Business Interests Group Update

POLICY DEVELOPMENT: NOT A STATEMENT OF GOVERNMENT POLICY

Background

1. The Business Interests Group met on 15 June at Local Government House for its first meeting to discuss 100% Business Rates retention. The discussion covered an overview of the programme of reform, the devolution of responsibilities to local government, the design of the 100% retention system, and the local tax flexibility powers.

2. The meeting was co-chaired by Stuart Hoggan (DCLG) and Nicola Morton (Local Government Association).

Discussion

3. On the **programme as a whole**, the Group discussed the impact the reforms could have on the shape and operation of local government, for example: whether it might impact on authorities' approach to planning decisions; whether new responsibilities would be focussed on driving local growth; and how the process of redistribution rewarded growth and recognise need.

4. SH highlighted the local authority ambition and appetite for the reforms, whilst NM noted that the current focus in the sector was on the responsibilities to be devolved and the system design as opposed to the redistribution.

5. On the **responsibilities to be devolved,** attendees discussed the criteria for devolution and DCLG highlighted some potential candidates for devolution already under consideration.

6. The Chair clarified that the criteria should be viewed as guiding principles, and that the system could cope with services being devolved in some areas but not others, and that this could be managed through due needs assessments for individual services where they were devolved. Attendees suggested that local authorities must be given the appropriate levers to grow their local economies through the devolution of growth related responsibilities.

7. On the **design of the 100% retention system,** DCLG introduced technical issues such as the sharing of business rates income across different tiers of local government and the management of risk. The group discussed whether power stations should be included on the Central List to manage risk, as well as how to manage planning decisions under the new system, and whether longer reset periods could make tax increment financing more viable.

8. Finally, the group discussed both the **infrastructure levy and the power to reduce the multiplier.** On reducing the multiplier, members welcomed the prospect of tax

competition. Officials confirmed that if an authority reduces the multiplier it would have to fund this by reducing its own spending. The group also considered how existing local discount powers could be used to encourage development where property is left empty, and more broadly how much the power to reduce the multiplier would be used.

9. On the infrastructure levy, members raised concerns over how LEPs could provide scrutiny and transparency, and suggested other ways that business views could be taken into account, such as consultation. The view was also raised that the infrastructure levy should include an ‘additionality’ requirement, as in Business Rates Supplement powers, so that any proceeds of a levy could not be used for spending which would have occurred without the levy. The Chair noted that some of the parameters for the operation of tax flexibilities were already set by the Chancellor’s announcement at Autumn Statement 2015.

Next Steps

10. The group has agreed that a further meeting should take place in July to discuss the consultation and likely responses in more detail.