

# Business rates: the future

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# Summary

- 100% business rates retention: main points
- How it might work
- New responsibilities
- Equalisation – top-ups and tariffs
- Flexibility to vary up and down
- Other flexibilities
- Business rates appeals
- Next steps

# Story so far

Funding outlook for councils from 2010/11 to 2019/20:



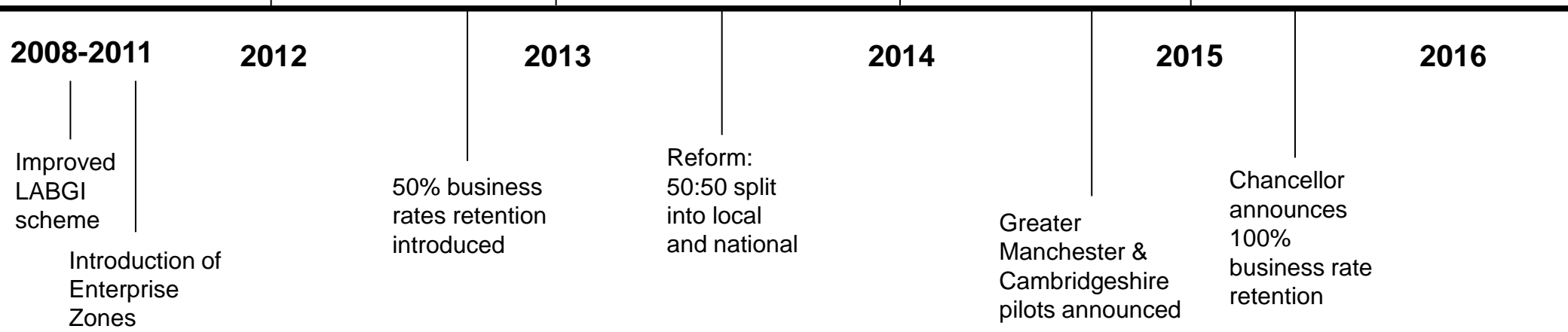
Self-funded local government through council tax, business rates and other taxes



Retention of 100% of business rates growth



Locally retained share of business rate income increased to 100 per cent

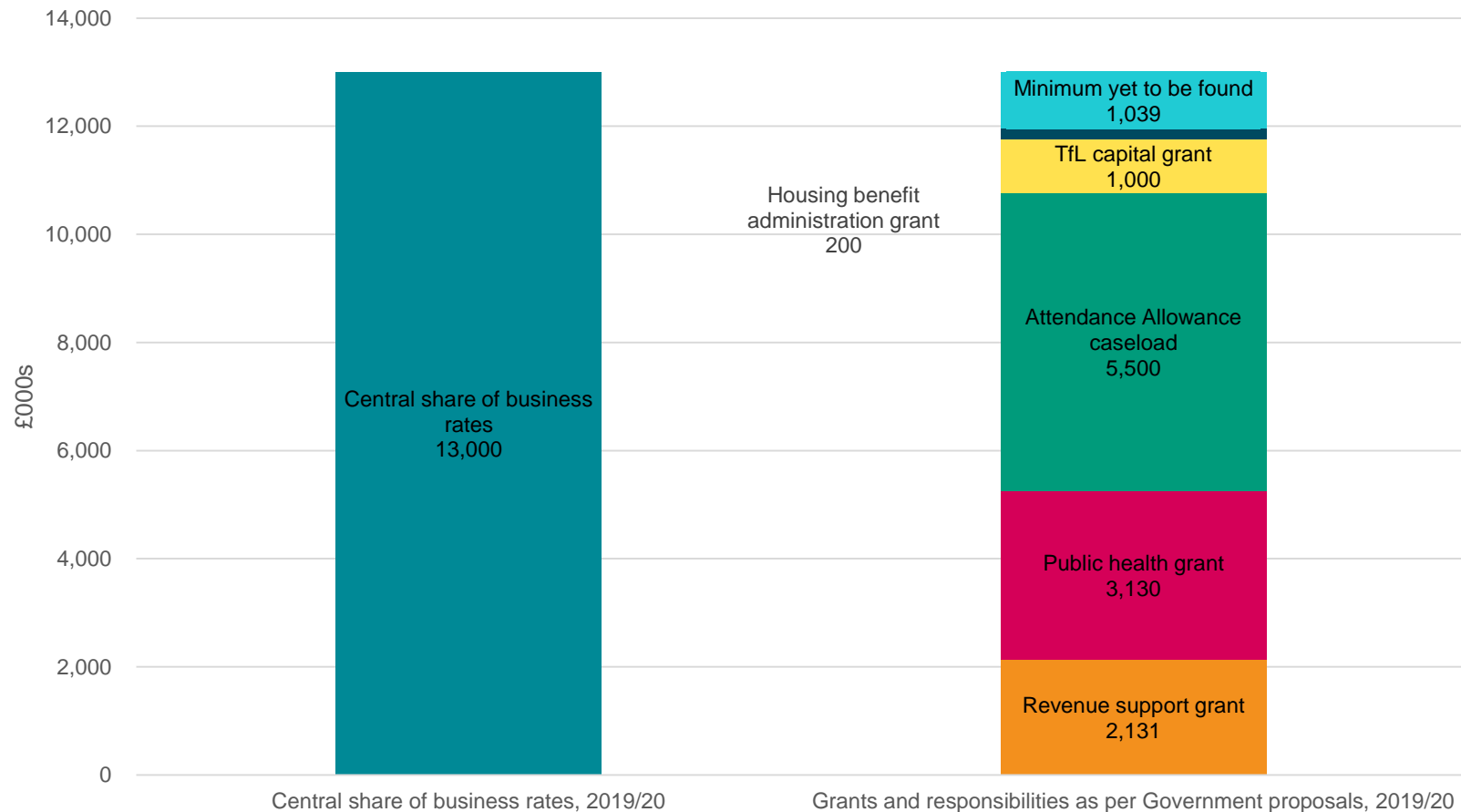


# 100% Retention – main points

- 100% local tax retention by the end of the Parliament
  - Cost neutral – phase out grants, add in new responsibilities
  - Protection against volatility and continue redistribution within the system (top ups / tariffs)
  - Councils can reduce business rates
  - Metro mayors powers to fund new infrastructure through increasing business rates (with LEP agreement)
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# 100% retention & new responsibilities



# New responsibilities?

- Around £11bn of grants in addition to residual RSG; can be baselined according to a formula
  - Once in, will go up according to rules of business rates retention: formula cannot be changed each year without changing predictability of incentive
  - Consultations likely on:
    - Public Health (£2.5bn?)
    - Greater London Authority transport capital (£1bn)
    - Housing benefit administration (£200m)
    - Attendance Allowance (£5bn?)
  - Improved Better Care Fund could also be incorporated
  - Not yet clear what happens to funding for New Homes Bonus (£900m by 19-20)
  - LGA would like to see more skills funding included
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# Equalisation – top-ups and tariffs

- Top ups and tariffs balance each other
  - Based on difference between funding baseline and business rates baseline
  - Likely to be reset when the new system starts – 2020 or earlier
  - A reset will
    - Update data used in formulae – population, council tax and other
    - Consider any evidence for changing formulae
    - Consider what formula to use for grants incorporated into the baseline
  - Top-ups and tariffs updated by multiplier each year
  - Pressure for fundamental review of the needs basis
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# Flexibility to vary rate

- All will have flexibility to vary multiplier down
  - Power to increase
    - ‘Directly elected metro mayors’ will have the power – limit of 2p in the £ mentioned in speech
    - Subject to agreement of business members of LEP
  - Questions
    - What level of granularity?
    - Which mayors will have the power?
    - Any limits to increases after lowering?
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# Reliefs

- Current system has £3.3bn reliefs – of that £2.4bn, is for 80% mandatory relief – mainly for charities
  - Application for rate relief for NHS trusts – could be around £1.5bn if applied in full
  - LGA is arguing for discretion in reliefs – linked to power to tackle avoidance
  - Grant funding to enable reliefs in support of Government priorities (eg flooding, SMEs)
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# Appeals

- Too many unsolved appeals – currently 300,000
    - Councils have to bear 50% - will rise to 100%
  - Provision in Enterprise Bill plus consultation
    - Check, Challenge, Appeal – due to come in from April 2017
    - Aim to reduce number of appeals; must go through the three stages
    - Individual ratepayer accounts
    - Provision for fining ratepayers and agents
  - LGA reaction
    - Welcome proposals to reform appeals – councils are making significant provisions to deal with uncertainty'
    - Individual ratepayer accounts could lead to online valuation by ratepayer – thus reducing uncertainty
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# 100% business rates retention – tasks

LGA will work together with DCLG, local authorities, businesses and others to address –

- Devolution of responsibilities: identification of grants/ responsibilities, analysis of implications, implementation plans
  - Needs and redistribution: measuring needs & resources, future proofing
  - Risk and reward: management of risk, pooling, Enterprise Zones
  - Multiplier flexibilities: 2-tier areas, link to main rating multiplier, securing business approval
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