

Initial Feedback from Local Government on Business Rates Retention Proposals

Introduction

1. Since the agreement to joint working on business rates retention between the Department for Communities and Local Government (DCLG) and the LGA, by Leadership Board, the LGA has been engaging with the local government sector on the proposals. This engagement has been directed at both elected members and local authority officers.

Engagement with Elected Members

2. In addition to regular papers to the LGA's Leadership Board and Executive, as well as the business rates task and finish group, the LGA has raised the profile of business rates retention amongst councillors through communications to members. A series of articles have featured in the LGA's 'first' magazine, received by 18,000 councillors and 400 chief executives monthly. The regular weekly email bulletins from both the Chair and Chief Executive have drawn attention to the LGA's work on several occasions, inviting comments on Steering Group papers. Feedback from authorities has been sent via email to the LGA's dedicated businessrates@local.gov.uk email address.
3. A Resources Portfolio Forum event on the subject of business rates retention was scheduled to take place on 18 July at Local Government House. This will be led by the LGA's Resources Portfolio lead members, with a speaker from DCLG and input from LGA officers. The event is open to the lead elected member with responsibility for finance or resources in all member authorities. The afternoon will provide an opportunity for councillors to provide feedback on the proposals for further retention in more detail, following the publication of the Government's consultation.

Engagement with Officers

4. In addition to involvement by officers from across local government in the steering group and technical working groups, the LGA has been seeking to engage other officers in local authorities more widely. In particular, members of the LGA's finance team have attended numerous meetings of finance officers and senior staff across the country, at the invitation of regional groups. These meetings have provided excellent opportunities to discuss the proposals in more detail and highlight some of the issues concerning local authorities.
5. LGA officers are also working with DCLG officials to plan a number of workshops for local authority officers, seeking feedback on the consultation. These events are likely to take place in late August and early September at venues across England.

Key Issues

6. The engagement process with councillors and officers has highlighted a number of key issues, many of which are already under active consideration by the steering group and

working groups, but some of which have been raised for the first time. The following paragraphs summarise the main points highlighted by local government so far.

6.1. New responsibilities

- **Demand:** It is important that the demand for services devolved to local government through new responsibilities does not outstrip growth in business rates income.
- **Existing Pressures:** Local government is facing substantial cost pressures as a result of the Care Act, National Living Wage and Apprenticeship Levy. A significant amount of the additional business rates councils will receive should be used to deal with this existing funding gap.
- **Public Health:** Many councils are still some distance from their target public health grant allocations. Consideration needs to be given as to how authorities will achieve their target allocations if funding for public health is switched from grants to retained rates.
- **Enabling Economic Growth:** Local authorities want responsibilities that are related to business rates and will allow them to grow their economies.

6.2. Systems design

- **Appeals:** A large number of authorities have expressed concerns about the impact of appeals.
- **Multiplier Flexibility:** The power to increase the multiplier should be extended to all local authorities. Not all Local Enterprise Partnerships have a strong business element.
- **Incentivisation:** All authorities should be able to keep a significant percentage of business rates income, which is not subject to redistribution or resets. This would enable certainty for local authorities in planning and delivering major infrastructure improvements. Some authorities have little capacity for growth due to having large numbers of businesses exempt from business rates e.g. small businesses and agricultural.
- **New Nuclear:** The Government's commitments to community benefit from new nuclear in 2013 needs to be considered in the operation of a system where all rates are retained by local government.
- **Enterprise Zones:** Enterprise Zones need to be considered in the operation of the system.
- **Policy Changes:** Business rates policy could still be subject to changes by Government changes, such as extensions in relief. Local authorities must be fully funded for these changes and many would prefer a greater role in decisions over reliefs in local areas.

6.3. Needs and redistribution

- **Formula:** Consideration needs to be given to the balance between statutory and discretionary services in the design of the new formula. It also needs to recognise particular arrangements that only exist in some authorities, such as internal drainage boards.
- **Damping:** Following a new needs assessment, transitional arrangements in the form of damping are likely to be necessary. The Government should give early consideration to the level of protection given to authorities in the early years of the new scheme, to enable local government to begin financial planning.
- **Redistribution:** Transparency of redistribution at a sub-regional or regional level may be more politically acceptable locally than a national redistribution system.