

Report to the Finance and Performance Management Cabinet Committee



**Epping Forest
District Council**

Report Reference: FPM-010-2012/13

Date of meeting: 20 September 2012

Portfolio: Finance and Technology

Subject: Consultation – Business Rates Retention

Responsible Officer: Bob Palmer (01992 564279)

Democratic Services: Gary Woodhall (01992 564470)

Recommendations/Decisions Required:

(1) To consider and amend where necessary the proposed responses to the technical consultation on Business Rates Retention.

Executive Summary:

The Government have issued a consultation paper entitled “Business Rates Retention – Technical Consultation”, which has a closing date for responses of 24 September 2012. The consultation is over two hundred and fifty pages long and has eighty four detailed questions.

The consultation sets out the basis for some of the fundamental changes to the financing of local government which come into place on 1 April 2013. Some exemplifications have been provided to support the various proposals but it is not clear in many instances if this Council will benefit from a given change or alternative. Where it is unclear what the effect of a proposal will be or the case for it has not been well made in the consultation the suggested response is “No Comment”.

Reasons for Proposed Decisions:

To determine the responses to be made to the consultation.

Other Options for Action:

Members could decide to not respond, to respond in part or to respond in full to all eighty four questions.

Report:

1. The Government consulted last year, between July and October, on a scheme of business rates retention to replace the existing scheme of grant allocation. At that time it appeared that all business rates would be retained locally and Revenue Support Grant would no longer exist. Unfortunately the system now being proposed only allows 50% local retention and 50% has to be paid over to the Government. This means that Revenue Support Grant will continue but in a much reduced form.

2. The consultation paper was issued on 17 July and requires responses to be submitted by 24 September. Responses must use a prescribed format and the proposed responses follow in that format. At the start of that document there is a link to the full consultation document, which Members can use to review the information in more detail. As the document exceeds two hundred and fifty pages it was not practical to attach it to the agenda.

3. The consultation is split into sections, with section 1 being the introduction and section 2 headed "Establishing the start up funding allocation and baseline funding levels". This section covers changes to formulae and allocations rather than the business rate retention scheme itself. Exemplifications are provided for some of the proposals and the suggested responses are those that produce the least worst outcomes for the authority. Where no exemplification has been provided and it is not possible to assess the effect of what is being suggested a response of "No comment" has been made.

4. Sections 3, 4 and 5 cover the setting up of the scheme and its operation, no exemplifications have been provided for these sections. The suggested responses are generally positive as within the confines of what is being attempted here most of what is being suggested seems sensible. A response of "No comment" has only been used on these sections where the question does not relate to district councils.

5. A comment has been added at the end of the response to reflect the disappointment that only 50% instead of 100% of business rates will be retained locally. The previous consultation claimed the aim of the reforms was to incentivise local authorities to pursue economic growth; clearly reducing the amount of business rates retained locally reduces that incentive.

Resource Implications:

It is too early to say what the resource implications will be from these reforms as some significant parts of the scheme will not be determined until after the consultation responses have been evaluated.

There is a general reduction in public expenditure and so Revenue Support Grant will reduce substantially, the extent to which this is balanced by additional income from business rates will be determined by the final construction of the scheme and the amount of growth (or contraction) seen in rating lists.

Legal and Governance Implications:

Changes following the consultation will be included in the Local Government Finance Bill and will come into effect from 1 April 2013.

Safer, Cleaner, Greener Implications:

None.

Consultation Undertaken:

None.

Background Papers:

CLG Consultation document – Business Rates Retention.

Impact Assessments:

Risk Management

There is a risk that if insufficient responses are made to consultations the Government will either stop consulting or will not act on the responses they receive.

Equality and Diversity

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? N/A

What equality implications were identified through the Equality Impact Assessment process?
N/A

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
N/A