Further business rates retention: An update

SDCT General Meeting

6 January 2017

Chancellor's Announcement, October 2015

- 100 per cent business rates retention, by the local government sector as a whole, by the end of this Parliament
- Individual local authorities will keep all growth
- Councils will be given new responsibilities to ensure reforms are 'fiscally neutral'. RSG will be phased out
- All councils will be able to reduce the multiplier and Combined authority mayors will be able to increase multiplier with LEP agreement, to fund new infrastructure
- A full review of the needs assessment methodology will take place

Working together – designing the system

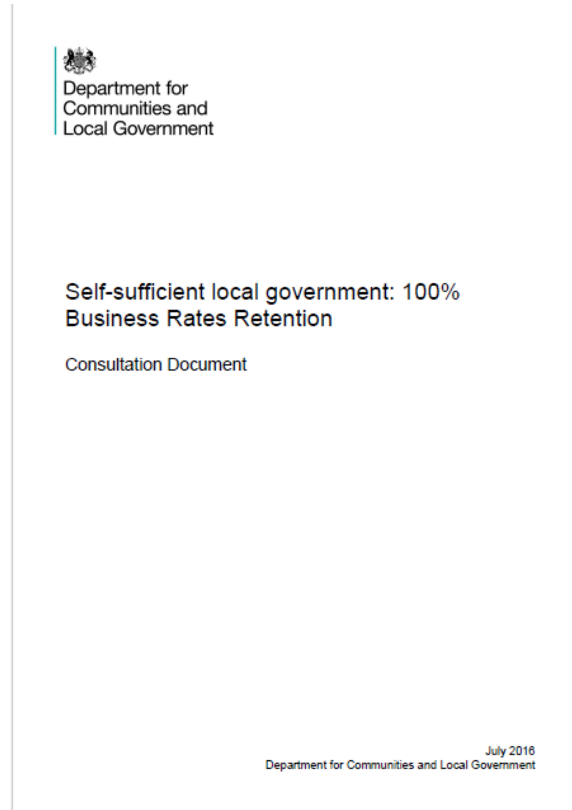
- Officer-level steering group and technical working groups established jointly by DCLG/LGA (SDCT and DCN reps)
- Steering group has met monthly to provide overall direction
- Technical working groups meet regularly and cover
  - service responsibilities
  - needs and redistribution
  - system design
  - accounting and accountability
- A separate Business Interest Group
- All meeting papers available at http://www.local.gov.uk/business-rates

Milestones

- Summer consultation and call for evidence closed on 26 September 2016
- Further technical consultation expected in early 2017
- Enabling legislation likely to begin Parliamentary process in early 2017
- Pilots in some city regions begin April 2017
- Implementation by the end of this Parliament. This could mean April 2019 or April 2020.

Summer consultation and call for evidence

- High level consultation document – outlined key issues to consider in the design of reforms
- DCLG consultation – built on the work from steering groups and working groups, but set out the Government's position
- Responses will inform a more technical consultation on specific elements of the reformed system
- Separate call for evidence on needs also published


Department for Communities and Local Government

Self-sufficient local government: 100% Business Rates Retention

Consultation Document

July 2016
Department for Communities and Local Government

Summer consultation

- Devolution of responsibilities
- Rewarding growth and sharing risk (systems design) system
- Local tax flexibilities
- Accountability and accounting
- Separate call for evidence on needs and redistribution

LGA Response: Devolution of Responsibilities

- Existing pressures should be priority
- New services should focus on economic growth
- Responsibilities funded by business rates should be national ("national devo deal"); national deal should include Transport and Adult Education
- Additional responsibilities in local devo deals should be funded by additional funding from Government

Existing Pressures

The LGA is making the case for some of the additional business rates income to be used to tackle pressures on existing services

- Estimated funding shortfall across the sector by 2020 **£5.8 billion**
- Includes specific new policy pressures (apprenticeship levy, national living wage) as well as general demographic growth

SDCT and LGA Responses: Rewarding growth and sharing risk

- Support for the principles of local retention and devolution
- Importance of balancing needs and rewards. Some sort of partial reset mechanism could provide a way forward
- Will need something like top-ups and tariffs and at least current system is understood
- Consider national provision for appeals possibly funded through Central List to mitigate appeal risk to authorities.
- Cancel out the impact of revaluation

SDCT and LGA Response: Rewarding growth and sharing risk

- Mixed views on role for combined authorities - suggest learn from the pilots
- Any revision to tier splits (County/District) should be agreed on the basis of discussions with those involved once there is clarity on rest of the system
- Little support for area lists
- Need for a safety net
- Councils need more flexibility on reliefs
- Powers to tackle avoidance

SDCT and LGA Response: Local tax flexibilities

- Flexibility to reduce the multiplier, scope and duration
- In two tier areas the authority reducing the multiplier should fund cost
- Do not cap increases after a multiplier reduction
- Review requirements for BRS
- Consultation with LEPs and businesses, but LEP approval mechanism not supported
- All authorities, not just directly elected mayors, should have the power to increase the business rates multiplier

SDCT and LGA Response: Accounting and accountability

- Parliamentary approval and scrutiny of spending funded by business rates should be more limited than at present
- Collection fund (or something very similar) should continue, but needs to be as simple as possible
- Balanced budget calculation should reflect actual way in which councils set their budget
- Any changes to NNDR1 and NNDR 3 need full technical consultation and should be signalled well in advance

SDCT and LGA Response: Call for evidence

- Simplification is an important goal, but not at the cost of fairness.
- Adjustments for council tax raising capacity should remain an important part of the system.
- A transition scheme should be underpinned by extra funding from Government to mitigate sharpest cuts.
- A single local authority is still the most appropriate geographic unit unless locally decided otherwise.

Next steps

- Response to next (technical) DCLG consultation
- Steering group / working groups considering proposals in greater detail
- Working with DCLG on legislative proposals as Bill enters Parliament
- Learning from progress of pilots starting in April 2017

Local Government Association

http://www.local.gov.uk/business-rates

businessrates@local.gov.uk