BUSINES RATE RETENTION
Growth Scrutiny Committee: 23rd August 2016

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Business Rate Retention

- No financial exemplifications therefore debate needs to be about issues of principle.
- Will it be too controversial / difficult to implement during current parliament?
- Consultation ends on 26th September (seeking delegated powers from Executive to respond).
- Welcome Scrutiny’s views / comments.

Business Rate Retention

Actually 2 Consultations

- One on Business Rate Retention
- Second on the ‘Needs’ Element in the system (Fair Funding Review)
- Proposals potentially amount to a fundamental reform
- Tight financial settlements give limited scope for getting it wrong (Contrast HRA localisation)
- Debate will be about ‘who gets what’

Business Rate Retention

- Key Proposal is that 100% of NNDR income will be retained locally.

- Tension between providing an incentive to growth and recognising that authorities need to be able to fund core services.

Incentivise Economic Growth

- Under new system all of economic growth retained locally.
- But system will be reset probably every 5 years potentially removing much of benefit of growth to reflect ‘need’ in the national system.
- Business Rates Retention – not localisation, remains a national system.

Incentivise Economic Growth

- Where will Counties fit in a two tier system, currently District 40%, County Tier 8% of growth.
- Does system need to incentivise upper tier.
- Given financial capacity (ability to invest need external funding to secure growth).
- What does this mean for Combined Authority/ LEP / Two Tier working.

Managing Risk

- Managing Risk in the system from economic decline / closure / revaluation
- A central solution with safety nets, or
- A Pool arrangement between authorities
- Derbyshire Pool a clear option
- If Risk is managed to what extent should reward be managed across a wider area.

Fiscal Neutrality / Public Sector Reform

- Reform must be fiscally neutral ie additional resources from retaining NNDR locally matched by additional responsibilities.
- What additional responsibilities would local government seek.
- Unitaries / Counties seem set to gain additional responsibilities, rather than Districts.

Fiscal Neutrality / Public Sector Reform

- Boundary between Health and Social Care
- Local Authorities keen to avoid demand led services
- A particular risk for District Councils which have limited financial capacity.

Fiscal Neutrality / Public Sector Reform

- Government is seeking public sector reform.
- Focus on reform will be delivering ‘austerity agenda’ ie reducing costs.
- No ‘one size’ fits all ie different models for different structures.
- Government wants ‘pilot’ schemes to test the new system.
- Would we want to be a ‘pilot’

Incentivising Growth

- For District Council’s incentives may not increase as part of benefit goes to County, and as system resets on a regular basis.
- Economic prosperity likely to reduce need.
- Growth still remains crucial to fund local services and to benefit the local economy.

Promoting Growth Locally

- Limited financial and operational capacity of District Council.
- Coalite, Joint Venture Company, House Building, Town Centre Regeneration, Tangent Extension, engagement with local business.
- Growth reflects central government investment in infrastructure
- Partnerships / External Funding / Market Led Growth.