SOUTH EAST ENGLAND COUNCILS
ALL-MEMBER MEETING

Date: 29 January 2016

Subject: **Business rates: Future options in the South East**

Report of: Heather Bolton, SEEC Director

Recommendations:
i) Discuss likely South East impacts of proposed business rate changes
ii) Consider key points to inform any SEEC input to CLG on business rate retention

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1. Background

1.1 In autumn 2015 Chancellor George Osborne announced Government plans for 100% local retention of business rates by 2020. Consultation has not yet begun but Ministers' early thinking is starting to emerge, for example:

- The need to retain tariffs and top ups to rebalance funding in areas with spending needs greater than income. This will follow a full review of each council's need vs income.
- Following abolition of Revenue Support Grant, councils with assessed needs lower than their income would be expected to pay Government money from income such as business rates, council tax and New Homes Bonus.
- Suggestions that business rate retention will be accompanied by extra council spending responsibilities, for example attendance allowances and public health.

CLG will consult on options in 2016 and has offered to work with local government on design of the new system. The CLG Select Committee has launched an inquiry into likely impact of business rate changes.

2. Business rates vs grants in the South East

2.1 South East councils are expected to collect £3.47bn in business rates in 2015-16, compared to £2.7bn in non-ring-fenced grant income, according to research for SEEC by Local Government Futures.

3. How could changes to business rates affect the South East?

3.1 Although details of the new proposals are limited, initial concerns for South East authorities are likely to include:

- How to ensure there are economic growth incentives for South East councils in a system that relies heavily on tariffs charged against income?
- To what extent will a review of needs vs resources take account of the South East as a very high cost area and as home to the UK's highest population, with resulting pressure on services and infrastructure?
- How can the new system support greater local investment in the infrastructure and housing that businesses need to drive further economic success?
- How can the need for infrastructure investment to support the South East and UK plc's ongoing success be accommodated alongside the equally pressing need to support health and care needs?
- Transfer of 100% business rate income to councils is also likely to include transfer of risk – eg from appeals and economic volatility. How will this affect councils' financial planning?
- The ability to reduce local business rates will be welcome in some areas but why can't South East councils also have powers to raise levies for major infrastructure projects without having an elected mayor?

Member views on these and other key questions are invited to help shape a SEEC response to CLG's emerging consultations.