



PART A:	MATTERS DEALT WITH UNDER DELEGATED POWERS
REPORT TO:	POLICY AND RESOURCES COMMITTEE
DATE:	22 SEPTEMBER 2016
REPORT OF THE:	FINANCE MANAGER S151 PETER JOHNSON
TITLE OF REPORT:	RESPONSE TO THE BUSINESS RATES CONSULTATION AND FAIR FUNDING REVIEW
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 The report sets out the response to the Self Sufficient Government: 100% Business Rates Retention consultation and the Fair Funding Review: Call for evidence on Needs and Redistribution

2.0 RECOMMENDATION

- 2.1 That Council is recommended:
(i) To agree the response to the consultations attached at **Annex C**.

3.0 POLICY CONTEXT AND CONSULTATION

- 3.1 The Government have stated that by the end of this Parliament the Local Government sector will retain 100% of taxes raised locally. In order to ensure that these reforms are fiscally neutral, councils will gain new responsibilities.
- 3.2 The assessment of the relative needs of local councils is a fundamental part of the anticipated reforms to business rates. Alongside the 2016/17 Local Government Finance Settlement, the Government announced the Fair Funding Review, its purpose is to conduct a thorough review of what the needs assessment formula should be in a world in which local government spending is funded by local resources not central grant.
- 3.3 To help shape the Fair Funding Review, the Government has been engaging with representatives from across local government through a technical working group. Based on feedback from this group, they have developed an initial call for evidence on needs and redistribution. The Government wants to give local government every opportunity to consider the best approach to measuring their relative needs. The

needs assessment does not require legislative changes to implement. This means that decisions do not have to be made now, and allows work to progress with local government to a different timetable. The Government is aiming to consult on the principles for the needs assessment in the autumn 2016, and expects to have a final consultation on the formulae in the summer of 2018. This will allow a new mechanism to be in place in time for the introduction of 100% business rates retention across local government by the end of the current Parliament.

- 3.4 100% Business Rates Retention, however, does require new legislation which the Government intends to introduce in early 2017. Pilots of the new scheme are due to commence from the start of the financial year 2017/18. The consultation and call for evidence are attached at annexes A and B.

REPORT

4.0 REPORT DETAILS

The Current System

- 4.1 The move to 100% business rates retention builds on the current system, in which local government as a whole retains 50% of locally collected business rates. That system was introduced in April 2013. Before then, all business rate income collected by councils formed a single, national pot, which was then distributed by government to councils in the form of formula grant. Through the Local Government Finance Act 2012, and regulations that followed, the Government gave local authorities the power to keep half of business rate income in their area by splitting business rate revenue into the 'local share' and the 'central share'.
- 4.2 The central share is redistributed to councils in the form of revenue support grant and in other grants. The local share is kept by local government, but is partly redistributed between local authorities through a system of tariffs and top-ups. This redistribution is intended to ensure that areas do not lose out just because their local business rates are low compared to their assessed needs.
- 4.3 Within the current system, councils keep up to 50% of growth in their business rate receipts arising from new or expanding businesses. Local authorities that pay tariffs are also liable to pay a levy of up to half of this type of growth. The money raised from this levy is then used to fund a safety net system. This system protects those councils which see their annual business rate income fall by more than 7.5% below their 'baseline funding level'.

Consultation

- 4.4 Ryedale District Councils draft response to both the consultation and the call for evidence is attached to this report at Annex C. In order to comment further in a number of areas further information is required and this has been flagged within the response where appropriate. Issues raised at Resources Working Party have also been included within the response.

5.0 IMPLICATIONS

5.1 The following implications have been identified:

a) Financial

Changes are expected by 2020 but could be as early as 2018/19. Although Government have intimated that the introduction of 100% Business Rates Retention will be financially neutral, the Fair Funding Review is likely to impact on RDC's Financial Strategy and the future of the Medium Term Financial Plan.

6.0 NEXT STEPS

6.1 Comments received will be collated and will inform further technical consultations due in the Autumn.

Peter Johnson
Finance Manager (s151)

Author: Peter Johnson, Finance Manager (s151)
Telephone No: 01653 600666 ext: 392
E-Mail Address: peter.johnson@ryedale.gov.uk