

**Open Report on behalf of Pete Moore,
Executive Director Finance and Public Protection**

Report to:	Value for Money Scrutiny Committee
Date:	27 September 2016
Subject:	Localisation of Business Rates - Update

Summary:

The Government has indicated its intention that by the end of the current Parliamentary Term local authorities will be primarily funded by council tax and 100% local retention of business rates. General grant funding such as Revenue Support Grant will cease.

This report provides the Committee with an update to the present situation and incorporates local and national responses to two DCLG consultation exercises on the subject that closed on 26th September.

The Committee will be kept updated on the subject at its future meetings.

Actions Required:

That the report be noted and any comments passed onto the Executive Councillor with responsibilities for Finance.

1. Background

The Government has indicated that it intends to make fundamental changes to the way in which local authorities are funded and for such changes to be in place by the scheduled end of the current Parliament in May 2020. The essence of the new arrangement is that direct general grant will be replaced by 100% local retention of business rates. The present regime, in place since April 2014, is based on only 50% of business rate income being retained locally.

Whilst the new regime will inevitably leave more money available to local authorities the Government have indicated that the whole exercise will be fiscally neutral with further funding responsibilities being given to local authorities to absorb the additional funding available.

The LGA have recently produced a simple guide to the new regime called '*Don't Be Left in the Dark – What Localised Business Rates Means for Your Council*' and this is attached as Appendix A.

The DCLG have been keen to work with local government and related professional bodies in developing a set of practical proposals. A number of working groups have been jointly established nationally by the DCLG and the LGA. The DCLG have accepted that prior to introducing the new funding regime it is necessary to fundamentally review how spending needs are assessed and attributed to individual local authorities. To assist in developing proposals the DCLG launched two major consultation exercises in July 2016 with a submission deadline of 26th September 2016. These are:

- **Self-Sufficient Local Government: 100% Business Rate Retention**
(copy attached as Appendix B)
- **Fair Funding Review: Call for Evidence on Needs and Redistribution**
(copy attached as Appendix C)

The draft responses from the County Council to both these consultations at the time this paper was finalised are attached as Appendices D and E respectively. These drafts may change prior to their submission on 26th September and any material changes will be highlighted at the meeting. All County Councillors will have received copies of these drafts for comment in the week commencing 19th September.

Also attached (Appendix F) is a joint response from the Society of County Treasurers and the Society of District Treasurers which outlines the key issues impacting on both tiers of local government shire county geographical areas.

2. Conclusion

This significant initiative is at a very early stage and further updates will be provided to the Committee at future meetings.

3. Consultation

a) Policy Proofing Actions Required

Not applicable.

4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Don't Be Left in the Dark - What Localised Business Rates Means for Your Council - LGA - August 2016.

These are listed below and attached at the back of the report	
Appendix B	Self-Sufficient Local Government: 100% Business Rates Retention - DCLG Consultation Document - July 2016.
Appendix C	Fair Funding Review: Call for Evidence on Needs and Distribution.
Appendix D	Lincolnshire County Council Response to Appendix B above - September 2016.
Appendix E	Lincolnshire County Council Reponse to Appendix C above - September 2016.
Appendix F	Joint SCT/SDCT Response to 100% Business Rates Retention and Fair Funding Review Consultations.

5. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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