

# Local Government Retention of Business Rates

South East England Councils

30 June 2016

Nicola Morton

Head of Local Government Finance, Local Government Association

## Background – government announcement

- 100 per cent rates retention, by the sector as a whole, by the end of this Parliament
  - Local authorities will keep rates growth, i.e. no levy
  - Councils will be given new responsibilities to ensure reforms are ‘fiscally neutral’ and Revenue Support Grant (RSG) will be phased out
  - All councils will be able to reduce the multiplier. Combined authority mayors will be able to increase multiplier with LEP agreement, to fund new infrastructure
  - A full review of the needs assessment methodology will take place
-

## Working arrangements

- Clear commitment to joint working between the Government and the sector on design of the new system
  - Officer-level steering group and 5 working groups established by DCLG/LGA
  - Steering group meets monthly to provide overall direction
  - Working groups meet regularly and cover:
    - service responsibilities
    - needs and redistribution
    - system design
    - accounting and accountability
    - business interest
  - All meeting papers available at [www.local.gov.uk/business-rates](http://www.local.gov.uk/business-rates)
-

## Milestones

- Formal consultation expected over Summer 2016
- Local Growth and Jobs Bill
- Start of Legislative process in early 2017
- Pilots announced in 2016 Budget to start in 2017/18
- Expecting Formula consultation in 2018
- Whole system in place by April 2020



## Key Issues

- Service responsibilities
- System design
- Needs and redistribution



## Service responsibilities

- Additional income will be accompanied by responsibilities to fund services previously funded outside retained rates.
  - Two categories:
    - existing responsibilities funded by separate grants e.g. public health, Transport for London (TfL) capital grant
    - new responsibilities previously delivered and funded by central government or other agencies e.g. the Government will ‘consider giving more responsibility to councils...to support older people with care needs – including people who, under the current system, would be supported through Attendance Allowance’
  - Quantum
-

## System design

- Mitigating impact of appeals on councils' income
- Managing risks through a safety net e.g. loss of rates income from closures and appeals
- Central list
- Growth and resets
- Multiplier flexibilities
- Sharing rates income between tiers
- Pooling
- Interaction with existing retention flexibilities e.g. Enterprise Zones, renewable energy, and shale oil and gas



## Needs and redistribution

- Secretary of State announced fundamental review of the needs basis, as part of the preparations for full rates retention
  - A new formula will establish a starting point for all authorities at the outset of the scheme
  - Defining 'need' will be dependent on service responsibilities to be devolved
  - Work on the options will start now, but longer-term than some aspects, as unlikely to be dependent on legislation
-

## More information

<http://www.local.gov.uk/business-rates>

[businessrates@local.gov.uk](mailto:businessrates@local.gov.uk)

---