

Technical adjustment to the Business Rates Retention system

Purpose of report

For decision

Summary

This report introduces the DLUHC [consultation](#) on technical reforms to the business rates retention system and includes a suggested response from the LGA for your consideration.

Recommendation/s

That members comment or provide any amendments to the LGA response in Annex A and agree that it be submitted to DLUHC as the LGA response

Contact details

Contact officer: Mike Heiser

Position: Senior Adviser (Local Government Finance)

Phone no: 020 7664 3265

Email: mike.heiser@local.gov.uk

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Background

1. On 2 September 2022 the Government published a [consultation](#) on technical changes to the business rates retention system to deal with the 2023 business rates revaluation and the proposal to move certain properties to the Central List from 1st April 2023. The consultation closes on 30 September 2022.

Summary of consultation and proposals

2. The next Business Rates Revaluation is due to take effect from 1 April 2023. It is expected to change business rates retained locally and, if no adjustment was made, could lead to windfall gains and losses for councils. The Government has also confirmed its intention to move a number of large telecom networks and the Channel Tunnel Rail Link from local authority rating lists to the central rating list from 1 April 2023. Moving properties to the central list will reduce income for affected authorities.
3. It is Government policy that retained business rates income from the business rates retention (BRR) system should, as far as practicable, be unaffected by Business Rates Revaluations, or the movement of ratepayers from local lists to the central rating list at the 2023 revaluation.
4. Technical adjustments were made to the BRR system in order to neutralise the effects of the last revaluation which came into effect in 2017. Due to data availability this had to be carried out over three years. The current consultation proposes to start from the 2017 methodology and also seeks views on changes to the methodology to reflect appeals provisions and the central list changes.
5. The consultation contains 7 questions. They cover the following topics
 - Whether the 2017 methodology is the right starting point in determining the procedure to be applied in 2023;
 - Whether a change should be made to the methodology to deal with appeals provisions;
 - How to deal with business rates relief;
 - How to deal with the transfer of certain properties to the Central List.

Proposed LGA response

6. The proposed LGA response is attached at Annex A. Its key points are:

- We agree with the Government policy that retained business rates income from the Business Rates Retention system should, as far as practicable, be unaffected by business rates revaluations.
- We agree with the Government that the 2017 methodology is the place to start but it should be kept under review.
- We consider that whether to make an adjustment for reliefs should be an issue for consideration for the third stage of the adjustment.
- We would expect an adjustment to be made for transfers between the local and central lists.

Implications for Wales

7. The consultation applies to England only as business rates retention does not apply in Wales. We will continue to liaise with colleagues in the Welsh LGA on matters relating to the 2023 revaluation as they affect England and Wales.

Financial Implications

8. The work outlined in this report will be contained within the core budget of the LGA.

Equalities implications

9. There are no specific equalities implications in the consultation.

Next steps

10. Officers will submit the response to DLUHC and continue to engage with them on matters concerned with business rates retention and the 2023 revaluation. Further updates will be brought to your Board when relevant.

**Annex A: Technical adjustments to the Business Rates Retention system -
LGA response**

[Draft LGA response](#)