

## **Business Rates Retention Reform: Sharing risk and reward, managing volatility and setting up the reformed system**

### **Preamble**

We remain clear that extra business rates income should go towards meeting the funding gap facing local government.

The consultation paper does not include any exemplifications and, therefore, difficult to make an informed response in isolation. Clearly, further data and modelling is required to better understand how the various strands might come together to make an informed response. As such, the response to the consultation is to be read in that context.

The consultation paper makes a strong case for an alternative Business Rates Retention (BRR) system (adjusting back to baseline figures and having a separate measure of growth) being introduced in 2020/21 and in principle supported. A system simplified so that it is more readily understood, more responsive to change and more straightforward to administer is clearly desirable.

More than 90,000 business rates appeals outstanding from the 2010 Rating List and ask Government to take action to ensure all outstanding appeals for the 2010 List are dealt with as soon as possible.

### **Summary of Questions and Responses**

#### **Question 1: Do you prefer a partial reset, a phased reset or a combination of the two?**

Phased reset.

#### **Question 2: Please comment on why you think a partial/ phased reset is more desirable.**

Under a phased reset where each year's growth (or loss) is retained for a set number of years and, thereafter, that growth (or loss) is redistributed it would not matter when growth came 'on stream', as all growth would count equally, regardless of timing.

Important that whatever the method it is clear and predictable to authorities how the reset works, and as easy as possible to implement.

#### **Question 3: What is the optimal time period for your preferred reset type?**

Suggest a time period of six years.

#### **Question 4: Do you have any comment on the proposed approach to the safety net?**

Given the likelihood that an authority will require a safety net payment is very much a function of other elements in the system agree the level at which the safety net is set

be determined when decisions have been made on the wider system, but that it should not be less than 95% of Baseline Funding Level.

**Question 5: Do you agree with this approach to the reform of the levy?**

Agree.

**Question 6: If so, what do you consider to be an appropriate level at which to classify growth as 'extraordinary'?**

Suggest setting when the levy falls due at 150% of Baseline Funding Level.

**Question 7: What should the fall-back position be for the national tier split between counties and districts, should these authorities be unable to reach an agreement?**

In the event agreement is not reached suggest a 50:50 split. In this scenario including a Fire and Rescue Authority the tier split would be County Council 37%, District Council 37%, Central Government 25% and Fire and Rescue Authority 1%.

**Question 8: Should a two-tier area be able to set their tier splits locally?**

Yes.

**Question 9: What fiscally neutral measures could be used to incentivise pooling within the reformed system?**

Phased reset period of more than six years. Preferential access to other funding schemes for economic development.

**Question 10: On applying the criteria outlined in Annex A, are there any hereditaments which you believe should be listed in the central list? Please identify these hereditaments by name and location.**

No.

**Question 11: On applying the criteria outlined in Annex A, are there any listed in the central list which you believe should be listed in a local list? Please identify these hereditaments by name and location.**

No.

**Question 12: Do you agree that the use of a proxy provides an appropriate mechanism to calculate the compensation due to local authorities to losses resulting from valuation change?**

Agree.

**Question 13: Do you believe that the Government should implement the proposed reform to the administration of the business rates retention system?**

The current difficulties around setting new individual authority business rates baselines after the reset and the problems in attempting to nationalise appeals under the current system make an alternative BRR system (adjusting back to baseline figures and having a separate measure of growth) attractive both from a financial planning perspective and because it could establish a more transparent and fair way to reward actual growth in business rate revenues and in principle supported.

**Question 14: What are your views on the approach to resetting Business Rates Baselines?**

Resets based on authorities own estimates of business rates provisions as evidenced by NNDR3 returns supported.

**Question 15: Do you have any comments at this stage on the potential impact of the proposals outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.**

No comment.