



**SOCIETY OF DISTRICT
COUNCIL TREASURERS**

President
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1. What are your views on the proposed approach to resets?

A partial reset would seem to be a sound way forward as it would provide an incentive as authorities would be able to carry a proportion of their growth forward whilst authorities experiencing losses would not be expected to carry losses forward. This approach would require further modelling to establish the geographical effect and, presumably, the amount of growth that would be required to be taken to compensate the authorities that are below the baseline. In addition we are supportive of the proposal to have transitional arrangements.

The sector needs to be able to retain a significant proportion of growth to provide a realistic incentive and to introduce an element of stability into the new system. Otherwise, at each reset, Councils could, potentially, face a significant financial cliff edge.

It is also strongly proposed that the results of the reset are adhered to and not adjusted within the reset period to ensure certainty in financial planning

2. What are your views on how we should measure growth in business rates income over a reset period

One of the most important principles behind this question was outlined above and relates to the ability of Councils to be able to formulate sustainable Medium Term Financial Plans and to enjoy a degree of stability. It is important that growth is measured in real terms as it is difficult to see how a nominal approach would work.

In addition, in order to smooth out peaks and troughs it would be sensible to use business rate income over a 5 year period. The issue outlined above re the potential financial cliff edge will also apply.

It is important that modelling is carried out on the different approaches and that groups such as Treasurers societies are fully involved.

3. What are your views on the Government's plans for pooling and local growth zones under the 100% Business Rates retention system?

We do not agree with the power in the Local Government Finance Bill for the Secretary of State to designate pools and call upon the government to drop this measure from the bill as it would prove both divisive and counterproductive. It should be for local councils to propose pools which promote economic growth and we would

argue that local Councils are best placed to determine which grouping best supports the objectives of the local community. There may be some instances where, for legitimate reasons, authorities do not wish to be part of a pool and should not be compelled to.

There would also appear to be no sound reason to restrict local growth zones to pools and there are other examples of authorities working together on economic growth projects and these could benefit from local growth zones.

4. How can we best approach moving to a centrally managed appeals risk system?

The principle behind this is welcomed as it will reduce risk and complexity and should allow for improved financial planning but we would seek a better understanding of how the loss payments will work in practice. A centrally managed system to cover losses from appeals funded from a top slice will be clearer but we need to understand how the Government intends to estimate this top slice as there are a number of technical issues to address.

A viable alternative would be to fund the appeal losses from the central list and this should be properly considered.

The system for dealing with appeals must be lean and transparent there must be absolute clarity for individual authorities. There must also be the close involvement of the VOA and they could, potentially, receive a short term increase in resources to deal with the significant backlog before the 100% system is introduced.

In addition to the points made above full consideration should be given to funding backdated appeals that are incurred prior to the introduction of 100% rates retention.

5. What should our approach be to tier splits?

In two tier areas it is fully appreciated that the upper tier is facing significant financial pressures, especially from adult social services, but there has to also be an appreciation that districts provide a range of valuable services and are also facing significant financial challenges. We believe that there are a number of essential elements of the future system that we need to know prior to us forming such a judgement. We are particularly aware that we should address the question of what would be a fair split of rewards and risks. In particular, the key areas where we believe we would need a clearer steer or further information to inform the judgement would be the following:

- Information on the services or new responsibilities that are to be included in the quantum for transfer and where they will sit in terms of tiers.
- Proposals in respect of dealing with appeals.
- Proposals in respect of the operation of safety nets.
- Proposals in respect of resets, including frequency and what elements are covered if a partial reset.
- Proposals on the treatment of the inclusion or otherwise of devolution deals.

As stated above, we are committed to arriving at a view on an appropriate and fair split which balances risk and reward but, sequentially, it is essential we know the proposals in respect of the above areas first to be able to understand the new risk profile for each of us and therefore come to an evidenced based consensus of how these should be managed within the funding framework. To arrive at a suggested split without this information would be no more than a guess.

6. What are your views on proposals for a future safety net under the 100% Business Rates Retention system?

The proposed safety net of 97% is welcomed and offsets the increase in retention. The additional risk associated with safety net based on pools should be investigated further if pools are going to be implemented.

If the safety net operates on the overall funding level for any given pool, this opens up the Councils to far more risk, especially in a recession.

7. What are your views for our proposals on the central list?

A review of the central list is to be welcomed but it is important that there is total transparency and that it is clear how all of the income from the central list is distributed.

It is important that any moves between central and local lists should be done at the start of the system when the baseline is set. If there are any subsequent moves there should be a commitment to changing baselines.