DECISION

RIBBLE VALLEY BOROUGH COUNCIL
REPORT TO POLICY AND FINANCE COMMITTEE

Agenda Item No 6

meeting date: 25 SEPTEMBER 2012
title: LOCAL GOVERNMENT RESOURCE REVIEW – PROPOSALS FOR BUSINESS RATE RETENTION
submitted by: DIRECTOR OF RESOURCES
principal author: JANE PEARSON

1 PURPOSE

1.1 To inform members of the proposals for business rate retention and confirm the response submitted on behalf of this Council to the consultation regarding these reforms.

1.2 Relevance to the Council's ambitions and priorities:

- The reforms to business rates will change how local government is funded from central government. The impact of the changes will determine the Council's future funding base and thus how much money is available to fund our services.

2 BACKGROUND

2.1 The Government consulted last year on the outline of the business rate retention scheme, including 8 technical papers covering the various elements included. The response to this consultation was published in December 2011.

2.2 Following this the Local Government Finance Bill was introduced. Further proposals from Government have been issued in the form of two statements of intent and other documentation on 17 May 2012.

2.3 This consultation, which runs to 251 pages and asks 83 questions, regards a range of detailed and technical issues covering the transition from the current formula grant system to the initial implementation of the business rate retention scheme from April 2013.

2.4 A local authority's start-up funding allocation will comprise its *baseline funding level* and its *Revenue Support Grant for 2013/14.* The purpose of this in theory is to provide each local authority with a stable starting point at the outset of the scheme.

3 ESTABLISHING THE START-UP BASELINE FUNDING

3.1 The Government have promised a stable transition to the new system with baseline funding being largely based upon 2012/13 Formula Grant but adjusted for overall reductions in spending control totals for 2013/14 and 2014/15 in line with the Government's deficit reduction programme.

3.2 Last year the Government consulted on changes to Formula Grant methodology. Some of these changes have now been included in the proposed calculations for start-up baseline funding and are subject to final consultation.

3.3 These proposed changes are very important as once established the new baseline funding levels will be fixed until 2020.

3.4 The ***main*** changes being proposed are:

- Concessionary travel – changes to use modelled boarding data

- Rural Services – increasing the weighting for super sparsity from 2:1 to 3:1

- Rural Services – increasing the sparsity top-ups

- Relative Needs and Relative Resources – proposals to restore the level of relative resource amount in 2013/14 to that for 2010/11.

- Rolling in to the business rates system a number of previously separate gants including council tax freeze grant, council tax support grant and homeless prevention grant

- New Homes Bonus - £2billion will be removed from the start-up funding allocation to fund the New Homes Bonus in each of 7 years.

- Population Data – use of the interim 2011-based sub-national population projections in calculation start-up funding allocations

3.5 Based on the exemplifications Ribble Valley will benefit from these changes substantially. We would, based on 2012/13 Formula Grant, gain around £469k pre damping. The change which benefits us mostly being the increases in sparsity weighting and top-ups. This is obviously welcomed by all the SPARSE authorities. Overall this means around £127m a year pre-damping will move from urban to predominately rural areas. This follows many years of lobbying by the SPARSE group on behalf of rural authorities which may have finally paid off if we can ensure that these changes are accepted in the final settlement.

3.6 However, post damping, the potential increase in our funding is significantly eroded. Instead of gaining around £469k we would only gain £143k, a reduction via damping of 70%. Worse still the 2013/14 spending totals will bring down funding to a level below 2012/13 funding so even though we are better off in cash terms we may end up in a worse position than this year.

3.7 I have attended a meeting recently with other SPARSE authorities where it was stressed that all rural authorities must respond positively to these changes and also urge the Government not to erode these increases via the proposed damping mechanism.

3.8 The SPARSE group will be writing to all MP's with rural constituencies setting out the position for their area, together with some urban comparators. We must support this campaign as strongly as we can.

3.9 This is particularly important as once set the methodology will be frozen until 2020/21

4 DESIGN OF THE SCHEME

4.1 The Government's calculations at national level of the "notional gross yield" will ultimately be used in determining individual authority business rates baselines. The notional gross yield is an estimate of the amount of business rates that English local authorities will collect in 2013.

4.2 The notional gross yield will be adjusted to take account of a variety of issues that would otherwise not be reflected in the estimate, such as cost of and losses in collection. The effect of these adjustments produces the estimated business rates aggregate for England.

4.3 The local share (50%) of the estimated business rates aggregate is then shared out between all billing authorities in England on the basis of each authority's proportionate share. Broadly speaking this is a percentage figure that represents an authority's contribution to the national business rates total (subject to certain adjustments which are detailed in the paper). The proportionate share is calculated as an average over a five year period from 2007/8 to 2011/12. This period covers a full business rates revaluation cycle Our share of this total could be referred to as our *rates target*

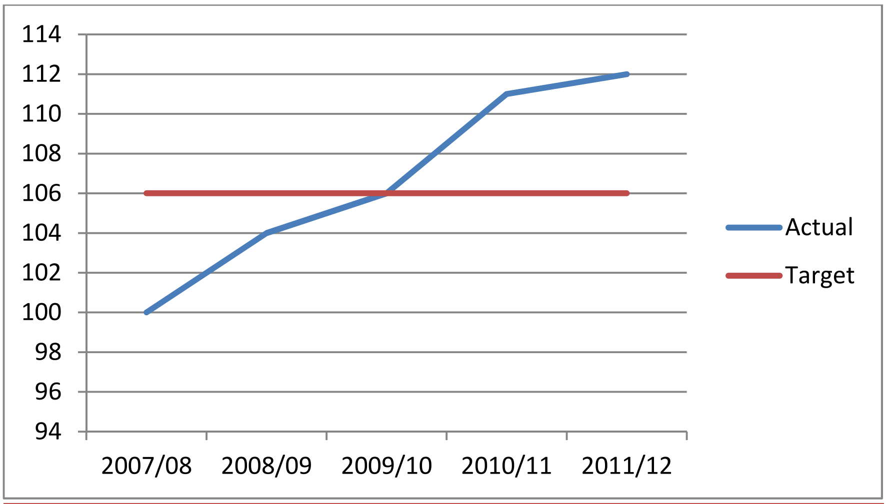
4.4 This starting point is extremely important as our future allocation will be measured against this benchmark.

4.5 The 50% local share is distributed as follows in two tier areas:

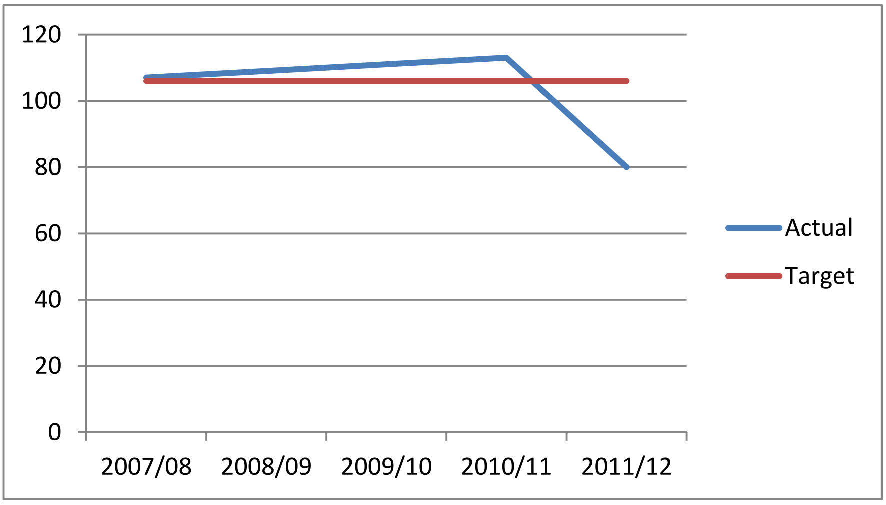
- 40% to lower tier authorities ie districts
- 9% to upper tier authorities ie county councils
- 1% to fire authorities
- Police excluded

4.6 The Government have said they will not reset the rates targets therefore if a major business were to close down in this five year period this would mean the local authority would be potentially significantly below their baseline at the outset of the new system and would not therefore benefit from growth.

4.7 A good starting point would be:



4.8 A bad starting point would be:



5 TARIFFS AND TOP-UP's

5.1 Each local authority will have a *funding target* i.e. a baseline funding level at the start of the system. This *funding target* is compared with what an authority might raise through business rates.

5.2 If the authority will raise *more* than their funding target at the outset then they pay the difference over to the Government as a *tariff*

5.3 If however the authority will raise *less* than their funding target at the outset then they will receive a *top-up* from the Government.

5.4 Any growth above the RPI will be shared between the Government, the precepting authorities and ourselves but will be subject to a levy. For Top-up authorities the Levy is zero. For tariff authorities the levy is calculated as:

- 1 – (funding target / rates target)

> The following is a Shire District example of a Tariff calculation:
>
> - £25m area rates, £2m funding target
> - Shire district share is 40% x £25m = £10m
> - Tariff is £10m - £2m = £8m
> - Levy is 1 – (2 / 10) = 80%

In this example if the District raised an extra £1m in Business Rates 50% would go to Government, 9% to the County Council and 1% to the Fire Authority and our 40% would be reduced by 80% to allow us only £80,000 extra.

5.5 Authorities not meeting their rates target will bear their full percentage of any losses (e.g. 40% for districts) until they hit their safety net which could be perhaps 10% of their funding target. Below this level there would be no further losses.

6 THE SAFETY NET

6.1 The business rates retention scheme will include a safety net to protect local authorities from significant negative shocks to their income by guaranteeing that no authority will see its income from business rates fall beyond a set percentage of its baseline funding level.

6.2 The safety net will be funded by a levy on the disproportionate benefits to baseline funding levels that some authorities will experience as a result of business rates growth, caused by the uneven distribution of business rates bases and the different baseline spending level of local authorities.

7 RESPONSE TO THE CONSULTATION

7.1 The deadline for the consultation exercise is Monday 24 September 2012. Given this is the day before your meeting it will not be possible for committee to agree the Council's response, I therefore propose to go through our answers to the various questions with the Budget Working Group prior to the deadline.

8 RECOMMENDATION

8.1 Consider this very important consultation on our future Government funding.

DIRECTOR OF RESOURCES

PF57-12/JP/AC
14 September 2012

BACKGROUND PAPERS

24 September 2012

brrtechnicalconsultation@communities.gsi.gov.uk

CLG BUSINESS RATES RETENTION: TECHNICAL CONSULTATION: RESPONSE

Ribble Valley Borough Council is a member of SPARSE-Rural and fully endorses its response to the Section 2, Chapter 5 and related issues of the Consultation.

We will be responding to all of the other consultation questions via the Consultation Response Template.

Ribble Valley should benefit by the exemplified consultation proposals relating to rural services by £470,000 per annum pre-damping but is set to lose **70%** of that through damping. The other methodological changes seem to worsen that position yet further.

In accepting that the formulae to date needs to be corrected so that there is proper recognition therein of the additional costs of delivering services in rural areas the Government is, in effect, also accepting that rural areas have been chronically underfunded for more than a decade. The Government's recognition that the formulae has, mainly through the exercise of past ministerial judgments, evolved in a way which is so inequitable is welcomed.

However, to now seek to include some recognition of that but to propose an outcome through which **70%** of that recognition is lost to damping as being the baseline for the new Business Rates Retention scheme is grossly unfair . For the proposed (partial) re-balancing to be restricted to the favour of authorities who have for very many years been receiving a disproportionately larger share of the overall resources for local government services is perverse The fact that the baseline is then intended to be frozen until 2020 adds insult to injury. The Government must find a way of allowing the pre-damped gains for rural areas to continue through in cash terms to the end of the formula calculations. The flexibility the Government has on the distribution of RSG is the perfect vehicle to phase-in the necessary additional support to rural authorities in a transparent, straight-forward and sustainable way without causing sudden reductions to others' funding.

We support fully the SPARSE-Rural response on the issue of the proposed 32% reduction in the Fixed Costs Allowance and the proposed changes to damping blocks – neither of which has been exemplified.

The historic under funding of rural areas means that the range and level of services provided in rural areas was much lower than in urban areas before the introduction of the austerity measures, despite rural residents paying more in Council Tax. The impact of the austerity measure has therefore been much greater in rural areas.

This is not just a part of a normal grant/settlement period. It is a change to a completely new means of funding local government services with an intended freeze to 2020 of the baseline once set.

We note that the Government has sought to close the unreasonable gap between average amount per head of population between people living in urban areas and people living in rural areas but that it then fails to follow that through by introducing damping and other measures which effectively widen most of that gap back again. We are of the opinion that the gap needs to be closed in cash terms still further and not reversed back.

We are also concerned that the variance in spending power per head of population between urban and rural areas could widen even more as a result of the introduction of the intended Business Rate Retention scheme and the New Homes Bonus arrangements the consequences of which are extremely difficult to predict but which appear likely to be beneficial urban areas far more than rural. That situation will require very careful monitoring.

Ribble Valley Borough Council therefore feel the Government must use its discretion to vary the damping proposal (or apply some other measures to ensure that the intended gains for rural areas are delivered in cash terms and ensure a fair share of available resources goes to rural areas post damping as a means of (partial) rectification of past and present unfairness in the formulae, which Ministers have now acknowledged.

Jane Pearson
Director of Resources
On behalf of Ribble Valley Borough Council

Technical Consultation on Business Rates Retention
July 2012

Response Form

The Government would like your views on whether you agree with the options presented in the Technical Consultation on Business Rates Retention. This paper was published on the 17 July 2012, and can be found at the following address:

http://www.local.communities.gov.uk/finance/brr/sumcon/index.htm

For convenience, this preformatted response form contains all the questions in the main consultation document. Please click on the relevant check boxes to activate the 'X' that will indicate your preference. Space is available after each question if you wish to include any additional comments to support your choice. There is no limit on the size of these spaces and the boxes will resize themselves. We also welcome any additional comments and alternative proposals, and these can be made in the section available at the end.

All responses, whether using this preformatted response form, or otherwise should reach us by **5pm on 24th September 2012**.

We particularly welcome responses submitted electronically. Please e-mail responses to BRRtechnicalconsultation@communities.gsi.gov.uk

If you are not able to respond by e-mail, please post your response to

Andrew Lock
Settlement Distribution and Policy Team
Communities and Local Government
Zone 5/J2
Eland House
Bressenden Place
London SW1E 5DU

Alternatively, they may be faxed to 0303 4443294.

Confidentiality

All information in responses, including personal information, may be subject to publication or disclosure under freedom of information legislation. If a correspondent requests confidentiality, this cannot be guaranteed and will only be possible if considered appropriate under the legislation. Any such request should explain why confidentiality is necessary. Any automatic confidentiality disclaimer generated by your IT system will not be considered as such a request unless you specifically include a request, with an explanation, in the main text of your response.

I would like my response to remain confidential (please cross) ☐

Please say why in the box below.

Business Rates Retention Consultation Response

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Section 2 – Establishing the start up funding allocation and baseline funding levels

Chapter 3: Local Government Spending Control Total

Q1: Do you agree with the methodology set out above for calculating the local government spending control total?

Agree ☐

Disagree x

Any further comments

No clear path from the Spending Review outcome to these proposals has been provided. Further, the £250m in the existing settlement for New Homes Bonus appears to have been lost.

There is also no rationale given for the set of RNF figures provided. Some services have increases then sharp falls, others the reverse. In particular we cannot understand why the fixed costs allowance – of great importance to many small rural authorities – should have been cut by 32% over the period.

Q2: Do you agree with the methodology set out above for calculating Revenue Support Grant?

Agree

Disagree x

Any further comments

The decision to include assumed rates growth from the Spending Review funding levels is completely unacceptable, coming as it does on top of the largest cuts in the entire public sector.

Chapter 4: Concessionary Travel

Q3: Do you agree with the proposed approach of updating the Concessionary Travel Relative Needs Formula to use modelled boardings data?

Agree x

Disagree

Any further comments

We have no strong views but what is proposed seems more equitable

Q4: Or, do you think it would be preferable to keep using the existing formula?

Agree

Disagree x

Any further comments

See above

Chapter 5: Rural Services

Q5: Do you agree that we should increase the population sparsity weighting of super-sparse to sparse areas from 2:1 to 3:1 for non-police services?

Agree x

Disagree ☐

Any further comments

Agree – we welcome the acceptance that the cost of providing services in rural areas has been underfunded in the past and support this measure that better reflects our needs.

Q6: Do you agree that we should double the existing Older People's Personal Social Services (PSS) sparsity adjustment from 0.43% to 0.86%?

Agree x

Disagree ☐

Any further comments

See separate response

Q7: Do you agree that the proportion of the Relative Needs Formula accounted for by the population sparsity indicator under the District Level Environmental, Protective and Cultural Services block should be increased from 3.7% to 5.5%?

Agree x

Disagree ☐

Any further comments

See separate response

Q8: Should the County level Environmental, Protective and Cultural Services indicator be reinstated at 1.25%?

Agree x

Disagree ☐

Any further comments

See separate response

Q9: Do you agree that we should introduce a Fire & Rescue sparsity adjustment at 1%?

Agree X

Disagree ☐

Any further comments

See separate response

Chapter 6: Taking account of Relative Needs and Relative Resources

Q10: Do you agree that we should restore the level of the Relative Resource Amount in 2013-14 to that for 2010-11?

Agree

Disagree x

Any further comments

Q11: Do you agree that we should compensate for restoring the level of the Relative Resource Amount in 2013-14 to that for 2010-11 by increasing the level of the Central Allocation only?

Agree

Disagree x

Any further comments

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Chapter 7: Grants Rolled In Using Tailored Distributions

Q12: Do you agree that we should continue to distribute funding for the Grants Rolled In Using Tailored Distributions according to the methodology used in 2012-13?

Agree x

Disagree ☐

Any further comments

Chapter 8: Transfers and Adjustments

Q13: Do you agree that the October 2012 pupil census should be used in the final settlement for removing these services?

Agree x

Disagree ☐

Any further comments

Q14: If not, what methodology would you prefer to use?

Preference

Q15: Do you agree with the proposed methodology for removing funding for the education services currently in the Local Authority Central Spend Equivalent Grant?

Agree x

Disagree ☐

Any further comments

Q16: If not, what methodology would you prefer to use?

Preference

Q17: Do you agree that funding for Local Authority Central Spend Equivalent Grant should be removed after floor damping?

Agree x

Disagree ☐

Any further comments

Q18: Do you agree with the proposed methodology for rolling in the 2011-12 Council Tax Freeze Grant?

Agree x

Disagree

Any further comments

We agree with the proposed method.

Q19: Do you agree with the proposed methodology for rolling in the Council Tax Support Grant?

Agree x

Disagree

Any further comments

Q20: Do you agree with the proposed approach to continue to apply a damping floor to Early Intervention Grant allocations after the removal of the 2 year old funding and the top slice?

Agree ☐

Disagree ☐

Any further comments

We have no strong views regarding this

Q21: Do you agree with the proposed methodology for rolling in the Early Intervention Grant excluding funding for free early education for two years olds?

Agree ☐

Disagree ☐

Any further comments

We have no strong views regarding this

Q22: Do you agree with the proposed methodology for rolling in Greater London Authority General Grant?

Agree ☐

Disagree ☐

Any further comments

We have no strong views regarding this

Q23: Do you agree with the proposed methodology for rolling in a proportion of the Greater London Authority Transport Grant?

Agree ☐

Disagree ☐

Any further comments

We have no strong views regarding this

Q24: Do you agree with the proposed methodology for rolling in Homelessness Prevention Grant?

Agree x

Disagree ☐

Any further comments

Q25: Do you agree with the proposed methodology for rolling in a proportion of the Lead Local Flood Authorities Grant?

Agree x

Disagree ☐

Any further comments

Q26: Do you agree with the proposed methodology for rolling in the Department of Health Learning Disability and Health Reform Grant?

Agree x

Disagree ☐

Any further comments

Chapter 9: Population Data

Q27: Do you agree that the preferred population measure to use is the Interim 2011-based sub-national population projections?

Agree X

Disagree ☐

Any further comments

Q28: Do you agree with the hierarchy of alternative datasets which would be used if there are problems with availability of any of the data?

Agree x

Disagree ☐

Any further comments

Chapter 10: Taxbase data

Q29: Do you agree that we should use aim to use the council tax base projections as the council tax base measure in order to be consistent with our proposed approach to the population?

Agree x

Disagree ☐

Any further comments

Q30: Do you agree that we should switch to the November 2012 council tax base data should population estimates have to be used?

Agree x

Disagree ☐

Any further comments

Chapter 11: Other Data Indicators

Q31: Do you agree that we should use data from the Inter-Departmental Business Register in the Log of Weighted Bars indicator?

Agree ☐

Disagree ☐

Any further comments

No strong views

Chapter 12: Distribution of Revenue Support Grant

Q32: Do you agree with the proposed methodology for distributing Revenue Support Grant in 2014-15 by scaling the 2013-14 authority-level allocations of Revenue Support Grant to the level of the 2014-15 control total for services funded through the rates retention system?

Agree ☐

Disagree X

Any further comments

Rural authorities have been under-funded for many years, as the Government recognises with its proposals for rural services in the consultation. Yet we face receiving just a fraction of this money before the system is frozen until 2020. The flexibility the Government has on the distribution of RSG is the perfect vehicle to phase-in the necessary additional support to rural authorities in a transparent, straight-forward and sustainable way without causing sudden reductions to others' funding.

Chapter 13: Floor Damping

Q33: Do you agree with the proposed approach for calculating floor damping in 2013-14?

Agree ☐

Disagree X

Any further comments

This change appears unnecessary and has not been exemplified. Nobody knows who might gain or lose, or why.

Q34: Do you agree with the proposed approach for allocating floor damping bands in 2013-14?

Agree ☐

Disagree x

Any further comments

We believe that the latest data should be used wherever possible.

Q35: Do you agree with the proposed approach to splitting 2012-13 formula grant between the service tiers?

Agree ☐

Disagree x

Any further comments

This is hopelessly and unnecessarily complex.

Q36: If not, what methodology do you think we should use?

Preference

Retain the existing system.

Chapter 14: New Homes Bonus

Q37: Do you agree that the funding for capitalisation and the safety net should be held back from the surplus New Homes Bonus funding rather than as a separate top-slice?

Agree ☐

Disagree x

Any further comments

There should be a separate top-slice for capitalisation and the safety net

Q38: Do you agree that the remaining funding should be distributed back to local authorities prorata to the *start-up funding allocation*?

Agree x

Disagree ☐

Any further comments

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Chapter 15: Police Funding

Q39: Do you agree with the proposal for setting out the method of calculation of the 2013-14 formula grant element of police funding allocations in a separate document?

Agree x

Disagree ☐

Any further comments

Q40: Do you agree with the proposed methodology for funding local policing bodies in 2014-15?

Agree ☐

Disagree ☐

Any further comments

Section 3 – Setting up the business rates retention system

Chapter 2: Determining the estimated business rates aggregate

Q41: Do you agree with our proposal not to adjust the estimated business rates aggregate (England) to take into account transitional arrangements?

Agree x

Disagree ☐

Any further comments

Q42: Do you agree with our proposal to adjust the estimated business rates aggregate (England) to take into account small business rate relief?

Agree x

Disagree ☐

Any further comments

Q43: Do you agree with our proposal to adjust estimated business rates aggregate (England) to take into account mandatory reliefs in this way?

Agree x

Disagree ☐

Any further comments

Q44: Do you agree with our proposal to adjust the estimated business rates aggregate (England) to take into account discretionary reliefs in this way?

Agree x

Disagree ☐

Any further comments

Q45: Do you agree with our proposal to adjust the notional gross yield figure to take account of Enterprise Zones, New Development Deals and renewable energy schemes in this way?

Agree X

Disagree ☐

Any further comments

We have serious concerns, however, about the redistribution to certain urban areas that arises from top-slicing funding for New Development Deals. Government should not be using local authorities to insure itself against losses in some areas, especially while offering no upside to authorities should the NDDs prove successful.

Q46: Do you agree with our proposal to adjust the notional gross yield figure to take account of costs and losses in collection in this way?

Agree x

Disagree ☐

Any further comments

Q47: Do you agree with our proposal <u>not</u> to adjust the *estimated business rates aggregate (England)* to reflect the deferral scheme?

Agree x

Disagree ☐

Any further comments

Q48: Do you agree with our proposal to adjust the *estimated business rates aggregate (England)* to take into account losses on appeal in this way?

Agree X

Disagree ☐

Any further comments

Chapter 3: Determining proportionate shares

Q49: Do you agree with our proposal to determine billing authorities' average contribution to the rating pool using *NNDR3* forms between 2007-08 and 2011-12 (subject to a number of adjustments)?

Agree x

Disagree ☐

Any further comments

Agree – however we have concerns that authorities with a large recent closure will probably be on the safety net for the whole seven years with no realistic prospect of improvement.

Q50: Do you agree with our proposal to adjust the incomes for 2007-08 to 2009-10 using a local revaluation factor calculated using the methodology set out?

Agree x

Disagree ☐

Any further comments

Q51: Do you agree with our proposal <u>not</u> to make an adjustment in the five year average for inflation?

Agree ☐

Disagree x

Any further comments

It is easy and sounder to average the percentage shares so that each year is equally important; by excluding inflation the most recent year carries most weight.

Q52: Do you agree with our proposal to make an adjustment to the contribution to the pool sum in respect of the transitional arrangements in this way?

Agree X

Disagree ☐

Any further comments

Q53: Do you agree with our proposal <u>not</u> to make a further adjustment to the contribution to the pool sum for either mandatory rate relief, or for the small business rate relief scheme when calculating the proportionate shares?

Agree x

Disagree

Any further comments

Q54: Do you agree with our proposal <u>not</u> to make a further adjustment to the contribution to the pool sum for reductions for empty property rates when calculating the proportionate shares?

Agree x

Disagree ☐

Any further comments

Q55: Do you agree with our proposal <u>not</u> to make a further adjustment to the contribution to the pool sum for discretionary rate relief when calculating the proportionate shares?

Agree x

Disagree ☐

Any further comments

Q56: Do you agree with our proposal <u>not</u> to make a further adjustment to the contribution to the pool sum for costs of collection when calculating the proportionate shares?

Agree x

Disagree ☐

Any further comments

Q57: Do you agree with our proposal to make an adjustment to the contribution to the pool sum in respect of losses in collection in this way?

Agree X

Disagree ☐

Any further comments

Q58: Do you agree with our proposal to make an adjustment to the contribution to the pool sum in respect of deferral in this way?

Agree X

Disagree ☐

Any further comments

Q59: Do you agree with our proposal <u>not</u> to make a further adjustment to the contribution to the pool sum charges on property when calculating the proportionate shares?

Agree x

Disagree ☐

Any further comments

Q60: Do you agree with our proposal <u>not</u> to make a further adjustment to the contribution to the pool sum for prior year adjustments and interest on repayments when calculating the proportionate shares?

Agree x

Disagree ☐

Any further comments

Chapter 4: Major precepting authority shares

Q61: Do you agree with our proposal to confirm the county share at 20% - less the percentage share that will be paid to single purpose fire authorities where the county does not carry out that function?

Agree ☐

Disagree x

Any further comments

The 80% share to shire districts appears generous and appears to avoid distortions with NHB. In practice, however, the huge levy on shire districts' gains completely undermines these principles while imposing a large penalty on their losses between the rates target and the safety net. Indeed shire counties will receive a larger share of growth than shire districts in many cases. Our **strongly held** view is that a fundamental re-think on this issue is required.

Q62: Do you agree with our proposal to set the single purpose fire authority share at 2%?

Agree X

Disagree ☐

Any further comments

This is the appropriate share, though the case for fire authorities' inclusion in the scheme is not at all convincing.

Q63: Do you agree that county councils carrying our fire and rescue functions should receive the full 20% county share?

Agree ☐

Disagree x

Any further comments

See Q61 above; we agree that there should be consistency in the funding of fire services wherever possible, however.

Chapter 5: Treatment of City Offset and the City Premium

Q64: Do you agree with the Government's proposal to reflect the current arrangements for the City Offset by making an adjustment to the City of London's individual authority business rate baseline?

Agree	☐
Disagree	x

Any further comments

The City Offset is an unnecessary anachronism which should be abolished immediately.

Q65: Do you agree with the proposal to take account of the City Offset when calculating proportionate shares?

Agree	☐
Disagree	x

Any further comments

See Q64.

Q66: Do you agree with the proposal to calculate the City of London's levy ratio by using its revised individual authority business rate baseline?

Agree	☐
Disagree	x

Any further comments

See Q64.

Q67: Do you agree with the proposal to calculate the City of London's eligibility for the safety net by using its business rates income after the deduction of the City Offset?

Agree	☐
Disagree	x

Any further comments

See Q64.

Q68: Do you agree that the City Premium should be disregarded in the definition of business rates income used in the rates retention scheme?

Agree	x
Disagree	☐

Any further comments

Section 4 – The operation of the rates retention scheme

Chapter 2: Information Requirements

Q69: Do you agree with our proposals for information requirements before the start of the financial year?

Agree x

Disagree ☐

Any further comments

Q70: Do you agree with our proposals for information requirements at the end of the financial year?

Agree X

Disagree ☐

Any further comments

Chapter 3: Schedules of Payment

Q71: Do you agree with our proposals for the way in which a schedule of payment will operate for billing authorities?

Agree X

Disagree ☐

Any further comments

Q72: Do you agree with our proposals for the way in which a schedule of payment will operate for major precepting authorities?

Agree x

Disagree ☐

Any further comments

Q73: Do you agree with our proposals for the way in which a schedule of payment will operate between billing and relevant major precepting authorities?

Agree X

Disagree ☐

Any further comments

Chapter 5: Collection and general funds

Q74: Do you agree with our proposals for the operation of the *collection fund*?

Agree x

Disagree ☐

Any further comments

Q75: And do you agree that the reconciliation payment due in respect of *transitional protection payments*, should be built in to the calculation of collection fund surpluses & deficits only once, when outturn figures are available?

Agree x

Disagree ☐

Any further comments

Q76: Do you agree with our description of the way in which the general fund will operate?

Agree x

Disagree ☐

Any further comments

Chapter 6: The safety net and the levy

Q77: Bearing in mind the need to balance protection, incentive and affordability, and the associated impact on the amount of contingency that will need to be held back, in the early years where, within the range 7.5% - 10%, should the safety net threshold be set?

Agree ☐

Disagree ☐

Any further comments

No strong view where the threshold should be set within this range

Q78: Bearing in mind the need to balance protection, incentive and affordability, and the associated impact on the amount of contingency that will need to be held back, do you agree with the Government's proposal to set the levy ratio at 1:1?

Agree ☐

Disagree x

Any further comments

The huge percentage levies on shire districts arising from this proposal make little sense arithmetically, act against the incentive aims of the scheme, and ensure that housing developments will always be given priority. If the Government is serious about providing real incentives for authorities to promote growth, rather than simply being the lucky beneficiaries of growth that would occur anyway, this issue must be tackled.

Further, a 1:1 levy is hugely flawed in investment terms. If two authorities invest exactly the same sum to produce exactly the same increase in rates they ought logically to receive exactly the same reward. Under this proposal, the reward could be anywhere between 5% and 50% of the extra rates, the result of arithmetic convenience for DCLG rather than real-world operations.

Q79: Do you agree with the approach set out in paragraphs [16 to 19] for defining a billing authority's net retained rates income for the purposes of the levy and safety net calculations?

Agree ☐

Disagree X

Any further comments

We are worried that a major lost appeal could put a smaller authority on the safety net until the next reset, thereby effectively removing it from the scheme, for no fault of its own. Some over-ride for such an eventuality is surely important.

Q80: Do you agree with the approach set out in paragraphs [20 to 22] for defining a major precepting authority's net retained rates income for the purposes of the levy and safety net calculations?

Agree X

Disagree ☐

Any further comments

Q81: Do you agree with the approach set out in paragraphs [23 to 28] for safety net calculations and payments?

Agree ☐

Disagree X

Any further comments

The system needs to be much more responsive to losses between the submissions of NNDR1 and NNDR3 returns. A major closure could effectively bankrupt an authority otherwise.

Q82: Do you agree with the approach set out in paragraphs [29 to 32] for levy calculations and payments?

Agree ☐

Disagree X

Any further comments

See Q78

Section 5: Reconciliation payments in respect of financial year 2012/13

Q83: Do you agree with our proposals for closing the 2012-13 national non domestic rating account?

Agree X

Disagree ☐

Any further comments

Any Other Comments

Do you have any alternative proposals?

Do you have any other comments?

It was originally proposed that local authorities would be allowed to retain the business rates arising as a result of new developments and that the major share of this extra income would be given to the authorities responsible for planning decisions. In two tier areas this is district councils who have a major role to play in the economic growth of their area. It is disappointing therefore that the technical workings of this very complex regime seem to have lost the original intention of the Government which was to provide a real incentive to encourage growth in the local economy. We would ask you to look again at the way the levy in particular works to avoid what we are sure is the unintended consequences of what is proposed.

Thank you for completing this response form.