

Report to: **Hub Committee**

Date: **16<sup>th</sup> May 2017**

Title: **100% Business Rates Retention  
Consultation response**

Portfolio Area: **Cllr Edmonds - Support Services**

Wards Affected: **ALL**

Relevant Scrutiny Committee: Overview and Scrutiny Committee

Urgent Decision: **N** Approval and clearance obtained: **Y**

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**Recommendations:**

It is recommended that:-

- i) The Hub Committee notes the response to the 100% Business Rates Retention consultation as attached in Appendix A
- ii) That Council be **RECOMMENDED** that West Devon Borough Council agrees 'in principle' to apply to DCLG to become a business rates pilot for 2018/19, in alliance with the County Council, subject to the financial modelling being undertaken by Local Government Futures (on behalf of the Devon S151 Officers Group) demonstrating that there is no financial detriment to Authorities in doing so.

## **1. Executive summary**

On 15 February 2017, the Department for Communities and Local Government (DCLG) published a consultation document, 100% Business Rates Retention: further consultation on the design of the reformed system. Appendix A sets out the Council's response.

## **2. Background**

A summary of the key issues that are (i) known about the new system and (ii) what is still to be decided, are set out below:

### **2.1 What is known about the new business rates system:**

- The Government aims to introduce 100% BRR by 2019/20
- The system will not have a levy on growth;
- Top Ups and Tariffs will remain and there will be a Safety Net
- Government preference for partial resets of business rates and redetermination of need every five years
- Appeals following revaluation will be paid for centrally, using a top-slice of business rates income
- Business Rate Pools will continue but be determined by the Secretary of State and will not require local authority approval
- Revenue Support Grant, Rural Services Delivery Grant, Public Health Grant and the GLA Transport grant will all be funded through 100% BRR.
- The remaining grants and/or new responsibilities that will devolved will be determined by Spring 2018
- All authorities will be invited to participate as a business rates pilot for 2018/19

### **2.2 What is still to be decided on the new business rates system:**

- Tier splits in two tier areas
- How Business Rates Baselines will be determined at the Reset
- The level of Safety Net support – but could be more generous (even in cash terms) than the current system
- The new nationalised system of appeals – what it will look like and how the transition to a nationalised system of appeals will take place
- The technical details e.g. – How a partial reset could work – Progressing future resets of Need – Which further grants or

responsibilities could be devolved – How much growth could be retained

- 2.3 The timetable for 100% Business Rates Retention is set out below.

<b>Timeframe</b>	<b>Event</b>
Feb 2017	Publication of consultation on design of the 100% Business Rates Retention (BRR) system
Apr 2017	Piloting of the approach to 100% BRR begins in Cornwall and the combined authority areas of Greater Manchester, Liverpool City Region, West Midlands and West of England.
Autumn 2017	Planned publication of further detail on secondary legislation, including draft regulations where possible.
April 2018	Further piloting of the approach to 100% Business Rates Retention begins in areas not covered by devolution deals, including two tier areas.
Spring 2018	Aim to decide on package of responsibilities to be devolved for the commencement of new 100% Business Rates Retention system.
Summer 2018	Planned consultation on new relative needs baseline for new system.
April 2019	Expected implementation of 100% BRR across local government.

### **3. Outcomes/outputs**

- 3.1 The consultation response of the Council is set out in Appendix A for Members' information. The link to the consultation is below:

<https://www.gov.uk/government/consultations/100-business-rates-retention-further-consultation-on-the-design-of-the-reformed-system>

### **4. Options available and consideration of risk**

- 4.1 All Authorities will be invited to participate as a business rates pilot for 2018/19. DCLG are referring to these Authorities as being 'early adopters of 100% BRR'.

- 4.2 The timetable that Authorities would need to adhere to in order to become a pilot for 2018/19 has not yet been published, but it is thought that applications to be a pilot would need to be submitted by around September 2017 time.
- 4.3 The offer to all Authorities to become a pilot (and not just those with devolution deals), depending on the criteria, could provide an opportunity for authorities to (i) influence the future design of the scheme i.e. by trialling an approach and showing that it works and (ii) keeping additional resources locally in 2018/19 e.g. if Authorities are above the baseline for the existing share (and even more so for Authorities paying a levy).
- 4.4 When Business Rates pooling was first introduced, a firm of local government business rates specialists (called 'Local Government Futures') were engaged by Devon Authorities to undertake some initial modelling to see if pooling in Devon would have financial benefits. Their report concluded that Devon Authorities had an ideal mix of top up and tariff Authorities to make pooling financially attractive. The Devon Business Rates Pool has annually made a pooling gain which has been distributed to Devon Authorities.
- 4.5 There is a meeting in early June of the Devon S151 Officers where Business Rates Pilots for 2018/19 is being discussed and some initial modelling will be undertaken by Local Government Futures, to assess the potential financial impact of pilot status.
- 4.6 It is recommended for the Borough Council to agree 'in principle' to apply to DCLG to become a business rates pilot for 2018/19, subject to the financial modelling being undertaken by Local Government Futures (on behalf of the S151 Officers Group) demonstrating that there is no financial detriment to Authorities in doing so.
- 4.7 The fact that there have been pooling gains historically from the Devon Business Rates Pool does suggest that being a pilot should be worthwhile. Additionally, whilst it is being classed as an early adopter, the final design of the scheme will be rolled out nationally e.g. Devon will not be at a disadvantage from the pilot scheme by agreeing certain terms with DCLG (as they will be for 2018/19 only).

- 4.8 A pilot of all of the Devon Districts plus the County Council, and potentially both Plymouth City Council and Torbay Council if (i) the Councils want to join and (ii) the Councils are showing growth above their baseline, would have the best chance of success of being awarded pilot status by DCLG.

## 5. Proposed Way Forward

- 5.1 The closing date for consultation responses was 3 May. The consultation response of the Council is set out in Appendix A for Members' information (this was previously circulated by email for Members' views/amendments).

## 6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	N	There are no direct legal implications of the consultation response. The Local Government Finance Bill includes a new provision for "loss payments" for appeals.
Financial	Y	All authorities will be invited to participate as a business rates pilot for 2018/19. There is a meeting in early June of the Devon Authority S151 officers where this item is being discussed and some initial modelling will be undertaken to assess the potential financial impact.
Risk	Y	The Government indicates that it has introduced legislation that will allow it to help local authorities manage the risk and income volatility associated with appeals, but to better direct this support to where losses are experienced through making 'loss payments'. The Government recognises that there is a need to set out further information on the operation of the safety net.
Comprehensive Impact Assessment Implications		
Equality and Diversity		N/A

Safeguarding		N/A
Community Safety, Crime and Disorder		N/A
Health, Safety and Wellbeing		N/A
Other implications		N/A

Appendix A – Business Rates consultation response

**Supporting Information**

None

<b>Process checklist</b>	<b>Completed</b>
Portfolio Holder briefed	<b>Yes</b>
SLT Rep briefed	<b>Yes</b>
Relevant Exec Director sign off (draft)	<b>Yes</b>
Data protection issues considered	<b>Yes</b>
If exempt information, public (part 1) report also drafted.	<b>Yes</b>