Local Government Association

Local Government Resource Review

Detailed consultation paper on local retention of business rates

Contents

Introduction

This paper looks in more detail at some of the strategic issues in the LGA's initial consultation paper on the Local Government Resource Review. As that paper says, the LGA has consistently called for business rates to be re-localised, and we welcome the review, particularly at a time when councils are facing large cuts in formula grant, imposed by central government and are facing the challenge of implementing these cuts.

The LGA intends submitting a response to the review by early July. Our objective is to develop specific, agreed proposals on behalf of the sector, which will concentrate on principles rather than issues which could have a distributional impact.

This discussion paper highlights the main issues to be resolved if the business rate system is to be reformed, and proposes some potential solutions. It provides a background to the key questions which are set out in the initial consultation paper.

This paper is structured into the following sections:

- overview of the current situation
- relocalising business rates
- incentivising through reform
- managing a re-localised system.

Responses are requested by 20 May 2011, and should be submitted to lgfinance@local.gov.uk.

Alongside this consultation, the LGA will also be working with finance advisers to further explore how reform could be implemented.

Overview of the current situation

Business rates are one of the main sources of financing for local government. Local authorities are responsible for collecting business rates. 'Billing authorities' – London Boroughs, Metropolitan Districts, Unitary Authorities and Shire Districts – are responsible for collecting business rates. By law, all business rates collected must be paid into a central pool, which is then redistributed to all authorities as part of 'formula grant'. These include, as well as billing authorities, county councils, police and fire authorities and the GLA.

Since 2006-07 business rates have constituted the vast majority of formula grant, as the chart below shows. This came about due to the removal of Revenue Support Grant (RSG) when the Dedicated Schools Grant was established in 2006-07.

How the business rate is determined

The business rates payable by business rates are determined by the rateable value of a property times by the multiplier (p in the £). Rateable value is fixed by the Valuation Office Agency,and is revalued on a five yearly basis. The multiplier (p in the £) cannot go up by more than the September RPI index annually.

Revaluations are carried out to constant yield, so when the total taxbase goes up the multiplier goes down. For example the business rate in the £ for 2009-10 was 48.5p in the £; in 2010-11 it fell to 41.4p in the £1[1].

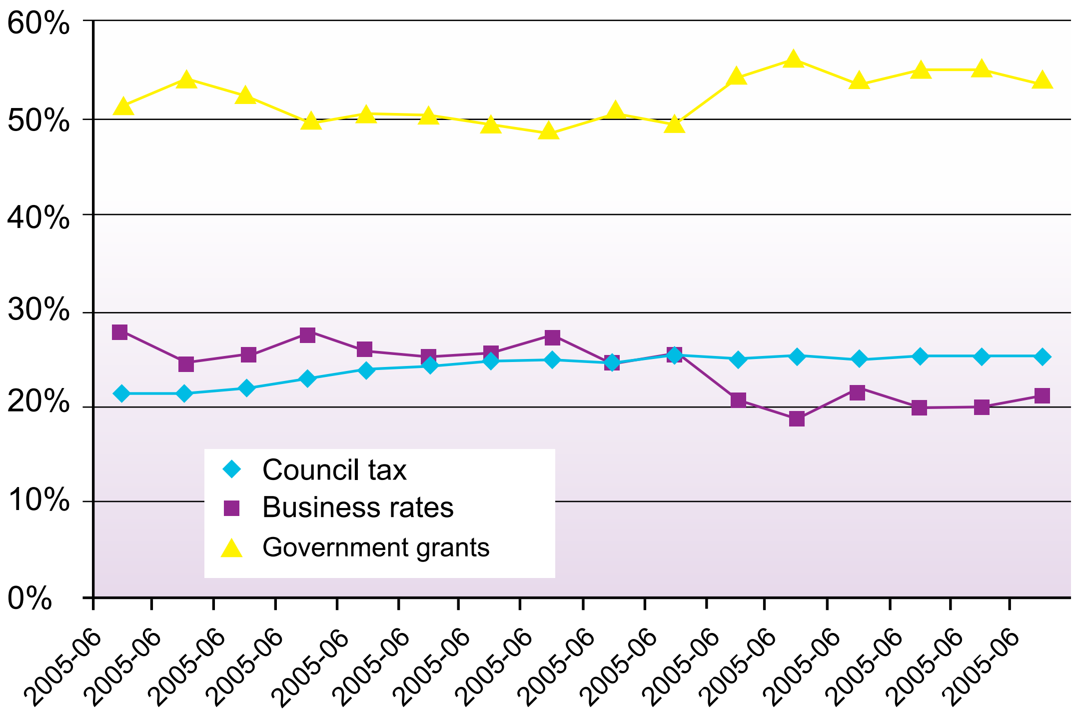
Small businesses pay lower business rates, paid for by larger businesses. Currently the difference in the two rates is 0.7p, although it has varied over the years. Very small businesses get a discount of 50 per cent; this is also paid for by the same scheme. The Localism Bill currently in Parliament will make small business rate relief automatic; it will be up to councils to check that the businesses are entitled; that is, that they are not branches of large organisations.

Eighty per cent mandatory relief is available for charities and community amateur sports clubs; this is deducted from the pool before distribution. In addition councils may grant discretionary relief, but they have to pay the costs of this themselves.

1 Figure for businesses not in receipt of small business rate relief

Business rate revenue

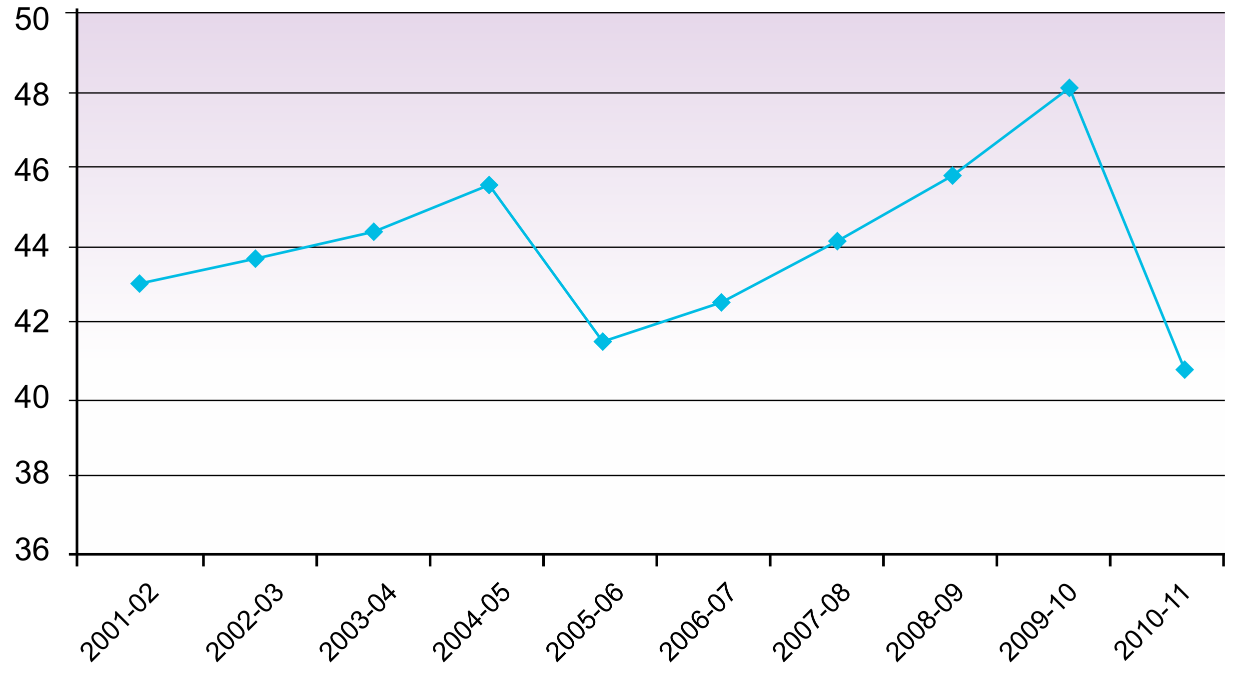
The combined effects of the RPI link and revaluation to a constant yield means that business rate revenue has declined as a proportion of total local government revenue. The chart below shows that in 1993-94 business rates represented 27.5 per cent of council income (net revenue expenditure); by 2008-09 it had gone down to 20 per cent, a decline of almost a quarter in terms of the proportion represented.



Data source: CLG

The following chart shows the business rate multiplier from 2001-02 to 2010-11. The effect of the five yearly revaluations can be seen very clearly.

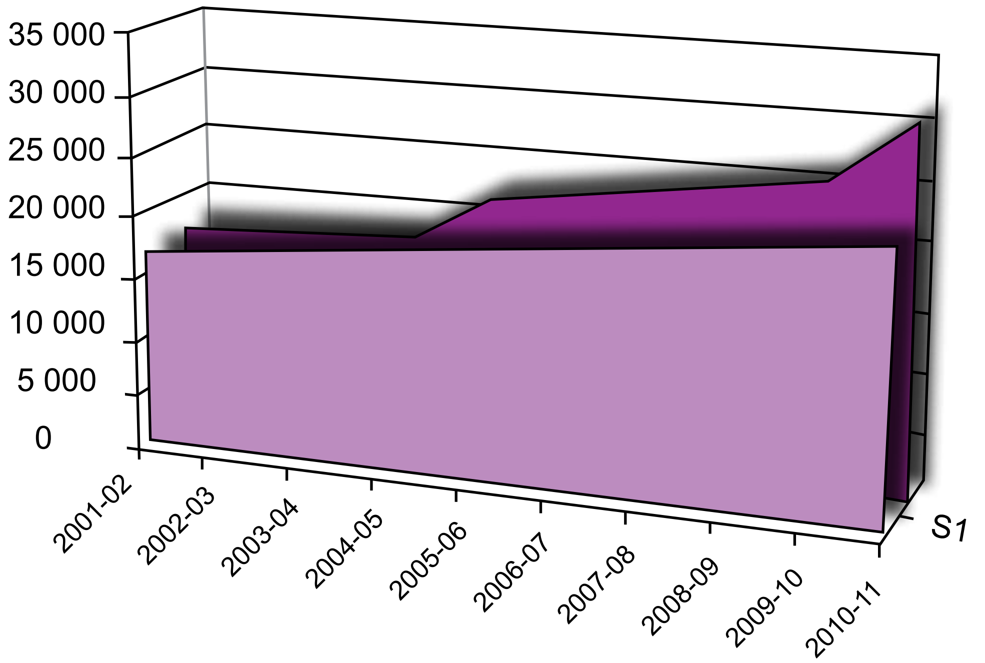
p in the £



Data source: CLG

If the p in the £ had not fallen with each revaluation the yield from business rates might have been over £30 billion by 2010-11, as the following chart shows.

£ million



Future growth

The 2010 Spending Review set formula grant totals for local government for the four years of the Spending Review, as follows:

	2011-12	2012-13	2013-14	2014-15
Formula Grant (less police grant)	25.0	23.4	23.2	21.9
Business Rates (estimate)	22.0	22.7	23.4	24.1
Gap	3.0	0.7	-0.2	-2.2

The formula grant figures are government totals. The growth in business rates arises from the growth in the business rates yield, even given the link to RPI and the effect of revaluation.

Problems with the current business rate model

The LGA, on behalf of councils, has consistently criticised the current system.

There are objections of principle:

- every single council, however strong its local resource base, is financially – and therefore politically – dependent on the government
- because the maximum increase of business rates is tied to the RPI index and revaluation is carried out to a constant yield, the proportion of local government income represented by business rates has fallen by a quarter since 1993
- councils have almost no control or influence over their income
- the system eliminates any financial link between councils' funding and local economic performance (indeed, some argue, it makes councils indifferent to the state of their local economies).

And of process:

- the formula grant system is highly opaque
- the detailed elements of the formula rest on the very contestable assumption that they genuinely model councils' 'need to spend'
- some statutory services are represented in the formulas by measures that are only very tenuously linked to the service, if at all.

Finally, since business rates are part of formula grant, councils normally can't borrow against future business rates income or take it into account in the prudential borrowing assessment. This is relevant to proposals to introduce Tax Increment Financing, where councils would be able to borrow against a future uplift in their business rates base in particular defined areas.

What the current system does achieve is:

- a thoroughgoing redistribution of business rate income between councils
- a measure of stability in resources from one year to the next, with changes to grant allocations limited through a damping mechanism
- a measure of certainty for authorities because government, rather than local authorities, manages the risks of forecasting error on business rates yield, and of mismatches between the growth in resources allocated to local government and the growth in business rates[2].

2 These risks are significant: the Treasury currently allocates around £0.5 billion a year to cover the forecasting risk, and government has in the past run a deficit of up to £2 billion representing the difference between what has been raised in business rates and what has been distributed from the business rates pool.

Relocalising business rates

Local authorities generate hugely varying business rate revenue. If business rates were re-localised, some authorities would enjoy a large surplus of local revenue compared to budgeted expenditure, but others a significant shortfall, while some authorities do not collect business rates at all. The LGRR terms of reference make clear that any model of re-localisation would need to ensure that all authorities were adequately resourced. Therefore, a process of pooling, or resource equalisation, would still need to take place, although the amount to be pooled would be significantly less than the total business rate yield that is currently pooled.

In order to identify the level of resources required to be pooled and redistributed, a system of identifying local needs and resources is required. There is widespread dissatisfaction with the existing process for achieving this. The four block model is highly complex and opaque, while minor changes in weightings and statistics can lead to significant fluctuations in resource allocations. The LGRR is considering the scope for greater transparency and localisation in the equalisation process.

In a system combining local retention of business rates with a necessary element of pooling and redistribution, consideration would be needed of the time period that payments into and out of the pool should be fixed for. A degree of certainty over payments for perhaps a 3 or 5 year assists councils with financial planning, but this needs to be balanced with the management of changing circumstances, needs and revenue.

A model for local retention of business rates

The charts below outline how business rates could be relocalised[3]. They show a simplified model based on the position in 2010-11. For these purposes we will assume that £20 million of NNDR was paid into the central pool by billing authorities. The government then added £4m in the form of revenue support grant (RSG). This £24 million was paid out to all councils, police and fire authorities in formula grant.[4] This can be seen in diagram 1.

Diagram 2 below shows how a model for local retention might have worked in 2010-11. In summary a localised business rates system would see more revenue retained locally, by both billing authorities and precepting authorities. This would mean that the central pool of NNDR would shrink, although councils with surplus revenue would still pay into the pool and based on 2010-11 figures the government would continue to add £4 billion RSG.

3 The charts are based on work previously done by the LGA, including the 2006 paper, written in conjunction with Tony Travers of the LSE 'Would it be possible to re-localise the NNDR' updated to reflect the position in 2010-11?

4 For these purposes we are ignoring police grant

Diagram 1: Current model of business rate pooling and redistribution

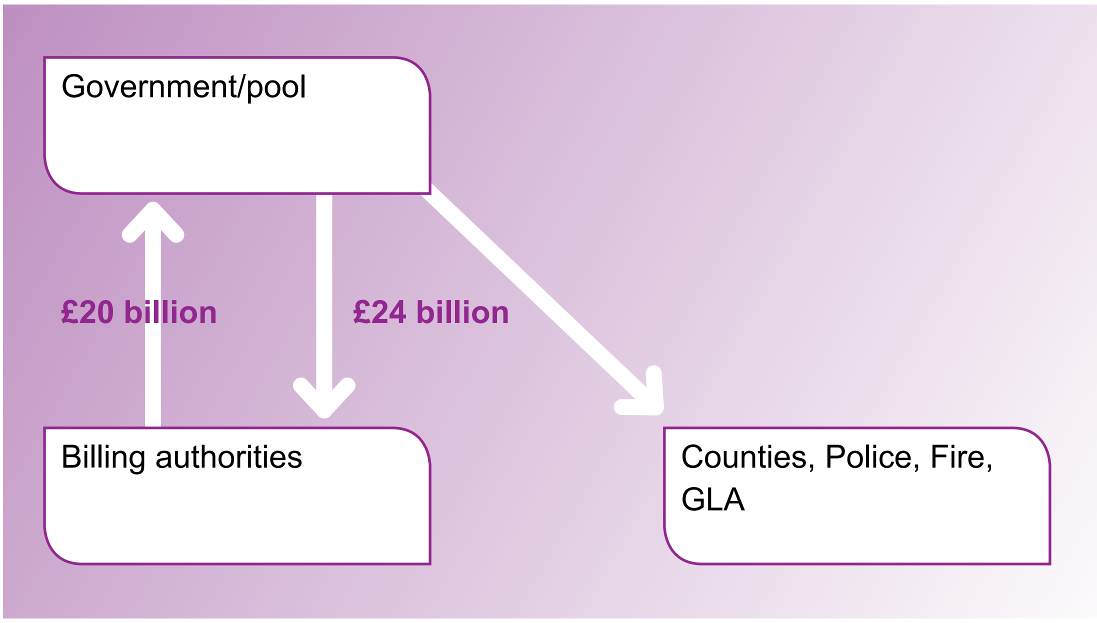
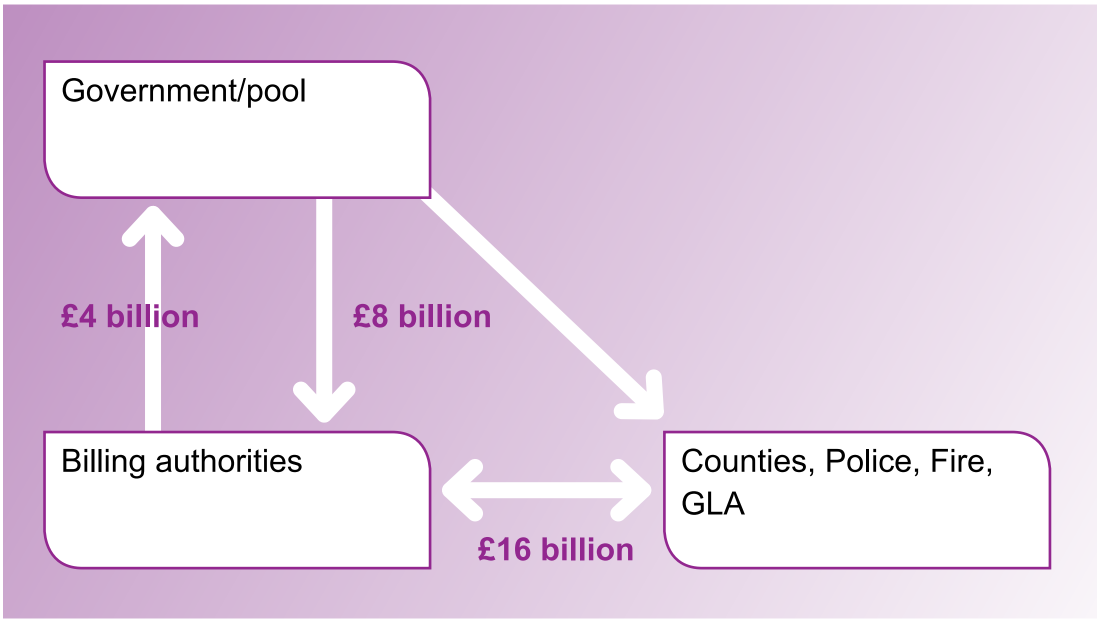


Diagram 2: How a re-localised system of business rates could work



In the model, £16 billion of NNDR is kept locally, either by the billing authority or the relevant county, fire or police authority or the GLA. Additionally, £4 billion of 'surplus' revenue raised by billing authorities is paid into the pool. The government then adds the same £4 billion RSG and £8 billion is distributed to billing and other authorities that have a shortfall of funding, based on their local NNDR yield.

We have run this model using actual 10-11 budget requirements and council taxes – that is, we have compared budget requirements with local council tax and NNDR revenue – with the result that it balances at roughly the overall position shown above; around £16 billion of NNDR would be retained locally and around £4 billion would be pooled. On this basis, 77 authorities – both billing and preceptors – would pay into the pool because their local revenue exceeds their resource requirements; 343 would receive a payment from the pool. Thus 343 authorities would either retain business rates or share it locally with only a minority contributing to the pool.

Under this system, most authorities would receive over 75 per cent of their revenue income from locally determined tax sources. Councils would be able to borrow on the basis of future business rates income. However this in itself would not provide for incentives (see p11); in some ways it can be seen as a restatement of the 2010-11 budget position.

Question A1

Do you agree that a pooling mechanism is the best way to redistribute resources from authorities with surplus receipts to those with low or zero receipts? Would your council support a system along the lines outlined above?

Equalising resources and identifying needs

To identify whether councils are required to contribute to or receive from the pool, we would need to identify what resources individual councils need and what resources they can raise locally. This is effectively the purpose of the existing four-block model.

This equation is summarised as:
Needs less **capacity to raise council tax less capacity to raise business rates (after local redistribution)**

The model above is a special case of this, where need is represented by a council's budget for a year, capacity to raise council tax by its actual council tax yield and capacity to raise business rates by its business rates receipts in 2010-11 (after local redistribution; using the proportions 72 per cent for counties; 15 per cent for districts (thus 87 per cent for unitaries); 10 per cent for police and 3 per cent for fire[5]. Other distributions would be possible.

The model uses actual budgets and council taxes. Although it would require no damping, it would be subject to the criticism that a council that set a higher budget would automatically receive a higher payment from the pool – or have to pay less into the pool. There would also be timing issues about the payments to and from the pool being determined only after setting budgets and council taxes. Previous year's budget and council tax could be used but this would be subject to a similar criticism.

Alternatively an overall needs assessment could be developed:

- The current relative needs formulae within formula grant could be used as the basis for the needs assessment, but calibrated to total budgets in the previous year, as opposed to a proportion, as it is at present.
- A simplified needs assessment could be developed. This could be based on the existing RNF service structure or it could be expressed as a weighted per head figure covering all services.
- An alternative would be to use the current formula grant system as a starting point, possibly as a first step to developing a needs assessment in the longer term.

Council tax yield

A similar question arises on what council tax figures to use. Do you use actual authority council taxes or is a standard national council tax used multiplied by authority taxbase (this is the case in the current formula grant system)? Using actual council taxes could

5 These are the proportions used in the 2010-11 Local Government Finance Settlement

be criticised on the grounds that councils which set a higher or lower council tax would be treated in different ways. For example a council with substantially higher council tax which is a pool recipient would get less.

Question A2

Do you support using actual council taxes or a national council tax in the pool calculations? Are there any other options (for example a mid way point between the two?)

Over what period should payments to and from the pool be fixed ?

Councils, particularly in the current climate, welcome certainty of the future of their income. Councils have to set their budget and council tax on an annual basis, although many plan ahead with three or five year budgets.

Formula grant is currently distributed on the basis of multi-year settlements, although the local government finance report is approved on an annual basis by parliament. Currently formula grant totals are set over a spending review period, although detailed distribution by authority may be done on a shorter timescale; for example the 2011-12 settlement covers two years not the full four. The greater predictability offered by multi-year settlements has on the whole been welcomed within local government; although there is a continuing debate about using projected population data as opposed to mid year estimates which are updated annually.

Currently the distributable amount calculation is done on an annual basis, due to the link with the September RPI increase. Until the September RPI increase is known it is not possible to determine the yield of business rates.

If the RPI link continues in exactly the same way as in the current system the requirement to calculate on an annual basis would remain. However estimates could be done over a longer period; currently the Office for Budget Responsibility estimates business rates income to 2014-15.

These calculations could be used to plan the payments into and from the pool on an indicative basis, thus giving councils more ability to plan ahead. For example, estimates could be done on a five year rolling basis, updated annually.

There is a linked question as to whether councils should be allowed to ‘buy themselves out’ of the pool, in a similar way to the reform of council housing finance where councils will ‘buy themselves’ out of the need to make a contribution to the HRA pool. This has been raised, in for example, work by Localis[6].

In this case councils would pay a lump sum into the pool upfront which would mean that they did not then have to pay in on an annual basis. This could cover a certain period or it could discharge them of any obligation. It would be analogous to issuing bonds where councils buy bonds to relieve them of all or part of their obligation to pay into the pool. The pool could then use the income from these bonds to pay out from the pool for equalisation purposes.

Question A3

Over what period should payments into and out of the pool be fixed? Could councils pay a lump sum in through a bond arrangement?

6 See Localis paper ‘Can Councils Live Without the Formula Grant’, of 24th September 2010 and their publication ‘The Rate Escape’ at http://localis.org.uk/images/Localis_The_Rate_Escape_WEB.pdf

Incentivising through reform

The government's aim in exploring the relocalisation of business rates is to create an incentive mechanism whereby retaining local revenue would give councils a clear incentive to promote economic growth. Consideration therefore needs to be given to how growth in business rate receipts would be managed in a system that combined local retention with some level of equalisation; in a localised system, how much would be retained locally, and should any of the growth be pooled? And over what period should growth be tracked before a new baseline for contributions to and from the pool is established?

Government has already indicated its support for a number of different incentive mechanisms linked to investing in and promoting growth, including Tax Incremental Financing measures as announced in Budget 2011. Consideration is needed of how TIF / UEZ frameworks would sit with a new model of business rates.

In relation to council tax, the New Homes Bonus will top-slice formula grant, with allocation determined by changes to the council tax base from new and modified homes.

In a localised system, there is scope for authorities to promote growth through introducing local variations on business rates and discounts, and we are therefore considering the mechanisms councils need to help grow local revenues. In addition to more local discretion over the multiplier this includes more discretion on discounts and reliefs.

Finally, there is the important issue of how revaluation is undertaken in a localised system; should it still be carried out nationally and / or to a constant yield and what should be the effect on the multiplier.

An incentive model

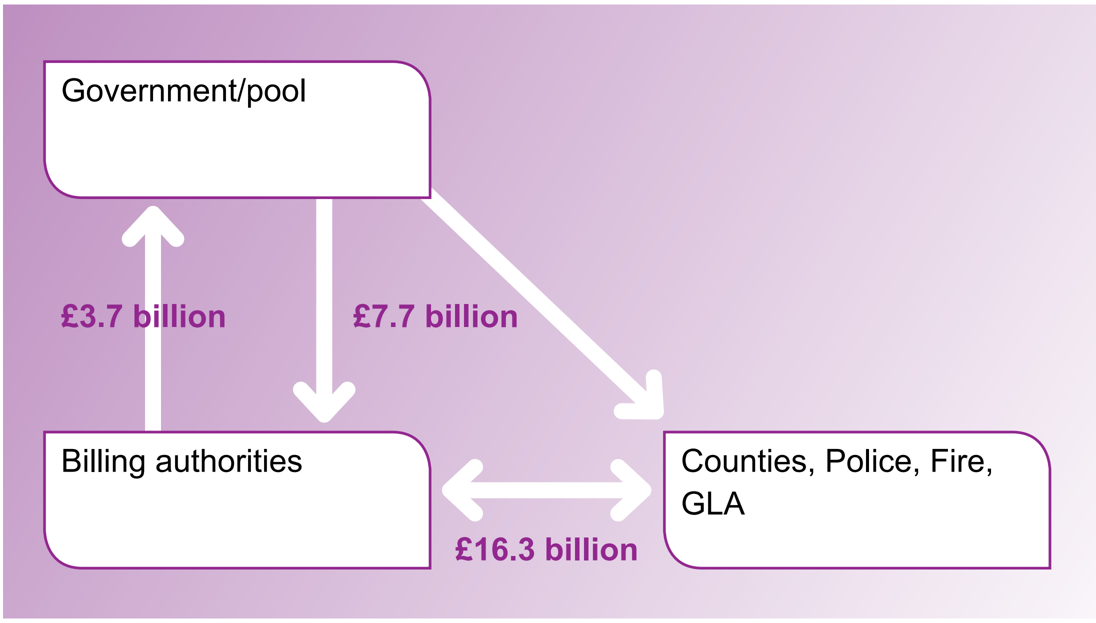
The model outlined in the previous section would ensure that the majority of authorities retained their local business rates income in full, including any growth. But without a further adjustment any growth in business rates could result in lower contributions from the pool / higher contributions into the pool.

This chart shows the consequence of including an explicit incentive. For these purposes the total incentive is equivalent to £300 million; roughly the growth in taxbase in 2010-11 when compared with 2009-10.

Authorities who have an addition to their taxbase get to keep it over and above the previous calculation; so they keep £16.3 billion. The additional £0.3 billion is kept in the areas where it is generated; it is not governed by the overall formula.

As a result the amount that can be paid into the pool shrinks by £0.3 billion – so it is £3.7 billion. It follows that the pool is smaller and that less can be paid out; this affects grant to authorities who receive from the pool.

Diagram 3: Current model of business rate pooling and redistribution



The conclusion from this simple example is that an incentive element is possible within the overall architecture, but there would be losers as well as gainers

Question A4

What is the best way to incentivise councils to grow their business rate receipts? In addition to the model above, are there any other ways of doing it?

Tax Incremental Financing and Urban Enterprise Zones

As the Local Growth White Paper makes clear, one of the key purposes of the reform of business rates is to allow borrowing for the purposes of tax incremental financing. It will allow councils to take into account future growth in business rates and to take this into account in their prudential borrowing. It is suggested that the model outlined above should be enough to allow for this wider definition of TIFs.

The 2011 budget and Plan for Growth designate 21 urban enterprise zones where:

- there will be a 100 per cent business rate discount worth up to £275,000 over a five year period for businesses that move into an Enterprise Zone during the course of the current Parliament
- all business rates growth within the zone for a period of at least 25 years will be retained and shared by the local authorities in the LEP area to support their economic priorities.

This could allow for the classic TIF structure; as used in the United States; whereby a small area is red-lined and all business rates growth within it is used for the purposes of borrowing for improvement; on the basis that the capital investment produced will significantly increase the business taxbase. For that model to work the business rates growth within an area needs to be exempted from the pool calculation for the period of the TIF, typically 20-25 years. This would have little effect to begin with, as the business rate base in a classic TIF would be very small, but would have more of an effect in future years in reducing the total size of the pool. But this will need to be agreed locally within the LEP.

New Homes Bonus

The current New Homes Bonus scheme is a separate grant to authorities. This will mainly paid for by top-slicing formula grant; from 2012-13 onwards. Eventually the total top-slice could amount to £1.2 billion.

Since entitlement to New Homes Bonus is determined by changes to council tax base for new and modified homes; an alternative way of doing it could be to change the council taxbase figures used in the pool calculations. In this way councils would get the same New Homes Bonus as they would get if it was to be continued to be paid as a separate grant, without requiring it to be top-sliced.

Setting the multiplier

All the above proposals could still be carried with a national multiplier. However many would argue that true relocalisation should allow authorities to vary the multiplier. In the LGA's submission to the Lyons Inquiry we suggested a possible limit of +/- 3 per cent – at the current multiplier this would be around +/- 1p.

The Local Growth White Paper says that businesses should not be subject to "locally imposed increases in the burden of taxation they do not support"[7] and the LGRR is concerned with devolving power to the lowest level possible while ensuring appropriate protections are in place for business.

The LGA would argue that it is primarily up to local authorities, as democratically elected and accountable bodies, to set the balance between taxation from households and taxation from businesses. However, in all cases there should be consultation with business over any proposal to vary the multiplier.

There are a number of options:

- The most localist option would be to allow local authorities to set their own local multipliers, subject to consultation with local businesses.
- Alternatively the link to RPI could remain in place as a guideline; with local authorities free to vary the rate above or below up to a certain limit. Further increases should be subject to the agreement of local businesses.
- Alternatively the national link to RPI could remain in place. Councils would not be able to vary it upwards without agreement from businesses.

Even if Parliament does not want the first option immediately, many in local government would see it as a long term aim.

It is likely that the multiplier used to determine payments in and out of the pool would remain at a standard rate. Otherwise, increases or decreases in local rates would have an effect on the payment to or from the pool, so that an increased local multiplier would lead to more having to be paid into the pool or less being gained, meaning that the effect would be national rather than local, and a decreased local multiplier would mean that taxpayers in other authorities would have to support the decrease in that authority.

Question A5

Do you agree that the multiplier used to calculate payments into the pool should remain at a national level in order to avoid perverse incentives?

7 The White Paper gives the example of the Supplementary Business Rate (which is not necessarily affected by the local retention of business rates discussed here) where they are legislating to make a ballot of local businesses compulsory in all cases

Revaluation and incentives

As shown above revaluation is currently carried out to a constant yield. This normally means that the business taxbase goes up and therefore the multiplier automatically falls. This is justified by saying that the total burden to business should not rise because of revaluation. The consequence of this has been shown above.

The rateable value of a property relates to its imputed rent. When a revaluation results in an increased rateable value it is because, in the judgement of the Valuation Office Agency the rent that could be gained by letting the property has risen. This may be due to a variety of factors affecting the local economy of which the action of the local authority will be significant.

This is particularly relevant in a system when incentives are retained, particularly one where authorities may be able to rely on future yield to borrow for TIF purposes. It could be argued that the automatic devaluation of the rate at a time of revaluation means that the gain from TIFs is less than it would otherwise have been.

One view that might be taken is that there should be no automatic recalculation of the rate at the time of revaluation. This would mean that properties where the rateable value has stayed the same would not receive a reduction in the rates that they pay. Where there is an increased rateable value as a result of revaluation this could be dealt with by transitional relief in the same way as present.

Another alternative would be to allow for revaluation to be agreed and carried out locally. There are issues to worked through about the data needed for this and any continuing role for the Valuation Office Agency as well as ensuring that the decision on revaluation does not set up perverse incentives as far as payments into and out of the pool are concerned.

Question A6

Should revaluation be carried out to a constant yield? How are incentives dealt with in a system of revaluation? Could revaluation be determined locally?

Discounts and Reliefs

If the national multiplier remains constant, then there is no reason why the current arrangements for the small business rate could not remain the same as at present. The small business discount is paid for by a higher multiplier on larger businesses.

However if councils have discretion to vary the rate there is an issue on small businesses. Different councils will have different proportions of small businesses. Therefore there might be a ‘small business factor’ in the calculation for the pool payment.

Another issue relates to the balance between mandatory and discretionary reliefs. The difference between the two as far as the pool is concerned is that mandatory discounts would be borne by the pool and discretionary discounts.

Question A7

How should discounts and reliefs be dealt with under a relocalised system?

Managing a re-localised system

In the current system, government manages the centralised pool of business rates and the redistribution process. There is an argument that the reduced size of the pool following relocalisation removes the need for central management, and that this is a function that should be managed by local government, or independently. However, this could entail a significant risk transfer to local government.

Much of the risk relates to the size of the pool. For individual authorities, relocalisation poses obvious risks if a significant local business were to leave the area or go bankrupt, and local revenues can be significantly altered following revaluation. More generally, through its management of the pool, government absorbs the risks associated with inaccuracies between predicted and actual yields, which tended to be lower than predicted, and has been prepared to allow the fund to operate with a deficit by distributing more money to authorities than is raised in any given year.

A related issue is the allocation of re-distributed funds. Currently, the entire needs assessment and equalisation process (see section 2) is managed centrally. There is significant discontent among many councils about the existing distribution model, but it might be difficult to reach agreement on a new distribution process and / or formula. One option could be to introduce an independent element into the distribution process, or to automate the process and reduce central / political interference as much as possible.

Administering the pool

At present, government administers the pool, calculating the distributable amount in each year and producing an account to Parliament. There are a number of risks associated with managing the pool, relating to:

- The overall size of the pool. The pool must balance over a number of years but does not need to balance in any one year. At times, the pool has been significantly in deficit, with the government being prepared to distribute more money to local authorities than is likely to be raised from business rates and allowing this deficit to be recovered over a period of years. The amounts involved here have been in the low £ billions, quite significant in relation to the overall level of yield.
- Inaccuracies in local authorities' estimates of likely business rates income. Differences between authorities' estimates of what is likely to be raised, and what is actually raised, result in adjustments in the amounts paid in to the business rates pool. These adjustments are treated by the government as 'annually managed expenditure', which means that it, and not local authorities, takes the risk. In recent years the differences arising have been in the hundreds of millions of pounds.
- Risk arising from changes to the structure of business rates, for example through the impact of revaluation or through new reliefs.

The impact of revaluation or changes to reliefs can be extremely difficult to predict at individual local authority level, and revaluation in particular – given the principle that it does not affect the total national yield raised – can lead to significant changes in local yield that are outside individual authorities' control.

- Finally, because authorities get redistributed business rates rather than retaining their own locally raised business rates, the government bears risks associated with local economic contraction, such as the bankruptcy of a large local employer.

Under a system of local retention of business rates, it is possible that management of at least some of these kinds of risks would sit squarely with individual local authorities. Authorities are well used to managing financial risks, and most do so very effectively, but this could be a substantial risk transfer from central to local government.

In a system where business rates are retained locally, there are different options for managing the equalisation element and associated risk:

- Continuing with the existing centrally managed pool; which would be much smaller. The government would add in any RSG before distributing the grant; this is the model in the example above. Police Grant could also be added. The New Burdens procedure would continue through additions or subtractions from RSG. Properties on the central list would continue to pay in the same way.
- Transferring the responsibility for pool management, and for the replacement to the formula grant system to the Local Government Group, which could then manage the systemic risk, in behalf of local government, in dialogue with central government. RSG could be added to the pool; either paid by the government to authorities or paid to the Local Government Group separately from the existing topslice mechanism. The same procedure could be adopted for police grant. Arrangements could be made for properties on the central list to pay directly into the pool.

The risk issues identified above could be mitigated by a combination of rules governing the operation of the pool and dialogue with government. Rules governing the pool could allow for surpluses and deficits to be carried over as long as the pool is set to balance over a reasonable period (say three years). Under the second category or risk could come a continuation of the existing dialogue with government on new burdens, with government commitments. Conversation over the size of the pool with government; could also deal with the effects of the economy on growth of business rates and council tax in a similar way to the system that obtains in Denmark[8]. The surplus in the business rates pool identified above could be used to manage the risks.

Question A8

Do you support the continuation of government management of the pooled funds, or would you favour local government management? How could risks be managed effectively with local retention of business rates, and possibly local management of the system?

8 Reference LGA 2006 work

Determining the distribution formula

A related task is determining the payments in an out of the pool. As has been made clear above this is essentially the same as determining and keeping under review the needs assessment system. This is currently done by CLG, and involves the following tasks:

- keeping the system under review
- consulting on proposals for formula change, both formally and informally
- liaising with government departments on research on formula changes (eg the Department of Health).

Even if a centrally administered pool were to remain in place, there is a case for these tasks to be done by local government under the Local Government Group.

From its formation the LGA has promoted a fairer, more objective and more transparent grant distribution system, but it has never taken a formal position in favour of one or other distribution options. If local government took over responsibility for the distribution of the pool it would do so in the knowledge that it would have to reach a view internally on the best distribution for local government as a whole.

One way of helping local government to reach a conclusion which commanded respect on all sides would be to have an independent element. For example the tasks above could be carried out by a unit within the Local Government Group reporting to a Distribution Board with an independent chair and expert members. This would be paid for by a transfer from CLG to local government, possibly through the RSG paid to the Local Government Group.

A third option would be to have an independent Distribution Commission on the Australian model[9]. This was recommended by the LGA in its evidence to Sir Michael Lyons in 2006.

9 Reference LGA 2006 work

Local Government Association
Local Government House
Smith Square
London SW1P 3HZ

Telephone 020 7664 3000
Facsimile 020 7664 3030
Email info@local.gov.uk

www.local.gov.uk

The Local Government Group is made up of six organisations which support, promote and improve local government.

Printed on 100 per cent recycled paper using vegetable based ink.

For a copy in Braille, Welsh, larger print or audio, please contact us on 020 7664 3000.
We consider requests on an individual basis.

L11-236