

# POLICY DEVELOPMENT: NOT A STATEMENT OF GOVERNMENT POLICY

100% Business Rates Retention

Systems Design Steering Group: 5 March 2018

## Covering Note to the Steering Group on Technical paper 1: The Central and Local Rating Lists

### Introduction

1. At the Systems Design Working Group on 7 February 2018, MHCLG presented a paper on the Central and Local Ratings List for the group's consideration.
2. The Working Group made a series of recommendations in response to the questions posed, which are outlined below for the Steering Group's consideration.
3. **MHCLG now invites the Steering Group to consider whether they endorse the recommendations of the Working Group.**
4. The paper, which has also been circulated in advance to the Steering Group, posed a series of questions about potential reforms to the Central and Local Ratings Lists, both for a short term reforms with a 2020/21 implementation date and for long term reforms post 2020/21.
5. The next Working Group will convene on the 21 March 2018 and will discuss a paper on the Safety Net, Levy and Tier Splits.

### Recommendations of the Systems Design Working Group

6. Please see the full paper for the background and context of each question.

**TP1 Q1: Is this still the basis on which the Department should develop clear and transparent criteria for publication?**

7. The group supported MHCLG's proposition that clear and transparent criteria be developed and published on the basis of current regulations and conventions, to allow authorities and rate payers to identify whether hereditaments belong on the central or local ratings lists.
8. The group was in agreement that there should be consistency and that hereditaments of the same type should be treated in the same way with regards to which list they appear in.
9. Some members of the group argued that whether a hereditament is best suited to the central list should be defined by whether the authority is able to control and influence that hereditament.
10. In this context, MHCLG was asked to consider whether MOD properties could be classified as network hereditaments and moved to the central list.
11. The group also requested further information on: the position of railway hereditaments; the valuation of retail hereditaments in transport hubs such as airports; and the appeals risk of the central list in relation to that of local lists.

**TP1 Q2: Do you agree with this approach to the process under which we will identify those properties which on application of the criteria might move between lists?**

12. The group supported MHCLG's proposed process for identifying and moving hereditaments between lists. They requested that the work come back to the Working Group for further comment at future key milestones.
13. They asked that the next steps table on page 9 be amended to reflect the need for changes to lists to be identified by autumn 2019 to allow time for this to feed into the Settlement. This change has been made. Aside from this, the paper circulated to the Steering Group is the same as that which the Working Group discussed.

**TP1 Q3: How should we translate the outcome of the movement of hereditaments between lists into authorities' baselines?**

14. The group recognised that the process of adjusting baselines to reflect changes to lists would be complex.
15. They recommended that the principle should be that no authority is better or worse off as a result of movement of hereditaments between lists.
16. They supported MHCLG's proposal to re-visit this topic in detail in the paper on transition.

**TP1 Q4: What are your views on the use of area lists to share risk (and reward) and support pooling?**

17. There were mixed views on the merits of area lists. No recommendation was made but the group was content for area lists to remain in consideration.

**TP1 Q5: What are your views on allowing authorities to nominate hereditaments that fit a criteria based on national infrastructure to be designated to the central list in order to manage income volatility?**

18. The group recommended that this proposal be removed from consideration. They felt that it undermines the principle of consistency if it is possible for hereditaments of the same type to be on both the central and local lists. They also felt that it would create gaming opportunities.

**TP1 Q6: What are your views on the proposals for post 2020/21 reform?**

19. MHCLG's proposal that we should aim to bring reliefs available to central list hereditaments in line with those available to those on local lists was supported by the group.
20. The group also supported pursuing the power of direction for the Secretary of State with the proviso that criteria remained constant and the power was used to improve administration.

## Next Steps

21. The next steps for the reform of the Central and Local Ratings lists are outlined on page 9 of the paper.
22. MHCLG will continue to bring this work back to the Working Group for further comment at future key milestones. The first of these steps will be for the Working Group to review the drafted criteria outlining which lists hereditaments should be listed in.
23. In addition, MHCLG will return to the Working Group having investigated the requests outlined above (such as providing clarity on the position of railway hereditaments).
24. MHCLG will continue to bring the recommendations of the Working Group to the Steering Group for consideration of endorsement.