APPENDIX B

Consultation: Business Rates Retention Reform

Response from Leicestershire County Council

The County Council welcomes the opportunity to respond to the above consultation. As the lowest funded County Council, Leicestershire is keenly interested in this review and the consultation on “A review of local authorities’ needs and resources”.

The County Council is pleased that the Leicester and Leicestershire Business Rates Pool authorities’ bid to be a 75% Business Rates Retention Pilot in 2019/20 has been successful, and looks forward to working with the Ministry and its partners as the Pilot proceeds.

Question 1: Do you prefer a partial reset, a phased reset or a combination of the two?

The County Council considers that phased resets seem preferable, due to the lack of ‘cliff edges’.

Question 2: Please comment on why you think a partial/ phased reset is more desirable.

A phased reset seems more desirable as it would not matter when growth came “on stream” and all growth would count equally, regardless of timing. It would enable authorities to set “smooth” budgets, with more certainty of income levels, rather than operating on a save and spend basis to avoid cuts.

Question 3: What is the optimal time period for your preferred reset type?

Resets every six years would be preferable. This could fit with the Government’s plans to have revaluations on a three-year cycle.

Question 4: Do you have any comment on the proposed approach to the safety net?

The County Council does not support the use of a top slice across all authorities to provide funding for the safety net. The source of funding should be the levy.

The Government should take account of public sector changes which potentially lead to local authority business rates income being reduced, such as academy conversions and potential changes relating to the business rates treatment of NHS properties. While such changes are a net nil as regards HM Treasury, they have a significant impact on local authority income.

Question 5: Do you agree with this approach to the reform of the levy?

The County Council does not agree with the approach to the reform of the levy, assuming that the current District: County split remains in place. Potential levy payments by most District Councils are currently reduced significantly by the 50% cap, meaning that their gain from growth is even more significant than that available to County Councils.

A major change to the 80:20 split between District and Counties is required, which would lead to a very different pattern of levy rates – see response to Question 7 below – if that was the case, the County Council would be more supportive of this approach.

Question 6: If so, what do you consider to be an appropriate level at which to classify growth as ‘extraordinary’?

N/A, given response to Question 5.

Question 7: What should the fall-back position be for the national tier split between counties and districts, should these authorities be unable to reach an agreement?

The County Council agrees that a national fall-back, or default, position is required.

The County Council has long-favoured a reversal of the current tier splits, as it more accurately reflects the spending requirements of County Councils and their District Councils, which are currently around 84%:16% (based on summary totals from 2018/19 RA returns).

In addition, spending pressures are more pronounced for upper tier authorities, especially due to pressures on adult and children’s social care services.

Pressures will also fall on Counties regarding infrastructure required to service / drive new growth, but currently the main benefits from business rates growth accrue to Districts and a fairly negligible amount benefits County Councils.

Question 8: Should a two-tier area be able to set their tier splits locally?

No. As a matter of principle two-tier areas should, in theory, be able to set their own tier splits, assuming they can reach a local agreement. However such agreement appears very unlikely, both between Counties and Districts and probably between Districts themselves within a local area, so the national fall-back position would be required anyway.

Question 9: What fiscally neutral measures could be used to incentivise pooling within the reformed system?

It is acknowledged that the retention of levies for local use has been the key driver for the formation of Pools under the current 50% BRRS and that a significant reduction in levies will weaken that incentive. The County Council agrees that any new incentives should be fiscally neutral. The decision to pool or not should remain with the group of local authorities and not be made mandatory.

Pools could be incentivised if they were allowed to retain an element of the 25% of growth which will accrue to the Government under the revised BRRS.

Question 10: On applying the criteria outlined in Annex A, are there any hereditaments which you believe should be listed in the central list? Please identify these hereditaments by name and location.

N/A.

Question 11: On applying the criteria outlined in Annex A, are there any listed in the central list which you believe should be listed in a local list? Please identify these hereditaments by name and location.

N/A.

Question 12: Do you agree that the use of a proxy provides an appropriate mechanism to calculate the compensation due to local authorities to losses resulting from valuation change?

Yes, this seems to be a sensible approach.

Question 13: Do you believe that the Government should implement the proposed reform to the administration of the business rates retention system?

Whilst the proposed reform to the administration of the BRRS sounds promising, with relatively more certainty over levels of income for budgetary purposes, and simplification e.g. from the effective removal of the need for S31 grants, the County Council reserves judgment until further details, and exemplifications become available.

Question 14: What are your views on the approach to resetting Business Rates Baselines?

The County Council acknowledges that this is a potentially complex process, which due to timing will have to include an element of estimation.

Whilst a wholesale review of baselines at a later date, with adjustments, might not be necessary, perhaps if there are more extreme cases of baselines being significantly out of line, then those cases could be addressed on a case by case basis.

Question 15: Do you have any comments at this stage on the potential impact of the proposals outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

No comments.