

Discussion 1: **Devolution of Responsibilities**

100% Business Rates Retention: Devolution of Responsibilities

Criteria for possible candidates for devolution:

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

100% Business Rates Retention: Devolution of Responsibilities

The consultation lists a number of **grants and responsibilities** which have been identified as a possible fit against the criteria for being funded through retained business rates:

- Revenue Support Grant
- Rural Services Delivery Grant
- Greater London Authority Transport Grant
- Public Health Grant
- Support for older people with care needs – including people who, under the current system, would be supported through Attendance Allowance
- Improved Better Care Fund
- Independent Living Fund
- Early Years
- Youth Justice
- Local Council Tax Support Administration Subsidy and Housing Benefit Pensioner Administration Subsidy

100% Business Rates Retention: Devolution of Responsibilities

There is also an opportunity to consider funding some or all of the commitments in existing and future **devolution deals** through retained business rates. Current examples include:

- Single Investment funds for devolution deals
- Adult Education Budgets
- Transport Capital Grants and bus services operator grants
- Local Growth Funds allocations- where incorporated in devolution deal single investment funds

100% Business Rates Retention: Devolution of Responsibilities



Key Questions

- 1) What is the future role of local government and what should local government be responsible for?
- 2) Are there grants/ responsibilities not identified in the consultation which you believe to be suitable candidates to be devolved?
- 3) What are your views on whether some or all of the commitments in existing and future deals could be funded through retained business rates?
- 4) What are your thoughts on whether any of the responsibilities devolved to devolution deal areas could be universally devolved to non- devolution deal areas as a part of the reforms to business rates?

Discussion 2: **Rates Retention System Design** *[including local tax flexibilities]*

100% Business Rates Retention: System Design

Setting the parameters of the system:

- Aim is to make the system **simple to operate and understand**.
- Redistribution between areas will continue.
- Tier splits have not been decided.
- What is the role of **fire and rescue authorities**?
- Expectation that revaluations will be reflected by changing **top-ups and tariffs**.
- **Balancing** between local authorities retaining any growth in business rates income and redistribution.
- **Pilot areas** likely to test some mechanisms for a new system.

100% Business Rates Retention: System Design

The system should reward areas that grow their income from business rates:

- Levy on growth will be abolished to allow local areas will keep 100% of growth.
- Government proposes to have fixed ‘reset’ periods. Open questions about frequency and extent.
- Need to agree how changes in income are managed between tiers of government – and whether there could/should be a different offer for areas with particular structures.
- Enterprise Zones to operate as under the current system.

100% Business Rates Retention: System Design

But we'll also need to manage risk within the system:

- Opportunity to look again at current ratings lists system.
- Government has heard the concerns about difficulties in managing successful appeals under the 50% rates retention system. Government is exploring what it can do to help manage the impact of appeals on the finance system.
- The new system will need to continue to help insulate local authorities against significant shocks: a safety net arrangement will still be required.

100% Business Rates Retention: System Design

Key questions:

1. What is the right balance in the system between rewarding growth and redistributing to meet changing need?
2. What are your views on how we could further incentivise growth under a 100% retention system? Are there additional incentives for growth that we should consider?
3. What would help your local authority better manage risks associated with successful business rates appeals?
4. Thinking about a safety net: what level of income protection should a system aim to provide? Should this be nationally set or defined at area levels?

100% Business Rates Retention: Local tax flexibilities

Ability to reduce the business rates multiplier:

- Authorities will have a new power to reduce the multiplier across the whole area. Relevant authorities will need to meet the cost of exercising the power.
- Consultation seeks views on how the multiplier flexibility should operate in two-tier and Combined Authority areas and on safeguards for neighbouring authorities.
- Authorities which reduce the multiplier could increase the multiplier up to the national level in a single step or would it be preferable if there was a cap on increases?

100% Business Rates Retention: Local tax flexibilities

Local tax flexibilities: Infrastructure Levy

- Proposed power for Combined Authority Mayors to levy a 2p supplement to fund infrastructure with the approval of a majority of the business members of the LEP Board.
- Levy revenues must be used to fund infrastructure projects: a possible definition is that used for the Community Infrastructure Levy
- Government proposition is for the ability to introduce an infrastructure levy to apply to Mayoral Combined Authorities only.

100% Business Rates Retention: Local tax flexibilities

Key questions

Reducing the multiplier:

1. How should the power operate in multi-tier areas, including in Combined Authorities?

Infrastructure Levy:

2. How should infrastructure be defined for the purposes of the levy?

3. What should be the process for obtaining approval for a levy from the LEP?

Discussion 3: **Fair Funding Review: Needs and Redistribution**

100% Business Rates Retention: Needs and Redistribution

What is the purpose of this work stream?

In his statement to parliament on the local government finance settlement 2016/17 the Secretary of State said

“it is nearly 10 years since the current formula was last looked at thoroughly. There is good reason to believe that the demographic pressures affecting particular areas have affected different areas in different ways, as has the cost of providing services”

The purpose of the Needs and Redistribution work stream is to deliver a fundamental **‘Fair Funding Review’** of the way the relative needs of local authorities are assessed.

Results will set the baseline funding levels for the 100% Business Rates Retention Scheme.

100% Business Rates Retention: Needs and Redistribution

Call for Evidence on Needs and redistribution is seeking views on the key topics for the review:

- **The approach to measuring relative need**
- **The treatment of growth in local taxes**
- **Transitioning to a new distribution of funding**
- **The geographical level at which need is measured**
- **‘Resetting’ the needs assessment**
- **Incentives within the local government finance system**

100% Business Rates Retention: Needs and Redistribution

Key questions:

- 1) What are your views on the current approach to estimating relative needs? Do you have any suggestions for alternatives?
- 2) What is your view on the balance between simple and complex funding formulae? If a simple measure is preferable, what are your key cost drivers?
- 3) What are your views on how we should transition to the new distribution of funding? If a scheme were to be introduced:
 - How should the scheme be funded given BRR must be cost neutral?
 - How long should the scheme operate for?
- 4) Do you agree that reset periods should be fixed? How often should they take place? Should they redistribute all of business rates income or should local authorities be allowed to carry some of the growth over the reset?

Discussion 4: **Accounting and Accountability**

100% Business Rates Retention: Accounting and Accountability

- ‘Balanced budget requirement’ will remain a key principle.
- Changes to Collection Fund Accounting are likely to fall out of system design choices.
- Need to make sure these do not negatively impact on the balanced budget calculation.
- Also an opportunity to ‘fix’ any current issues/omissions in statutory adjustment to the Collection Fund.
- Looking at how accountability to central government for devolved responsibilities should change.

100% Business Rates Retention: Accounting and Accountability

Key questions:

- 1) Should any other sources of income or costs be managed outside of the system through statutory adjustments to the Collection Fund?
- 2) How should the accountability to central government change for devolved responsibilities?