

# 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](mailto: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

Name

B Palmer

Position

Director of Finance & ICT

Organisation

Epping Forest District Council

Address

Civic Offices, High Street, Epping, Essex, CM16 4BZ

E-mail

bpalmer@eppingforestdc.gov.uk

## 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

Any further comments

The methodology is seriously flawed and the amount being removed for New Homes Bonus is excessive and unjustified.

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

Agree

Disagree

Any further comments

The methodology is unreliable as it is based on unrealistic assumptions about growth in business rates.

## 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

Disagree

Any further comments

If the proposed approach more accurately reflects real costs then yes.

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

Agree

Disagree

Any further comments

No given the response to the 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

Disagree

Any further comments

Sparsity factors are not sufficient to compensate rural authorities adequately for the additional costs they face so an increase in weighting is probably warranted. Agree in principal but would question the scale of the change.

**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

Disagree

Any further comments

The doubling of the adjustment seems too high.

**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

Disagree

Any further comments

Again, this is a big change in weighing but probably warranted.

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

Agree

Disagree

Any further comments

There is not any real justification given for re-instating it.

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

Agree

Disagree

Any further comments

## **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

Any further comments

There is no justification for this change.

**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

Any further comments

This assumes agreement to question 10.

## **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

Disagree

Any further comments

No comment

## **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

Disagree

Any further comments

No comment

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

Preference

No comment

**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

Disagree

Any further comments

No comment

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

Preference

No comment

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

Agree

Disagree

Any further comments

No comment

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

Agree

Disagree

Any further comments

No, as this would be better if separately identified.

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

Agree

Disagree

Any further comments

No, as this would be better if separately identified

**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

No comment

**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

No comment

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

Agree

Disagree

Any further comments

No comment

**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

No comment

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

Agree

Disagree

Any further comments

No as would rather see this as a separate allocation as currently

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

Agree

Disagree

Any further comments

Separate allocations should be maintained.

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

Agree

Disagree

Any further comments

Separate allocations should be maintained.

## 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

Disagree

Any further comments

The most up to date information available should be used.

**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

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

Disagree

Any further comments

The metholdolgy should be consistent.



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

Agree

Disagree

Any further comments

The latest available data should be used.

## **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 comment

## **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

Any further comments

This should produce consistent outcomes.

## **Chapter 13: Floor Damping**

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

Agree

Disagree

Any further comments

No comments

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

Agree

Disagree

Any further comments

No comment

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

Agree

Disagree

Any further comments

No comment

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

Preference

Not applicable

## **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

Any further comments

The amount of funding being retained is unjustified.

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

Agree

Disagree

Any further comments

Less should be top sliced so this secondary distribution mechanism is not needed.

**Q84: Would you prefer that (a) only sufficient funding to finance the New Homes Bonus in each year is removed, as well as funding for capitalisation and the safety net held back, rather than (b) the full £2 billion required for the entire period is removed, and the money held-back for capitalisation and the safety net is funded through the surplus, with the remainder of the surplus being paid back through section 31 grant in proportion to the start-up funding allocation?**

Agree

Disagree

Any further comments

Option (a) is the only reasonable approach.

## **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

Disagree

Any further comments

No comment

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

Agree

Disagree

Any further comments

No comment

## **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

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

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

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

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

Disagree

Any further comments

**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

Disagree

Any further comments

Losses in collection are audited in the NNDR 3 forms so provides better information than, say, the QRC4.

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

Agree

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

Disagree

Any further comments

It is important that the outcome of appeals are fully reflected in the calculations so that an authority's financial position is not affected.

### **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

Disagree

Any further comments

**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

Disagree

Any further comments

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

Agree

Disagree

Any further comments

**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

Disagree

Any further comments

**Q53: Do you agree with our proposal not 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

Disagree

Any further comments

There should be no local cost to the future granting of mandatory or small business rate relief as there is no discretion for authorities in awarding the relief. Entitlements are wholly determined by Government legislation, unlike discretionary rate relief. It may also potentially discourage some authorities from actively promoting the reliefs available.

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

Agree

Disagree

Any further comments

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

Agree

Disagree

Any further comments

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

Agree

Disagree

Any further comments

One point to add is that payment for the costs of collection needs to be uprated. The payments to this authority have increased by only 3.5% over the last 10 years whereas the number of hereditaments has increased by 16% and amount collected by 70% over the same period.

**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

Disagree

Any further comments

To an extent. The whole area of losses in collection remains a concern. The proposals come into force on 1 April 2013 and the economic picture at best remains unclear. There clearly is a financial risk here to local government should a further economic decline occur and NNDR income falls. As this becomes a core element of local government funding, the sector's financial position would be vulnerable if the economic position deteriorates further. It is suggested that this area is kept under review as the ability of an authority to maintain, let alone increase, its base would be difficult and any safety net provisions would not be sustainable.

**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

Disagree

Any further comments

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

Agree

Disagree

Any further comments

**Q60: Do you agree with our proposal not 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

Disagree

Any further comments

As stated in response to point 48, the effect of appeals and subsequent repayments, including interest, should not be to the detriment of local authorities.

## **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

Any further comments



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

Agree

Disagree

Any further comments

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

Agree

Disagree

Any further comments

**Q63A: Do you agree with the proposal that the London Boroughs should receive 60% of the billing authority business rates baseline, and that the Greater London Authority should receive the remaining 40%?**

Agree

Disagree

Any further comments

## **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

Any further comments

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

Agree

Disagree

Any further comments

No comments

**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

Any further comments

No comment

**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

Any further comments

No comment

**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

Disagree

Any further comments

No comment

## **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

Disagree

Any further comments

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

Agree

Disagree

Any further comments

We have concern over any in-year changes such as large reductions in rateable value. Currently there is the NNDR2 process but the mechanism going forward is not clear within the consultation. As the Government share is now 50% there should be a means by which this can be achieved in-year to reduce the payments an authority makes.

### **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

Disagree

Any further comments

The current system seems to be fine but would have no real problem going to a monthly payment schedule.

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

Agree

Disagree

Any further comments

The current system seems to be fine but would have no real problem going to a monthly payment schedule.

**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

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

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

Disagree

Any further comments

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

Agree

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

7.5% is still a high figure for an authority to absorb and this should be at the upper end. A figure between the range of 5 - 7.5% would be more sustainable in terms of ensuring local government financing.

**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

Any further comments

**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

Any further comments

**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

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

Any further comments

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

Agree

Disagree

Any further comments

## **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

Disagree

Any further comments

## **Any Other Comments**

Do you have any alternative proposals?

Do you have any other comments?

A greater incentive to encourage growth in business rates would have been provided by a full retention locally.

Thank you for completing this response form.