East Northamptonshire Council

Date:	12 September 2016
Ref no:	MBriefing-2016-1209 100% Business Rates Retention Consultation

Finance Sub Committee Briefing

Title:	Response to DCLG consultation on Self-Sufficient Local Government: 100% Business Rates Retention

1.0 Background

1.1 In the Autumn Statement last year, the Chancellor of the Exchequer announced that during this parliament a consultation would be launched that would allow local authorities to retain 100% of the business rates they raise locally by 2020. This is a fundamental change in the way local government is financed.

1.2 The consultation document was launched by Department of Communities and Local Government (DCLG) in July 2016 and seeks views on the implementation of business rates. The move to 100% business rates retention for local government will not only give local councils in England control of around £12.5bn revenue from business rates to spend on local services but will also come with new responsibilities for councils and the loss of some existing grants. The full consultation can be found at the following link:

https://www.gov.uk/government/consultations/self-sufficient-local-government-100-business-rates-retention

1.3 A technical steering group and a number of sub-groups have also been established to provide information and expert advice to support DCLG and the Local Government Association (LGA) in advising Ministers on the setting up and implementation of this new system and what it would mean in practice. A briefing note issued by the LGA can be seen in **Appendix 1.**

1.4 This report focuses on the key issues and likely implications arising from the proposals in the DCLG consultation. It is proposed that the Council's response will be informed by the outcomes of other representative group responses such as Local Government Association and District Councils Network. Chief Finance Officers from all District and Borough Councils across Northamptonshire will also be reviewing the questionnaire and any additional key points raised following their review will be incorporated into the final response.

1.5 It is therefore proposed that the finalisation of the response is delegated to the Chief Finance Officer, in conjunction with the Chairman and Vice-Chairman of the Finance Sub-Committee. The deadline for responses to the consultation is 26 September 2016.

2.0 The DCLG Consultation on Self-sufficient local government: 100% Business Rates Retention

2.1 The DCLG consultation has potential implications for the council which could have impact on service performance and delivery. The DCLG consultation document contains 36 questions. The key areas covered can be broken down as follows:

- **Devolution of responsibilities (question 1-5)**
  - Considers the transfer of new responsibilities to local authorities to

  ensure the proposal for 100% business rates retention is fiscally neutral
  - Looks at how these reforms can help shape and form local government for the future and recognises the changing landscape

- **Rewarding growth and sharing risk (questions 6-20)**
  - ensuring the reformed system is designed to encourage and reward those authorities and areas that take decisions to further increase growth in their areas
  - considers the redistribution levels of business rates income across different tiers of local government, through a system similar to the current top-up and tariff system (underpinned by the Fair Funding Review as explained in Section 3 below)
  - to ensure the reformed system recognises and supports new models and arrangements such as Combined Authorities and devolution deals
  - so that authorities are adequately protected from volatility and risks associated with business rates and business rates income
  - with the aim that the reformed system is simple to operate and understand

- **Local tax flexibilities (questions 21-31)**
  - through the devolving of tax-setting powers allowing authorities to set their business rates within the context of their local economic environment by providing the ability to reduce the tax rate (the multiplier) and, where there is a Combined Authority Mayor (and support of the business community), to levy a supplement to fund new infrastructure projects

- **Accountability and accounting (questions 32-36)**
  - considers the consequences of the proposed reforms on local government finance system and how it is accounted for
  - looks at what type of information government needs to collect from councils as part of the system

2.2 A full list of the questions set out in the consultation can be seen at **Appendix 2.**

3.0 Fair Funding Review

3.1 Alongside the consultation on 100% Business Rates Retention, DCLG have issued a separate consultation document Fair Funding Review: Call for evidence on needs and redistribution.

3.2 This review will be a fundamental part of the finance reforms to business rates as its intention is to assess the relative needs of local councils by conducting a thorough review of what the needs assessment formula should be in the context of a self-sufficient local government where local spending is funded by local resources and not through central government grants.

3.3 This consultation seeks views on 14 questions which can also be found at **Appendix 2.**

4.0 Proposal for response

4.1 The move towards 100% business rates retention is welcomed but it is very complex and there are a number of key points for the council to consider in its response. The key implications are detailed in **Appendix 3**.

4.2 It is proposed that the response will have the following outline:

- Introduction to East Northamptonshire
- Section on generic points the council wishes to make

- Responses to specific questions the council chooses to answer

4.3 A number of principles have been identified that should be reflected in the response.

- Responsibilities to be transferred should be expanded to include more at lower tier level so that burdens can be shared equally e.g. disabled facilities grant or housing regeneration

- Upper tier responsibilities should also be considered to transfer to lower tier authorities so that the advantages of the new system are more equitable to all

- The system should be fair, transparent and simple

- There should be strong incentives and reward for growth

- There should be opportunity for changing pressures over time to be accommodated into the system

- The funding of statutory demand-led services now and in the future should continue

- The system should include a level of protection from the volatility of appeals

- Local authorities should have more involvement in decisions on local business rates e.g. be a part of the decision panel that considers appeals

- There should be more autonomy given in the setting of business rates e.g. can mandatory reliefs be made discretionary

- There should still be a system of pooling which would allow two-tier authorities to be treated equally to unitary authorities but also create opportunities for members of the pool to work together

4.4 It is anticipated that these may be added to as other networks publish their draft responses as the council will want to ensure any relevant key issues are addressed.

5.0 Recommendation

5.1 The Sub-Committee is recommended to :

a) consider the contents of the report and the principles set out in Section 4.3, approve the principles and comment on any additional points they would like to make

b) delegate the finalisation of the response to the Chief Finance Officer, in consultation with the Chairman of the Finance Sub Committee, to be submitted to DCLG by 26 September 2016.

(Reason – To provide a response to national consultation which seeks views and ideas on a series of proposals relating to the reform of the Business Rates Retention system).

Originator:	Michelle Drewery, Finance Manager
Contact details:	mdrewery@east-northamptonshire.gov.uk Direct Dial: 01832 742267
Approved by CMT	
Approved by the Leader	

Local Government Association On the Day Briefing

The Government's consultation on business rates retention

5 July 2016

The consultation sets out issues that need to be considered prior to implementing the Government's proposals on further business rate retention. It considers a range of aspects of reform to inform the upcoming Local Growth and Jobs Bill, which at the moment is expected to be tabled in early 2017. Our briefing summarises the content of the Government's consultation and the early LGA view. The full consultation is available on the website of the Department for Communities and Local Government (DCLG).

Key messages:

- This Government consultation is an important step on the road towards further retention of business rates, something which has been long called for by local government. It poses a series of open questions and it is important that the views of councils are heard and central in shaping how the new system works. This is vital to ensure it maximises the potential it offers to our local communities and businesses.

- It is important for the new system to be implemented in a way which balances rewarding councils for growing their local economies but avoids areas less able to generate business rates income suffering as a result.

- Decisions over which grants and responsibilities councils will have to pay for from any extra business rates income are also crucial. As well as consideration of the grants and services listed in this consultation, councils are keen that any new responsibility they agree to take should support their vital role in driving economic growth. Handing over responsibility for skills and transport services is the most logical fit as it would allow local areas to close skills gaps, improve public transport and boost local economies.

- The Government is considering transferring responsibility for supporting older people with care needs – including people who, under the current system, would be supported through Attendance Allowance. Councils do not want responsibility for administering the Attendance Allowance benefit for older people. This would create significant cost pressures for local government whose budgets are already under significant strain. This is because cost pressures and applications for demand-led services like Attendance Allowance can increase very quickly whereas it can take much longer for local areas to generate business rates income.

- We are pleased the Government has recognised the need to ensure existing responsibilities and any new devolved responsibilities will be funded under the new system. Government also needs to allow councils to use some of the extra business rates income to plug existing funding gaps and grant the power to increase business rates to all areas, and not just to those with directly elected mayors.

- Councils have been forced to divert at least £1.75 billion from stretched local

Local Government Association

Briefing

Melanie Haslam, Public Affairs and Campaigns Adviser
melanie.haslam@local.gov.uk
Tel 020 7664 3096
Information centre 020 7664 3131 www.local.gov.uk

services in the past three years to cover the risk of backdated appeals, of which they have to cover half the cost at present. Under localised business rates, local government could be liable for 100 per cent of the cost of successful appeals. Improvements to the appeals system are essential to avoid the need for councils to divert significant sums of money that could otherwise be invested in local services.

- The consultation and corresponding call for evidence on needs and redistribution close on **26 September**. We urge local authorities to provide contributions either through this consultation process or through representatives on relevant joint working groups.

Introduction and overview

The consultation says:

- By the end of this Parliament, local government will retain 100 per cent of taxes raised locally. In order to ensure that the reforms are fiscally neutral, councils will gain new responsibilities, and some Whitehall grants will be phased out.

- To achieve such radical reform, the Government wants councils, business and people to take the initiative and shape the design of the new system. This consultation is therefore deliberately open and seeks views and ideas across all aspects of the reforms.

- It identifies some of the issues that the Government thinks should be kept in mind in designing of the reforms. This includes how the reformed system recognises the diversity of different areas and the changing pattern of local governance arrangements. The system need not work in the same way across the country.

- It also considers how the design of the new system can provide the right level of incentive and reward to those councils (particularly those working closely with local businesses and together as Combined Authorities) that pursue policies that drive additional growth in their areas.

- It also welcomes views on how business rates income might be shared across different tiers of local government, including how the system should recognise areas which have moved to reformed models of governance. There is a balance to be struck between providing a strong incentive for growth in local areas and considering the distribution of funding between local authorities.

- The Government is clear that the reformed system should ensure that authorities are able to manage and share risk to an acceptable level, and that they are insulated from undue shocks or significant reductions in their income.

- The deadline for responses in **26 September**.

The Government's timetable is as follows:

Summer 2016	Consultation on the approach to 100 per cent business rates retention. We are inviting responses to this consultation by 26 September 2016. Those responses will help shape specific proposals across all aspects of the reforms.
Autumn 2016	We expect that Government will undertake a more technical

	consultation on specific workings of the reformed system.
Early 2017	As announced in the Queen's Speech, the Government will introduce legislation in this Parliamentary session to provide the framework for these reforms. We expect the legislation to be introduced later in the Parliamentary session.
April 2017	Piloting of the approach to 100 per cent business rates retention to begin.
By end of the Parliament	Implementation of 100 per cent business rates retention across local government.

Devolution of responsibilities

The consultation says:

Criteria for devolution

- There are a number of criteria for guiding principles for assessing possible candidates for devolution of services, outlined under the following four headings:

  - Devolution of a responsibility should build on the strengths of local government
  - Devolution of a responsibility should support the drive for economic growth
  - Devolution of a responsibility should support improved outcomes for service users or local people
  - Devolution of responsibilities should be made with consideration for the medium-term financial impact on local government

LGA view:

- These criteria have been discussed with the joint working steering group and by the LGA's Task and Finish group. As stated in the consultation, it should not be assumed that each candidate or responsibility proposed for devolution must meet all criteria.

The range of responsibilities

- A number of functions have been identified, although the list is not exhaustive and each option will not necessarily feature in the final package. It remains open for respondents to come forward with their ideas for devolution of other services and budgets.

- The following grants and responsibilities have been identified as a possible fit against the criteria for being funded through business rate:

  - Revenue Support Grant
  - Rural Services Delivery Grant
  - Greater London Authority (GLA) Transport Grant
  - Public Health Grant
  - Improved Better Care Fund
  - Independent Living Fund
  - Early Years

- Youth Justice
- Local Council Tax Support Administration Subsidy and Housing Benefit Pensioner Administration Subsidy
- Support for older people with care needs – including people who, under the current system, would be supported through Attendance Allowance

LGA view:

- Decisions over which grants and responsibilities councils will have to pay for from any extra business rates income are also crucial. As well as consideration of the grants and services listed in this consultation, councils are keen that any new responsibility they agree to take should support their vital role in driving economic growth. Handing over responsibility for skills and transport services is the most logical fit as it would allow local areas to close skills gaps, improve public transport and boost local economies.

- Some councils may feel there are other areas that should be considered in the list of potential devolved responsibilities. We would therefore encourage local authorities to consider this list carefully. If further services and budgets are identified, these should be brought forward through the engagement process during the summer and shared through the ongoing joint working between the sector and DCLG. They should also be included in any formal response to the consultation.

- The conditions attached to any transfer will be crucial to ensure that the transfer truly represents devolution of responsibility to local authorities. The table suggests that the Improved Better Care Fund would be transferred on a ring fenced basis. Some councils may feel that this does not represent true devolution.

- Councils do not want responsibility for administering the Attendance Allowance benefit for older people. This would create significant cost pressures for councils whose budgets are already under significant strain. This is because cost pressures and applications for demand-led services like Attendance Allowance can increase quickly whereas it can take much longer for local areas to generate business rates income.

- The table does not identify estimated funding levels to be transferred for these services and grants in 2019/20. No matter which new services councils agree to operate, the amount of extra business rates income kept by councils must meet their cost, both now and in the future. Government also needs to allow councils to use some of the extra business rates income to meet existing funding gaps and give the power to increase business rates to all areas and not just to those with directly elected mayors.

Devolution Deals

- Existing devolution deals include the devolution of a range of functions and associated budgets and include the following functions and grant funding:

  - Investment funds for devolution deals
  - Adult Education Budgets
  - Transport Capital Grants
  - Local Growth fund

- The Government considers:

    - That the move to self-sufficiency under business rates retention could take account of the different governance arrangements across local government.
    - The new pattern of Combined Authorities, Mayors, as well as the Greater London Authority provides an opportunity for specific devolution that may not be appropriate in other areas.

- This approach would establish different funding arrangements for Mayoral Combined Authorities and the Greater London Authority than in non-devolution areas, reflecting their different governance arrangements, alongside universal devolution to every local authority

LGA view:

- The approach being outlined for devolution deals would mean that the range of services being devolved would be different in different parts of the country and for different councils. It would also mean that the services listed would only be available to councils as part of a devolution deal, including Adult Education and Transport Capital Grants.

Assessing New Burdens costs post-2020

- The New Burdens doctrine should continue to apply after the introduction of the 100 per cent retained business rates system, with funding to be paid through section 31 grants.

LGA view:

- We support this approach.

Quantum: the value of additional business rates income

- The Government estimates that the value of additional business rates revenue available to local government from locally collected rates in 2019/20 will be around £12.5 billion, bearing in mind that forecasts can change. In addition, the current estimate of the value of the central list income is 2019/20 will be £1.5 billion.

- Under 100 per cent business rates retention all authorities will be funded for their existing responsibilities and for any new responsibilities devolved. Changes or refinements to the quantum will not undermine that.

- If the value of new responsibilities exceeds the increased retained rates receipts, the Government would continue to make grant payments to fund the difference.

- Pilots for local business rates retention will not reduce the quantum of resource available for other parts of local government.

LGA view:

- Fiscal neutrality means that the value of services transferred must not exceed the funding available for them.

The business rates system

The consultation says:

Growth and redistribution

- The Government expect to strike the balance between growth and redistribution by regular resets, which will allow the Government to reconsider relative need and to recalculate distributable amounts. The Government believe it is right to set fixed periods to give authorities certainty of income. There are different options given for resets:

    - Full reset of the system, including all achieved growth, frequently.
    - Full reset of the system, including all achieved growth, infrequently.
    - A partial reset of the system on a frequent basis, allowing local government to carry some growth in business rates over a reset.

- A key question the Government considers is how much growth should be retained (and how much loss should be carried) by individual authorities at a partial reset.

Revaluations

- The revaluation is the point in the system at which economic changes in property values are reflected in rateable values. Between revaluations, rateable values only change through appeals and physical changes to the property or location. However, the Government is required at the point of revaluation to reset the multiplier to ensure no more is raised in business rates.

- Currently, the Government adjusts each authority's tariff, or top-up, following a revaluation, to ensure their retained income is the same after revaluation as immediately before. The Government propose the same system of revenue neutral revaluations will continue to apply for the 100 per cent business rates retention scheme.

Combined Authorities with directly elected Mayors, two-tier areas and fire authorities

- The Government believes that Combined Authorities with a directly elected Mayor should have the opportunity for an enhanced role in achieving growth under the 100 per cent business rates retention system.

- The Government is aware that some Mayors have expressed a wish to be given greater responsibility for the distribution of resources within the Combined Authority area.

- In non-Mayoral areas there would continue to be tier splits for business rates income. Setting tier splits for the future 100 per cent rates retention system will take some further consideration. Further work will need to consider the impact of different options on a local authority's exposure to risk and incentive to grow their business rates base.

Fire funding

- The Government could remove fire and rescue authorities from the retention system and fund them through a separate grant administered by the Home Office. If this went ahead the Government would seek to replicate published allocations for 2019/20 through a separate fire grant for any authorities who take up the offer of a firm four year funding allocation.

Enterprise Zones

- The Government intend that Enterprise Zones (EZs) and other designated areas should continue to operate as now and will be guaranteed 100 per cent of business rates growth for 25 years. It also means that income from EZs will be disregarded for the purpose of calculating 'cost-neutrality' or for working our tariffs and top-ups.

Ratings lists

- Currently properties appear on either the central or local rating lists. Under the current system, local authorities therefore only benefit from any growth in income from ratepayers in the local lists.

- The Government has received suggestions that the highest risk hereditaments (power stations, oil refineries, national airports) should be removed from the local lists and moved into the central list.

- There have been suggestions that some of the riskier properties could be managed at a broader 'area level' - sharing the risk that these properties bring, but also receiving an element of reward from any growth.

Helping to manage appeal risk and insulating against shocks

- Any option to manage risk associated with successful appeals would have to be funded from within the overall business rates system.

- There are options for managing risk:

    - For local authorities to continue managing the risk as they do now, with increased support to improve local ability to set aside the right amount of provisions;
    - Pooling provisions through a combined authority;
    - Managing some of the risk at a national level. Due to data limitations, and the timing of compensation and accounting rules, no approach is likely to be perfect, nor would it remove the need for authorities to make provision for losses.

- The new system will continue to need to help insulate authorities from financial shocks. There could be an area level safety net in areas with area ratings lists, with authorities within it deciding what proportion of the baseline would be protected. Others might prefer something much closer to the current national safety net. This should be funded from within the 100 per cent rates retention system.

LGA view:

- The LGA welcomes views on the right balance of risk and reward within the system, particularly on the frequency of resets and the idea of partial resets.

- Appeals are the prime cause of uncertainty with 300,000 unsolved appeals from the 2010 list, requiring councils to tie up money in provisions. We look forward to further discussion on ways of managing risk in the new system, alongside appeals reform.

- The LGA considers that non-combined authority areas should be able to take advantage of abilities to pool and to form area lists, subject to agreement in these areas.

Local tax flexibilities

The consultation says:

Ability to reduce the multiplier

- Authorities will have a new power to reduce the business rates multiplier. Authorities should use this power to provide an across the board reduction in the multiplier.

- In a single tier area the relevant authority would take the decision about whether to reduce the multiplier and meet the costs. As such, other components of the system for that local authority, such as tariffs, top-ups and revaluation would continue to be based on the national multiplier. The Government is seeking views on how the power should operate in two-tier areas.

- An authority could be allowed to increase a previously reduced multiplier back up to the national multiplier after a reduction in one step or there could be a maximum permitted increase in any year.

- The appropriate scale for reducing the multiplier could be determined by Mayoral Combined Authorities, alongside decisions on an infrastructure levy.

- The Government does not envisage introducing safeguards to mitigate against any potential impacts on neighbouring areas as all authorities would have similar powers to reduce the multiplier.

Infrastructure levy

- The Government is seeking views on key policy decisions on the design and the power of Combined Authority Mayors to levy a 2p in the pound supplement on business rate bills to fund new infrastructure projects (the ‘infrastructure levy’):

  - Whether there should be any minimum rateable value thresholds for application of the levy;
  - How the new powers interact with existing Business Rate Supplement (BRS) powers, with BRS powers continuing to be available outside Combined Authority Mayoral Areas;

  - How approval would be gained from the Local Enterprise Partnership (LEP) business members;
  - How many years a levy should last for;
  - The definition of infrastructure projects;
  - Whether multiple levies should be permitted – up to a limit of 2p in the pound.

- Further suggestions include:
  - Extending the power beyond Combined Authority Mayors (the government is clear that the new power will be for Combined Authority Mayors only);
  - Extending the business consultation requirements more widely;
  - Including a discount power for Business Improvement Districts;
  - Amending the definition of infrastructure.

LGA view:

- The LGA welcomes the ability to reduce the multiplier. We think that authorities should be able to target this within their areas; for example, to specific areas or industries or above or below a particular rateable value threshold.

- The LGA is opposed to capping increases in the multiplier after a reduction.

- The LGA considers that powers to raise an infrastructure levy should apply outside Combined Authority / Mayoral areas;

- The LGA considers that authorities should be given more flexibility on mandatory rate relief, particularly for charities and empty properties. This would help target incentives and tackle avoidance.

Needs and redistribution

The consultation says:

- As part of the 2016/17 Local Government Finance Settlement, the Secretary of State announced a Fair Funding Review of councils' relative needs and resources.

- The Government is clear that there will still need to be some system of redistribution between local authorities to balance revenue with relative needs.

- The needs formulae have not been thoroughly reviewed for over a decade, which for many councils is far too long. There is good reason to believe that the demographic pressures affecting particular areas, such as the growth in the elderly population, have affected different areas in different ways, as has the cost of providing services. The Fair Funding Review will identify relative needs for each local authority.

- The Government expects to continue to need a redistribution system of top-ups and tariffs, based on the current one. The top-ups and tariffs that each local authority could expect to see will be calculated before the new system is introduced, based on the Fair Funding Review and an assessment of their expected business rates income. Top-up and tariff payments will be fixed for the period between resets to give local authorities certainty about their baseline funding level.

- For the services currently supported by the local government finance system, the outcomes of the Fair Funding Review will establish the funding baselines for the introduction of 100 per cent business rates retention. The Fair Funding Review will consider the distribution of funding for new responsibilities on a case by case basis once these responsibilities are confirmed; they are likely to have bespoke distributions.

- Alongside the consultation, the Government has published a call for evidence for the Fair Funding review. It is an open discussion document which asks questions about the following issues:

  - What is the balance between simple and complex funding formulae?
  - How should relative need be measured and assessed?
  - What should the approach be for doing needs assessments for different services?
  - How should the growth in local taxes since 2013/14 be taken into account?
  - How should the transition from the current to the new distribution of funding work?
  - At what geographical level should a needs assessment be done?
  - How, and what, local government behaviours should be incentivised through the assessment of councils' relative needs?

LGA view:

- We welcome the publication of this open discussion paper. It is important that the Fair Funding review is open, transparent and takes into account the concerns and proposals from all parts of the local government sector. We encourage local authorities to provide evidence to the review through this call for contributions or through representatives on the technical working group.

Accountability and transparency

The consultation says:

Balance of local and central accountability

- The current process for determining allocations of funds to authorities through a Local Government Finance Report and resolution by Parliament encourages accountability for funding decisions to remain with central government.

- The requirement for an annual process also has the potential to undermine the funding certainty offered through multi-year settlements, and the announcement of final decisions relatively late in the year can make it difficult for local authorities to manage the process of local consultation in setting their budgets.

- The Government is interested in exploring how to change the process for allocating funding to increase funding certainty for local government, providing councils with the flexibility to set budgets in good time and strengthening local accountability.

- Where responsibilities are devolved from central to local government, it is important to consider how the balance of accountability between central and local government to Parliament for delivery of those services may change - for example, the relative roles and responsibilities of central government

Accounting Officers and local government.

Accounting for income from local taxes

- Local authorities are currently required by statute to account for Council Tax income and Business Rates income in the 'Collection Fund Account'.

- In a reformed system, the central government share of local business rates income will no longer exist so will not need to be disclosed in the Collection Fund Account. However, there will still be a need for billing and precepting authorities to continue to collect and record income

- Therefore, both the Government and the Accountability and Accounting Technical Working Group consider that there would be no benefit in removing the requirement to prepare a Collection Fund Account. Some disclosures in the Collection Fund Account are required by statute and may need to be revised depending on detailed design choices made.

Balanced Budget requirement

- Local authorities are also required by statute to produce a balanced budget; this is a key element of the local authority financial control framework.

- Both the Government and the Accountability and Accounting Technical Working Group agree that there is no benefit in removing the requirement to prepare a balanced budget. However, it is possible that if the way that councils are required to calculate their balanced budget was adjusted to better align with the way they run they actually manage their finances, both efficiency and transparency gains may be achieved.

Other Reporting to Central Government

- Local authorities are currently required to prepare and submit NNDR 1 and NNDR 3 forms to report business rates income to central government. Following business rates reforms some elements of the current NNDR1 and NNDR3 forms will no longer be relevant.

- The Government is clear that some form of reporting will still be required, both to allow local authorities to provide information to feed into the safety net and levy calculations and to allow central government to provide information to Parliament on the quantum of business rates collected. However, it may be possible to revise data collection activities to make the data more transparent.

LGA view:

- We welcome the Government's approach to working with local government on the accounting issues associated with business rate retention. An Accountability and Accounting Technical Working Group has been established with representatives from local government, to advise central government on the accounting arrangements, as proposals for business rates retention develop.

- It is important that the arrangements promote transparency and accountability, rather than adding complexity to the local government finance system. Careful consideration must be given to the implications of accounting changes, in order to ensure there are no knock-on impacts on the way in which the overall system operates.

Self-sufficient local government: 100% Business Rates Retention - Summary of Questions

Question 1: Which of these identified grants / responsibilities do you think are the best candidates to be funded from retained business rates?

Question 2: Are there other grants / responsibilities that you consider should be devolved instead of or alongside those identified above?

Question 3: Do you have any views on the range of associated budgets that could be pooled at the Combined Authority level?

Question 4: Do you have views on whether some or all of the commitments in existing and future deals could be funded through retained business rates?

Question 5: Do you agree that we should continue with the new burdens doctrine post-2020?

Question 6: Do you agree that we should fix reset periods for the system?

Question 7: What is the right balance in the system between rewarding growth and redistributing to meet changing need?

Question 8: Having regard to the balance between rewarding growth and protecting authorities with declining resources, how would you like to see a partial reset work?

Question 9: Is the current system of tariffs and top-ups the right one for redistribution between local authorities?

Question 10: Should we continue to adjust retained incomes for individual local authorities to cancel out the effect of future revaluations?

Question 11: Should Mayoral Combined Authority areas have the opportunity to be given additional powers and incentives, as set out above?

Question 12: What has your experience been of the tier splits under the current 50% rates retention scheme? What changes would you want to see under 100% rates retention system?

Question 13: Do you consider that fire funding should be removed from the business rates retention scheme and what might be the advantages and disadvantages of this approach?

Question 14: What are your views on how we could further incentivise growth under a 100% retention scheme? Are there additional incentives for growth that we should consider?

Question 15: Would it be helpful to move some of the 'riskier' hereditaments off local lists? If so, what type of hereditaments should be moved?

Question 16: Would you support the idea of introducing area level lists in Combined Authority areas? If so, what type of properties could sit on these lists, and how should income be used? Could this approach work for other authorities?

Question 17: At what level should risk associated with successful business rates appeals be managed? Do you have a preference for local, area (including Combined Authority), or national level (across all local authorities) management as set out in the options above?

Question 18: What would help your local authority better manage risks associated with successful business rates appeals?

Question 19: Would pooling risk, including a pool-area safety net, be attractive to local authorities?

Question 20: What level of income protection should a system aim to provide? Should this be nationally set, or defined at area levels?

Question 21: What are your views on which authority should be able to reduce the multiplier and how the costs should be met?

Question 22: What are your views on the interaction between the power to reduce the multiplier and the local discount powers?

Question 23: What are your views on increasing the multiplier after a reduction?

Question 24: Do you have views on the above issues or on any other aspects of the power to reduce the multiplier?

Question 25: What are your views on what flexibility levying authorities should have to set a rateable value threshold for the levy?

Question 26: What are your views on how the infrastructure levy should interact with existing BRS powers?

Question 27: What are your views on the process for obtaining approval for a levy from the LEP?

Question 28: What are your views on arrangements for the duration and review of levies?

Question 29: What are your views on how infrastructure should be defined for the purposes of the levy?

Question 30: What are your views on charging multiple levies, or using a single levy to fund multiple infrastructure projects?

Question 31: Do you have views on the above issues or on any other aspects of the power to introduce an infrastructure levy?

Question 32: Do you have any views on how to increase certainty and strengthen local accountability for councils in setting their budgets?

Question 33: Do you have views on where the balance between national and local accountability should fall, and how best to minimise any overlaps in accountability?

Question 34: Do you have views on whether the requirement to prepare a Collection Fund Account should remain in the new system?

Question 35: Do you have views on how the calculation of a balanced budget may be altered to be better aligned with the way local authorities run their business?

Question 36: Do you have views on how the Business Rates data collection activities may be altered to collect and record information in a more timely and transparent manner?

Business Rates Reform Fair Funding Review: Call for evidence on Needs and Redistribution - Summary of Questions

Question 1: What is your view on the balance between simple and complex funding formulae?

Question 2: Are there particular services for which a more detailed formula approach is needed, and – if so – what are these services?

Question 3: Should expenditure based regression continue to be used to assess councils' funding needs?

Question 4: What other measures besides councils' spending on services should we consider as a measure of their need to spend?

Question 5: What other statistical techniques besides those mentioned above should be considered for arriving at the formulae for distributing funding?

Question 6: What other considerations should we keep in mind when measuring the relative need of authorities?

Question 7: What is your view on how we should take into account the growth in local taxes since 2013-14?

Question 8: Should we allow step-changes in local authorities' funding following the new needs assessment?

Question 9: If not, what are your views on how we should transition to the new distribution of funding?

Question 10: What are your views on a local government finance system that assessed need and distributed funding at a larger geographical area than the current system – for example, at the Combined Authority level?

Question 11: How should we decide the composition of these areas if we were to introduce such a system?

Question 12: What other considerations would we need to keep in mind if we were to introduce such a system?

Question 13: What behaviours should the reformed local government finance system incentivise?

Question 14: How can we build these incentives in to the assessment of councils' funding needs?

Implications for ENC

The key issues for the council to consider in its response are set out below:

Transfer of responsibilities
It is crucial that proper consideration is given to which grants and responsibilities are transferred to local authorities. There is a risk that some responsibilities may create considerable cost pressures that do not match the increase in retained rates income. However, government have stated they will continue to make grant payments to fund any differences. The council needs to ensure that it responds to the consultation in a manner that promotes a greater share of the retained business rates income and must therefore present some proposals for transfer of responsibilities.

Social Care focus
Currently, the majority of proposals for transfer of responsibilities relate to social care where the risk to the lower tier authorities is the likelihood of a larger share of the retained business rates income would be redistributed to upper tier authorities. There is an argument to say that lower tier authorities can deliver more preventative services which would reduce the burden on the NHS and Police budgets as well as county councils. Whilst it is known conversations are happening, they appear to be disjointed and consideration is not being given in the context of this consultation.

Redistribution
Where devolution deals exist there will be different funding arrangements for areas with a devolution agreement in place to those non-devolution areas. There is concern that these areas will retain more of the business rates share and that the range of services being devolved would be different or only available as part of a devolution deal. This could have implications on the level of funding that will be available for redistribution elsewhere. DCLG have stated that they will ensure the changes are fiscally neutral which means the value of services transferred must not exceed the funding available to them.

The business rates system
The consultation seeks views on how the reset of the system should be managed. A number of proposals have been suggested; whether the reset is carried in full or partially and the frequency with which they are reset. This will impact local authorities in different ways but for ENC there is a potential risk that the council could lose the growth that it has benefitted from in recent years. The new system should provide a strong incentive for growth in local areas. The council should consider in its response a proposal to keep any growth that has been achieved locally to date. This would keep the momentum of the incentive going but would also provide a level of protection against any future shocks that may arise from the new system. The council should also consider less frequent resets of the new system so that it has the opportunity to retain as much of the growth as possible.

Growth vs stability
The current system means that most of the risk sits at district council level. This is due to the effect from frequent changes to business circumstances such as

demolitions, changes in use, business rate reliefs and valuations for new businesses contributing to a system that is very volatile and uncertain. The council should consider whether it wants more certainty over the baseline which would need to be offset by a lower link to growth and incentive. This would result in the transfer of a greater share of business rates income to upper tier authorities. However, it should be expected that a greater share of the risk is also transferred. The system would need to strike the right balance between stability of funding and benefit from growth. The council has experienced above average growth across the district and this is expected to continue. Supporting the proposals that increase rewards and incentives for growth will need to be considered in the response.

Revaluation
The revaluation is due in 2017 which may impact on ENC. Each local authority either pays a tariff or receives a top up under the current system depending on their need. The tariff or top up will be adjusted following revaluation to ensure the retained income for the authority remains the same. However, if the rateable value increases locally then this usually means an influx of appeals which if successful will offset against any achieved growth for the district.

Business rate reliefs
The council received government grant for relief awarded on empty properties, charities and small businesses which make up a large proportion of businesses locally. It is not clear from the consultation how this will work under the reforms. However, it is clear that we are reliant on a small number of big value properties on which to base any local growth projections. If the forecasts prove to be incorrect (this could be up or down), it will have a significant impact on the income to the council. The council will want to promote more flexibility in setting local business rates.

Appeals
There are a significant number of outstanding appeals which have yet to be resolved. The risks arising from appeals are being considered under the new reforms. These could be transferred to central government in order to provide a clean start for local government or they can be provided for in the newly designed system. There are risks under either option as one could mean a lower amount of grant is available to be redistributed because it has been top-sliced by government to set aside some funds to pay for appeals, whereas the other option means the council still retains the risk of the appeals being successful and incurs significant costs locally.

For ENC, the reduction in rateable value from successful appeals (according to the 2005 and 2010 ratings list provided by the Valuation Office) has been significant – at around 11%. It is believed the national average is around 5-6% although there are no published figures available to confirm this. One way of mitigating the risk on appeals is to propose that councils should be involved in the appeals process and be able to contribute to decisions locally. The council will want to ensure that it will benefit financially from such an arrangement and the national scheme would appear to be the more favourable given reduction in rateable value experienced by this authority.

Pooling Arrangement
The council currently works with other local authorities in Northamptonshire to benefit

from a pooling arrangement which maximises the amount of retained income from growth. The council will need to consider how authorities can continue working together under the new system so that we can achieve at least the same outcome that we have now. A key element of this discussion is whether the council still wants to be part of a pool?

Share of needs

The fair funding review will consider where each authority sits in terms of needs versus the level of resource that an authority has available locally. For ENC, the level of need is below the level of resources the council has available to it. The response should take this into consideration and ensure the council maximises its position in any revisions to the formula for funding. With this in mind, the council will benefit from having a simpler formula introduced. The current funding also includes a damping mechanism where limits are applied to the effect of changes within the formula (some dating back to 2006/07. The council currently pays in to this and should propose that damping is phased out as quickly as possible.