

Business Rates Retention Pilots: Update

POLICY DEVELOPMENT: NOT A STATEMENT OF GOVERNMENT POLICY

Background

1. In the Budget 2016, the Government committed to piloting approaches to 100% Business Rates Retention in London, Manchester and Liverpool from as early as 1st April 2017.
2. Some elements will be piloted from 2017-18 onwards, however we expect a number of elements of the system will not be piloted before 2018-19.
3. The Government has committed that the pilots offer be available to other city regions with ratified devolution deals. Sheffield and the West Midlands have come forward to explore the options around becoming pilot areas and DCLG has begun work with them on this. Other areas have also expressed initial interest and are in the very early stages of discussion.
4. With a move to 100% rates retention pilot authorities will be taking on a greater degree of risk. As part of the negotiation leading up to the Budget announcement it was therefore agreed with the pilot areas that pilots will result in no detriment. Under the agreed terms, should the pilot arrangements result in less resources being available to the pilot areas than would have been the case under the existing local government finance regime, the Government will make good the difference.
5. Importantly, the pilots will not reduce the quantum of resource available for other parts of local government. They also do not impact on the assessment of relative needs which will be considered by the Fair Funding Review.

Current state of play

6. Since the announcement DCLG has engaged with Manchester, Liverpool and London to scope options for development and to discuss mechanisms for implementation.
 - a. Greater Manchester intends to move to 100% business rates retention from 2017. Liverpool is considering a transition to 100% retention over a period of time but intends to pilot elements of the system from April 2017.
 - b. In London the GLA will take over responsibility for funding TfL Investment grant from DfT. In return, the GLA will be allowed to keep a commensurately higher percentage of the business rates income collected in London. London is also considering whether to roll RSG into business rates.

- c. DCLG and pilot areas are exploring the following options which, alone or in combination, will ensure that the increase in the “local share” of business rates is cost neutral at the point of change:
 - i. Ending RSG entitlement
 - ii. Ending entitlement to other funding streams. Options under consideration include a number of health, welfare and infrastructure related funding streams.
 - iii. Devolving additional responsibilities to pilot areas
 - iv. Adjusting existing tariffs and top-ups
- d. We are considering testing mechanisms for managing appeals risk in some pilot areas, as well as exploring options around changes to the safety net.
- e. Discussions with pilot areas are underway regarding the mechanism we will use for calculating the value of business rates percentage shares. We expect this will be included in the consultation on the Local Government Finance Settlement, due to be published later this month.
- f. We are discussing with pilots the approach to data collection to allow for monitoring.
- g. Any cost to the system from elements of the pilots will not impact on non-pilot authorities.

Next Steps

- 7. Final design of elements to be piloted for 2017-18 implementation will be completed in September.
- 8. Changes to secondary legislation will be required to implement elements of the pilots from 2017. We will be developing this legislation over the coming months and expect Orders to be laid in Parliament in late October.