

POLICY DEVELOPMENT: NOT A STATEMENT OF GOVERNMENT POLICY

Systems Design Working Group

100% business rates retention: key topics

Topic	Discussion date*
<p><b>Tax flexibilities</b> New powers around tax flexibilities at a local level have been announced – in essence the power to reduce business rates tax multiplier, and the introduction of an infrastructure levy for areas with elected mayors. We will look to have an overview discussion of the issues, followed by more detailed discussions in future working groups.</p>	4 May
<p><b>Managing appeal risk</b> Volatility to income caused by having to manage risk of successful appeals is a key concern for local government under 100% rates retention system. Aim is to have one proposition for managing risk in the summer consultation document.</p>	4 May
<p><b>Central List</b> Introduction of a new 100% rates retention system gives the opportunity to look afresh at how the Central List works and whether there are changes that should be made. Particularly in context of discussions about managing appeal risk and the safety net, and whether Central List income is used to help fund these.</p>	18/19 May
<p><b>Safety net</b> It is likely that a safety net will continue to be needed under the 100% rates retention system. We will table a paper exploring how any future safety net should operate and be funded, in the absence of a levy or RSG.</p>	18/19 May
<p><b>Handling growth gains</b> Under the 100% retention system, local authorities will need certainty about how growth gains are to be treated – both annually, and at and after resets – in order to use any growth in income for long term investment decisions. This work will need to balance ensuring local government has a direct financial stake in growing the local economy, with redistribution of funding across every authority. This links closely to the way that the needs and redistribution system is set up.</p>	1 June
<p><b>Tier splits</b> Working with local government to understand how gearing under 50% rates retention has worked in practice, and what this implies for 100% retention system. This will help to inform propositions about tier splits in two tier areas, alongside any early indications from the devolution of responsibilities workstream.</p>	14/16 June
<p><b>Geographies of business rates retention &amp; pooling</b> We will want to explore whether/how pooling might work under a 100% retention system. This – along with the work on tier splits –</p>	14/16 June

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will also need to consider what the right geographies for rates retention will be. This will be heavily influenced by work on devolution of responsibilities, and decisions on needs and resources.	
<b>Redistribution mechanisms</b> Following work on tier splits and the geographies of rates retention, we will work with local government on proposition(s) for how redistribution will work – eg tariffs and top-ups, setting a baseline (ie the starting position), how an annual process will work in practice. This will also need to draw on engagement with the pilot authorities.	28/29 June
<b>Enterprise Zones &amp; other designated areas</b> We will work with local government to determine the impact of EZs and other designated areas on overall income, and in calculating redistribution of overall funding.	28/29 June
<b>Treatment of Reliefs</b> How mandatory and discretionary reliefs are dealt with under 100% business rates retention	28/29 June

\* The date identified here is for initial discussion – some topics may need to come back to the group following further work.

**QUESTIONS FOR DISCUSSION**

1. Does this list cover the topics you were expecting to see? Is there anything missing?
2. Does the sequencing of these topics look right to the group?