LGA/DCLG Business Rates Retention Steering group paper – 3 October 2017

**Issue**:

1. Proposal to refocus the Business Rates Retention (BRR) Steering and Working Groups to reflect the refocus on policy direction following this summer’s election.

**Background**

1. Ministers want to make progress on their manifesto commitment to give local authorities more control over the revenue they raise. However, we do not have access to early primary legislation; the Local Government Finance Bill fell at the election and was not in the Queen’s Speech. Annex A shows the options the LGA have identified for taking forward BRR measures using secondary legislation or other approaches.
2. DCLG are therefore proposing to focus work on:
3. Early options for increasing BRR without primary legislation
4. Early options for improving issues with the current BRR system without primary legislation
5. Wider/longer term options (potentially including primary legislation)
6. We are keen to continue working with the steering group and working groups on these. We propose that the steering group should continue to oversee the whole programme, commissioning working groups to consider issues and report back. The steering group should consider working group reports and where appropriate make proposals for Ministers to consider.
7. Initial programmes for the working groups could include:
8. Increased BRR Options
   * Review of principles:
     + how near to 100% can/should we seek to go?
     + What are the expected benefits?
     + How will we measure them?
   * Identify immediate (administrative or secondary legislation) options;
   * Consider what grants could be “rolled in” to allow further BRR;
   * Plan longer term (primary legislation) options to complete aims; and
   * Oversight of progress on pilots and review outcomes/impacts identified.
9. Improving the business rates retention system
   * Re-examine known issues (including tier splits, appeals provisions & losses, and the approach to resets), and identify any additional issues;
   * Identify immediate (administrative or secondary legislation) options;
   * Plan longer term (primary legislation) options to complete aims; and
   * Examine if other measures could contribute the manifesto pledge to give local authorities more control over the revenue they raise
     + If so, identify implementation methods & predicted cost & benefits
     + Then prepare a coherent package which the steering group could propose to Ministers.
10. We therefore ask the steering group to mandate the working groups to take forward this work in line with the forward work plan proposed in Annex B. There are two options for this: firstly, the Steering Group could set up new working groups focused on each of the areas above, possibly replacing the existing Systems Design, Accounting and Accountability, and New Responsibilities working groups.
11. However, doing this would risk losing the experience and expertise of the current working groups. We therefore propose that:
    1. The New Responsibilities working group should lead on item a above; and
    2. The Systems Design working group should lead on item b; and
    3. The Accounting and Accountability working group should provide expert support for both workstreams as appropriate.
12. Of course, the issues in a and b are closely interlinked, so the working groups would continue to work closely together, referring issues where necessary. However, separating the lead into distinct areas gives clear lines of accountability and reduces the risk of confusion and/or duplication of work
13. The Needs and Redistribution working group would of course continue to take forward Fair Funding Review issues; in the light of this focus, it could be renamed the Fair Funding working group.

Annex A

The LGA’s summary of options for BRR measures without Primary Legislation

Annex B

BRR Working Groups forward work plan

Annex C

Fair Funding technical working group agenda

Annex A – timeline