

Report of	Assistant Director, Policy & Corporate	Author	Paul Cook ☎ 505861 Samantha Preston
Title	Business Rates Retention and future arrangements		
Wards affected	All		

1. Executive Summary

- 1.1 The report sets out recent performance on business rates collection.
- 1.2 The report also summarises recent government policy on reforming the business rates system.

2. Recommended Decision

- 2.1 To update the Panel on business rates performance.
- 2.2 To determine the Scrutiny Panel's views on future business rates arrangements set out in the recent Ministry of Housing, Communities and Local Government (MHCLG) technical consultation on the 2020/21 Local Government Finance Settlement.

3. Reason for Recommended Decision

- 3.1 To ensure that this aspect of Council finances is scrutinised.

4. Alternative Options

- 4.1 Not applicable

5. Business Rates Performance

- 5.1 The current system has applied since 2013/14. Each authority is set a business rates baseline that is then increased annually for inflation. This is intended to be a fair assessment of the authority's collection potential.
- 5.2 A separate formulaic funding assessment for the local authority (unchanged in principle since before 2013/14) is made based on various factors.
- 5.3 The authority's 50% share of collecting the baseline when added to the Revenue Support Grant (RSG) and some other grants paid may be more or less than the authority has been assessed to need in funding. If higher, a tariff is paid to the government. If lower a top-up is received.

- 5.4 Colchester is a tariff authority. Furthermore, by regularly collecting more than the baseline it is able to retain some additional business rates.
- 5.5 Colchester's performance on business rate collection is very good as set out in the tables below.

Table – Business rates collection performance 2017/18 to 2019/20				
		Total to be collected £m	Target %	Actual %
	2019/20			
1	31 August 2019	65.233	TBC	50.00
2	31 August 2018 (same stage previous year)	66.040		49.71
3	We are confident that collection will remain strong throughout 19/20.			
	2018/19	66.283	98.5	99.36
4	Collection has exceeded both target and previous year, as well as an overall increase in RV of £1.7million. The team have shown excellent commitment in achieving this impressive result, they are consistently performing at a high standard and ensure that accounts are accurate and that debts are proactively pursued as early as possible.			
5	2017/18	64.602		99.14

- 5.6 A further aspect of the current system is for authorities to combine in a business rates pool. For technical reasons treating several authorities as a single authority reduces the share of rates collected returned to the government. In the case of the Essex Pool this has resulted in a £200k per annum budgeted gain in the Colchester Medium-Term Financial Forecast (MTFF). This level of pooling gain is expected to continue to be achieved. However, the arrangements after 2020/21 remain unclear.

6. 2019 Spending Round

- 6.1 The chancellor's 2019 Spending Round did not make any major announcement on business rates other than that the 2020/21 baseline being increased again by inflation.
- 6.2 In the 2020/21 Finance settlement technical consultation published 3 October 2020, MHCLG confirms:
- Not making major local government funding reforms until after a full 2020 spending review with the results applying in 2021/22.
 - Government's intention of increasing the proportion of business rates retained by the sector, to ensure local authorities have more control over the money they raise and powerful incentives to grow and reinvest in their local economies
 - Introducing reforms to the business rates retention system, to increase stability and certainty

- Reviewing the funding formula that determines funding allocations through the annual local government finance settlement, based on a fairer and more up-to-date assessment of councils' relative needs and resources.
- That there would be no business rates retention pilot schemes in 2020/21.

6.3 The position on business rates has not therefore moved forward much from the 2017 *DCLG Self-sufficient local government: 100% Business Rates Retention Consultation: Summary of responses and Government response*. This set out Government policy as:

- Retained business rates to replace RSG, Public Health Grant and Rural Services Delivery Grant but not to replace Attendance Allowance.
- Business rates might be used to fund devolution deals
- To continue to apply the new burdens doctrine
- To include a fixed reset period in the new system, and to do further work on partial resetting
- To continue the present system of tariffs and top-ups
- Not categorical on protecting authorities from the impact of business rates revaluations
- Further consideration of pooling and the revenue-raising powers of Combined authorities
- Further review as to whether Fire should be funded outside the system
- Incentivisation proposals for authorities to enjoy the benefit of growth work in progress
- No area rating lists to reduce individual authority risk but some additions to the central list
- Further discussion on managing appeal risk and area-wide safety nets
- Further review of the safety net system
- Flexibility for individual councils to reduce the multiplier, but if so they must bear the cost
- Raising additional levies for infrastructure only available to combined authorities
- No annual local government finance settlement necessary under business rates retention
- Collection Fund accounting to continue
- Further review on what constitutes a balanced local authority budget

7. Colchester's position

7.1 As an authority experiencing and planning for an ambitious level of growth, the key aspects of any future MHCLG consultation will include:

- How much and for how long will Colchester retain the benefit of the additional business rates it generates?
- Why should new rating powers and abilities be restricted to Combined Authorities?
- Colchester would be affected by any major change in London business rates especially if business rates powers were fully devolved to London

8. Consultation

8.1 Not applicable.

9. Financial implications

9.1 As set out in the report.

10. Equality and Diversity Implications

10.1 Consideration will be given to equality and diversity issues in respect of budget changes proposed as part of the budget process. This will be done in line with agreed policies and procedures including production of Equality Impact Assessments where appropriate.

11. Risk Management Implications

11.1 As set out in the report

12. Other Standard References

12.1 There are no direct Publicity, Human Rights, Community Safety or Health and Safety implications as a result of this report.

Background documents

Spending Round 2019 – HM Treasury

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/829177/Spending_Round_2019_web.pdf

Local Government Finance Settlement 2020-21 Technical consultation – MHCLG

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/836539/Local_Government_Finance_Settlement_2020-21_Technical_Consultation_.pdf

Self-sufficient local government: 100% Business Rates Retention Consultation: Summary of responses and Government -

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/591908/Government_response_to_Self-sufficient_local_government-_100_Business_Rates_Retention_consultation.pdf

