Agenda Item 5

Leicestershire County Council

CABINET - 16TH SEPTEMBER 2016

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

RESPONSES TO CONSULTATION ON SELF-SUFFICIENT LOCAL GOVERNMENT: 100% BUSINESS RATES RETENTION AND BUSINESS RATES REFORM FAIR FUNDING REVIEW: CALL FOR EVIDENCE ON NEEDS AND REDISTRIBUTION

PART A

Purpose of the Report

1. The purpose of this report is to set out and seek approval of the proposed responses to the consultation on 'Self-sufficient local government: 100% Business Rates Retention' and to the 'Business Rates Reform Fair Funding Review: Call for evidence on Needs and Redistribution'.

Recommendation

2. It is recommended that the draft responses to the consultation on 100% Business Rates Retention and the Call for evidence on Needs and Redistribution, as set out in Appendices A and B respectively, be approved.

Reason for Recommendation

3. To respond to two key consultations on proposals that are expected to change the Local Government funding system significantly.

Timetable for Decisions (including Scrutiny)

4. The responses to the consultation on 100% Business Rates Retention and the Call for Evidence on Needs and Redistribution are due by 26th September 2016.

Resource Implications

5. The consultation on 100% Business Rates Retention seeks views on a range of issues which will need to be considered in designing a system whereby Local Government would retain 100% of business rates income. This includes consideration of potential transfers of services, some of which are currently

provided by local authorities and funded by specific grants and also other potentially new responsibilities, such as Attendance Allowances. The consultation does not include any exemplifications and it is not possible to draw any conclusions at this stage as to the overall impact of 100% Business Rates Retention on the resources of the County Council.

6. The Call for evidence on Needs and Redistribution seeks views on a number of issues regarding the assessment of the relative needs of local authorities. This is a fundamental part of the reforms to business rates and will determine the baseline funding levels for all local authorities when 100% business rates retention is introduced. Again, the document does not include any exemplifications and it is not possible to draw any conclusions as to the impact on the resources of the County Council.

7. The Government is aiming to consult on the principles for the needs assessment in the autumn of 2016 and expects to have a final consultation in the summer of 2018. This will allow a new mechanism to be in place in time for the introduction of 100% business rates retention by the end of the current Parliament.

Circulation under the Local Issues Alert Procedure

None.

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PART B

Background

8. The Government introduced the current Business Rates Retention system in April 2013. Local authorities generally retain 50% of business rates income whilst the Government receives 50%.

9. The Department for Communities and Local Government (DCLG) issued a four year Local Government Finance Settlement on 8th February 2016, covering the financial years 2016/17 to 2019/20. Settlement funding, including business rates income and revenue support grant, for the County Council is due to reduce from £112m in 2015/16 to £60m by 2019/20.

10. The Government intends to introduce a new system of 100% business rates retention by local government by the end of the current Parliament. This will require adaptations to the current business rates retention system and also the review of the calculation of relative needs to derive baseline amounts for each local authority.

11. On 5th July 2016 the Government published a consultation on Self-sufficient Local Government: 100% Business Rates Retention, and also the Business Rates Reform Fair Funding Review: Call for Evidence on Needs and Redistribution. The consultation period for both runs until 26th September 2016.

Response to the Consultation on Self-sufficient local government: 100% Business Rates Retention

12. The County Council has serious concerns about the potential impact of this consultation on local services. It follows a series of reductions in resources for Leicestershire that have had a negative effect on the County Council.

13. The consultation invites comments to be made on the mechanics of a scheme before the contents of the scheme itself have been determined. The County Council has therefore suggested that it would be more appropriate for the DCLG to first get the responsibilities set, and then to start to look at the mechanics in more detail.

14. The proposed response to the consultation is set out in Appendix A to this report.

Response to the Business Rates Reform Fair Funding Review: Call for evidence on Needs and Redistribution

15. The County Council has long argued that the formulae used to assess needs and to distribute Settlement Funding has been unfair. Leicestershire County Council has been the lowest funded county council for many years. Whilst it is accepted that there will be variations in relative needs, the current scale of variations is much too wide. The opportunity to contribute to the call for evidence is therefore welcomed and the proposed response supports the establishment of a new, simpler and fairer approach to assessing need.

16. The proposed response to the call for evidence is set out in Appendix B to this report.

Equality and Human Rights Implications

17. There are no direct implications from the response to the consultations.

Risk Assessments

18. The risks around the funding implications of the proposals within the consultation and call for evidence will be addressed in the Council's Medium Term Financial Strategy.

Background Papers

Self-sufficient local government: 100% Business Rates Retention
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/535022/Business_Rates_Retention_Consultation_5_July_2016.pdf

Business Rates Reform Fair Funding Review: Call for evidence on Needs and Redistribution
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/534956/Discussion_document_-_Needs_and_Redistribution.pdf

Appendices

Appendix A – Response to the Consultation on Self-sufficient local government: 100% Business Rates Retention

Appendix B – Response to the Business Rates Reform Fair Funding Review: Call for evidence on Needs and Redistribution.