

Summary of Questions and Responses (100% Business Rate Retention)

Question 1: Which of these identified grants / responsibilities do you think are the best candidates to be funded from retained business rates?

No matter which new services councils agree to, the amount of extra business rates income kept by councils must meet their cost, both now and in the future. Government also needs to allow councils to use some of the extra business rates income to meet existing funding gaps. We do not believe that demand-led services (e.g. Attendance Allowances) that can increase very quickly and services where there is a statutory obligation to provide them (e.g. Disabled Facilities Grants as part of the Improved Better Care Fund) are candidates for devolution under this scheme and where demand is not related to economic growth.

Question 2: Are there other grants / responsibilities that you consider should be devolved instead of or alongside those identified above?

None that come to mind, but again no matter which new services councils agree to, the amount of extra business rates income kept by councils must meet their cost, both now and in the future.

Question 3: Do you have any views on the range of associated budgets that could be pooled at the Combined Authority level?

The approach outlined would mean that the services listed would only be available to councils as part of a devolution deal and the range of services devolved would be different in different parts of the country and for different councils. We would question how this sits with the aim of a business rates retention system that is simple to operate and understand.

Question 4: Do you have views on whether some or all of the commitments in existing and future deals could be funded through retained business rates?

See response to question 3 and again no matter which new services councils agree to, the amount of extra business rates income kept by councils must meet their cost, both now and in the future.

Question 5: Do you agree that we should continue with the new burdens doctrine post- 2020?

Agree.

Question 6: Do you agree that we should fix reset periods for the system?

Agree. We support a full reset of the system, including all achieved growth, every five years particularly as local authorities under the new system will be heavily dependent on business rates income for delivery of core services.

Question 7: What is the right balance in the system between rewarding growth and redistributing to meet changing need?

See response to question 6.

Question 8: Having regard to the balance between rewarding growth and protecting authorities with declining resources, how would you like to see a partial reset work?

See response to question 6.

Question 9: Is the current system of tariffs and top-ups the right one for redistribution between local authorities?

Support the current system of tariffs and top-ups for the purposes of redistribution between authorities.

Question 10: Should we continue to adjust retained incomes for individual local authorities to cancel out the effect of future revaluations?

Support the same approach as now continuing to apply following a revaluation.

Question 11: Should Mayoral Combined Authority areas have the opportunity to be given additional powers and incentives, as set out above?

Not applicable.

Question 12: What has your experience been of the tier splits under the current 50% rates retention scheme? What changes would you want to see under 100% rates retention system?

This Council saw its joint highest business ratepayer go into administration shortly after the introduction of the current Business Rates Retention scheme pushing the Council into safety net (where it has remained). This matter was taken up at the time with the then Minister for Local Government, Kris Hopkins given the significant financial pressures it instantly created for the Council.

A change we would want to see is for the safety net to be at the baseline funding level and on that basis for the split in two-tier areas to be 50:50.

On the other hand, if the safety net is to be set as now, coupled with the likelihood that baseline funding levels will increase to reflect any additional responsibilities transferred to councils, the tier split will need to reflect exposure to risk and resilience/ability to manage risk.

Question 13: Do you consider that fire funding should be removed from the business rates retention scheme and what might be the advantages and disadvantages of this approach?

It would seem appropriate, as with police funding, that fire authority funding be provided through a separate grant. The funding is not then subject to a volatile income stream; it reduces the number of tier splits; and owing to the fact that Police and Crime Commissioners will be able to take on responsibility for fire where a local case can be made.

Question 14: What are your views on how we could further incentivise growth under a 100% retention scheme? Are there additional incentives for growth that we should consider?

What is important is for the baseline funding level, the 'starting point' to be fair, reasonable and just. This in itself will incentivise growth supported by the fact that the levy on growth is to be scrapped.

Whilst there is demand from businesses, the levels of speculative development of commercial and industrial premises is low as values are considerably lower than residential values. As such, a financial incentive that specifically makes the development of new commercial and industrial premises more attractive to developers, businesses and inward investors would not only help to stimulate business growth, it would also help to create more balanced communities.

Giving wider consideration to the growth impact of infrastructure projects, it is also important that government ensures that opportunities, such as the Local Growth Fund, are continued and adequately funded.

Question 15: Would it be helpful to move some of the 'riskier' hereditaments off local lists? If so, what type of hereditaments should be moved?

If the safety net is set at the baseline funding level the need to do so is less acute than it would otherwise be. It is not clear what is to be seen as 'riskier' albeit the removal of hereditaments that were more in the nature of national infrastructure seems appropriate.

Question 16: Would you support the idea of introducing area level lists in Combined Authority areas? If so, what type of properties could sit on these lists, and how should income be used? Could this approach work for other authorities?

First part of the question is for Combined Authority areas to respond. Non-combined authority areas should be able to take advantage of abilities to pool and to form area lists, subject to agreement in these areas. That said how does this sit with the aim of a business rates retention system that is simple to operate and understand?

Question 17: At what level should risk associated with successful business rates appeals be managed? Do you have a preference for local, area (including Combined Authority), or national level (across all local authorities) management as set out in the options above?

If the safety net is set at the baseline funding level local authorities to continue managing the risk of successful business rates appeals as they do now with increased support to improve local ability to set aside the right amount in provisions.

If the safety net is to be set as now the risk associated with successful appeals to be managed at a national level.

Question 18: What would help your local authority better manage risks associated with successful business rates appeals?

More streamlined decision making process leading to period of potential backdating to no more than a few years.

Question 19: Would pooling risk, including a pool-area safety net, be attractive to local authorities?

Local authorities should be able to take advantage of abilities to pool risk subject to agreement. That said how does this sit with the aim of a business rates retention system that is simple to operate and understand?

But not including the safety net.

Question 20: What level of income protection should a system aim to provide? Should this be nationally set, or defined at area levels?

This Council saw its joint highest business ratepayer go into administration shortly after the introduction of the current Business Rates Retention scheme pushing the Council into safety net (where it has remained). This matter was taken up at the time with the then Minister for Local Government, Kris Hopkins given the significant financial pressures it instantly created for the Council.

A change we would want to see is for the safety net to be at the baseline funding level as this is to all intents and purposes a measure of need; would agree with what is set out in the Local Government Finance Settlement; and is more often than not used for budgeting purposes and as such should aid financial planning, together with the likelihood that baseline funding levels will increase to reflect any additional responsibilities transferred to councils.

How this is funded will need to be included in the design of a new business rates scheme.

Question 21: What are your views on which authority should be able to reduce the multiplier and how the costs should be met?

On the assumption that fire authority funding is by way of a separate grant, either authority should be able to reduce the multiplier and the authorities in question to agree how to share the costs.

Question 22: What are your views on the interaction between the power to reduce the multiplier and the local discount powers?

Authorities should be given more flexibility on mandatory rate relief. This would help target incentives and tackle avoidance.

Question 23: What are your views on increasing the multiplier after a reduction?

Do not support capping increases in the multiplier after a reduction. Decision on increases in the multiplier after a reduction should rest with individual local authorities.

Question 24: Do you have views on the above issues or on any other aspects of the power to reduce the multiplier?

No further comments.

Question 25: What are your views on what flexibility levying authorities should have to set a rateable value threshold for the levy?

Not relevant.

Question 26: What are your views on how the infrastructure levy should interact with existing BRS powers?

No comments.

Question 27: What are your views on the process for obtaining approval for a levy from the LEP?

Not relevant.

Question 28: What are your views on arrangements for the duration and review of levies?

Not relevant.

Question 29: What are your views on how infrastructure should be defined for the purposes of the levy?

Not relevant.

Question 30: What are your views on charging multiple levies, or using a single levy to fund multiple infrastructure projects?

Not relevant.

Question 31: Do you have views on the above issues or on any other aspects of the power to introduce an infrastructure levy?

No comments.

Question 32: Do you have any views on how to increase certainty and strengthen local accountability for councils in setting their budgets?

With a move to 100% business rates retention councils will raise a greater share of their funding locally and direct funding from Government reduced. The funding from Government should be made known earlier in the budget setting process with indicative figures provided for a minimum of a further three years to aid financial planning.

Question 33: Do you have views on where the balance between national and local accountability should fall, and how best to minimise any overlaps in accountability?

Parliament to be accountable for funding decisions made at the national level; and to continue to consider and discuss the implications for accountability as the scheme develops.

Question 34: Do you have views on whether the requirement to prepare a Collection Fund Account should remain in the new system?

Requirement to prepare a Collection Fund Account should remain in the new system.

Question 35: Do you have views on how the calculation of a balanced budget may be altered to be better aligned with the way local authorities run their business?

No comments.

Question 36: Do you have views on how the Business Rates data collection activities may be altered to collect and record information in a more timely and transparent manner?

Agree there is scope to revise and improve data collection activities which should become clearer as the scheme develops.