

Further Business Rates Retention and the Fair Funding Review

Purpose

For discussion.

Summary

This report provides an update on the LGA's work on further business rates retention and the Fair Funding Review, including the progress of the Local Government Finance Bill and the Government's current consultation on further business rates retention.

Recommendation

That the LGA Leadership Board to note this report, including the LGA lobbying activity on the Local Government Finance Bill, and support the wider communication of the LGA activity on further business rates retention and fair funding.

Action

LGA Officers to proceed as directed.

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Further Business Rates Retention and the Fair Funding Review

LGA Activity to date

1. Since the announcement of a move to further business rates retention for the sector and a review of fair funding, the LGA has been working with councils and the Department for Communities and Local Government (DCLG) to take the work forward in the interests of the whole sector.
2. In order to ensure that all parts of local government are engaged in this work and are able to have a say, a number of groups have been set up. A technical steering group drawn from all representative groupings of councils has been established jointly with DCLG to oversee both business rates retention and fair funding work. There are also a number of working groups with similarly broad membership. A full list of members of the members of the steering group and the four working groups and the groups they represent is available at **Appendix A**. You will see that the special interest groups representing different council types as well as associated treasurers societies are all represented.
3. All the papers from the meetings are published on the LGA's business rates retention hub [online](#), accessible from the front page of the LGA's website. In addition, the LGA has set up a member task and finish group on business rates retention, including fair funding, to provide a steer to the Leadership Board on these matters. The membership of this group is drawn from all of the LGA's boards and all types of councils are represented. A full list of members is available at **Appendix B**.
4. Following the publication of the first consultation document in summer 2016, the LGA and DCLG held a number of regional consultation events attended by over 200 people which helped to shape the LGA's response and influence the content of the Local Government Finance Bill published in January, discussed further below.
5. In relation to the fair funding work, the LGA is concerned to ensure that views from across the sector are taken into account in the design of any new formula and to ensure that any methods used are robust and technically feasible and can be explained. It also wishes to ensure that a range of options are explored and offered for consultation. Inevitably any formula that differs from the current one will lead to winners and losers and the LGA will not take a view on the final selection of allocation mechanism. The Leadership Board and task and finish group in December had lively discussions about the different factors that affect need to spend and views have been fed into the needs working group for consideration.
6. Within the joint work overall the LGA is focused on firstly making sure councils have a voice, secondly on the mechanics of the new business rates and fair funding system and thirdly pushing for newly retained resources to first be used to fund pressures and for any new responsibilities to be fully funded and to build on what local government already does well. The inclusive and representative composition of all the working groups provides equal opportunity for special interest groups to clearly express their opinions, state their priorities and influence the way forward.

7. The fair funding work is still at a relatively early stage but we are expecting the government to publish a consultation document on this shortly, which we expect to seek views on the factors that influence need to spend.

Local Government Finance Bill and LGA activity

8. As reported at the last Leadership Board meeting, the Local Government Finance Bill which provides the enabling legislation for further business rates retention, began its passage through the House of Commons on 13 January. The Bill entered Committee Stage on 31 January which ended on 21 February. At the time of writing, we are awaiting a date for the Report and Third Reading stage in the House of Commons. A 'carry-over motion' for the Bill has been approved, which means the Bill will be able to continue its passage in the next session of Parliament following the Queen's Speech, which is expected in mid-May 2017. The Bill is expected to complete its passage through Parliament in late 2017.
9. We are working alongside Parliament, Government and with councils to set out how the new system can work effectively and maximise the potential it offers to our local communities and businesses. This includes implementing it in a way which balances rewarding councils for growing their local economies, but avoids areas less able to generate business rates income suffering as a result.
10. The Bill does not set out proposals for redistribution as the implementation of a new fair funding mechanism does not require legislation. The LGA and DCLG are working with members of the steering group and needs working group to develop options for consultation. Until more detailed work has been done, it would not be in the interests of local government to seek to tie down details of a fair funding mechanism. As mentioned above, we expect there to be an initial consultation on factors influencing need to spend in the coming weeks.
11. The LGA worked with MPs to table amendments to the Bill in four areas:
 - a. Removing the powers of the Secretary of State to force authorities into pools against their will.
 - b. Removing council tax referendums. The Bill allows for them to be set over a number of years.
 - c. Giving councils more flexibility to target multiplier reductions.
 - d. More discretion on reliefs.
12. We provided a wide range of [briefings](#) for MPs and made a formal submission to the Committee considering the Bill. This included our Senior Vice-Chair Cllr Nick Forbes who gave evidence to the Committee on behalf of the LGA. We have used the Bill as an opportunity to highlight the challenging overall funding gap facing local government by 2019/20. We have highlighted that local government must be able to use its extra business rates income to plug these funding pressures before additional responsibilities are transferred to be funded through business rates retention. Once existing funding gaps are addressed, councils should then be able to invest the rest into services which support local economies and drive local growth, such as closing skills gaps and improving public transport.
13. Our analysis was quoted extensively by MPs and led to the Local Government Minister Marcus Jones MP committing in the Committee stage to "work with the LGA, the Charity

Commission and others to explore what legislative and non-legislative steps we might take to protect the system and tackle business rate avoidance”.

14. As is often the case with Government-led legislation, no substantive amendments were made to the Bill at the House of Commons Committee Stage. We will therefore continue to work with MPs and Peers to explore options for improving the Bill as it progresses through the House of Commons and moves into the House of Lords. This will include exploring whether there is a way in which the wording of the Bill could allow all authorities to acquire the power to raise an infrastructure supplement in the future. Currently the Bill only permits this for the GLA and Mayoral Combined Authorities.

100 per cent business rates retention - Further Consultation Document on design of the new Retention System

15. As outlined in the previous report to Leadership Board, the Department for Communities and Local Government (DCLG) published its second [consultation document](#) on further business rates retention on 15 February.
16. The LGA and the DCLG are organising six regional events for local authority members and officers on the current consultation paper, the Bill and the Fair Funding Review. The events build on similar events for the first consultation last August and September, which were well received. They provide an opportunity for members and officers to hear from DCLG officials and LGA officers about the current proposals and give their views about the plans for the business rates retention system and to hear about progress and contribute to work on the fair funding review.
17. The LGA’s response to the consultation document is being developed in line with the views of the DCLG and LGA steering and working groups and will be cleared by the LGA’s task and finish group on business rates retention and Group Leaders. The deadline for responses to be submitted to DCLG is 3 May.

Recommendations

18. Members of the Leadership Board are asked to note this report, including the LGA lobbying activity on the Local Government Finance Bill, and support the wider communication of the LGA activity on business rates retention and fair funding.

Financial Implications

19. This is part of the LGA’s core programme of work and as such has been budgeted for.

Implications for Wales

20. There are no direct implications for Wales arising from this report. All of the measures in the Local Government Finance Bill apply to England only.

Appendix A: Business Rates Retention Officer Steering Group and Working Groups Membership

These membership lists include all non-LGA / DCLG members of the groups. Each of the main Special Interest Groups (SIGs) of the LGA were invited to nominate a representative to the steering group and each of the working groups. Similarly the treasurer societies, which are members of the Association of Local Authority Treasurers Societies (ALATS), were invited to make nominations. Additional members have been added to groups, where relevant, to ensure the groups benefit from individual expertise, as well as maintaining regional and authority balance and including relevant stakeholders, such as the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Institute of Revenues Rating and Valuation (IRRV).

Steering Group	
Representative Body	Name
County Councils' Network (CCN)	Pete Moore
District Councils' Network (DCN)	Sandra Dinneen
Special Interest Group of Municipal Authorities (SIGOMA)	Frances Foster
Society of Local Authority Chief Executives (SOLACE)	Paul Martin
Society of Local Authority Chief Executives (SOLACE)	Pat Ritchie
Society of Local Authority Chief Executives (SOLACE)	Richard Flinton
Society of London Treasurers (SLT)	Alison Griffin
Society of Municipal Treasurers (SMT)	Paul Wildsmith
Society of County Treasurers (SCT)	Sheila Little
Society of District Council Treasurers (SDCT)	Norma Atlay
Society of Unitary Treasurers (SUT)	Nicole Jones
Chartered Institute of Public Finance and Accountancy (CIPFA)	Sean Nolan
Valuation Office Agency (VOA)	Andrew Edwards
Institute of Revenues Rating and Valuation (IRRV)	David Magor
Combined Authorities	Richard Paver
Greater London Authority (GLA)	Martin Clarke
London Councils	Guy Ware
Chief Fire Officers Association Finance Network	Duncan Savage

Systems Design Working Group	
Representative Body	Name
County Councils' Network (CCN)	Lorna Baxter
District Councils' Network (DCN)	David Cook
Special Interest Group of Municipal Authorities (SIGOMA)	Geoff Winterbottom
Society of London Treasurers (SLT)	Steve Mair
Society of Municipal Treasurers (SMT)	Paul Wildsmith
Society of County Treasurers (SCT)	Carolyn Williamson
Society of District Council Treasurers (SDCT)	Rob Bridge
Society of Unitary Treasurers (SUT)	Stuart McKellar
Chartered Institute of Public Finance and Accountancy (CIPFA)	Caroline White
Valuation Office Agency (VOA)	Charlotte Sewell
Institute of Revenues Rating and Valuation (IRRV)	Gordon Heath
Institute of Revenues Rating and Valuation (IRRV)	Carla-Maria Heath
Greater London Authority (GLA)	Martin Mitchell
London Councils	Paul Honeyben
Collection Fund Network	Cagdas Canbolat
Birmingham City Council	Michael Furness
Hartlepool Borough Council	Chris Little
Sheffield City Council	Mike Thomas
Manchester City Council	Christine Buxton

Needs and Distribution Working Group	
Representative Body	Name
County Councils' Network (CCN)	Dave Shipton
District Councils' Network (DCN)	Sally Marshall
Special Interest Group of Municipal Authorities (SIGOMA)	Geoff Winterbottom
Society of London Treasurers (SLT)	Duncan Whitfield
Society of Municipal Treasurers (SMT)	Nikki Bishop
Society of County Treasurers (SCT)	Sean Pearce
Society of District Council Treasurers (SDCT)	Nick Eveleigh
Society of Unitary Treasurers (SUT)	Alan Cross
Chartered Institute of Public Finance and Accountancy (CIPFA)	Laura Deery
Institute of Revenues Rating and Valuation (IRRV)	Carla-Maria Heath
Greater London Authority	Martin Mitchell
London Councils	John Bray
Rural Services Network (RSN)	Dan Bates
Society of County Treasurers (SCT)	Jenny Owens
Fire and Rescue Authorities (FRAs)	Geoff Maren
North East Combined Authority	Paul Woods
Kettering BC	Graham Soulsby
Plymouth City Council	David Northey

Responsibilities Working Group	
Representative Body	Name
County Councils' Network (CCN)	Anthony May
District Councils' Network (DCN)	Allen Graham
Special Interest Group of Municipal Authorities (SIGOMA)	Barry Hastie
Society of London Treasurers (SLT) - ALATS	Leigh Whitehouse
Society of Municipal Treasurers (SMT) - ALATS	Alison Greenhill
Society of County Treasurers (SCT) - ALATS	Joanna Walker
Society of District Council Treasurers (SDCT) - ALATS	Steve Richardson
Society of Unitary Treasurers (SUT) - ALATS	Sean Clark
Chartered Institute of Public Finance and Accountancy (CIPFA)	Joanne Pitt
Institute of Revenues Rating and Valuation (IRRV)	Alistair Townsend
Greater London Authority (GLA)	Jeremy Skinner
London Councils	Peter O'Connell

Accounting and Accountability Working Group	
Representative Body	Name
Society of London Treasurers (SLT)	Jonathan Bunt
Society of Municipal Treasurers (SMT)	Steve Powell
Society of County Treasurers (SCT)	Nicole Wood
Society of District Council Treasurers (SDCT)	Simone Hines
Society of Unitary Treasurers (SUT)	Mel Creighton
CIPFA Code Board	Joseph Holmes
CIPFA Code Board	Conrad Hall
CIPFA Code Board	Paul Boden
Chartered Institute of Public Finance and Accountancy (CIPFA)	Laura Deery
Chartered Institute of Public Finance and Accountancy (CIPFA)	Sarah Sheen
Institute of Revenues Rating and Valuation (IRRV)	Gary Watson
Greater London Authority (GLA)	Matthew Beals
London Councils	Guy Ware
National Audit Office (NAO)	David Aldous

Appendix B: Business Rates Task and Finish Group Membership

Councillor	Authority	LGA Board/Portfolio
Conservative (5)		
Cllr John Fuller	South Norfolk District Council	Resources Board
Cllr Mark Hawthorne MBE	Gloucestershire County Council	People & Places Board
Cllr Izzi Seccombe	Warwickshire County Council	Community Wellbeing Board
Cllr Sean Anstee	Trafford Metropolitan Borough Council	City Regions Board
Cllr Peter Fleming	Sevenoaks District Council	Improvement & Innovation Board
Labour (5)		
Cllr Claire Kober OBE (Chair)	Haringey Council	Resources Board
Sir Richard Leese CBE	Manchester City Council	City Regions Board
Cllr Simon Blackburn	Blackpool Council	Safer & Stronger Communities Board
Cllr Simon Greaves	Bassetlaw District Council	Environment, Economy, Housing & Transport Board
Cllr Simon Henig CBE	Durham County Council	Culture, Tourism & Sport Board
Independent (1)		
Cllr Clarence Barrett	Havering London Borough Council	Resources Board
Liberal Democrat (1)		
Cllr Michael Headley	Bedford Borough Council	