

Business Rates Retention

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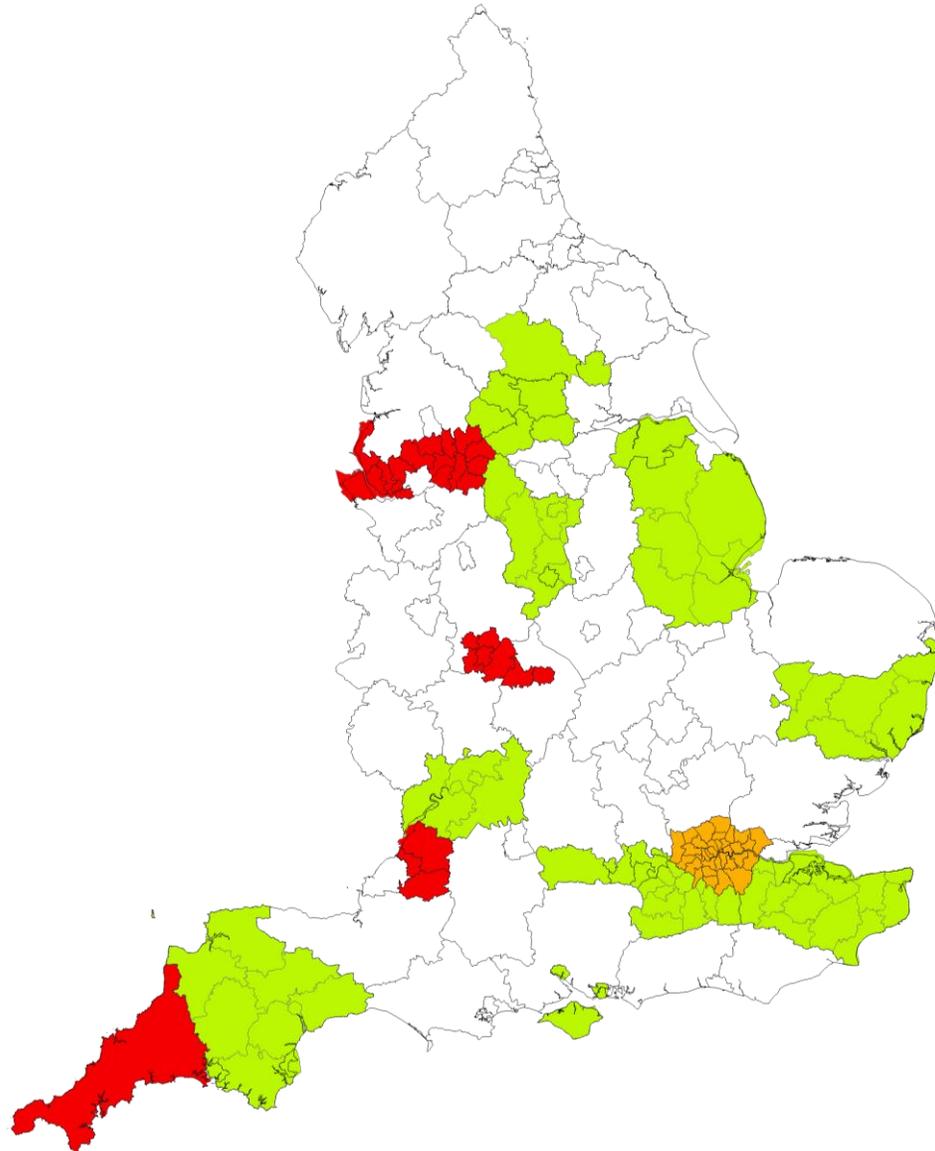
Business Rates Reform

- Manifesto commitment that LAs retain more of their money
- Provisional Settlement announced that Government would increase level of retained Business rates to at least 75% in 2020/21 by rolling in grants
- Business Rates baselines reset as part of Fair Funding Review
- Package goes as far as possible to increase local control over local income without primary legislation
- Will assess scope for increasing retained share going forward

Systems Design Work

- LGA and DCLG collaborating on system design to improve way Business Rates work through Joint Working and Steering Groups
- Two phases:
 - Reform that can be implemented in 2020/21
 - Possible longer term reform requiring primary legislation
- Technical consultation at the end of 2018
- Leading to reform package for 2020/21 based on consultation responses and working with pilot areas
- Technical sub-working group to look at practical issues related to transition and operationalisation of the new system

100% Business Rates Pilots



2017/18

- Five devo pilots

2018/19

- London
- 10 new pilots

2019/20

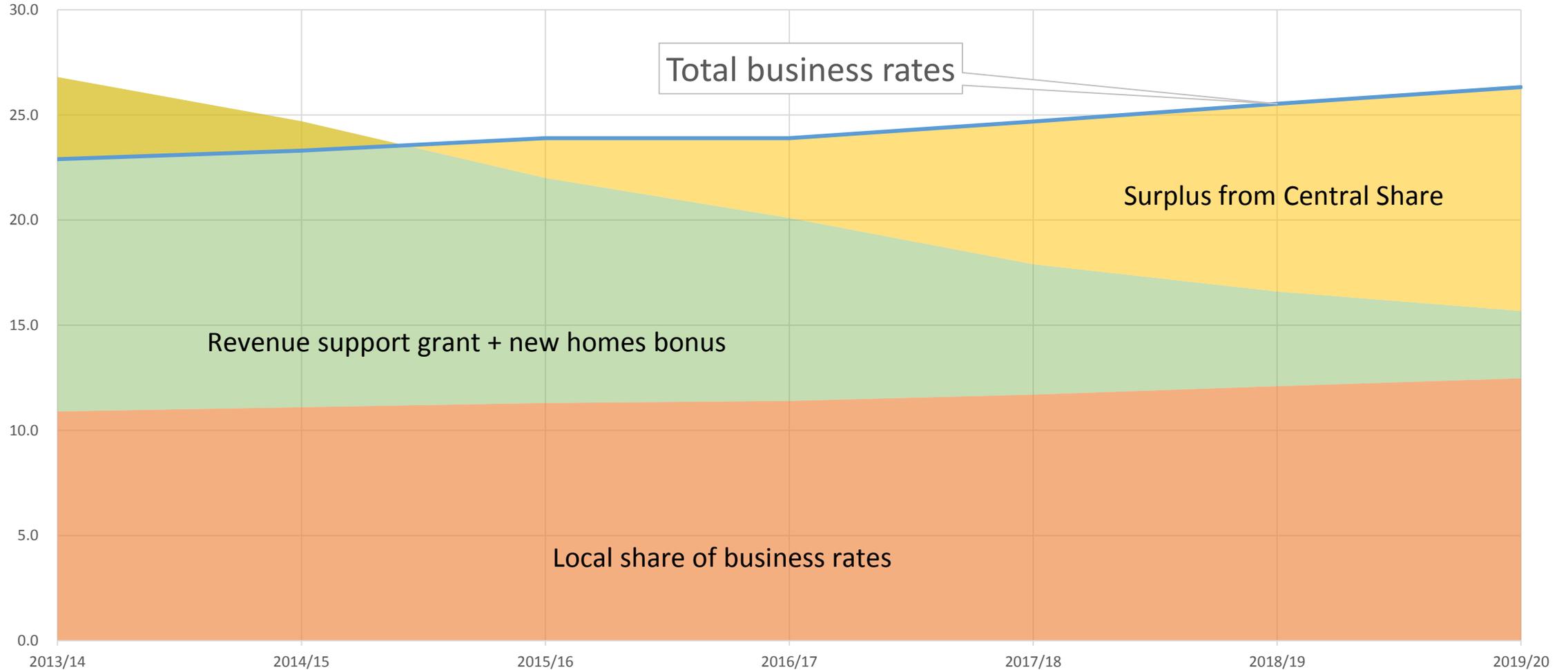
- Commitment to continue to pilot future reform of the system in 2019/20.

Business Rates Retention – LGA Position



- Work with the sector and the Government on the introduction of further business rates retention, if needs be without primary legislation
- Use the central share to:
 - Plug the £7.1 billion funding gap
 - Make sure the Fair Funding Review works for all
 - Deal with future pressures
 - Funding some existing grants
- No further transfer of new responsibilities to local government as part of the reforms
- Deal with the impact of appeals
- Avoidance

Business Rates v general grant £ bn



What does 75% retention mean?

- Grants to be funded from business rates – RSG, RDSG, Public Health and TfL Capital
- Estimated £6.5 billion to transfer

- Leaves estimated £6.5 billion to be considered in future
 - LGA view – should be used solely to fund pressures
 - No further service transfers unless matched by additional grant

Considerations for sector

- Financial impact of the expansion of the pilots impact on the rest of the sector?
 - Neutral?
- How will social care growth pressures be met in future?
 - Funding shifting to council tax / business rates
 - Business rates growth will not be enough to meet cost growth
- System issues
 - Appeals
 - Resets and balance of incentive and reward
 - Avoidance

Questions