

Consultation on proposals on the design and implementation of the locally administered Business Rates Relief Scheme

April 2017



1. The Local Government Association (LGA) welcomes the chance to comment on this consultation.
2. The LGA is here to support, promote and improve local government. We will fight local government's corner and support councils through challenging times by making the case for greater devolution, helping councils tackle their challenges and assisting them to deliver better value for money services.
3. This response has been agreed by the LGA Resources Board.

General remarks

4. We welcome the support for businesses, facing increases in business rates bills, as a result of the 2017 revaluation and the Government's assurance that local government will be fully compensated.
5. We have long argued that giving councils the freedom and funding to set discounts and reliefs locally would help them better support small businesses and local economies. Local authorities are well placed to identify who needs this new discretionary relief funding the most.
6. While the measures will not lead to any increase or reduction in funding for local government through business rates, there is a risk that some councils will be left out of pocket because of delays to billing caused by the lack of certainty about relief over recent weeks. It is important that the Government reimburses them for any loss of income or extra costs incurred as a result.
7. The Chancellor's announcements are in response to concerns from many businesses about the impact of the 2017 revaluation. The LGA is concerned that this could also lead to a large number of appeals. The huge volume of appeals from previous revaluations shows that too many ratepayers are unhappy with the current system of business rates valuation. This has led councils to divert £2.5 billion over the past five years to cover the risk of appeals. Currently this risk is half the cost of any backdated refunds; this could increase to 100 per cent by 2020 under further business rates retention. It is vital that the Government works with councils and the LGA on how the provisions to allow central government to pay local authorities for any losses on appeals, as set

Submission

out in the Local Government Finance Bill, will operate well before the implementation of the new system.

8. In addition, the Government has announced the intention to introduce more frequent revaluations, at least every three years. We await the details of how the Government will deliver this aim. In our response to the 2016 discussion paper on delivering more frequent valuations the LGA said we would not support more frequent revaluations unless there is a significant change to the way valuation is done and a limit on speculative appeals. We welcome the fact that the Government has said, in its response to the consultation on the reform of business rates appeals, that it will bring forward proposals for setting a fixed time limit on business rates appeals. In Scotland this is six months; we would look forward to similar proposals for England.
9. In addition, it is vital that any changes to the frequency of business rates revaluations are considered alongside the development of further business rates retention which will start in 2019/20. In particular, more frequent revaluations should not have the adverse unintended effect of diluting any positive incentives to grow the business rates base in general

Answers to questions

Question 1: Do you agree that individual local authorities should be responsible for designing and implementing their own discretionary relief schemes, having regard to local circumstances and reflecting local economies?

10. The LGA agrees that the relief should be discretionary rather than mandatory as local authorities are in the best position to know their local economies. We would expect that one of the matters they would be able to take account of in exercising their discretion was if a ratepayer is in arrears.

Question 2: Are the Government's assumptions about the design of local discretionary relief schemes reasonable?

11. The LGA considers that the assumptions that authorities will wish to concentrate discretionary relief on ratepayers facing the most significant increase in bills and those in lower value properties are reasonable. But local authorities are best placed to decide this.

Question 3: Is the allocation methodology reasonable?

12. The LGA agrees that, on the basis that there is a fixed pot to distribute, the allocation methodology is in line with the Government assumptions. We have heard concerns that the £100,000 floor means that some of the pot could be allocated to authorities where there are few or no properties which may have a case for the relief (there are 10 of these in total). The LGA calls on the Government to ensure that any unspent resources (for example if an authority on the £100,000 floor does not spend up to it) to be reallocated to other authorities.

Question 4: Do you think that authorities should have some flexibility to switch resources between years to ensure relief provided meets local need and provides maximum value for money?

13. Yes, we agree that authorities should have this flexibility and it that it would be helpful.

Question 5: Do you agree with the proposal that s.31 grant should be paid to compensate authorities for their loss of income under the rates retention scheme up to the maximum of that year's "total pot"?

14. We agree that section 31 grant should be paid to compensate authorities for their loss of income. In addition to the payment to ratepayers, this should include the new burdens costs of additional billing and of any necessary software changes and any losses due to cash-flow issues relating to late billing and late payments.

Question 6: Do you agree with the proposals for administering payments, including in-year payments based on estimates, end-year reconciliations and payments quarterly in arrears?

15. Since most rates are paid by monthly instalments, payments should also be made in this way. Given the nature of the scheme, it is reasonable for there to be reconciliation when outturn figures are available.

Question 7: Do you agree the grant conditions are appropriate?

16. The LGA in general considers that grant should be non-ringfenced. However in this instance we appreciate the Government's wish to attach conditions. Every attempt should be made to ensure that these are not administratively onerous.