

Executive Advisory Board

Agenda

Thursday, 22 October 2020
2.15 pm

Virtual Zoom meeting

To: Members of the Executive Advisory Board
To: Members of the LGA Executive
cc: Named officers for briefing purposes

LGA Executive
22 October 2020

There will be a meeting of the LGA Executive at: **2.15 pm on Thursday, 22 October 2020 via Zoom link.**

Apologies

Please notify your political group office (see contact telephone numbers below) if you are unable to attend this meeting, so that a substitute can be arranged and catering numbers adjusted, if necessary.

Conservative:	Group Office: 020 7664 3223	email: lgaconservatives@local.gov.uk
Labour:	Group Office: 020 7664 3263	email: Martha.Lauchlan@local.gov.uk
Independent:	Group Office: 020 7664 3224	email: independent.grouplga@local.gov.uk
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LGA Contact

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The twitter hashtag for this meeting is #lgaexec.

Executive Advisory Board – Membership 2020/21

Councillor and Role	Authority
Conservative	
9	
Cllr James Jamieson (Chairman)	Central Bedfordshire Council
Cllr Izzi Seccombe OBE (Vice Chairman)	Warwickshire County Council
Cllr John Fuller OBE (Deputy Chairman)	South Norfolk District Council
Cllr Robert Alden (Deputy Chairman)	Birmingham City Council
Cllr Teresa O'Neill OBE (Deputy Chairman)	Bexley Council
Cllr Peter Fleming OBE (Board Chair)	Sevenoaks District Council
Cllr Ian Hudspeth (Board Chair)	Oxfordshire County Council
Cllr David Renard (Board Chair)	Swindon Borough Council
Cllr Kevin Bentley (Board Chair)	Essex County Council
Labour	
9	
Cllr Nick Forbes CBE (Senior Vice-Chair)	Newcastle upon Tyne City Council
Cllr Michael Payne (Deputy Chair)	Gedling Borough Council
Cllr Anntoinette Bramble (Deputy Chair)	Hackney London Borough Council
Cllr Tudor Evans OBE (Deputy Chair)	Plymouth City Council
Cllr Georgia Gould (Deputy Chair)	Camden Council
Sir Richard Leese CBE (Board Chair)	Manchester City Council and City Regions Board
Cllr Richard Watts (Board Chair)	Islington Council
Cllr Judith Blake CBE (Board Chair)	Leeds City Council
Cllr Nesil Caliskan (Board Chair)	Enfield Council
Liberal Democrat	
5	
Cllr Howard Sykes MBE (Vice-Chair)	Oldham Metropolitan Borough Council
Cllr Ruth Dombey OBE (Deputy Chair)	Sutton London Borough Council
Cllr Gerald Vernon-Jackson CBE (Board Chair)	Portsmouth City Council
Cllr Anita Lower (Balancing Member)	Newcastle upon Tyne City Council
Cllr Bridget Smith (Balancing	South Cambridgeshire District Council

Member)	
Independent 4	
Cllr Marianne Overton MBE (Vice-Chair)	Lincolnshire County Council
Cllr Clive Woodbridge (Deputy Chair)	Epsom and Ewell Borough Council
Cllr Paul Woodhead (Balancing Member)	Cannock Chase District Council
Cllr Rosemarie Harris (Balancing Member)	Powys County Council
Regional Representatives 9	
Cllr Robert Stewart	LAB Swansea City and County Council
Cllr Marc Bayliss	CON Worcester City Council
Cllr Simon Henig CBE	LAB Association of North East Councils
Cllr John Hart	CON South West Councils
Cllr Peter John OBE	LAB Southwark Council
Cllr Shabir Pandor	LAB Kirklees Metropolitan Council
Cllr Roy Perry	CON South East England Councils (SEEC)
Cllr Nicholas Rushton	CON East Midlands Councils
Cllr Linda Haysey	CON East Herts Council
Named Substitutes	
Cllr Ralph Bagge	CON South Bucks District Council

Non-voting Members of LGA Executive

Councillor	Representing	
Sir Stephen Houghton CBE	LAB	SIGOMA
Alderman Sir David Wootton	INDE	Local Partnerships
Cllr David Williams	CON	County Councils Network (CCN)

Agenda

Executive Advisory Board

Thursday 22 October 2020

2.15 pm

Item	Page
1. Declarations of Interest	
2. Redmond Review	1 - 10
3. The LGA's Current 'Hot Topics'	11 - 12
4. LGA Lobbying Strategy	13 - 24
5. Future Funding / Finance Issues	25 - 32
6. Spending Review Submission and Response to Tranche 2 Business Rates Review	33 - 50
7. Note of last Executive Advisory Board meeting	

Date of Next Meeting: Thursday, 3 December 2020, 2.15 pm

Outcome of Independent Review of Local Authority Financial Reporting and External Audit in England (the “Redmond Review”): Emerging views and LGA response

Purpose of report

For decision.

Summary

The report of the Independent Review of Local Authority Financial Reporting and External Audit in England was published on 8 September 2020. The report was discussed briefly at the IDeA Board the following day and in more detail at Resources Board the following week. Members were keen that the LGA should formulate a response to the review’s recommendations to be sent to MHCLG (MHCLG has not yet responded to the report). This paper proposes a policy response from the LGA, based on the discussions to date. Tony Redmond attended an LGA hosted webinar on 7 October and is due to attend the LGA Leadership Board on 21 October.

Recommendations

That Members of the Executive Advisory Board approve the lines for the response to the Redmond review as outlined in paragraphs 10 to 14 of the report and these are used to draft a response to the Government.

Action

Officers to proceed as per the agreed recommendation.

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Outcome of Independent Review of Local Authority Financial Reporting and External Audit in England (the “Redmond Review”): Emerging views and LGA response

Background

1. The [Independent Review of Local Authority Financial Reporting and External Audit in England](#) was initially announced by the then Secretary of State at the LGA’s conference in July 2019. The review has been led by Sir Tony Redmond. Sir Tony is a former Local Government Ombudsman and has also been President of CIPFA, a council Treasurer and Chief Executive and a Local Government Boundary Commissioner. The call for evidence from the review received over 150 responses and Sir Tony and the review team carried out over 100 interviews and made presentations to many organisations, including Boards of the LGA. Resources Board approved the LGA’s [response](#) to the review’s [call for evidence](#) at its meeting in November 2019. The [report of the review](#) was published on 8 September.
2. Resources Board received a report on the review and its recommendations at its meeting on 15 September. The meeting was attended by Cllr Peter Fleming (Chair IDeA Board) and Steve Freer (Chair PSAA) who both addressed the meeting. This followed a shorter discussion at IDeA Board on 9 September.
3. The review is a post implementation review of the [2014 Local Audit and Accountability Act](#), the Act that abolished the Audit Commission and replaced it with a new audit regime for local authorities, local health bodies and other public bodies. The review covers local authorities, including councils and parish councils, Police and Crime Commissioners, Fire and Rescue Authorities, Independent Drainage Boards and Parks Authorities, but the NHS is out of scope. Therefore, the review did not look directly at the audit and reporting of Clinical Commissioning Groups or NHS trusts, though they are covered by the 2014 Act, and the audit of such bodies is often undertaken by the same firms that audit local government.
4. This 2014 Act led to the creation, by the LGA, of Public Sector Audit Appointments Ltd (PSAA). Ninety-eight per cent of councils opted into the procurement by PSAA. PSAA subsequently procured external audit firms for these councils.

Recommendations in the Redmond Report

5. The full recommendations from the review are appended to this report.
6. The main recommendations are:

22 October 2020

- a. To set up a new body, the Office of Local Audit and Regulation (OLAR), to manage, oversee and regulate local audit. This body would take over all of the functions currently exercised by PSAA, as well as some functions currently carried out by other bodies such as the National Audit Office, the Financial Reporting Council (FRC) and the Institute of Chartered Accountants in England and Wales (ICAEW). The cost of this body is estimated to be £5 million per annum. Such a body would not be seen as having similar features to the Audit Commission, but it would have the power to hold auditors to account for their performance;
 - b. The Regulator (the new OLAR) would be supported by a Liaison Committee comprising key stakeholders and chaired by the Ministry of Housing, Communities and Local Government (MHCLG);
 - c. Ensure auditors have adequate skills and training and are properly resourced;
 - d. Review the audit fee structure (Redmond suggested that fees are too low);
 - e. Formalise links between external auditors and Inspectorates such as Ofsted, Care Quality Commission and HM Inspectorate of the Constabulary and Fire and Rescue Services (HMICFR);
 - f. The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year and consider this in the light of deadlines for the audit of local NHS bodies outside the scope of the review but audited by the same auditors.
7. The report also included some recommendations on financial reporting, including a new standardised statement of service information and costs be prepared by each authority and be compared with the budget that was agreed to set the council tax/precept/levy and presented alongside the statutory accounts, and subject to audit.
 8. The LGA's fully owned subsidiary, Public Sector Audit Appointments Ltd (PSAA) is affected by the proposals. It is one of the bodies that would be subsumed into the proposed Office for Local Audit Regulation (OLAR).
 9. MHCLG has not yet responded to the recommendations. In its report on commercial property and investments, the Public Accounts Committee (PAC) requested that the department write to the PAC with its response to the Redmond report within three months of publication. MHCLG's response to the PAC's report on council investments says it will respond on Redmond by December.

LGA response to the Redmond Report

10. At the Resources Board meeting on 15 September, members questioned whether the recommendations in the Redmond report would solve the problems around the robustness of the local audit market. Members were opposed to the formation of a

new regulatory body. Resources Board members recommended that the LGA respond to the Redmond report and were keen that the response should include a proposed way forward. The following points, which have been checked with Resources Lead Members, could be included in a response to the review report:

- a. The main issue remains the supply side of the audit market, with too few firms engaged in the market and too few suitably qualified auditors employed by firms. These problems have been shown by the delays in finalising audited accounts (which have been due to a shortage of suitably qualified senior staff). In addition, many councils have reported that the lack of skills and knowledge of staff undertaking audits impact on the time of council staff supporting the audit process. This is a complex and difficult problem which we do not believe will be resolved by measures in the Redmond report and it will require a lot more work across a whole range of bodies / stakeholders to resolve, not least the audit firms and the audit profession itself. It is not within the power of the proposed new body to resolve this.
- b. Welcome the recommendation for the creation of the MHCLG led stakeholder group - the LGA called for this in the call for evidence.
- c. The exclusion of the audit of health (which was not included in Redmond's terms of reference) would continue fragmentation. Adding NHS audit within procurement arrangements and adding other public bodies as well would help build market capacity. Local NHS audit is currently undertaken by the same audit teams as local authority audit, so a solution for one affects the other and we welcome Sir Tony's call for coordination between MHCLG and DHSC.
- d. As expressed in the LGA's response to the call for evidence to the Redmond review - the 2014 Act only came fully into effect in 2019 (when the current round of audit contracts started), it is too early to be contemplating major change.
- e. Proposed changes to the audit and accounts deadlines, in line with the temporary changes made this year, are welcome. The LGA called for this in its submission.
- f. Express concerns about bringing together auditor procurement and audit regulation in one body – this doesn't happen with other regulating bodies. There could be a conflict of interest, for example, if auditors defend poor performance by criticising the contract. Procurement and contract management remain crucial, but this is separate from regulation and should be carried out by a separate body. If changes to regulation result in applications from audit firms to vary contracts, then the responsibility for the change occurring needs to be clear and, if necessary, funded through the new burdens process.
- g. Councils are given the opportunity to opt in to the PSAA procurement arrangements (and 98% of them have done so). This ensures procurement is under local control. If procurement were moved to a centralised regulatory

- body, it could centralise the function under Government control with no sense that councils can opt in or out and retain local control.
- h. PSAA has undertaken a wider role than just audit procurement. It has carried out improvement related activity to support councils and audit committee members in developing skills in managing local relationships with auditors, for example through initiatives such as the Local Audit Quality Forum. This work would be hard to reconcile with a regulator's remit and would likely be lost if PSAA were subsumed within a regulatory body.
 - i. The suggestion that fees should be increased because the audit firms' margins have reduced is not the answer, and in any event could raise legal challenges by firms that weren't awarded contracts at the time of the original procurement exercise.
 - j. The main factor driving financial resilience is government underfunding, not lack of control over councils. The response to resilience should not be about auditors anticipating local democratic decision-making (for example by extrapolating from past decisions about use of reserves) or heaping controls on top of controls (for example the report floats the idea that auditors should sign off the CFO's sign off of the budget).
 - k. We welcome the simplification of accounts because of the importance of local accountability though there are some concerns about extra work for councils and auditors.
 - l. Audit Committees need to remain member led although the concept of independent members on audit committees was welcomed and considered good practice.
11. As mentioned above, Resources Board members asked that the response should include a proposed way forward. The fundamental problem to be solved with such a way forward is that with the audit market and the impact it is having on councils. Redmond has made other recommendations that are wider than this (and some of those can be supported, at least in part) but the practical way forward should concentrate on this fundamental problem.
12. A way forward that would be consistent with the points made above would be as follows
- a. Oppose the creation of a new body, the office of local audit regulation, which would have incorporated the procurement functions of PSAA.
 - b. Instead, the current procurement arrangements with PSAA should be given more time to bed in before any (externally imposed) changes are considered. 2019 is effectively the first year that the new arrangements have operated in full.

22 October 2020

- c. As recommended by Redmond, a Liaison Committee be established comprising key stakeholders and chaired by MHCLG. This should be as outlined in the LGA's original submission.
 - d. Reduce fragmentation by exploring options to incorporate the audit of local NHS (which was not included in Redmond's terms of reference) within current local procurement arrangements and adding other public bodies as well. This would help build market capacity. Local NHS audit is currently undertaken by the same audit teams as local authority audit, so a solution for one affects the other.
 - e. Promote Redmond's call for coordination between MHCLG and DHSC
 - f. Push the accounts deadline back to 30 September, as recommended by Redmond.
 - g. Any increase in audit fees should be funded through the new burdens process.
13. Further points have also been made about the role of PSAA in managing performance against audit contracts. This needs to be done in a way that is consistent with maintaining audit quality, standards and independence. In the [LGA response to the annual consultation on audit fees](#) earlier this year, we highlighted issues that were going to have an impact on future audit fees and we called on PSAA to take a stronger role in managing the fee variation process, as well as being clearer to audited bodies on its role in managing the performance against existing contracts. There is scope for PSAA to strengthen its current role.
14. On 7 October PSAA sent a letter to all audit committee chairs and section 151 officers outlining [its response](#) to the review. In this response it notified that it has been reviewing the fee variation process and aims to publish proposals for consultation soon. Hopefully this will be an opportunity to improve the current arrangements without the need for merging procurement and regulation in a new body.

Next steps

15. It is proposed that a response to the review report, to go to the Secretary of State, is drafted based on the points outlined in paragraphs 10 to 14 above, approval of the final draft to be delegated to lead members of Resources Board.

Implications for Wales

16. The review applies to arrangements in England only.

Financial Implications

17. This is part of the LGA's core programme of work and as such has been budgeted for in 2020/21 core work programme budgets.

Appendix - Recommendations made in report of Redmond Review

The full recommendations of this Review are as follows:

External Audit Regulation

1. A new body, the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit with the following key responsibilities:
 - procurement of local audit contracts;
 - producing annual reports summarising the state of local audit;
 - management of local audit contracts;
 - monitoring and review of local audit performance;
 - determining the code of local audit practice; and
 - regulating the local audit sector.
2. The current roles and responsibilities relating to local audit discharged by the:
 - Public Sector Audit Appointments (PSAA);
 - Institute of Chartered Accountants in England and Wales (ICAEW);
 - FRC/ARGA; and
 - The Comptroller and Auditor General (C&AG)to be transferred to the OLAR.
3. A Liaison Committee be established comprising key stakeholders and chaired by MHCLG, to receive reports from the new regulator on the development of local audit.
4. The governance arrangements within local authorities be reviewed by local councils with the purpose of:
 - an annual report being submitted to Full Council by the external auditor;
 - consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
 - formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.
5. All auditors engaged in local audit be provided with the requisite skills and training to audit a local authority irrespective of seniority.
6. The current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.
7. That quality be consistent with the highest standards of audit within the revised fee structure. In cases where there are serious or persistent breaches of expected quality standards, OLAR has the scope to apply proportionate sanctions.
8. Statute be revised so that audit firms with the requisite capacity, skills and experience are not excluded from bidding for local audit work.

9. External Audit recognises that Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Audit Practice.
10. The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.
11. The revised deadline for publication of audited local authority accounts be considered in consultation with NHSI(E) and DHSC, given that audit firms use the same auditors on both Local Government and Health final accounts work.
12. The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified; OLAR to decide the framework for this report.
13. The changes implemented in the 2020 Audit Code of Practice are endorsed; OLAR to undertake a post implementation review to assess whether these changes have led to more effective external audit consideration of financial resilience and value for money matters.

Smaller Authorities Audit Regulation (SAAA)

14. SAAA considers whether the current level of external audit work commissioned for Parish Councils, Parish Meetings and Internal Drainage Boards (IDBs) and Other Smaller Authorities is proportionate to the nature and size of such organisations.
15. SAAA and OLAR examine the current arrangements for increasing audit activities and fees if a body's turnover exceeds £6.5m.
16. SAAA reviews the current arrangements, with auditors, for managing the resource implications for persistent and vexatious complaints against Parish Councils.

Financial Resilience of local authorities

17. MHCLG reviews its current framework for seeking assurance that financial sustainability in each local authority in England is maintained.
18. Key concerns relating to service and financial viability be shared between Local Auditors and Inspectorates including Ofsted, Care Quality Commission and HMICFRS prior to completion of the external auditor's Annual Report.

Transparency of Financial Reporting

19. A standardised statement of service information and costs be prepared by each authority and be compared with the budget agreed to support the council tax/precept/levy and presented alongside the statutory accounts.
20. The standardised statement should be subject to external audit.

21. The optimum means of communicating such information to council taxpayers/service users be considered by each local authority to ensure access for all sections of the communities.
22. CIPFA/LASAAC be required to review the statutory accounts, in the light of the new requirement to prepare the standardised statement, to determine whether there is scope to simplify the presentation of local authority accounts by removing disclosures that may no longer be considered to be necessary.
23. Joint Panel on Accountability and Governance (JPAG) be required to review the Annual Governance and Accountability Return (AGAR) prepared by smaller authorities to see if it can be made more transparent to readers. In doing so the following principles should be considered:
 - Whether “Section 2 – the Accounting Statements” should be moved to the first page of the AGAR so that it is more prominent to readers;
 - Whether budgetary information along with the variance between outturn and budget should be included in the Accounting Statements; and
 - Whether the explanation of variances provided by the authority to the auditor should be disclosed in the AGAR as part of the Accounting Statements.

LGA Priority Issues

This is a high-level summary of the most pressing issues facing member councils.

1. **Finances** The sector's financial challenge related to COVID-19 is now nearly £11 billion, in addition to the challenging financial context prior to the pandemic. The IFS have concluded that significant extra funding is required this year above the recently announced £1 billion additional funding relating to wider COVID-19 cost pressures.
Our Spending Review submission called for £10.1 billion of funding from central government per annum by 2023/24. This is needed to meet the £5.3 billion funding gap facing councils by 2023/24 to maintain services at 2019/20 levels (based on IFS work which assumed inflation-based growth in grants and 2 per cent annual council tax increases), £1.9 billion to address mounting underlying pressures in services such as children's social care, concessionary fares and homelessness and £2.9 billion to refocus early intervention efforts and address adult social care pay issues. Providing certainty and longer-term financial stability through the 2020 Comprehensive Spending Review and a multi-year local government finance settlement are now vital.
2. **Managing local responses to the pandemic:** Many councils already have local contact tracing systems in place or under development, but local authorities still have considerable concerns about the testing system. The delays in providing results are undermining councils' ability to manage local outbreaks, and putting them under greater pressure when it comes to successfully tracing contacts of those with COVID-19. The recent data glitch in the NHS Test and Trace system has further undermined faith. Rollout of the seasonal flu vaccine has demonstrated how councils can assist in promoting take up amongst their communities. There should be urgent engagement on how the rollout of any new COVID-19 vaccine will be delivered, making the most efficient use of local capability, resources and venues. Councils have proven they can move incredibly quickly and effectively – putting arrangements in place from scratch to administer the £500 self-isolation payment in just 3 weeks. Government needs to trust in local systems in order to ensure the new tiered system works. They must engage local leaders on how to tackle a problem not how to implement a pre-determined solution.
3. **Social care:** In addition to the ongoing need for extra funding for adult social care, councils are having to manage huge pressures to keep people receiving social care safe, and to support struggling providers. We need to see:
 - Improved access to testing, especially for care home residents and staff but for other care settings as well.
 - The promise of free PPE through the central portal being delivered at sufficient pace and scale.
 - Resolution to the issues that councils and providers are facing in getting insurance and indemnity cover especially for the recently announced designated scheme.
 - Follow through on promised parity of esteem for our social care workforce, in practical ways such as access to testing and wellbeing support.
 - A recognition that councils are now having to juggle a number of demands and initiatives, and therefore some joining up within central government.
4. **Economic recovery:** The journey to economic recovery will be different in each community and will see fundamental changes to the way people go about their lives, where they work and how businesses run. Councils are best placed to bring together at a local level, the necessary economic, social and environmental levers that local communities need to revive all sectors and places of work. For example, they can identify those households who are most at risk of financial hardship and economic vulnerability, and, with the right financial support from Government, provide assistance that those residents need as the economy recovers. They will also be able to understand the needs of different sectors in their areas

especially sectors like culture and the arts who have been particularly badly hit by the pandemic.

5. **Equalities, inequalities and community cohesion:** Councils will also need to respond to the evidence that is currently being brought together on the differential impacts of COVID-19 and how it interacts with existing health inequalities. They must carefully consider whether some sections of their local community, for example people from particular socio-economic groups or racial backgrounds, are more at risk of social or economic exclusion during recovery than others.
6. **Children and young people:** Councils have planned for a surge in demand for children's services this autumn, both as a result of pent up demand from lockdown and increased need due to issues such as increasing unemployment and household stress. However, budgets were consistently overspent before the crisis therefore funding to ensure services are available is a significant concern. The unaccompanied asylum-seeking children emergency in Kent is also continuing and we are pushing the government to fully fund councils for the cost of supporting these children.
7. **Planning:** The government is currently consulting on long-term fundamental structural changes to England's planning system. We have heard a range of concerns from councils including: how the new rules based system will work in practice; the role of Councillors in the new proposed system and the implications for local democracy; the implications of a new system of developer contributions for the provision of affordable homes and infrastructure; and the implications of changes to the standard method for assessing housing numbers in strategic plans. We will be lobbying Government to ensure that the issues raised by councils are addressed.
8. **Elections:** Government still has not issued guidance on how elections will be run safely next year. At the moment, you cannot vote in person if you have been asked to self-isolate or have COVID-19. We need to ensure that those self-isolating are able to exercise their democratic rights. Measures that prevent some groups from voting could cause the election result to be challenged. We also need to consider the safety of election staff and the logistics of holding a different type of election. Government are currently saying they will not provide additional funding for holding elections in 2021. We are working to develop solutions for the sector.
9. **Devolution and LGR:** Government has issued formal invitations to councils in Cumbria, Somerset and North Yorkshire, including the associated unitary councils, to submit proposals for unitary local government. The LGA will continue to lobby Government for a full devolution settlement independent of reorganisation, which delivers greater funding and powers to all councils.
10. **EU Exit:** Discussions around EU Exit are becoming a bigger priority both for councils and Government. The Local Government Ministerial Delivery Board has been revived and meets regularly to discuss a range of issues related to the end of the transition period, such as capacity to deliver changes, the implications for regulatory services, Port Health Authorities, state aid and procurement. Issues not directly related to the negotiations but related to the previous workstreams of the EU Exit Taskforce, such as the UKSPF, EU Settlement Scheme and immigration issues are also discussed. The LGA will continue to work with the government to raise these issues.

#CouncilsCan campaign plan

Purpose of report

For discussion.

Summary

This paper sets out our campaign priorities and approach to lobbying. Our planned approach will be to extend the LGA's #CouncilsCan campaign to demonstrate the work councils have been doing during the COVID-19 pandemic and into the recovery phase.

As things are developing at a fast pace, we are continually reviewing our priorities and will adapt our campaign and lobbying strategy as necessary.

Recommendation

That Executive Advisory Board provide feedback on the overall plan.

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#CouncilsCan campaign plan

Background

Every three years, we develop a communications strategy, agreed by the LGA Board, that sets the long-term direction for our communications activity. Since March, and the change of focus for both councils' and our own work, we have re-focussed our strategy. This is based on the priorities directed by the LGA Board and includes:

- Funding for local government
- Devolution
- Adult social care
- Children's social care
- Housing and planning
- EU transition
- Sector-led improvement and promoting the work of councils

As things are developing quickly, we are continually reviewing our priorities, as set by our members, and will adapt our approach to lobbying and campaigns as necessary, should they change.

#CouncilsCan

To ensure a consistent narrative, our campaign work all sits under the umbrella of '#CouncilsCan', with individual campaign plans for each strand of work. Our research shows that many councils have been using this to amplify our messaging and is a recognised 'brand'.

In their response to the COVID-19 pandemic, councils have proved themselves to be place leaders, supporting communities and their local economies - repurposing staff to make sure key public services continue and the most vulnerable are looked after, as well as supporting local businesses.

Public services that have been valued by the public, most notably the NHS, have rightly received a lot of plaudits over this period. But there has also been a growing recognition of the contribution of councils and their front-line workers, most prominently social carers, waste crews, teachers and public health professionals.

The LGA has been supporting local government in its response as well as promoting the work of councils to Government and the public. One of the LGA's primary roles in doing so has been to protect and bolster the reputation of local government, challenging Government, where needed, on behalf of councils.



Research

To help shape our strategy, we undertake a range of polling and research. Our regular public polling shows that residents have recognised the important role councils have played during the Pandemic. The most recent round shows:

- 73 per cent trust councils most to make decisions about how services are provided in their local area.
- These levels of trust also extend to councillors, who remain by far the most trusted to make decisions about how services are provided in their local area – at 71 per cent.
- Sixty nine percent of residents say their council keeps them well informed about the services they provide and the work they have been doing.

These are the highest levels we have recorded since starting polling in 2012.

Political lobbying and engagement

The LGA is one of the few politically-led, cross-party associations lobbying in Westminster. It is the leadership of our politicians that makes us distinct and credible, ensuring the voice of local government is at the fore of all our parliamentary activity. This involves close working with the Political Group Offices and our boards to build the profile of our asks of national government. This involves, but is not limited to, briefing regularly for parliamentary debates, giving evidence to a wide range of parliamentary inquiries and influencing primary legislation as it is debated and agreed by both Houses. The LGA has a strong track record of influencing decisions as set out in our LGA in Parliament reports, and our CouncilsCan narrative is well embedded in our parliamentary communications and regularly quoted in the House. As part of our Comprehensive Spending Review campaign we will continue to maintain our profile with key influencers and reach out to those MPs who were elected to Parliament in the last general election and have a demonstrable interest in local government issues. In addition, our Vice-Presidents continue to play a key role, lobbying on our key priorities, as do our leading members, maximising their links to national politicians.

Each year, to help shape our strategy, we evaluate our progress by commissioning reputational polling with parliamentarians, reporting on our success influencing parliamentary committee reports and influencing primary legislation.

Summary

To date, the organisation's campaigning and lobbying work has delivered a number of 'wins' on behalf of local government, including:

- Government recognition of the role councils can play as leaders of local areas
- £1 billion in additional funding (October 2020)
- 2 x £1.6 billion COVID grants
- Funding to strengthen care for the vulnerable
- Testing in care homes
- More involvement in shaping Government strategy and policy, and closer working with Government departments



- A recognition of council staff as frontline workers (for example, rainbow pictures for waste crews)

There is clearly more to do to ensure councils get the powers and resources they need, and our strategy aims to help deliver these.

Most councils, whilst still focusing on the response phase have also started to consider recovery, re-set and renew, working closely with LRFs and local partners.

Councils will continue to play a key role throughout this health crisis and through the economic recovery of the country. This campaign aims to build on the current momentum, ensure perceptions around councils and their performance remain positive and deliver the powers and resources councils need to be able to fully lead their communities.

Challenges

Based on our research, there are several issues that we have considered in the planning of this campaign:

- Whilst the announcements of £3.2 billion of funding were welcomed by local government, there has been public 'questioning' of why councils need extra funding when they're still paying council tax.
- There is a perception, particularly amongst some parliamentarians, that councils can still make more efficiencies.
- The country is facing the deepest recession / depression since WWII and with that will come additional pressure on public finances at a time when local government was already facing huge gaps. We don't yet know what this new economic landscape will be and what it will mean for councils and their communities, particularly when considering the business rates review.
- Whilst focus is rightly on responding to the pandemic, the wider political environment should still be considered. The Government is still negotiating a Brexit deal with the European Union and any deal / no deal will impact on the 'recovery/reset/renew' phase.
- The last six months has prompted enormous changes in behaviour amongst the public – including a focus on building communities, shopping locally and engaging with councils and other organisations virtually. However, we need to understand whether behaviour and attitudes have changed fundamentally, and what that means for councils and other public services.
- We have, rightly, been amplifying Government messaging around the response to the pandemic but we now need to balance the sharing of important public health messages with the need to represent our political membership, and our role as local government's champions and councils' role as a voice for their communities.
- Whilst it's important we champion local government staff and the value they bring, we should avoid 'unsung heroes' narrative, which can make the sector appear outdated rather than dynamic and agile.

Key points in time:

- The Comprehensive Spending Review in Autumn 2020
- The Government will publish its white paper on devolution (this now looks most likely to be sometime in 2021)



Issues

1. Objectives (For success metrics, see evaluation section below)

Ensure that councils are fully funded to lead recovery

- The Comprehensive Spending Review is a localist one with place-based budgets, in tune with the needs of the local economy, communities and the environment
- The Government provides sustainable funding throughout the crisis and beyond

Persuade the Government to grant councils the powers and levers needed at each local level to lead the recovery locally and nationally

- Ensure the Devolution White Paper offers the broadest vision possible

Communicate the value of councils

- Increase support for councils and local government staff amongst the public
 - Public recognises the role that councils have been playing in responding to COVID-19.
 - Public values local government staff on a par with health workers.
 - Public identifies and appreciates the services provided by their council.
- Increase understanding of the value of local government within national government
 - Parliamentarians recognise the role that councils have been playing in responding to COVID-19.
 - Parliamentarians value the role local government plays in each local area, they know their communities and are leaders of place

Provide support to councils

- Increase the value councils place in the LGA's work, and the percentage who are satisfied with the LGA's work.

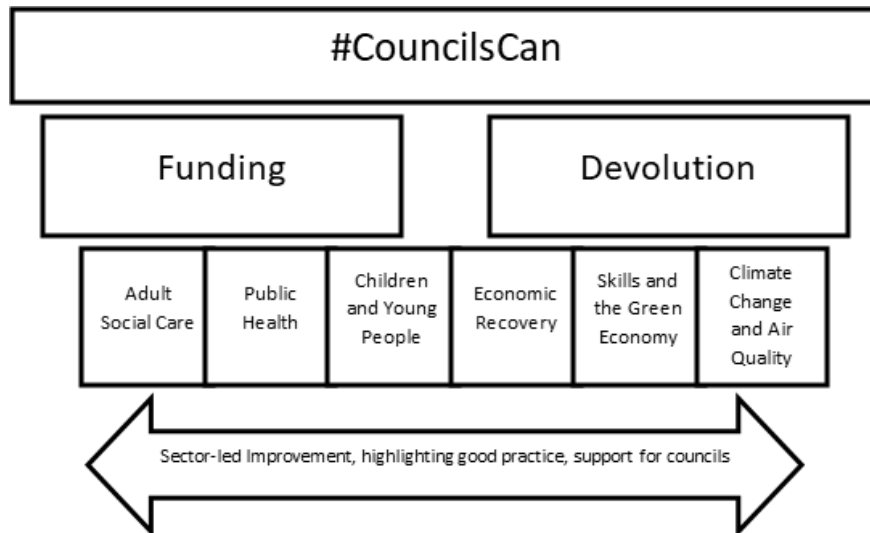
2. Strategy

Throughout the COVID-19 pandemic, the LGA has been championing the work that local government has been doing to support communities as well as being its voice at a national level, lobbying and campaigning on behalf of councils.

While this has worked – the Government has recognised the hard work of local government as well as announcing additional funding – further proactive communications will build on the initial messaging and build on it into the recovery phase. The campaign proactively promotes the work councils are doing, looking beyond our more traditional channels into ones which reach more of the general public, making the case for further devolving of powers and funding.

Following the publication of [Re-thinking Local](#), the umbrella #CouncilsCan campaign will focus on our overarching asks – on devolution, finance – on highlighting the positive impact that councils have on their local areas and on supporting councils.

Underneath that umbrella campaign, will sit a series of topic specific, focused pieces of activity around local government priorities – separate campaign plans are being developed based on relevant board priorities:



All communications activity will include elements of the below:

1. **Promoting best practice from councils**, focusing on the people behind the services – both councillors and officers – and showcasing ways that councils have pivoted quickly to meet the demands of their communities, embracing new ways of working.
2. **Highlighting the impact that councils are having on their local areas** and, collectively, nationwide using statistics showing the amount of work done. This should focus not just on the work which is directly linked to COVID-19 – food deliveries made, vulnerable children in school, tackling homelessness etc – but on the everyday, the work that councils have continued to do – for example, bins collected on time and road repairs.
3. **Working with stakeholders** to amplify messages across sectors and different audiences
4. **Supporting councils** sharing best practice using sector-led improvement principles, positioning the LGA as the 'go-to' for supporting officers and elected members.

#CouncilsCan will also include **evidence-led thought leadership**. Councils have been dynamic and agile in their response to this crisis and those ways of working will be embedded for the recovery/re-set/renew. With the gradual easing of restrictions, the public and councils continuing to think and work in new ways. As place leaders and shapers, councils should be at the forefront of this. To demonstrate this and to further inform our lobbying approach, we have commissioned independent analysis of the public's changing opinions and behaviour and the longevity of these changes, to inform our policy development but also to provide to councils to inform their planning and decision making. [see appendix for more information].

We also used this approach in commissioning independent analysis by the Institute of Fiscal Studies (IFS) to support our Comprehensive Spending Review (CSR) work.

3. Key messages

These key messages will be segmented depending on the audience being targeted.

- Councils **can**, and **have**, supported their communities throughout the pandemic.
- Councils will be key to the national recovery/re-set/renew
- Councils deliver efficient, agile services for their residents every day
- Councils provide value for money
- Local government – councils and councillors – are most trusted by residents to make decisions on their behalf
- Local government workers are on the frontline, working round the clock to keep communities running and to keep them safe.
- Councils know their local communities. They can make decisions about what's best for their local areas and can be their community's voice.
- The LGA is the national voice of local government and supports councils, officers and councillors. During the response to COVID-19 it played a vital role in fighting for and championing local government.

As issues around response and recovery/re-set/renew are constantly changing and there are currently many 'unknowns', we will keep these key messages under review and look to change where necessary, based on research and analytics.

4. Audiences

Communications activity will segment and target different audiences depending on key message being delivered and desired outcome.

- General public (work is being undertaken to further profile and segment this audience group)
- MPs and Peers
- Government
- LGA members
- Media
- Stakeholders (internal and external)
- Business community

5. Implementation

Campaign activity will reflect the breadth of councils' roles with a rolling focus on different policy areas coordinated across all channels.

Packages of content, across all disciplines, are being developed for each policy area, with segmented messaging which is targeted at specific audiences.

6. Evaluation

Ensure that councils are fully funded to lead recovery

- The Comprehensive Spending Review is a localist one with place-based budgets, in tune with the needs of the local economy, communities and the environment
- The Government meets the funding gap of £11 billion facing local government in 2020/21

Measured by: Evaluation of the CSR - sufficient funding being allocated to local government

Persuade the Government to grant councils the powers and levers needed at each local level to lead the recovery locally and nationally

- Ensure the Devolution White Paper offers the broadest vision possible

Measured by: Evaluation of the Devolution White Paper and the powers devolved from Whitehall

Communicate the value of councils

- Increase support for councils and local government staff amongst the public
 - Public recognises the role that councils have been playing in responding to COVID-19.
 - Public identifies and appreciates the services provided by their council.

Measured by: Regular resident tracker polling on COVID issues – an increase of 5 per cent of people who are satisfied with how their local council is supporting them and their household; increase of 5 per cent of people who are satisfied with how their local council is supporting their local community; increase of 3 per cent in those who believe their council has been able to keep services running normally during the COVID-19 response.

- Increase understanding of the value of local government within Parliament
 - Parliamentarians recognise the role that councils have been playing in responding to COVID-19.
 - Parliamentarians value the role local government plays in each local area, they know their communities and are leaders of place

Measured by: a.) reputational polling of parliamentarians which analyses their support for key policy statements about local government priorities and the COVID-19 response; b.) securing support for our policy recommendations in select committee and All-Party Parliamentary Group reports and c.) influencing legislation and policy proposals as they are discussed in the House.

Provide support to councils

- Increase the value councils place in the LGA's work, and the percentage who are satisfied with the LGA's work.

Measured by: 3% increase in key perception study metrics, including:

How well do you know the LGA (to 83% agree)

I would speak positively about the LGA (to 82% agree)

Satisfied with the work of the LGA (to 81% agree)

The LGA keeps me informed about its work (to 87% agree)

Implications for Wales



7. The WLGA (and indeed COSLA) are keen to utilise the work we have developed on our campaign and lobbying. We will continue to liaise with the WLGA on campaign messaging and delivery, and to share resources.

Financial Implications

8. All activity will be funded out of the Communications Directorate budget.



Appendix: #CouncilsCan Behavioural Research

Introduction

Recent surveys have shown that most people don't want to go back to how things were before COVID-19 emerged, but to make something better. This research will seek to help councils shape their COVID-19 recoveries by asking local people how their views may have changed over the last few months of lockdown, and how they have changed their behaviour – and how it may change in the future. The research will inform the LGA's policy development and provide detailed and timely insights to councils in order to inform their planning and decision making, as part of the #CouncilsCan campaign.

Aim

Like the discipline of user research, this piece of work seeks to explore people's behaviours and motivations (i.e. what they do, why and importantly why they don't do other things), and their opinions and attitudes, to support councils in their COVID-19 recovery planning and decision-making. It is always crucial, before embarking on a project, to ensure that decisions are taken from an informed position.

The research will dive deeper into the details on people's views and behaviours than collected by the LGA's recent COVID-19 tracker, which provides details of residents' satisfaction with their council's response to the pandemic.

The research aims are two-fold:

- 1) To test out with a range of respondent groups the assumptions that councils are making in their local recovery plans.
- 2) To explore with a range of respondent groups what 'local' means to them and how their views may have changed as a result of COVID-19.

Method

The research should put residents front and centre and test out some of the ideas that are central to councils' recovery plans, while also exploring what 'local' means to people in this new changed environment.

Part 1

The LGA will conduct in-house desk research to ascertain the key themes and issues emerging from a range of local recovery plans. This exercise will identify the

most common and radical ideas and interventions that councils are considering. Some possible examples are outlined in Table 1 however, the themes will be dependent on the results of desk research.

Theme	Behavioural	Attitudinal
Climate	<ul style="list-style-type: none"> • Will residents take up councils' offer of cycle lanes? • Will residents adapt their driving habits based on new parking fees and charges? • Will residents switch to electric cars if more charging points are provided? 	How have residents' attitudes towards climate issues changed over the last few months of lockdown (e.g. views on waste, pedestrian-friendly environments, energy use)?
Local economy	<ul style="list-style-type: none"> • Will residents visit their local shops more frequently? • Will residents use businesses if more outside space is provided? • Will residents buy more locally produced food? • Will residents make use of a 'Library of Things' where they can borrow items or mend things? 	How have residents' attitudes towards the local economy changed over the last few months of lockdown?
Community and civic life	<ul style="list-style-type: none"> • Will residents continue to volunteer in the future? • Will residents participate in online meetings and consultations? • Will residents join a local credit union? 	How important is it to be involved in local community life and projects?
Leisure and tourism	<ul style="list-style-type: none"> • Will residents be more inclined to take domestic holidays? 	
Digital engagement	<ul style="list-style-type: none"> • Will residents take up digital self-serve offers? 	



Part 2

The research will explore what 'local' means to people in this new changed environment, which may involve collecting views on one's sense of belonging, civic participation and collective responsibility. Key questions to address are: how do people feel about their local areas; and what are their preferences for local decision-making?

Methodology

The LGA will consider any suitable qualitative methodologies that address the two key research questions of this exercise, for example, focus groups, diaries and/or online discussions. Any methodology employed must be robust and the outcomes must be of use to all council types across England.

Sampling

An important part of the country's COVID-19 recovery is building a fairer society across communities. The research should achieve a sample that is reflective of a range of demographic groups, such as people living in cities, post-industrial towns, coastal areas and rural villages. These can be selected from an existing panel or recruited for the specific purpose of this research.

Local Government Finance update

Purpose of report

For information.

Summary

This report provides a summary of the work by the LGA on funding and finance issues since the previous meeting of the Board on 10 September.

Recommendations

That Members of the Executive Advisory Board note this update.

Action

Officers will proceed with the delivery of the LGA's work in advance of the Comprehensive Spending Review and on the response to, and recovery from, COVID-19 as well as wider local government finance matters.

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Local Government Finance update

Introduction

1. This report provides a summary of the work by the LGA on funding and finance issues since the last Board meeting on 10 September including work in response to the COVID-19 pandemic and on the Comprehensive Spending Review (CSR).
2. The LGA's response to the Government's Business Rates Review call for evidence (tranche 2) and the Independent Review of Local Authority Financial Reporting and External Audit in England (the "Redmond Review", which was published in September) are covered by separate items in the agenda.

COVID-19: Government announcements to date

3. Since March, we have been successful in achieving a number of positive financial announcements to help councils deal with the impact of Covid-19, including:
 - 3.1. Three additional general funding announcements, worth in total £3.7 billion to local authorities including fire and rescue authorities.
 - 3.2. Over £4 billion of upfront grant payments (including the £1.6 billion COVID grant, £850 million of adult social care grant and pre-COVID-19 section 31 business rates relief compensation) and £2.6 billion of deferred payments of business rates to central government to aid cash flow.
 - 3.3. A three-month extension of the timescales for production of annual financial accounts and statements.
 - 3.4. A Government review of other reporting and data collection requirements, which has resulted in postponed deadlines.
 - 3.5. A new scheme to reimburse councils for lost sales, fees and charges income - where losses are more than 5 per cent of a council's planned income from sales, fees and charges, the Government will cover them for 75p in every pound lost; and
 - 3.6. Measures to allow council and business rates tax deficits to be repaid over three years instead of one and a commitment to decide on how losses of local taxation will be shared by central and local government at the 2020 Comprehensive Spending Review.

Latest information on the COVID-19 financial challenge facing councils

4. The LGA continues to receive access to data from the monthly returns submitted to MHCLG on the financial challenges arising from COVID-19, which based on the August data amounts to over £11 billion. This includes cost pressures and lost income from all sources, including sales, fees and charges, commercial income and local taxation. This is prior to considering mitigating factors and Government support provided so far.
5. The LGA commissioned the IFS to examine the current financial year impact of COVID-19 on local government. In their [August report](#), the IFS reported councils forecast spending pressures, based on the July returns to MHCLG, of £5.0 billion and non-tax income of pressures of £2.9 billion this year. Considering the support from Government, this implies an in-year 2020/21 funding shortfall of approximately £2 billion in council budgets.
6. The IFS report is based on the July survey data submitted to MHCLG (as this was the most recent data at the time). There have not been significant changes in the most recent (August) survey data we have received with conclusions as set out above.

Administration of support for businesses

7. On 9 September, the Department for Business, Energy and Industrial Strategy announced a new grant scheme for areas where businesses were required to close due to local lockdown regulations imposed by the Government. The scheme been extended to include businesses which have been required to close on a national, rather than a local basis.
8. On 9 October the limits and period of payment were [changed](#). Grants of up to £3,000, are available, linked to rateable value. In addition, councils will receive an additional 5 per cent of funding to run a local discretionary grant fund which could be used to support businesses that do not pay business rates and other severely impacted businesses that are prioritised locally.
9. LGA officers and others from local government have been in discussion with government officials about the operation of the scheme.

Test and Trace payments

10. On 19th September the Government announced a payment of £500 to people on in-work benefits who are told to self-isolate by NHS Track and Trace, to be administered by Unitary and District councils. The Department for Health and Social Care (DHSC) has been working closely with councils, the LGA and other Government departments to ensure that payments can be made from Monday 12th October. This scheme applies from 28th September and will last until 31st January 2021. Councils can also make a discretionary payment in exceptional circumstances to someone who meets the main qualifying criteria and could suffer financial hardship as a result of not being able to work. Councils are being issued with regularly updated guidance and information via a range of communication channels including their 'single inbox'. Funding allocations for the discretionary payment were made to councils on 2nd October.

Other recent funding announcements

11. Separately, the Department of Health and Social Care has provided £546 million through the Infection Control Fund (round 2) to support measures to reduce COVID-19 transmission and support workforce resilience in the adult social care sector. This funding builds on the £600 million of round 1 funding allocated in May. Eighty per cent of funding will be allocated straight to care homes based on the number of beds (up from 75 per cent in round 1). The remaining 20 per cent of funding will be allocated on other COVID-19 infection control measures for the care sector, including supporting other care settings and wider workforce measures.
12. The Government has confirmed councils and the police will equally share the extra £60 million in funding to help support compliance and enforcement of COVID-19 rules. The £30 million councils will receive is ringfenced to spend on COVID-19 related compliance and enforcement activities and will be allocated to all district, unitary, metropolitan borough, and London borough councils. Allocations are based on the COVID-19 Relative Needs Formula used to distribute the third tranche (£500 million) of COVID-19 funding. Local authorities have been encouraged to consider using this funding for the deployment of COVID-19 secure marshals, or their equivalents.
13. During the Prime Minister's statement in the House of Commons on 13 October, the announced that local authorities across England will be provided with around £1 billion of new financial support. The Government has also announced up to £0.5 billion will be provided to local authorities entering the tier three ("very high") alert level for enforcement, compliance and contact tracing. At the time of writing, further details have not been released. Officers will update members of the Executive Advisory Board when further information is available.

LGA Comprehensive Spending Review Submission

14. On 24 September, we submitted our Spending Review submission to Treasury. [The submission was published](#) on 1 October. The Executive Advisory Board considered and commented on an earlier version of the submission, with feedback incorporated in the final submission which was cleared by the Chairman and Group Leaders.
15. There are five chapters in the submission:
 - 15.1. **Overall council funding** makes the case for sustainable core funding for local government and enabling councils to bring together budgets of public services across a place to eliminate duplication of effort and drive savings to the public purse
 - 15.2. **Care and health inequalities** builds the argument that services for children and adults, combined with a reinvigorated local public health offer, provide the opportunities to tackle health inequalities, manage the on-going impact of COVID-19 and ensure older and disabled people can access the care and support they need.
 - 15.3. **Environment and climate change** deals with one of the most important issues facing the world today, highlighting the vital role councils play in tackling it.
 - 15.4. **Economy and ‘levelling up’** focusses on the role councils can play in the economic recovery from COVID-19 and the subsequent recession, in particular through greater devolution and powers to steer resources to local economic priorities.
 - 15.5. **Great places to live** showcases the role councils play in building thriving local areas which can boost the sense of community, connection and pride in a place, which can yield further positive economic benefits.
16. The LGA’s Spending Review submission calls on the Government to provide an additional £10.1 billion in core funding by 2023/24, based on:
 - 16.1. A £5.3 billion funding gap to sustain 2019/20 service levels (based on [IFS work](#) which assumes annual inflationary increases to grants and 2 per cent annual council tax increases. Please see appendix 1 for a breakdown of the funding gap);
 - 16.2. £1.9 billion to deal with other underlying pressures and quantifiable new burdens in the sector including children’s social care, homelessness and concessionary fares; and
 - 16.3. £2.9 billion of other core funding requirements to help councils improve their core service offer.
17. Appendix 1 details the figures used to derive the total core funding requirement for each Comprehensive Spending Review year.

18. It should be noted that the revenue and spending figures are highly uncertain and will depend on the course of COVID-19 and how this affects future revenues, service demands and costs.
19. A joint letter from all four of the local government associations in the UK was sent to the Chancellor on 24 September. The letter highlights the significant funding pressures councils across the UK are facing ahead of the Spending Review.
20. The LGA will continue to make the case for local government in the run up to the 2020 Comprehensive Spending Review. There will be continued efforts focussed on highlighting the messaging from the LGA's submission through media communication and public affairs work. For example, a Parliamentary briefing on the Comprehensive Spending Review submission led by the Chairman, the Chair of the Resources Board and the Deputy Chief Executive took place on 5 October and we have issued further press work linked to our submission, such as highlighting the [fragmented nature of council funding](#).
21. On 23 September, the Treasury confirmed an Autumn Budget will not take place this year, but that a spending review would still take place. At the time of writing, there has been no announcement on whether this has an impact on the length of time covered by the CSR. As a result, officers continue to work on the assumption of a multi-year CSR, with some contingency planning taking place in case the approach need to change to a one-year scenario.

Next steps

22. Members are asked to note this update.
23. Officers will proceed with the delivery of the LGA's work in advance of the Comprehensive Spending Review and on the response to, and recovery from, COVID-19 as well as wider local government finance matters.

Implications for Wales

24. We are in regular contact with the Welsh LGA and the other local government bodies in the devolved nations to exchange intelligence, ideas and consider joint work. The LGA sent a joint letter, with the LGA's in Wales, Scotland and Northern Ireland to the Chancellor making the case for local authorities across the United Kingdom in advance of the 2020 Comprehensive Spending Review.

Financial Implications

25. The work related to COVID-19 has been added to the LGA's core programme of work. This unbudgeted spending will be managed within the overall COVID-19-affected LGA Group funding position which the LGA Board is monitoring.

Appendix 1 – Core funding requirement for each year of the CSR period

The table below sets out the figures used to derive the total core funding requirement for each Comprehensive Spending Review year, outlined in more detail in the LGA submission and summarised in paragraph 16 above.

Element	2021/22 (£m)	2022/23 (£m)	2023/24 (£m)
IFS - central additional 'business as usual' cost pressures estimate	5,210	6,552	8,698
IFS – central adult social care provider market pressure estimate	1,540	1,605	1,690
IFS – central estimate of potential additional costs due to 2023 pension revaluation	-	-	678
IFS – income growth estimates (includes 2% annual increases in council tax and increases in grants in line with CPI inflation)	(2,768)	(4,447)	(5,805)
Funding gap to retain 2019/20 service levels (in addition to inflation increases to core grant and 2 per cent council tax increases)	3,982	3,710	5,261
Other underlying pressures and quantifiable new burdens that require appropriate funding			
Pre-existing persistent children's social care overspend (2018/19 overspend, uprated for demand and inflation using IFS assumptions)	903	957	1,013
Pre-existing persistent homelessness overspend (2018/19 overspend, uprated for demand and inflation using IFS assumptions)	150	156	160
Meeting the shortfall in concessionary fares funding	700	700	700
Building Safety Bill new burdens	22	22	22
Mental Health Act – new burdens	10	10	10
Total other underlying pressures and quantifiable new burdens	1,785	1,845	1,905
Other quantifiable core funding requirements to help councils improve and recover services:			
Reinstating early intervention funding to 2010/11 levels	1,700	1,700	1,700
Reforming adult social care pay to match NHS	1,000	1,000	1,000
Restoring the Social Fund to 2013/14 funding levels	176	176	176
Local digital infrastructure champions	30	30	30
Total quantifiable core funding requirements to help councils improve and recover services	2,906	2,906	2,906
Total	8,673	8,461	10,072



Business Rates Review Call for Evidence – suggested LGA response to Tranche Two

Purpose of Report

For decision.

Summary

This report provides a brief introduction to the response to Tranche Two of the Business Rates Review Call for Evidence.

Recommendations

That members comment on and agree the Tranche Two submission (Appendix A).

Action

Officers to forward the Tranche Two response as agreed to HM Treasury and arrange for its publication on the LGA website.

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Business Rates Review Call for Evidence – suggested LGA response to Tranche Two

Tranche Two

Background

1. The fundamental review of business rates was announced in the December 2019 Queen's Speech. Its [terms of reference](#) were published in March 2020 and a [call for evidence](#) on 21 July 2020.
2. The [call for evidence](#) restated the aims of the review:
 - 2.1. reduce the overall burden on businesses from business rates
 - 2.2. identify practical reforms that can improve growth and the sustainability of public finances
 - 2.3. explore alternative systems of taxation.
3. The government is also seeking to understand the impacts of COVID-19 on the business rates system.
4. The call for evidence states that business rates are an important source of revenue for local government, and the impact on the local government funding system will be an important consideration in reviewing the tax. However, the structure of the local government funding system, including Business Rates Retention, is outside of the scope of this review.
5. The Government is seeking evidence in two tranches:
 - 5.1. Tranche One on reliefs and the business rates multiplier by 18 September 2020 (Questions 1 to 9).
 - 5.2. Tranche 2 includes valuation and transitional reliefs, valuation of plant and machinery, valuation transparency and appeals, maintaining the accuracy of rating lists, the billing process and alternatives to business rates (Questions 10 to 43). The deadline for the response is 31 October 2020.
6. At your meeting on 10 September you agreed the response to Tranche One. This has now been submitted to HM Treasury and [published](#) on the LGA website. This report covers the Tranche Two response.

Proposed Tranche Two Response

7. The Tranche Two response, at Appendix A, starts off by summarising the key points in the Tranche One submission, in particular principles such as sufficiency and buoyancy and the context of the submission. This is followed by answers to the questions (set out in full in Appendix B) which concern the following:
 - 7.1. Valuations and Transitional Relief;
 - 7.2. Plant and Machinery and Investment;
 - 7.3. Valuation Transparency and Appeals;
 - 7.4. Maintaining the accuracy of rating lists;
 - 7.5. The billing process;
 - 7.6. Exploring alternatives to business rates.
8. This response reflects the views of the Business Rates and Local Government Finance Reform Task and Finish Group who considered a partial draft of the response along with a separate paper on capital value tax at its meeting on 29th September. The answers to the questions on capital values taxation (questions 33 to 38) have been drafted subsequently in the light of members' comments at that meeting.

Further work

9. At the Task and Finish Group meeting, members also discussed the possibility of the LGA commissioning external work on alternative ways of raising finance for councils. At the next meeting of the Task and Finish Group, members will be considering future areas of work for the group on business rates and wider local government finance reform, LGA policy on council tax, and the role of tax in incentivising behaviours.

Recommendation and next steps

10. That members comment on and approve the Tranche Two submission.
11. Officers to forward the completed Tranche Two response to HM Treasury by the closing date of 31st October 2020.
12. Officers to keep the Executive Advisory Board up to date on the work of the Task and Finish Group including any proposals to commission future work.

Implications for Wales

13. The Review specifically concerns business rates in England. Local government funding is a devolved matter. We will engage with the Welsh LGA on matters that relate to both England and Wales.

Financial Implications



14. The submission to the Business Rates Review call for evidence is part of the LGA's core programme of work and as such has been budgeted for in core work programme budgets. Any outside commissioned work would have to be budgeted for separately.

Business Rates Review: call for evidence Tranche Two response

October 2020

About the Local Government Association

1. The Local Government Association (LGA) is the national voice of local government. We are a politically-led, cross party membership organisation, representing councils from England and Wales.
2. Our role is to support, promote and improve local government, and raise national awareness of the work of councils. Our ultimate ambition is to support councils to deliver local solutions to national problems.

Key points

3. We welcome the opportunity to make this submission to Tranche Two of the call for evidence as part of the Business Rates Review.
4. We would draw attention to the key points made in our Tranche One response, in particular the effects of the COVID-19 pandemic on business and the increased pressures on local government. The Call for Evidence acknowledges that business rates are an important source of revenue for local government and the impact on the local government funding system should be an important consideration in reviewing the tax.
5. Local government needs a system that raises sufficient resources for local priorities in a way that is fair for residents and gives local politicians all the tools they need to be the leaders of their communities. For councils, it is also important that the tax system, including business rates, provides as much certainty as possible.
6. In our view taxes should adhere to certain principles. These are:
 - Sufficiency - Financing for local government services must be sufficient.
 - Buoyancy – rises along with economic activity with protection for local government from losses in income given the need to support local government services.
 - Fairness – The taxpayer makes a fair contribution and the taxbase is not too narrow.
 - Efficient to collect - Any tax should be efficient to collect; if the costs of administration and collection of a tax are high then the net yield will be lower than it would be for a more efficient tax.
 - Predictability and transparency - Income from a tax should be predictable and it should also be relatively straightforward to work out how the tax has been derived.
 - Incentive – Incentives should be provided to both business and local government.
7. Local government has strong interest in a reformed business rates system which commands confidence. An income which keeps up with demand is also important given the pressures on local government, especially at this point.

8. Property continues to provide a good basis for a local tax on business. Business rates is efficient to collect and has been relatively predictable and buoyant in recent years. However, the changing nature of business alongside the nature of demand pressures on councils means that we cannot look to business rates to form such a substantial part of local government funding in the future and alternative means of funding councils will be needed instead or as well as a reformed business rates system.
9. As can be seen from [research](#) commissioned by the LGA, online businesses pose a challenge to traditional businesses and to business rates as a tax. If an activity can be carried out online without the requirement for premises this will reduce the yield of business rates which goes to both central and local government. It is true that online commerce may lead to other activities that will generate business rates, such as distribution warehouses but, without reform this is unlikely to raise comparable amounts to the high street premises it replaces. Taxation should be fair for both physical and online businesses. We welcome the consideration of this in section 6 of the consultation.
10. In the context of the current system of business rates and notwithstanding our views about the need for new sources of finance, our responses to the specific questions posed in Tranche Two the consultation are set out below.

Section 4.1: Valuations and transitional relief

11. The LGA is concerned that different methods of valuation can lead to very different valuations (such as the case of purpose built doctors' surgeries where the courts found that they should be valued on the 'contractors' method rather than the 'rental' method of valuation and which implied a reduction in rateable value of 60%. It does not seem credible that two different methods of valuation can produce such different results. We made this point in our 2015 submission to the Business Rates Review and discussion paper.
12. We note that the Government decided on a policy of revaluations once every three years as a result of the previous consultation. The 2021 revaluation would have been a transition towards this as the next revaluation would have taken place in 2024. Now with the postponement of the revaluation to 2023 the 2017 valuation list will be in force for six years.

Question 10: What are your views on the frequency of revaluations and what changes should be made to support your preferred frequency?

In [our response](#) to the 2016 consultation on more frequent revaluations we said that the LGA would not support more frequent revaluations unless there is a significant change to the way valuation is done and a restriction on speculative appeals, although this was before the Check Challenge and Appeal (CCA) system was introduced. It is important to design any revaluation system to reduce speculative appeals, but it is too early to tell whether CCA has been effective in reducing these. We believe that a time limit on appeals, and a requirement for ratepayers to provide more data so that valuations take less time, might make more frequent valuations a viable proposition.

Question 11: What are your views on a banded or zone-based valuations system and the trade off with valuation specificity?

In our 2016 response referred to above on we said that we would support a move to a formula approach if one could be found which was simpler than the current method of valuation and did not lead to too many winners and losers. The same would apply to a banded or zoned system, particularly at the lower end. However, we would be concerned for the implications for business rates retention if growing businesses were not reflected by an increase in rateable value. For example; if a ratepayer refurbishes property it would be expected to increase its market rent and so should lead to an increase in rateable value, whatever system is used.

Questions 12: What are your views on changing the valuation process or the information provided to the VOA, to enable more frequent revaluations?

We would like to see a situation where ratepayers provide more information to the VOA. We support the change for the 2023 revaluation where the VOA is likely to make more use of occupier data supplied by billing authorities in order to obtain rent and lease details from occupiers. The VOA needs to have sufficient powers to obtain this information from ratepayers or it should be the responsibility of the ratepayer to provide it.

Question 13: What are your views on the relative importance of the period between the AVD and compilation of the list vs. more frequent revaluations?

It is desirable for the rents used in working out rateable values to be as up to date as possible. On the basis that ratepayers provide better quality information to billing authorities and to the VOA, it might be possible to reduce the AVD below the current period of two years, but this should include sufficient time for publication of a draft list so that authorities can carry out the necessary administrative arrangements in time for the compiled list.

Question 14: What are your views on changing the definition of rents used in the valuation process? How could this be done in a way that most fairly reflects the value of the property?

We do not have a view on this. We note that basing rates on actual rents rather than estimates of open market rents would move the approach closer to that of a capital value system, where impairments to properties are taken account of in capital values.

Question 15: If you have had concerns over the specific method of valuation applied to your property, what were these concerns and how could the process be improved?

The LGA does not have a view on this question but would comment that it is not credible for different valuation methods to produce such different results, for example for purpose-built doctor's surgeries.

Question 16: What are your views on the design of the transitional relief scheme, and how transitional arrangements should be funded, given the requirement for revenue neutrality?

The LGA has heard concern over the effects of the transitional relief system. The last minute introduction of reliefs such as the discretionary revaluation relief scheme as a supplement to transitional relief in 2017 led to increased work for councils. Any such schemes should be incorporated into transitional relief from the outset, including their financial implications. It may be necessary for there to be increased Government funding for this.

Section 4.2: Plant and machinery and investment

Question 17: What evidence is there that the business rates treatment of P&M and changes to property affects investment decisions?

The LGA does not have any evidence it would wish to submit.

Question 18: Are the current P&M principles and regulations still relevant? How could these be updated if necessary, and what would the effect of any proposed changes be?

The current plant and machinery (P&M) principles distinguish between 'service' plant and machinery (such as heating and lighting) which is rated, and 'process' plant and machinery', which relates specifically to the ratepayer's business, which is not rated. The distinction between one and the other is not clear and this means that the courts are often called on to rule as to whether a piece of plant and machinery is rateable.

For example, both the ATMs and Iceland cases were related to whether plant or machinery should or should not be included for business rates valuation purposes. We consider that if plant and machinery is economically useful and so contributes towards the ratepayer's income, it should be included as part of the valuation. This would be likely to lead to more rating of plant and machinery and less need for the courts to exercise judgement. It should be up to local authorities to give any temporary or permanent exemptions or judgements in the light of local circumstances using relief and multiplier powers.

Question 19: What evidence is available on the potential benefits of exempting certain types of P&M on a permanent or time-limited basis?

The LGA does not have any evidence it would wish to submit. As mentioned above we would welcome giving authorities more discretion in this area in line with the general reform of reliefs and the multiplier which we proposed in our [response](#) to Tranche One of the Call for Evidence. If councils had more discretion, they would be able to exempt some forms of P&M, perhaps for a fixed period.

Question 20: What practical challenges would the implementation of wider exemptions for P&M pose, and how might those be addressed?

If more P & M were to be exempted the total yield from business rates would fall – this would have to be replaced by alternative sources of funding.

Question 21: How can business investment and growth best be supported through the business rates system, and how effective would business rates changes be compared to other available measures?

As we have said in our response to Tranche One, an alternative would be to give local authorities more discretion to vary the multiplier or allow more reliefs to be determined locally so that local authorities could support local businesses through the reliefs system. This would imply giving local authorities more discretion over centrally determined reliefs in order to allow them to target reliefs to local priorities, including giving businesses incentives.

Question 22: How could the business rates system support the decarbonisation of buildings? What would the likely impact of any changes be compared to other measures, including other taxes, spending or regulatory changes?

As mentioned above, one option would be for this to be done through locally determined measures including a lower multiplier which could be paid for by a higher multiplier for other properties or through reliefs.

Section 5.1 Valuation transparency and appeals

Question 23: What further changes would you like to see made to the (a) Check, (b) Challenge and (c) Appeal stages?

At this stage of the 2017 list, Check, Challenge and Appeal has led to a lower number of appeals. It is not yet clear if this will rise substantially during the remainder of the 2017 list, which has now been extended to 1 April 2023.

In our original submission to the CCA consultation we proposed that check should not be part of the formal process, which should instead begin with challenges. We repeat this suggestion.

We are of the view that there should be a much shorter deadline for the submission of appeals. In Scotland appeals have to be submitted within 6 months of a list coming into force. We would support a similar situation in England, although this would have to take account of the existence of CCA.

Question 24: What are your views on sharing information, such as rental/lease details, with the VOA? What are your views on the risks and benefits of this information being shared with other ratepayers, public sector organisations or more broadly?

As mentioned above, we support this and note that in the 2023 revaluation the VOA is likely to make more use of rent and lease of occupiers supplied by billing authorities. The VOA needs to have sufficient powers to obtain this information from ratepayers or it should be the responsibility of the ratepayer to provide it.

Question 25: What are your views on who can currently use the CCA system and become party to a challenge or appeal? What are your views on who can use the system, when and on what grounds?

Local authorities should be allowed to be parties to appeals as was the case before the introduction of Check Challenge and Appeal. Local authorities frequently have an interest in strategically important ratepayers, particularly given the implications for business rates retention. This would enable authorities to bring their own perspective to the CCA process by providing evidence which the VOA, and, if necessary, the valuation tribunal, would have to take into account.

Section 5.2 Maintaining the accuracy of ratings lists

Question 26: What are your views on introducing a requirement to provide the VOA with rental information, either routinely or where changes to a lease occur?

We consider that there should be a requirement to provide rental information to local authorities and to the VOA.

Question 27: What are your views on making a register of commercial lease information publicly available?

We would support this measure.

Question 28: What are your views on introducing a requirement to notify the VOA or billing authority of changes to a property that could impact the business rates liability?

We would support this measure as it would mean that both the VOA and the billing authority would be up to date. We consider there should be a legislative requirement to inform billing authorities and the VOA. We support the continuation of the penalties for knowingly, recklessly or carelessly providing false information in connection with checks and challenges.

Section 5.3 The billing process

Question 29: How can the current billing process be improved? What changes would provide the most significant benefits to ratepayers through for example, cost or time savings?

A lot of billing is already online and local authorities have had a lot of experience in dealing with reliefs and grants to ratepayers in the current COVID-19 pandemic period. Local authorities and software providers need to time to make any necessary changes and this should be built into the timetable and not left to the last minute.

Question 30: What are your views on a centralised online system linked to other business taxes, enabling more joined-up data and management of billing across different locations? How could this best support ratepayers and billing authorities?

We would support a centralised online system on the proviso that it does not change the billing authority's responsibility for the collection of business rates.

Question 31: What sort of support would businesses and agents expect to receive when moving to a centralised online process, and from where would you expect to receive it?

The LGA is an organisation that represents local authorities and cannot speak from the perspective of businesses or agents. Billing authorities would expect to receive support from central government and from software providers, with appropriate new burdens payments in order to implement the change for ratepayers.

Question 32: What, if any, criteria should be applied in exempting certain ratepayers from online billing?

It would be appropriate to exempt very small ratepayers or those without access to IT.

Section 6 Exploring alternatives to business rates

Question 33: What are the likely benefits and costs of implementing a CVT? What are the practical implications of implementing a CVT?

The LGA believes that local authorities need the powers and flexibilities to be able to raise income from a variety of sources given the fundamental changes that have affected the economy for over more than a decade. The impact of COVID-19 on the economy, which is likely to have a lasting effect, reinforces the need to widen the taxbase available to local authorities. This includes, but is not limited to, an online sales tax as referred to in questions 40 to 43. The LGA's response to the questions on CVT should be viewed in this context.

We consider that any tax, including a CVT, should conform to the principles we outlined in paragraph 6. A new system could use modern valuation and collection methods, particularly online, which would make it more efficient and a clear methodology would make it more predictable and transparent. It could also be designed in a way to provide incentives to councils and businesses, and flexibilities could be built in for example where both land and buildings are valued which could be valued and weighted separately. Sufficiency would depend upon the overall yield of the tax, and buoyancy on building in an annual inflation adjustment as is the case for the business rates multiplier and regular revaluations.

Some councils report that it is currently hard to get property owners to engage. Moving liability from occupier to owner as would be the case for a capital values tax would give owners more of a stake in localities. It could also mean that any tax liability would be attached to the property and so would have to be paid by the new owner if the property were to be sold. On the other hand, property owners may be more difficult to locate and could be based overseas which could make collection difficult.

Based on examples internationally it would be possible to design a capital values tax which conformed to those principles and overcomes some of the issues with business rates. However, the above advantages may not be unique to a CVT and any advantages would need to be assessed against any disadvantages which could include locating the owner, the possibility of more appeals, transitional costs, and the incentives that could be created for high density usage of land or building on green spaces.

Overall, the LGA believes that there is merit in the Government doing some research on CVT and LVT (Land Value Tax) including a review of current international practice and forward plans for local taxes on business in order to avoid a scenario where England, and potentially other nations in the UK, opts to implement a CVT just as other countries are considering alternatives. This review should also consider whether the tax could be used to incentivise socially useful behaviours, whether any benefits or disadvantages are unique to CVT, or whether there could be unintended consequences as a result of the tax.

Question 34: What evidence is there of the benefits that replacing business rates with a CVT would have in practice, for example, on business investment and growth?

There do not appear to be any empirical studies on the effect of replacing business rates with a capital values tax and we would encourage the Treasury to commission these.

We note that a 2003 World Bank study¹ stated that rental value, which is used to determine business rates, is usually based on actual use of the property rather than the 'highest or best use'. It states that "from a land use perspective, a tax based on value in highest and best use is more efficient than a tax based on current use because it stimulates use to its highest potential by increasing the cost of holding unused or under-used land (as compared to developed land)." There are also issues about taxing vacant land which is not generally taxed under a rental approach.

However as noted above we consider that there should be safeguards built in so that, for example, councils have power to take effective action against any unintended consequences such as building on green spaces which have a social utility.

Question 35: How can land and property be valued fairly and efficiently under a CVT in England? What evidence is available to do this?

There are a variety of approaches used internationally. For any variant of capital value tax, it is likely that valuation would be done by professional valuers although ratepayers would have an input in providing evidence in order to generate a market value. Other tools such as statistical modelling and quality assessment could be used drawing on examples from the Netherlands and Australia. The Land Registry keeps a register of sale prices which could be used for valuation and to impute values of similar properties.

In England at present valuation expertise is held by the Valuation Office Agency, although in most countries, including Scotland valuers or assessors are employed by local governments. In a new system, there would be a judgement to be made as to where the function should sit. It would be necessary for local government to be funded appropriately for any transfer of functions and new burdens.

Question 36: How would replacing business rates with a CVT affect the distribution of taxation?

Whatever the options available to local authorities for raising taxes there will need to be equalisation between local authorities to reflect the different tax raising abilities and differences in need for, and costs of, services. This is fundamental to funding public services.

Location already has a significant influence on rental value. Therefore, replacing business rates with a capital values tax would lead to changes in the distribution of taxation only where capital values differ from estimated open market rental values. There would be more of a change if property that is currently assessed using a different method of valuation were to change to a pure property value, but it would be possible to consider alternative methods of valuation for such cases, such as schools and hospitals.

Question 37: What are the likely implications of moving the liability for tax from tenant to landowner or property owner? How could the government ensure effective collection from and compliance by these taxpayers?

As the Call for Evidence states, there is an argument that at least a proportion of business rates is capitalised in the form of lower rents for owners. However, the extent to which this actually occurs would depend on the individual property market and the

bargaining power of landlords compared with tenants as well as the lag in changes in rates being passed on in changes in rents.

Billing authorities should have responsibility for collecting the tax and for ensuring compliance. They should be able to levy appropriate sanctions for non-compliance, including on owners resident abroad.

As mentioned in the reply to question 33 above, some councils report that it is currently hard to get property owners to engage. Moving liability from occupier to owner as would be the case for a capital values tax would give owners more of a stake in localities. It could also mean that any tax liability could be attached to the property and so would have to be paid by the new owner if the property were to be sold. On the other hand, property owners may be more difficult to locate and could be based overseas which could make collection difficult.

We have given examples in our response to Tranche One of avoidance of business rates through the misuse of mandatory reliefs. It would be necessary to design and set up any new system to limit avoidance and to give councils effective powers to curb any avoidance which did occur.

Question 38: What lessons can be learned from other countries experiences with CVTs?

We would comment that many countries and jurisdictions have experience in capital values taxation. We would point to the following examples in particular:

- Requiring all businesses to submit an annual return on the lines of the New York [Real Property Income and Expense](#) form. We note that the City of New York uses this, along with statistical modelling, to compute market value. There are stiff penalties for non-completion, up to \$100,000 for property with an assessed value of \$25 million or above;
- The Brazilian concept of 'valor venal' ('Assessed purchase value') in calculating IPTU (Urban Buildings and Land Tax) which starts from the sale and purchase price but also takes account building characteristics and use and the average value of property in the street. It may therefore be lower than market price. It is calculated by the municipality which also sets the rate and has discretion on how the different elements are weighted;
- The Brazilian approach where municipalities have discretion to charge higher rates of IPTU for unimproved or under-used land, linked to local plans;
- Assessing land and buildings separately on the Australian model; this is used by almost all Australian states to calculate land values on which Land Tax is based. Generally, a mass valuation approach is used where properties are valued in groups called components, whose market values move uniformly. In [New South Wales](#) valuers analyse property sales, including vacant land and improved properties. They then adjust the sales price to remove the value of improvements. A representative property in each component is individually valued as at 1 July each year to determine how much the land value has changed from the previous year. This change is then applied to all properties in the component to determine their new land values.
- The approach in the Netherlands where the local authority carries out annual revaluations of property value (WOZ) and is responsible for setting the multiplier.

We consider that the Treasury should study other countries including those mentioned above to see how the system they have in place is seen locally by different stakeholders including business and local government.

Question 39: What other international alternative approaches to the taxation of non-residential land and property merit consideration for England?

Other than the examples in reply to question 38 above, we do not have any other examples to suggest.

Question 40: What would be the benefits and risks of introducing an online sales tax?

We welcome the recognition in the Call for Evidence that while an online sales tax would not replace business rates, it could still provide a sustainable and meaningful revenue source for the government and that while the scope of an online sales tax would need further consideration, it could be levied on the revenues that businesses generate from online sales to UK customers, and focused on sales in direct competition with those carried out through physical premises.

The LGA commissioned [work](#) on this from WPI Economics and we would support consideration of the options set out in the report, which could be a local e-commerce levy along the lines recommended in this report or VAT (Section 3). Although there would be risks that it would put up the cost of doing business online, we consider that if it was introduced at a relatively low level that this would be a low risk.

Question 41: Which services and products do stakeholders think should be subject to an online sales tax and what evidence is there to support this?

We would agree with the proposal in the Call for Evidence, it should be levied on the revenues that businesses generate from sales to UK customers. (WPI found that these represented 90 per cent of all sales). WPI used for their modelling the value of website sales to private customers, produced by the ONS. These website sales totalled £160.2 billion at the end of 2017. Based on assumptions about the proportion of businesses that undertake e-commerce sales, they estimated that these website sales are generated by roughly 218,000 businesses.

Question 42: What evidence is there for the effects of an online sales tax, for example, on changes in consumer behaviour, or prices?

It would be up to businesses and the market to determine the extent to which it was passed on in prices; they might set it off against the savings from physical premises, both property and staff costs. The WPI report for the LGA suggests that the move to e-commerce is part of wider structural changes in the economy. It is unlikely that a small levy, which might not be passed on, would have much effect on this.

Question 43: How could an online sales tax affect the distribution of taxation?

It could broaden the range of taxes to local government and should be considered alongside the reform of business rates and other alternatives.

Appendix B: Business Rates Review call for evidence – list of questions – Tranche Two

Valuations and transitional relief

10 What are your views on the frequency of revaluations and what changes should be made to support your preferred frequency?

11 What are your views on a banded or zone-based valuations system and the trade off with valuation specificity?

12 What are your views on changing the valuation process or the information provided to the VOA, to enable more frequent revaluations?

13 What are your views on the relative importance of the period between the AVD and compilation of the list vs. more frequent revaluations?

14 What are your views on changing the definition of rents used in the valuation process? How could this be done in a way that most fairly reflects the value of the property?

15 If you have had concerns over the specific method of valuation applied to your property, what were these concerns and how could the process be improved?

16 What are your views on the design of the transitional relief scheme, and how transitional arrangements should be funded, given the requirement for revenue neutrality?

Plant and machinery and investment

17 What evidence is there that the business rates treatment of P&M and changes to property affects investment decisions?

18 Are the current P&M principles and regulations still relevant? How could these be updated if necessary, and what would the effect of any proposed changes be?

19 What evidence is available on the potential benefits of exempting certain types of P&M on a permanent or time-limited basis?

20 What practical challenges would the implementation of wider exemptions for P&M pose, and how might those be addressed?

21 How can business investment and growth best be supported through the business rates system, and how effective would business rates changes be compared to other available measures?

22 How could the business rates system support the decarbonisation of buildings? What would the likely impact of any changes be compared to other measures, including other taxes, spending or regulatory changes?

Valuation transparency and appeals

23 What further changes would you like to see made to the (a) Check, (b) Challenge and (c) Appeal stages?

24 What are your views on sharing information, such as rental/lease details, with the VOA? What are your views on the risks and benefits of this information being shared with other ratepayers, public sector organisations or more broadly?

25 What are your views on who can currently use the CCA system and become party to a challenge or appeal? What are your views on who can use the system, when and on what grounds?

Maintaining the accuracy of ratings lists

26 What are your views on introducing a requirement to provide the VOA with rental information, either routinely or where changes to a lease occur?

27 What are your views on making a register of commercial lease information publicly available?

28 What are your views on introducing a requirement to notify the VOA or billing authority of changes to a property that could impact the business rates liability?

The billing process

29 How can the current billing process be improved? What changes would provide the most significant benefits to ratepayers through for example, cost or time savings?

30 What are your views on a centralised online system linked to other business taxes, enabling more joined-up data and management of billing across different locations? How could this best support ratepayers and billing authorities?

31 What sort of support would businesses and agents expect to receive when moving to a centralised online process, and from where would you expect to receive it?

32 What, if any, criteria should be applied in exempting certain ratepayers from online billing?

Exploring alternatives to business rates

33 What are the likely benefits and costs of implementing a CVT? What are the practical implications of implementing a CVT?

34 What evidence is there of the benefits that replacing business rates with a CVT would have in practice, for example, on business investment and growth?

35 How can land and property be valued fairly and efficiently under a CVT in England? What evidence is available to do this?

36 How would replacing business rates with a CVT affect the distribution of taxation?

37 What are the likely implications of moving the liability for tax from tenant to landowner or property owner? How could the government ensure effective collection from and compliance by these taxpayers?

38 What lessons can be learned from other countries experiences with CVTs?

39 What other international alternative approaches to the taxation of non-residential land and property merit consideration for England?

40 What would be the benefits and risks of introducing an online sales tax?

41 Which services and products do stakeholders think should be subject to an online sales tax and what evidence is there to support this?

42 What evidence is there for the effects of an online sales tax, for example, on changes in consumer behaviour, or prices?

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