

Appendix A: Principles and criteria for business rates retention

Background document from Business Rates Task and Finish Group meeting – Thursday 12 May 2016

A number of criteria have been included in the discussion document about new responsibilities. The LGA may wish to establish some **further principles** regarding the overall change which could include the following:

1. The quantum of resources to be newly retained must be properly quantified, taking all prior commitments into account and agreed.
2. The costs of any new responsibilities must be covered by the resources available
3. The way in which revaluations and appeals are dealt with must be improved and the new system must be designed to assist councils in managing the impact of these.
4. The new system must provide a mechanism to deal with shock to the system or changes that have a disproportionate impact on an individual council or group of councils and/or which could not reasonably have been foreseen.
5. There must be clarity about whether and when there will be resets and how incentives will be sustained if these take place.
6. The new system on needs assessment and redistribution must be fair, transparent and capable of being kept up to date.
7. There must be an assurance that any arrangements adopted will not be changed again without a full public debate.
8. The agreement to early adoption in some areas should not have a detrimental effect on allocations to other councils
9. There must be a clear understanding of how risk is shared in the new system and risk should not be transferred to local government without an adjustment or allowance in the system to recognise a change in responsibility.

The **criteria for new responsibilities** set out in the discussion document are as follows:

1) Devolution of a responsibility should build on the strengths of local government

- a) It will provide opportunities for greater integration across local services, taking advantage of council expertise to provide user-centric, outcomes focussed approaches.
- b) Devolution would remove barriers to other innovative service delivery models, for example the commissioning of new multi-agency services that offer better value for the tax payer.
- c) There should be appetite from the sector for the responsibility to be delivered at a local level.
- d) The responsibility is a sensible fit with a business rates-based funding stream, i.e. from a forward planning, governance and technical perspective.

2) Devolution of a responsibility should support the drive for economic growth

- a) The responsibility will support Local Authorities' role in driving local growth, for example through a clear link to local employment, skills or infrastructure policy, and build on the ambition councils have demonstrated through Local Enterprise Partnerships and City Deals.

3) Devolution of a responsibility should support improved outcomes for service users or local people

- a) Local authorities should have as much flexibility as possible to tailor local services, for example allowing user-centric, outcomes focused delivery.
- b) Service provision can reflect the distribution of need across the country. Consideration should be given to the effect of devolution on protected groups under the Equalities Act 2010.

4) Devolution of responsibilities should be made with consideration for the medium-term financial impact on local government.

- a) The national cost and demand for any new responsibility should be relatively predictable and stable over time, relative to the business-rates based funding stream.
- b) The relative demand for funding between local authorities should be relatively stable over time.
- c) There should be capacity at a local level to deliver services, taking into account other local pressures.
- d) The timeline for devolution will allow sufficient time for preparations at a local level.

The LGAs approach to engagement with DCLG

The LGA will:

- 1. Work with DCLG to ensure they have access to the best possible information and advice to inform ministers' decisions.
- 2. Seek the views of councils and other stakeholders and ensure these are taken into account in the design of a new system
- 3. As a membership organisation, ensure the views of local government and fire and rescue authorities are properly represented to ministers, to parliament and to the public.
- 4. Support councils to understand and implement changes