REWIRING PUBLIC SERVICES

BUSINESS RATE RETENTION

Local Government Association

The story so far

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INTRODUCTION

On 1 April 2013 a new system of business rates retention began in England. Before April 2013 all business rate income collected by councils formed a single, national pot, which was then distributed by government in the form of formula grant. Through the Local Government Finance Act 2012, and regulations that followed, the Government gave local authorities the power to keep up to half of business rate growth in their area by splitting business rate revenue into the 'local share' and the 'central share'. The central share is redistributed to councils in the form of revenue support grant in the same way as formula grant. Local share taxbase growth is retained within local government.

However, this has been done in a way that is consistent with the Government's deficit reduction plans. The total external income to local government is planned to fall by 40 per cent in real terms over the life of this Parliament.

This change gives financial incentives to councils to grow their local economies. At the same time, it has resulted in more risk and uncertainty.

HOW DOES BUSINESS RATE RETENTION WORK?[1]

This report reviews a council survey that the Local Government Association (LGA) conducted during November 2013 in order to gauge how local authorities are coping with the reforms, what the most important issues are, and how the Government could help deal with them.

The experience of councils to date has been varied and no two stories have been the same. For example, there is a huge diversity between the amounts collected by authorities. Some councils that responded to our survey claimed that the system as designed did not adequately deal with this.

However, there are emergent issues that are common among local authorities. By far and away the primary challenge is the level of financial risk that councils face due to appeals and business rate avoidance, with little scope for those risks to be managed under the current arrangements.

This section summarises the way the business rate retention system was set up. Its guiding principle is that councils retain up to half of the tax revenue arising from new businesses setting up, or existing businesses expanding in their area. It does not allow councils to benefit directly from the annual growth in business rates due to the increase in the Retail Price Index. This is deducted from the revenue support grant.

The system as a whole is very complex, in different ways from its predecessor the formula funding system, and the rest of the section illustrates this point.

The Government calculated the amount of local government funding to be allocated in 2013/14, known as the Start-Up Funding Assessment (SUFA) (from 2014/15 onwards known as the Settlement Funding Assessment (SFA)) and compared this with their estimate of how much in business rates would be collected by councils, called the Estimated Business Rate Aggregate (EBRA). In order to equalise business rates revenue between EBRA and SUFA, the Government put into place a system of 'top-ups' and 'tariffs'. These are intended to grow with inflationary growth in the RPI each year[2] , but apart from that are only revised when the business rate system is 'reset' (the current government policy is for this to be no earlier than 2020) or at the time of a revaluation

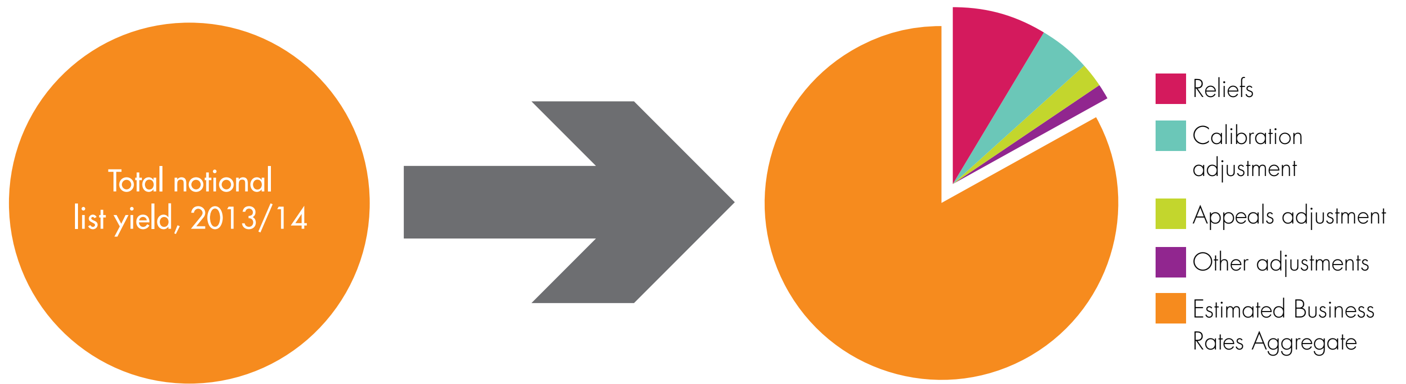
1 This is an outline. See Department for Communities and Local Government (DCLG) practitioners guide for a fuller description: http://www.local.communities.gov.uk/finance/1314/practitionersguides.pdf

2 The Autumn Statement 2013 announced a 2 per cent cap on the increase in business rates multiplier in 2014/15. As a result, we expect top-ups and tariffs to be uplifted by 2 per cent, instead of the 3.2 per cent rate of inflation, and revenue support grant allocations to be adjusted appropriately as part of the local government finance settlement.

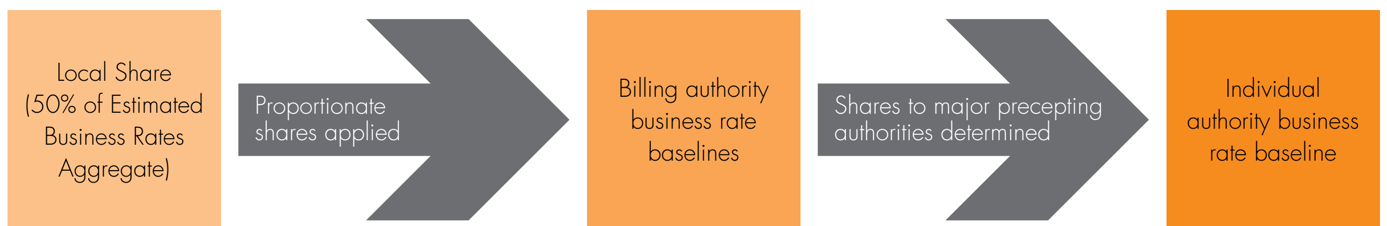
(due to come into effect in 2017) when top-ups and tariffs will be recalculated so that councils do not gain or lose solely due to revaluation. Figure 1 shows the process of calculating EBRA, top-ups and tariffs.

Figure 1 The process of calculating EBRA, top-ups and tariffs

From total notional business rate income to EBRA in 2013/14…



…to individual authority business rate baselines



AUTHORITY A: A TARIFF AUTHORITY

AUTHORITY B: A TOP-UP AUTHORITY

Source: Department of Communities and Local Government (DCLG) practitioners guide, 2013

FORECASTING AND PLANNING

EBRA is split between tiers as follows:

- In unitary authorities and metropolitan districts the authority keeps 98 per cent with 2 per cent going to the fire authority in areas where this is a separate authority.
- In London 60 per cent goes to boroughs and 40 per cent to the Greater London Authority (GLA).
- In two tier areas 80 per cent goes to the district and 18 per cent to the county, with 2 per cent to going to the fire authority if it is a separate authority.

Councils keep up to 50 per cent of growth in their business rate receipts arising from taxbase growth, which may arise from new or expanding businesses. Local authorities which were deemed to have a 'disproportionate potential to grow' by the Government (for example most councils in Central London) pay a growth levy of up to half of this retained growth. This is then used to partly fund the 'safety net' system to protect those councils which see their year-on-year business rate income fall by more than 7.5 per cent.

The 'central share' of business rate receipts is used by government to fund the needs-based revenue support grant (RSG). However, RSG is being reduced as part of the Government's austerity measures. As a result, it is expected that the central share will shortly be larger than RSG, with the balance being used to replace other grants to local government.

Most of the features of the system, such as the 50/50 split of business rate revenue growth between local and central government, are fixed until the system is reset, which is not expected until at least 2020. In effect this means that grant distribution is also largely fixed until the reset.

The introduction of business rate retention meant that from April 2013 a significant part of a council's budget became dependent on the amount of business rates collected from its area. This required new, previously uncollected information and new methodology to ensure that financial planning and forecasting procedures remained as robust as before. Business rate retention was introduced under very tight timescales, with final regulations and features of reform announced in late 2012. This meant that local authorities had little time to prepare themselves for the changes, both in terms of long-term planning and the introduction of new systems and procedures in time for April 2013.

Based on the responses to our survey, 77 per cent of respondent councils found they did not have enough time to develop a sufficient understanding of the system to conduct robust medium and long term planning in time for April 2013. Some councils increased contingency reserves in order to ensure unexpected losses of business rate income did not leave their financial sustainability in jeopardy.

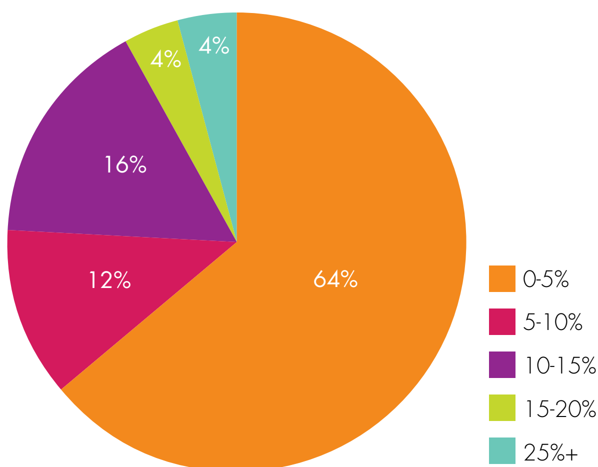
One important factor affecting councils' ability to plan effectively was the government's devised method of estimating business rate income (EBRA). The first year and, indirectly, subsequent years of business rate retention system were based on the Government's estimates of how much in business rates each local authority is expected to collect in 2013/14.

Instead of simply taking local authorities' own estimates of business rates to be collected in 2013/14, the Government calculated its figures by estimating the notional yield by 30 September 2012. It then made various adjustments, such as that for reliefs, the costs of collection, and appeal losses[3], some of which were different to what councils routinely took into account to arrive at an estimate in 2012/13 and previous years.

The process of calculating an individual council's business rate revenue estimate is illustrated by figure 1.

We asked councils to compare their current forecast business rate receipts to the levels of income predicted by the Government's council-level forecast. The results are shown in Chart 1. For more than a third of councils that have responded, the difference is higher than 5 per cent, mostly due to the impact of business rate appeals.

Chart 1 Difference between government estimates of business rate revenue and current council forecasts, 2013/14



3 See http://www.local.communities.gov.uk/finance/1314/1314EBRA_final.pdf and figure 1

Firm conclusions can only be drawn after the end of the financial year. However, experience to date suggests significant differences between the Government's estimates and what's happening on the ground, affecting councils' ability to plan effectively and reap appropriate rewards for business rate growth.

A further sign of problems with initial forecasts is the unexpectedly high call on the safety net in 2013/14, which led to the recent government decision to hold back an extra £50 million from council grant funding to finance the safety net mechanism for 2014/15 onwards. This pressure was not expected before April 2013 and affected the financial planning of 52 per cent of respondent councils.

The business rate retention reform created a need for councils to receive new, previously uncollected, information to enable sufficiently robust financial planning, such as data about upcoming appeal decisions, the value of business rate income at stake and the impact of business rate avoidance. Most of this information had previously been collected by the Valuation Office Agency (VOA) and provided to central government, as councils had no direct stake in business rate collection.

Business rate retention resulted in the need for a major cultural change at the VOA as its importance as information provider has increased. This transition is still ongoing. The VOA has been working hard to provide information, for instance on the appeals and proposals sent to billing authorities in Autumn 2013. Currently, however, 61 per cent of all respondent councils are not satisfied with the level and quality of data provided by the VOA to help financial planning.

The Autumn Statement 2013 announced a set of reliefs and discounts to rates paid by businesses:

- The business rate rise in 2014/15 will be capped at 2 per cent (it would otherwise have risen by 3.2 per cent, in line with the increase in the September 2013 Retail Prices Index).
- The temporary extension of small business rate relief which was due to expire on 31 March 2014 will be extended until 31 March 2015. There will be additional help for businesses who are expanding and would otherwise lose small business rates relief.
- There will be a discount of up to £1,000 against each business rates bill for retail premises, such as pubs, cafes, restaurants and charity shops, with a rateable value of up to £50,000 in 2014/15 and 2015/16.
- There will be a new temporary reoccupation relief granting a 50 per cent discount from business rates for new occupants of previously occupied retail premises for 18 months.
- The Government announced that they will legislate to allow businesses to pay rates over 12 months rather than 10 with effect from 2014. They will also discuss with business options for long-term administrative reform post 2017.

The Government has indicated that it would reimburse councils in full for the changes. At the time of the production of this report, councils are yet to receive more detail on this.

COUNCILS' COMMENTS ON THE TOPIC OF FINANCIAL PLANNING:

Initial planning

"Frankly, we muddled through. There was too much to take on (what with changes to the Formula Grant system at the same time), so we budgeted at baseline level and hoped for the best."

"The implementation timetable was very challenging, the changes required reviews of systems and policies in a very short timescale. They were also implemented in a period where councils were undergoing many reforms and significant budget pressures. The system was also very complex and did not resolve the lack of transparency of the previous system."

"Uncertainty particularly over the treatment of prior year appeals made planning difficult. We did not feel the system was well understood at central government level, which led to confusion."

"We still feel like we're learning as we go along."

Availability of data and information

"The information provided by the VOA has been a vast improvement when compared to two years ago. There are still concerns around time taken to answer specific queries, but this is much better than it used to be."

"Communications are improving, and more data is now being received – however the quality of data is still inadequate, particularly in regard to the likely timescale over which appeals will eventually be settled."

"Information on appeals has been lacking, although we have recently received reports which have been more useful. Liaison with the VOA has also improved with the introduction of the 'Relationship Managers'."

FINANCIAL RISK

The business rate retention system resulted in councils facing an increasing amount of financial risk, mostly arising from potential losses of income due to appeals and avoidance schemes. Previously, the risk was pooled and borne by the Government at a national level. It was not an ideal position as it separated responsibility for collection of rates from consequences of poor collection performance.

Currently, councils have limited ability to counteract risk in relation to appeals and avoidance, with business rate pools an increasingly attractive prospect. The only other recourse that councils have when it comes to limiting risk is the safety net mechanism. We address business rate appeals, avoidance, pooling and the safety net separately below.

Business rate appeals and the retention mechanism

Exposure to business rate appeal risk is one of the biggest concerns of English councils under the new system. This is especially the case in small district councils, or other places dependent on a small number of large businesses, such as power stations.

Each business rate revaluation process results in some commercial properties seeing their rateable value grow, which can mean that the amount of business rates payable by an individual business increases as well. This fuels a wave of appeals as businesses dispute the valuation results.

Historically, decisions on appeals were taken following a lengthy deliberation and negotiation process. As a result, some councils mentioned in our survey that they still have a number of outstanding appeals from the 2005 revaluation waiting to be settled.

The VOA is responsible for maintaining, and periodically updating, the national list of property values which is used to calculate business rates due. At the same time, the VOA and the Valuation Tribunal are responsible for making decisions on valuation appeals which usually arise as challenge to the VOA's initial judgement.

Exposure to business rate appeal risk

Under the business rate retention system, the costs of all successful valuation appeals that are decided from April 2013 are being shared equally between the local and central shares of total collected business rates. While previously councils did not bear any risk from successful appeals, they are now liable for half of the cost as a result of the reform. This includes any backdating liability, which in some cases may go back to 2005, or earlier.

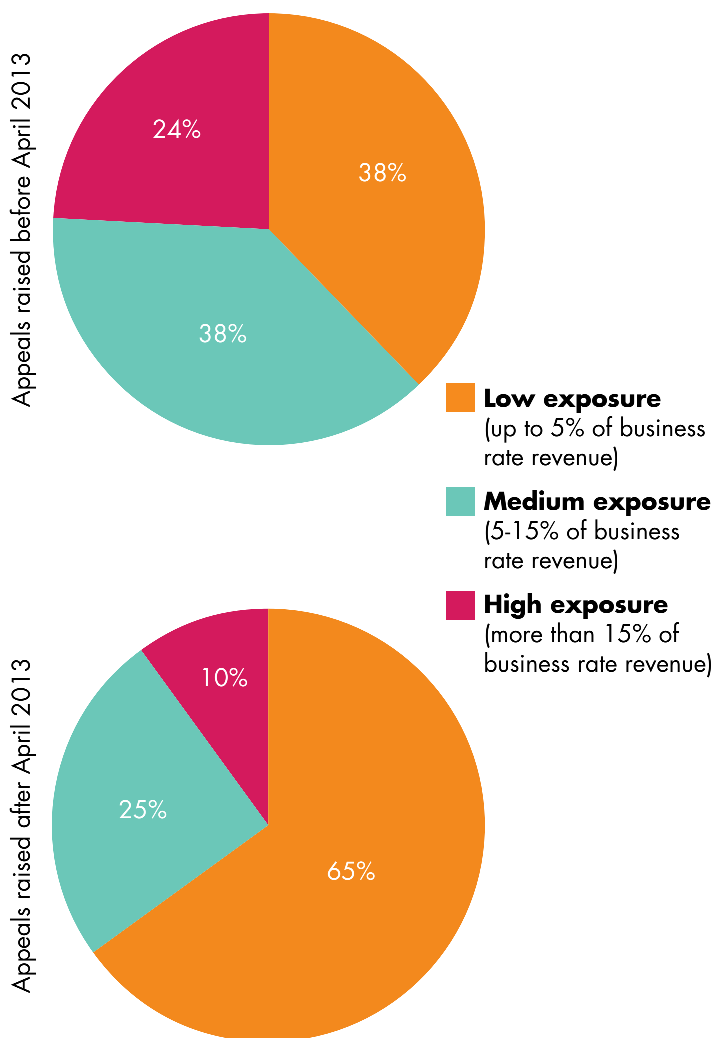
This feature of the system has caused concern for councils with outstanding appeals from before April 2013. As the old business rate pool was closed with no transitional period, the time when the appeal was expressed has no bearing on whether the cost is pooled nationally or shared between councils and the Government. For local authorities with outstanding appeals of a major value this is an even bigger issue, as in some cases a long-standing appeal, if lost, could push a council into the safety net even though the appeal was lodged several years before the reform.

About two thirds of all councils that have responded have been able to provide us with an estimate of how much of their business rate revenue this year is at risk of being lost if appeals proceedings are judged against the council. Chart 2 shows that the risk caused by appeals that have been raised after April 2013 is much smaller than the risk caused by appeals that have been raised before the retention system was implemented. Some councils are at risk of losing as much as 45 per cent of their total business rate income.

Due to the safety net, any loss is capped at 7.5 per cent in any one year. However, since the safety net is funded from the system as a whole, an increase in the safety net requirement leads to a reduction in grant funding for all authorities.

According to the weighted average level of exposure to appeal risk from our survey sample, English business rates as a whole are subject to appeals worth £4.2 billion, or 17.5 per cent of the business rate income in 2013/14 as predicted by the Government. Under business rate retention, councils are exposed to half of this risk. To put this into perspective, if England was a single council, and all these appeals went in the favour of business in a single financial year, it would plunge to the safety net. While it is true that some of these appeals will go in the councils' favour, the uncertainty of outcome and lack of knowledge about the timing of the decision mean that councils are forced to accept a significant, unpredictable financial risk, impacting on the availability of funding for services to local people.

Chart 2 Exposure to business rate appeals of respondent councils



The appeals process

An added pressure, and challenge to long-term financial planning by local authorities, is an often extremely long appeals procedure. Before April 2013 this had no bearing on council finances. Now the certainty of timing of an appeal decision is very important for local authorities to gear up for potential losses.

The reform has provided a cultural challenge to the VOA's procedures as well. While previously the timing of its decisions did not have a significant impact on council and national finances, it is suddenly very important for the agency to be transparent and provide more extensive and accurate data to enable councils to plan carefully. In order to do so, the VOA is attempting to improve its communications with local authorities.

Eighty-one per cent of councils that have responded were not satisfied with the time taken to resolve appeals. Likely timings of any appeal decisions would be very useful for councils looking to plan the potential impact on their finances. Some councils mentioned that they would like to know more about how and why some appeal decisions are prioritised against others as that would help develop their own estimates of the likely timings of appeal decisions.

In the Autumn Statement 2013, the Government announced an intention to streamline the appeal procedures in order to increase certainty in the system and to tackle 95 per cent of the appeals backlog by July 2015.

This was followed by a consultation on the current appeals system[4], where the Government set out its intention to increase transparency of how valuation decisions are made, separate valuation challenge and appeal procedures and to require those challenging their valuation assessment to provide reasons why they think the valuation is incorrect. These appear to be steps in the right direction.

Business rate avoidance

As with most taxes, business rate collection is made more difficult due to various avoidance schemes. A significant part of business rate avoidance represents exploiting loopholes in the existing law. Respondents to our survey highlighted three practices in particular:

- minimum-length (six week) leases which result in empty property relief for a further period of three or six months
- minimal use of premises for a short period of time (for example through keeping a minimum allowed level of inventories) in order to qualify for empty property relief for three or six months once the premises are vacated
- leasing premises to organisations registered as charities (who benefit from 80 per cent mandatory rate relief) which make minimal use of the premises, for example, through installing Bluetooth transmitters to broadcast public service messages.

These are results of the current relief and discount framework, most of which is prescribed by central government.

4 See 'Checking and challenging your rateable value': https://www.gov.uk/government/consultations/checking-and-challenging-your-rateable-value

Councils operate some discretionary relief schemes and have more control of those entitlements, but cannot influence decisions on mandatory reliefs significantly.

Court cases on avoidance have had mixed success, although it should be noted that a recent key case on the use of a Bluetooth transmitter went in favour of the authorities concerned[5].

Two thirds of councils that submitted a response agree that business rate avoidance affected the financial risk that they face. Interestingly, the lack of available information and difficulties in estimation mean that only 20 per cent of respondent councils have explicitly budgeted for business rate avoidance. For the rest, contingency reserves will have to be used to cover unexpected losses.

Business rate pooling

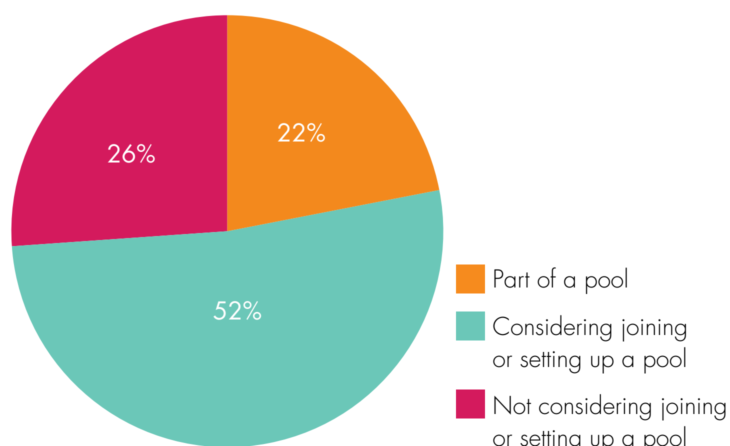
One method to counteract business rate risk and volatility that the Government provided to councils was the ability to pool business rate revenue together with other councils.

This was envisaged as a way for councils to limit risk and also affect some characteristics of the system, especially if collectively they can receive a top-up payment as opposed to having to pay over a tariff.

Nationally, 13 business rate pools were created before April 2013, and 23 per cent of all respondents to the survey are currently part of these pools. As shown by chart 3, two thirds of others were considering pooling in the future, either by joining a pool or by setting up a pool of their own, or have done so in the past. This might be a result of the level of financial risk now being more understandable and appreciated by councils.

5 See: http://www.bailii.org/ew/cases/EWHC/Admin/2013/1237.html

Chart 3 Pooling status of respondent councils, 2013/14



Business rate pooling could be particularly useful in two-tier areas where the benefits of business rates growth are shared between authorities and where districts and counties can work together to encourage growth.

In some areas pooling is not an attractive or feasible option. For example, some councils are dependent on a small number of large businesses for their revenue. Others are subject to a high level of tariff payment, where pooling would result in other councils effectively 'subsidising' them with their top-up receipts. These reasons among others make some local authorities unattractive partners. The current system does not adequately address this issue.

The safety net

Authorities that are unable or unwilling to pool are left only with the safety net mechanism to limit the level of financial risk to which they are exposed.

Fifty-eight per cent of respondent councils agreed that the safety net fulfils the objective of limiting financial risk. However, a number of respondents clarified that it only limits risk beyond the loss of 7.5 per cent of a council's business rate income, which means that a high level of volatility and uncertainty remains. In addition, most councils that discussed the principles of the safety net were not satisfied with how it is funded and thought that councils are bearing more than their fair share of the cost of the safety net mechanism.

For example, councils believe that the outcome of pre-April 2013 appeals should be borne by central government and only then can the safety net mechanism be applied. Some others believe that at least half of the cost of the safety net should be funded by the Government instead of a top-slice of local government funds. A number of councils believe that the growth levy should fund the safety net, as planned at the outset of the scheme, with government making up the shortfall.

COUNCILS' COMMENTS ON THE TOPIC OF FINANCIAL RISK:

Appeals

"The lengthy time appeals take gives uncertainty and hinders forecasting and budgeting decisions. It would be beneficial if a timeline could be provided by the VOA that some certainty over when appeals would be settled was given."

"The effect of any growth is being lost due to the volume and cost of appeals and the associated level of volatility and uncertainty around the level of business rates income that will accrue."

"We still have appeals outstanding for the 2005 list. We have also had instances of businesses going bankrupt due to the length of time that they have to wait for appeals."

Discounts and business rate avoidance

"Charities receive a high level of rate relief which has resulted in local high streets being occupied by charities, and landlords / owners of buildings letting to charities to avoid the business rates themselves."

"Charitable relief should be made fully discretionary and only granted where the premises are fulfilling the charitable purpose and the benefit resulting from the occupation is greater than the cost to the public purse."

Pooling

"In the first year, there were not enough incentives or details of operation to set up a pool. There was also not enough time given to adequately analyse the benefits."

"We are a top up authority and all of our neighbouring authorities are top up authorities so there is no benefit of us being part of a pool. There would be additional bureaucracy in managing a pool and possible political challenges in agreeing the governance arrangements for the pool."

The safety net

"As the bulk of the risk for many councils relates to the pre-April 2013 appeals backlog, this should be met from the Government's 50 per cent share of business rate income and not via the safety net mechanism."

"Our funding baseline is so low that we can afford the 7.5 per cent reduction as a one off pressure. Thus we have deliberately placed ourselves into Safety Net this year by writing off a significant amount of appeals refunds, with everything above the threshold effectively being funded by the Government."

LOOKING INTO THE FUTURE

The challenges set out in this paper will continue to face councils under the business rate retention system. Most of the mechanism has been locked in until the next reset, which is not scheduled until 2020 at the earliest.

The main purpose of the business rate retention system is to provide an incentive to local authorities to grow their business rates locally by encouraging local economic growth and improving collection rates. It is too early to tell whether, and to what extent, it will achieve this objective.

Looking ahead, one change is expected to be the next revaluation, which in accordance with statute will be carried out by the VOA seven years after the last revaluation, having been postponed by two years. The revaluation, which will come into effect in April 2017, will use estimated property values as at 1 April 2015. As has been the case in the past, the next revaluation is likely to bring a fresh wave of business rate appeals which will increase the financial volatility faced by councils further.

Valuation appeals are likely to increase sharply in that period and cause a potential financial risk to councils. April 2013 was in the middle of a valuation period, and that has in part caused the current issue of outstanding appeals, especially major ones which are taking an extensive period of time to be resolved.

Out of all councils that discussed this, 60 per cent said that they would prefer the revaluations and resets of the business rate system to coincide as it would deal with the appeal timing disputes. However, other councils said that they prefer the two processes to be staggered as having both a reset and revaluation at the same time might prove to be a higher financial risk than the appeals issue.

The business rate system reset in 2020 will provide an opportunity for a discussion on whether the 50/50 split of business rates collected between local and central government has achieved the objectives intended at the outset of the reform. On the one hand, increasing the local share would provide a bigger reward to councils where businesses are expanding physically. On the other hand, a smaller central share would provide less protection for authorities that struggle economically.

Out of all respondent councils, 81 per cent believe that the local share should be increased. Interestingly, only 29 per cent expect that the Government will actually do so. A number of councils mentioned that it was too early to tell as it would depend on the success of the scheme as well as policies of the next government. The fact that 2020 is a national election year only adds to the uncertainty.

There are other aspects of the system that some councils would like to see reviewed in the future, for example:

- About half of all respondents believe that the current discount and relief system could be improved. It is likely that this is related to the extent of avoidance allowed by how the regime works at the moment.
- Thirty-two per cent of councils believe that the current valuation basis might encourage a certain type of business, disadvantaging others.

COUNCILS' COMMENTS ON THE TOPIC OF THE FUTURE OF THE SYSTEM:

The future of the local share:

"Any increase in the amount local authorities can keep is to be welcomed but not at the expense of reductions in other funding."

"It really depends on what they do with the levy rather than the local share. They could leave the local share the same and reduce the levy rate and this could have a positive effect but simply increasing local share on its own without considering tariffs and levies may not necessarily be positive."

"The council would rather receive government grant than be exposed to volatility in business rate income."

"Although it would increase financial risk to local authorities, the general principle of as much income going directly to local authorities should be supported. However, the real answer is to allow local authorities to set the level of the rates. If the local share is to be increased this should happen gradually (say 10 per cent each reset) so as the impact can be best managed."

The future of the discount and relief regime:

"Transitional relief doesn't help transparency, understanding or seem at all justifiable for businesses that are being revalued downwards. Small Business Rate Relief should become a design feature rather than a temporary adjustment to the system that forms part of the annual Chancellor's statement."

"The current discount and relief regime is stable and understood. Changes will inevitably mean transitional protection issues which will add complication."

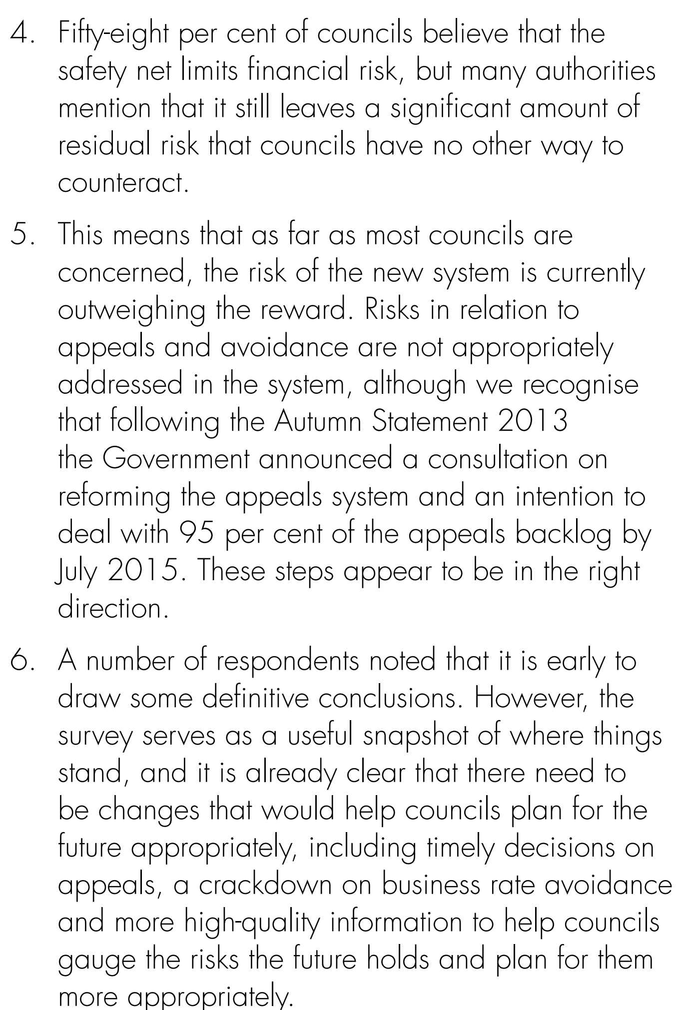
"Ideally empty rate relief should be removed or reduced. This would encourage greater occupation and therefore tend to lower rents. The impact of small business rates relief should be reviewed, as it may, in some cases, discourage those businesses from expanding."

CONCLUSIONS AND RECOMMENDATIONS

Responses to our survey provided us with an overview of the councils' experience of the business rate retention system in the period immediately after implementation. It has shown that there are no two identical stories, and that all councils face challenges in some form or other.

Key conclusions are

1. When the system was being set up, the LGA pointed to the risk involved, in particular from appeals. This seems to be justified by early experience.
2. Councils do not believe the business rates retention scheme, as it is currently constituted, provides sufficient incentive. Only about 29 per cent of all councils believe that the business rate retention system, as it is now, provides enough of an incentive to promote economic growth.
3. Due to the fact that the business rates retention scheme has been introduced at the same time as the Government's deficit reduction programme, it has coincided with an unprecedented cut to local authority resources. Only 6 per cent of councils believe that the system ensures all local authorities have adequate resources to provide services to local people. This reflects the results of the LGA's Future Funding Outlook modelling, which shows a growing funding gap in local services.



4. Fifty-eight per cent of councils believe that the safety net limits financial risk, but many authorities mention that it still leaves a significant amount of residual risk that councils have no other way to counteract.

5. This means that as far as most councils are concerned, the risk of the new system is currently outweighing the reward. Risks in relation to appeals and avoidance are not appropriately addressed in the system, although we recognise that following the Autumn Statement 2013 the Government announced a consultation on reforming the appeals system and an intention to deal with 95 per cent of the appeals backlog by July 2015. These steps appear to be in the right direction.

6. A number of respondents noted that it is early to draw some definitive conclusions. However, the survey serves as a useful snapshot of where things stand, and it is already clear that there need to be changes that would help councils plan for the future appropriately, including timely decisions on appeals, a crackdown on business rate avoidance and more high-quality information to help councils gauge the risks the future holds and plan for them more appropriately.

LGA recommendations are

1. During the passage of the Act through Parliament, the LGA called for the size of the local share to be increased to a point where ultimately all business rates growth is retained. This needs to be accompanied by recalculating top-ups and tariffs, which will help to protect services in areas where economic growth is not achieved.

2. The reform can only really work if the risks, especially those arising from appeals or avoidance, are dealt with. On the former a practical, streamlined and timely process to deal with challenges and appeals should be set in place as a result of the current consultation. On the latter, the Government, with local government, should review the discount and relief system and discuss what changes can be made to discourage business rates avoidance.

3. The LGA calls on the Government to revisit its decision to close the old pool on 31 March 2013. Instead any appeals which relate to the period before 31 March 2013 should be set against the old pool. This would reduce the need for the safety net top-slice.

4. Local government should retain all growth from the local share. RSG should not be revised downwards to take account of increases in the business rates multiplier. This would increase the rewards available to councils.

5. The Government should review how the safety net is funded, to avoid the unintended effect of significantly reducing council funding in the case of negative economic shocks.

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