Appendix 1

Suggested Responses to Consultation on 100% Business Rates retention

Summary of Questions

Question 1: Which of these identified grants / responsibilities do you think are the best candidates to be funded from retained business rates?

Before addressing which grants/responsibilities should be funded we do wish to emphasise our key concern that any proposals for devolving funding streams are done in a clear and transparent way showing for example what the underlying funding streams would be for saying the next five years. Local government would not wish a repetition of the approach to funding of local council tax support schemes administration whereby those of us who will cease to receive RSG next year will have lost the element of that funding which had been incorporated into RSG. The Council feels that the Government need to ensure that any responsibilities devolved under the 100% Business Rate retention proposal need to be fully funded in the short term and future proofed against known changes in demand, i.e. population increase; and should prioritise only current responsibilities. New responsibilities should continue to be funded through the New Burdens Doctrine.

Though we would generally welcome having more local control over the activities listed in Section 3 of the consultation, it is felt that any activities that are to be devolved to councils needs to come with total freedom and a true transfer of responsibilities with the discretion to shape the services to suit our residents and enable the councils to add value.. This includes not wanting to simply become the new administrators of grants without the ability to alter the eligibility criteria.

It is felt that stimulating the future growth in the economy would provide the best opportunity to generate additional resources to help contribute to future demand pressures that would come from an increasing and ageing population.

The list on pages 18 and 19 of the consultation are all grants that already go (or will go) to local authorities. Transferring these grants will result in local authorities having no more or less control over services; instead the stability and predictability of the funding will be dependent on the health of the local economy, with the risks being fully placed upon the councils. In addition, the Council feels that the responsibilities proposed do not really meet the guiding principles set out in the consultation, eg, it is not clear to us how devolution of responsibility for Housing Benefit Pensioner administration subsidy is linked to driving economic growth.

The value of the financial quantum available is felt to be insufficient to fully meet the cost of the responsibilities proposed to be transferred. The 3SC local authorities would suggest that the Government may wish, as part of the transfer, provide Local Authorities with the freedoms to re-align the current framework and levels of reliefs and exemptions to better match local business needs. This may provide more flexibility in the overall amount of business rates that could be generated.

Having more direct control over the operation of the application of reliefs and exemptions will enable the Local Authorities to develop a stronger working relationship with their business community.

In formulating the consultation we would ask Government whether any consideration has been given to the changing environment within which business operates. The development of digital infrastructure and the internet has seen a rise in the volume of small micro businesses that operate without the need for a physical base of operations and therefore do not make any contributions to business rates. Has the Government factored this trend change into its deliberations?

Question 2: Are there other grants / responsibilities that you consider should be devolved instead of or alongside those identified above?

We believe consideration should be given to devolve funding arrangements which have greater linkage/synergy with movements in business rates tax base and which provide incentives and scope for councils to add value by more efficient administration.

In support of the 3SC evolving devolution deal the Council feels that the focus should be on devolving responsibilities over activities that would support and facilitate the areas of economic development, such as skills, education, transport and digital.

A grant that we believe meets the criteria set out on pages 16 and 17 of the consultation paper and directly supports economic growth, but is not included within the list is New Homes bonus, we would therefore urge the Government to reconsider whether this should be included. We also urge government to devolve the regional infrastructure fund.

Question 3: Do you have any views on the range of associated budgets that could be pooled at the Combined Authority level?

In terms of devolution of specific budgets to a Combined Authority the priority should be to budgets that directly support economic growth, such as education, skills, transport, infrastructure and digital development.

It is the Council’s view that pooling of budgets is a decision that should be left to the discretion of the Individual areas developing their devolution proposals; as they are best placed to determine the most cost effective way of delivering local services, factoring in the different social and environment factors that impact of their area.

Question 4: Do you have views on whether some or all of the commitments in existing and future deals could be funded through retained business rates?

It is felt that any specific mix of devolved service arrangements arranged within existing devolution deals should not impact on the quantum available to the rest of local government. In other words; the appetite of combined authorities or those areas with an elected mayor should not result directly in less services and funding being devolved in other areas. The opportunity to improve the services offered to residents should not be determined by an authority’s governance arrangements.

Question 5: Do you agree that we should continue with the new burdens doctrine post- 2020?

Yes

Question 6: Do you agree that we should fix reset periods for the system?

Yes a fixed frequency of reset periods would aid councils' medium term financial planning. There needs to be sufficient length of time between resets to provide sufficient incentives for councils to undertake for example large scale regeneration schemes.

The Council's view is that if resets are to exist the duration between resets should be long enough so that councils are sufficiently incentivised to commit to the significant investment of resource and money (this may involve the councils borrowing to help facilitate) into securing economic growth. Frequent resets do not aid investment decisions relating to long term economic growth. If councils are to invest in economic development projects then they will want to know that they will benefit from the increase in business rates for a longer period than 5 years to enable it to fund the borrowing costs required to invest in the scheme. Therefore the Council considers that:-

- resets should be long enough (eg, 20 years) to aid investment decisions in projects to deliver economic growth and regeneration or
- that any system of frequent resets should be on a 'partial reset' basis and needs to have flexibility for a Council to designate certain areas it may want to develop, so that the business rates generated in a redevelopment area can be retained by the Council in full for at least a period of 20 years (to allow the use of tax incremental financing for schemes, similar to the concept enterprise zones and city deals)
- that the system of enterprise zones and city deals be expanded to more Councils and include retail and town centre developments to drive economic growth in regional towns as well as cities

The Council's view is that the critical consideration is one of risk – what is the risk that future funding will not properly fund services and will the proceeds of growth be lost or retained? If the proceeds from growth will be lost then in order to use these additional funds in long-term investment plans then a longer reset is important, but if a system of partial rests existed which allowed Councils to keep a significant proportion of previously obtained growth then shorter reset periods become more palatable.

Question 7: What is the right balance in the system between rewarding growth and redistributing to meet changing need?

We feel it is important to ensure that sufficient incentive is built in to reward growth.

It is the Council's view that existing services should be fully funded through the system of 100% rates retention, however, changes in demand for services and changing population needs should be able to be funded through the proceeds of economic growth over the medium to long term if Council's are encouraged to engage in activities relating to economic growth.

Question 8: Having regard to the balance between rewarding growth and protecting authorities with declining resources, how would you like to see a partial reset work?

Question 9: Is the current system of tariffs and top-ups the right one for redistribution between local authorities?

Whilst there are issues with the methodology for calculating baseline and need the mechanism of tariffs and top ups is relatively straight forward and transparent.

Question 10: Should we continue to adjust retained incomes for individual local authorities to cancel out the effect of future revaluations?

Thr Council does recognise the risk that valuations can go down as well as up, particularly in the short term, however over the long term, property valuation trends are generally upwards. Not recognising any change in the longer term economic value of the tax base does not incentivise authorities to drive economic growth as the benefits of such would be removed on revaluation.

The current policy of adjusting means that if a council did drive economic growth and regeneration in their area and, as a result, property values in that area increased, then that Council would not see any economic benefit in terms of business rates income due to the rise in property values as the benefits would be wiped out by reducing the multiplier. This proposal seems to contradict the objective of incentivising and rewarding those councils that pursue policies that drive economic growth in their areas. However, we understand that Government may wish to protect businesses within the system from significant increases in business rates due to revaluations. The Council therefore proposes a compromise approach whereby the benefits of general increases in economic value of the tax base is shared between the public and private sector by partially changing the multiplier rather than a complete reset.

Question 11: Should Mayoral Combined Authority areas have the opportunity to be given additional powers and incentives, as set out above?

Yes. Based on a principle of equality and that this is a national scheme that is being consulted on; then all areas should be treated equally irrespective of their framework for democratic accountability. The governance model for a combined authority should be determined locally between the relevant parties to the combined authority based on local circumstances. The Council believes it is wholly incorrect and un-democratic for the Government to be financially incentivising combined authorities through the 100% business rates retention system to opt for a directly elected mayor model of governance.

Question 12: What has your experience been of the tier splits under the current 50% rates retention scheme? What changes would you want to see under 100% rates retention system?

The Council believes that the balance in funding between tiers of local authorities should be fair and reflective of the responsibilities transferred to local government under the 100% rates retention system

Question 13: Do you consider that fire funding should be removed from the business rates retention scheme and what might be the advantages and disadvantages of this approach?

No view as we do not have a separate fire authority

Question 14: What are your views on how we could further incentivise growth under a 100% retention scheme? Are there additional incentives for growth that we should consider?

The Council believes that the system of having enterprise zones and designated areas which are disregarded for redistribution should be expanded to incentivise economic growth. In particular it should be easier for local authorities to either self designate redevelopment zones earmarked for economic growth or there should be a more frequent and transparent process open to all authorities for application to designate areas which could run along side the annual completion of the NNDR1 form. Enterprise zones currently favour growth in business parks and city deals favour city regions. There needs to be more incentive within the new system to allow regional towns to regenerate and drive economic growth to spread the benefits of such into the regions rather than concentrating on 1st and 2nd tier cities.

Question 15: Would it be helpful to move some of the 'riskier' hereditaments off local lists? If so, what type of hereditaments should be moved?

Yes in principle. The Council would welcome the introduction of an area based list, as this would support the concept and management of an area based pooling arrangement.

Question 16: Would you support the idea of introducing area level lists in Combined Authority areas? If so, what type of properties could sit on these lists, and how should income be used? Could this approach work for other authorities?

Question 17: At what level should risk associated with successful business rates appeals be managed? Do you have a preference for local, area (including Combined Authority), or national level (across all local authorities) management as set out in the options above?

We would encourage consideration of pooling of appeals risks. This would remove massive volatility impacting on individual councils' ability to plan. It would also provide a greater incentive for DCLG to focus on improving the performance of the Valuations Office Agency

Question 18: What would help your local authority better manage risks associated with successful business rates appeals?

More timely management of processing of appeals by the VOA.

Question 19: Would pooling risk, including a pool-area safety net, be attractive to local authorities?

Potentially yes. We do not have any detailed exemplifications on the relevant impacts of this proposal, so could not at this time offer any specific observations, but in general it is felt that this proposal would support the establishment of an area based pooling arrangement

Question 20: What level of income protection should a system aim to provide? Should this be nationally set, or defined at area levels?

We do not feel that we can make any specific observations at this time on this question until more detail is available on the responsibilities that will be transferred, the associated funding arrangements and how 100% retention will generally look.

Question 21: What are your views on which authority should be able to reduce the multiplier and how the costs should be met?

Feel ideally this should be devolved to the councils at a local/regional level to determine. In unitary billing authority areas the decision is simple as the costs fall to the decision making authority. However, in two tier areas where the decision will affect more than the billing authority this decision must be made jointly. This joint decision making is already in operation with the Council Tax Reduction Schemes

Question 22: What are your views on the interaction between the power to reduce the multiplier and the local discount powers?

Spelthorne Borough Council is currently part of the Surrey-Croydon business rates pool. This experience has been positive and therefore the Council is open to 3SC or other proposals that seek to establish a single Pool arrangement across a local region.

It is felt that a single pool arrangement will provide the following benefits.

- Enable the area to determine its only distribution arrangement for the additional resources arising from moving to the 100% retention, linked to both 'Needs' and economic development.
- Use the economy of scale that the area will bring to better manage the valuation and appeal risks.
- Provide a single voice to work more effectively with the Valuation Office to manage business rates within the area.
- Provide a single voice for engagement with the business community over investment issues.

Through the 3SC devolution deal the area is seeking to stimulate and increase economic activity and growth, with the growth in retained Business Rate income being a key element of the funding required in delivering the economic growth. The area would be interested through this consultation exercise to open discussion on securing additional freedoms and flexibilities over the following to help further facilitate growth.

- Control over setting the rate multiplier
- Freedoms to set local levels of discounts for both mandatory and discretionary reliefs to improve their alignment with the actual needs of local business.
- Direct involvement in the timing and process for rate revaluations.

Question 23: What are your views on increasing the multiplier after a reduction?

Question 24: Do you have views on the above issues or on any other aspects of the power to reduce the multiplier?

Question 25: What are your views on what flexibility levying authorities should have to set a rateable value threshold for the levy?

Question 26: What are your views on how the infrastructure levy should interact with existing BRS powers?

Question 27: What are your views on the process for obtaining approval for a levy from the LEP?

The 3SC geographic area falls within the operation of three different LEP's. Each of the LEP's is a partner to the area's Devolution Deal and would therefore be directly involved in any discussion regarding the implementation of any Levy. The LEP's are recognised as the key channel to seeking the views of the business community so would be a seen as a key consultee in any proposal which impacted on the business community.

Question 28: What are your views on arrangements for the duration and review of levies?

If the Levy is a key financial element to the delivery of infrastructure improvements, for example in our area putting in place the Lower Thames Flood Relief scheme is a key priority, then it is felt that the duration of the levy should be left to the determination of the Combined

Authority to match their financial requirement; especially as the improvement would be subject to the development of an appropriate business case in accordance with the Treasury's Green Book methodology.

Question 29: What are your views on how infrastructure should be defined for the purposes of the levy?

We welcome the use of the CIL definition as a proxy for the definition of infrastructure but would like to see "Digital" related activity incorporated into the definition to reflect the importance that this is now playing in the business community and general economy

Question 30: What are your views on charging multiple levies, or using a single levy to fund multiple infrastructure projects?

This should be left to the discretion of the local area as to how best to align it with local development needs. Any system should be transparent and explained to the tax payer. In the ability to introduce an infrastructure levy should not be restricted through the type of governance arrangements a combined authority may choose. An elected leader of a combined authority should have the same power to introduce an infrastructure levy as an elected mayor.

Question 31: Do you have views on the above issues or on any other aspects of the power to introduce an infrastructure levy?

Question 32: Do you have any views on how to increase certainty and strengthen local accountability for councils in setting their budgets?

The Council believes that rolling multi-year 3 or 4 year settlements would increase certainty and enable better financial planning by local authorities.

Question 33: Do you have views on where the balance between national and local accountability should fall, and how best to minimise any overlaps in accountability?

The Council believes that resources raised locally and spent locally should be scrutinised locally and that the council should is already held to account for its spending decisions by its scrutiny committee, corporate governance and standards committee, auditors and the local electorate.

Question 34: Do you have views on whether the requirement to prepare a Collection Fund Account should remain in the new system?

The Council supports the continuation of Collection Fund Accounting

Question 35: Do you have views on how the calculation of a balanced budget may be altered to be better aligned with the way local authorities run their business?

Slightly surprised at this question in this particular consultation. We feel the discipline of having to set balanced budgets is an important one for local government and should be continued. The Council cannot see any merit in changing the current calculation.

Question 36: Do you have views on how the Business Rates data collection activities may be altered to collect and record information in a more timely and transparent manner?

It would help if NNDR returns could be issued on a more timely basis and without the need to make corrections.