, Innovation and Property and the Chairman of this Advisory Board. A copy of the response can be found at [Annex 1].

1.3 Invitation to Local Authorities in England to pilot 75% Business Rates Retention in 2019/20

1.3.1 Invites all local authorities (except for those with on-going pilots in devolution deal areas and London) to apply to pilot 75% business rates retention in 2019-20. Proposal for new pilots to be submitted by 25 September 2018. Successful applications to be announced before or alongside the provisional Local Government Finance Settlement.

1.3.2 The paper can be found at the following link:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf

- 1.3.3 This confirming the current 100% Kent Business Rates Retention Pilot is for one year only (2018/19). Kent councils to decide whether to apply to pilot 75% business rates retention in 2019/20.
- 1.3.4 A report recommending this Council support a bid, with other Kent authorities, to pilot 75% business rates retention in 2019-20 was presented to the 5 September meeting of the Economic Regeneration Advisory Board.

1.4 Legal Implications

- 1.4.1 The legislative framework for the billing, collection and recovery and administration of national non-domestic rates (business rates) is set out in the Local Government Finance Act 1988.
- 1.4.2 The Local Government Finance Act 2012 and regulations that followed introduced the current Business Rates Retention scheme.

1.5 Financial and Value for Money Considerations

- 1.5.1 The removal of 'Negative RSG' in 2019/20 is clearly welcome, albeit for one year only. What happens after that is subject to the outcome of the 2019 Spending Review and Fair Funding Review.
- 1.5.2 An increase in the NHB baseline will result in the sum received being less than it would otherwise have been and could dependent on housing delivery negate in part the removal of 'Negative RSG' in 2019/20.
- 1.5.3 It will be some time before the outcome of the 2019 Spending Review and Fair Funding Review is known making financial planning that more difficult.

1.6 Risk Assessment

- 1.6.1 The continuing uncertainty and volatility surrounding local government finances does not aid financial planning with the risk of significant variations compared to projections; and the consequent implications on the level of reserves held.

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 Members are requested to **note** and **endorse** the response to the Technical Consultation as agreed with the Leader of the Council, the Cabinet Member for Finance Innovation and Property and the Chairman of this Advisory Board.

The Director of Finance and Transformation confirms that the proposals contained in the recommendation(s), if approved, will fall within the Council's Budget and policy Framework.

Background papers:

Nil

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