

# COUNCIL BUSINESS COMMITTEE

## Local Government Resource Review: Proposals for Business Rates Retention – Consultation Response 15 September 2011

### Report of Head of Financial Services

#### PURPOSE OF REPORT

To inform the Committee of a Government consultation on proposals to change aspects of business rates and the current national pooling arrangements, as part of the Local Government Resources Review, and to seek approval for agreeing the Council's response.

**This report is public.**

#### RECOMMENDATIONS

1. That the Committee makes any initial comments or observations to feed into drafting the county-wide response,
2. That arrangements be put in place for the Committee to consider electronically the county-wide response and also to determine electronically any additional City Council response to be submitted by the consultation deadline of 24 October 2011.
3. That the Head of Financial Services be authorised to finalise and submit any City Council response formulated in the light of (2) above.

#### 1 Introduction and Proposal Details

- 1.1 The Government recently issued an initial consultation document on proposals for business rates retention, developed as part of its ongoing Resource Review. The consultation paper is set out at **Appendix A**. The closing date for responding is Monday 24 October.
- 1.2 In addition, the consultation also seeks views on options for enabling authorities to carry out Tax Increment Financing within the business rates retention system. This follows the Government's commitment to "*provide incentives for local authorities to deliver sustainable development, including for new homes and businesses.*"

- 1.3 A number of technical papers have been produced in support of the consultation but at the time of writing this report, these had only recently been received and had not been analysed. As yet therefore, it has not been possible to undertake any useful modelling of what the proposals may mean but a number of key principles can be highlighted:
- The Government intends to introduce business rates retention from April 2013.
  - Rate setting powers would remain under the control of central Government. The revaluation process would be unchanged. Business would see no general changes in billing and collection arrangements.
  - The retention scheme would work initially within the expenditure limits set as part of the Spending Review 2010.
  - Any forecast rates income above these limits would be set aside and directed back to local government through other grants (such as New Homes Bonus).
  - A system of ‘tariffs’ and ‘top-ups’ would be introduced, to address fairness.
  - After allowing for such adjustments, in very general terms, if an authority collected extra rates income (e.g. through more businesses moving into the district), it could keep that extra income. If however, its income reduced, then it would need to address this impact. Any new arrangements would also have to deal with how such changes are to be shared between the various types of local authorities, such as county councils and districts as examples.
  - Other safety measures are also be built in, to help financial management and planning.
- 1.4 The Local Government Association (LGA) has published two briefings on the information available so far, incorporating its preliminary views, and these are set out at **Appendices B and C**.
- 1.5 At a more local level, Lancashire Chief Finance Officers’ Group is to draft a county-wide response for consideration by Lancashire Leaders at their meeting on 10 October.
- 1.6 In view of timescales but also recognising the need to have more information on which to base any response, once the county-wide response has been completed, this will be shared with the Committee for consideration.
- 1.7 In addition, in light of the county-wide position the Committee may wish to submit a supplementary response from the City Council’s perspective only. At this stage, however, this report seeks approval only of the process.

## 2 **Details of Consultation**

- 2.1 No other consultation has taken place, but the proposals have been noted in the Council’s budget and planning process for 2012/13 onwards.

### 3 Options and Options Analysis (including risk assessment)

3.1 There are a number of options available for consideration.

**Option 1:** To approve the arrangements for agreeing any response as reflected in the recommendations.

**Option 2:** Not to involve the Committee in any response.

### 4 Officer Preferred Option (and comments)

4.1 It is recommended that Option 1 be applied. Whilst the county-wide response will provide an overall opinion based upon the views of all Lancashire authorities, in view of the potential significance of these Government proposals it is considered that the Committee would wish to have an opportunity to make additional comments on the City Council's behalf.

### 5 Conclusion

5.1 No firm conclusions can be drawn until more information is known, but such changes to the finance system could have major implications (either way) for the authority in future.

#### **CONCLUSION OF IMPACT ASSESSMENT**

**(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

Any proposals ultimately adopted by Government will be the subject of an impact assessment, but from the information available so far, there are no obvious implications arising.

#### **FINANCIAL IMPLICATIONS**

The financial implications are not known at this stage; where possible, modelling will be undertaken to inform any response.

#### **SECTION 151 OFFICER'S COMMENTS**

The section 151 Officer has prepared this report.

#### **LEGAL IMPLICATIONS**

There are no legal implications arising at this stage.

#### **MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments.

#### **BACKGROUND PAPERS**

None.

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