House of Commons
Communities and Local Government Committee

100 per cent retention of business rates: issues for consideration

First Report of Session 2016–17

Report, together with formal minutes relating to the report

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Communities and Local Government Committee

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The current staff of the Committee are Mark Etherton (Clerk), Helen Finlayson (Second Clerk), Craig Bowdery (Committee Specialist), Tamsin Maddock (Committee Specialist), Tony Catinella (Senior Committee Assistant), Eldon Gallagher (Committee Support Assistant), and Gary Calder and Alexander Gore (Media Officers).

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Summary

The Government has announced that, by the end of this Parliament, local government will collectively retain 100 per cent of business rate revenue, described by the Chancellor as a ‘devolution revolution’. As a consequence, Revenue Support Grant, the main central government grant for local authorities, is to be phased out and, to soak up the resulting additional local tax revenues, local government will have to take on new responsibilities.

We support 100 per cent retention of business rate revenue but continue to believe that it is one among a number of fiscal powers which should be devolved to local authorities, and which we hope will follow in due course. We do not, however, underestimate the significance of these reforms, which, while incentivising councils to promote local growth and economic development, could lead to significant divergences in authorities’ spending power. We also note the lack of correlation between business rate revenue and local authority need and the fact that, without Revenue Support Grant, it is likely to prove very difficult to shift resources to authorities in direct response to need in all circumstances.

The setting up and structure of the system, and the way in which revenue is redistributed, are therefore critical. We had originally set out to examine the policy itself; however, at a late stage, we were required to change our approach after the Department preferred to wait to provide evidence until their consultation on the reforms had concluded. Our evidence has revealed a host of issues, brought together in this report, relating to the setting up and running of the system and to achieving and sustaining growth, which need further consideration. We intend our ‘issues for consideration’ to feed into the Department’s consultation and aid the work of the Government and sector.

There is much to learn from the current 50 per cent retention system. The issue of businesses appealing against their rates bills has caused significant concerns, with refunds to ratepayers often far exceeding authorities’ growth in business rate revenue. Unless resolved, the appeals issue will pose a major challenge to 100 per cent retention, undermining the system before it has even had a chance to get going.

The amount of additional local tax revenue resulting from 100 per cent retention is uncertain; different figures have been quoted and we assume that the extension of Small Business Rates Relief and the uprating of the multiplier by the Consumer Price Index will affect the amount available. New responsibilities for local authorities must therefore be carefully chosen to ensure that they remain proportionate to the additional revenue generated and are suited to local authorities’ devolution ambitions.

A number of common themes about the responsibilities that local government would be willing to take on emerged from the evidence: they should be linked to the drivers of local economic growth, they should not be demand-led and, in deciding what they should be, a set of principles should be followed. The Government should base its approach on these principles, set out in full in this report, in order to ensure that new responsibilities are within local government’s control, fit with its role and wider responsibilities, and promote local growth and the wellbeing of residents. The Government has also announced two reforms intended to boost economic activity: the infrastructure premium and the power for authorities to reduce rates. The proposal
that Local Enterprise Partnerships (LEPs) should be involved in the decision-making process was criticised by both local authorities and the business sector. The Government should review whether it is practical, possible and fair for LEPs to take on this role, and seriously reflect on whether limiting the infrastructure premium to mayoral combined authorities runs counter to the aims of 100 per cent retention. Local authorities, uncertain whether they would in practice be able to reduce rates, wanted to be able to raise them as well. This flexibility would provide an effective lever to stimulate and foster economic growth and we recommend that the Government and the sector give careful consideration to this.
1 Introduction

1. On 5 October 2015, at the Conservative Party Conference, the Chancellor of the Exchequer announced a ‘devolution revolution’: a commitment to allow local government collectively to retain 100 per cent of business rate revenue by the end of this Parliament and, to match the resulting additional local tax revenues, for it to take on “new responsibilities”. As a consequence, Revenue Support Grant, the main central government grant for local authorities, is to be phased out.

2. In our report, Devolution: the next five years and beyond, we described the reforms as a move in the right direction; being just one aspect of the range of fiscal powers that we would like to see devolved to local authorities and which we believe are essential to genuine devolution. This change has been called for by a number of influential organisations over the years and by our predecessor committee, but always as part of a package of other fiscal powers. At the moment, it is unclear whether these are seen by the Government as isolated reforms or a first step towards wider fiscal devolution. We very much hope it is the latter.

3. The reforms are, nevertheless, transformative and create a real opportunity for local government; in retaining 100 per cent of business rate revenue, councils will have a direct and strong incentive to promote local growth and economic development. The Chairman of the Local Government Association, Lord Porter, said that it was ”great news for councils” and showed that the Government had listened to local government.

4. At the same time, however, 100 per cent retention may well lead to further divergence in authorities’ spending power. The New Local Government Network described the reforms as likely to exacerbate the “‘winner takes all’ approach to urban growth, in which a relatively small number of agglomerations take the lion’s share of economic development and its accompanying wealth”. Instead of seeing 100 per cent retention as an opportunity, many of the authorities that we heard from feared how they would fare and stressed the need for equalisation and fairness in the reformed system.

5. We share their concerns, which are supported by our own analysis in chapter five, and also note the context of unprecedented pressure on local authority budgets in which the reforms are taking place. Complicating matters further, unless fully compensated for, separate measures announced in the Budget 2016 will limit authorities’ revenue and their incentives to encourage growth in small businesses, in a way that seems to run counter to the aims of 100 per cent retention. Furthermore, the new responsibilities will have to be carefully chosen and calibrated to ensure that they remain proportionate to the additional revenue generated and are suited to local authorities’ devolution ambitions.

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1 “Chancellor unveils ‘devolution revolution’”, HM Treasury press release, 5 October 2015
2 Communities and Local Government Committee, First Report of Session 2015-16, Devolution: the next five years and beyond, HC 369
3 These include the London Finance Commission, the City Growth Commission and the Independent Commission on Local Government Finance (which was jointly established by the Local Government Association and the Chartered Institute for Public Finance and Accountancy).
5 Local Government Association, LGA responds to Chancellor’s business rates announcement, 5 October 2015
6 New Local Government Network (BUR22)
7 HM Treasury, Budget 2016, March 2016, p46
6. Redistribution between authorities more and less able to generate revenue will clearly be a crucial aspect of the reformed system, and the challenge for the Government and the sector is to structure the redistribution mechanism in such a way that preserves strong incentives for authorities to promote growth and success. However, to ensure its funding over the longer-term, we would like to see local government awarded greater control over a wider range of more comprehensive fiscal powers, including greater control over council tax, the ability for councils to vary business rates and the other property taxes referred to by our predecessors in their report on fiscal devolution. This is critical for councils to be able to meet the continually increasing demands for services, such as social care, in the future.

Our inquiry

7. The proposed changes are significant. We therefore decided to undertake an inquiry so that the Government’s proposals could be discussed and scrutinised. We were also keen to hear from local government about which new responsibilities they would be prepared to take on in return for the expected increase in their business rate revenue. We were disappointed that the Department for Communities and Local Government did not make a written submission to the inquiry, and then told us in May 2016, six months after the launch of the inquiry, that Ministers were not in a position to give oral evidence before the autumn, after a consultation had concluded. This would have created a lengthy hiatus in the inquiry and, by this stage, we had already held four evidence sessions and received around sixty written submissions.

8. We have, therefore, decided to draw together our findings so far in an interim report. The Government said that there would be “a period of extensive engagement with councils and their representatives” in the months before the consultation, and we intend our report to feed into this, raising issues and questions to be covered in the consultation and addressed by the Government before the reforms are implemented. We hope that our work will be an important step in scrutinising the Department’s proposals, influencing the consultation taking place this summer, aiding the deliberations of the Local Government Association Business Rates Retention Steering Group and informing the public sector and stakeholders more widely. In addition, where we had evidence of a pressing issue, we have made specific recommendations. Once the consultation is complete, we will invite the Department again to give evidence and intend, after this, to consolidate our conclusions and recommendations in a final report.

9. We are grateful to all those who gave us written and oral evidence. Particular thanks are due to our specialist advisers, Professor Alan Harding of the University of Liverpool and Professor Tony Travers of the London School of Economics.

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9 DCLG, Provisional local government finance settlement 2016-17, (December 2015), p7
10 For further details, see www.local.gov.uk/business-rates
11 Tony Travers declared the following interests: Occasional fees for speaking engagements, work on commissions and consultancy. Alan Harding declared the following interests: I have verbally been offered the job of Chief Economist to the Greater Manchester Combined Authority and have accepted in principle, subject to contract. I am due to start the new role in January and remain in my current academic post until then (now in post).
Background

Business rates reforms: 1990–2015

10. A short summary of the changes to business rates since the 1990s is a useful background against which to assess the proposed reforms. Business rates were taken out of local authority control in 1990\(^\text{12}\) and replaced by the national non-domestic rate (although they continued to be referred to as ‘business rates’). The Government set the rate, known as the ‘multiplier’, and councils collected the revenue, with the overall England-wide yield of business rates pooled and redistributed to councils based on an annual needs assessment (Revenue Support Grant).

11. For decades, councils had no incentive to build up tax revenues by supporting their local economy: any authority that saw an increase in business rate revenue would not receive a corresponding increase in funding. However, in 2005, the Local Authority Business Growth Incentives (LAGBI) scheme gave local authorities financial incentives to develop the local tax base by rewarding qualifying business growth with a non-ringfenced grant from central government. This scheme operated in 2005–06 and 2007–08. In 2009–10 it was re-introduced in a simpler and more predictable form. In 2013–14, the Government allowed councils to retain 50 per cent of their business rates (the Business Rates Retention Scheme) with a corresponding reduction in Revenue Support Grant.\(^\text{13}\) To take account of differences in councils’ business rate revenues, the Government created a mechanism to redistribute revenue from authorities with relatively large yields to authorities with relatively small yields. The Business Rates Retention Scheme is currently in operation.

\(^\text{12}\) 1989 in Scotland

\(^\text{13}\) DCLG, ‘Business rates retention’, accessed 26 May 2016
2 Moving to 100 per cent retention

12. The Government has so far announced that:

- Local government will retain 100 per cent of business rate revenue by the end of this Parliament, which we assume to mean 1 April 2020 (chapter two);
- Over the same period, Revenue Support Grant will be phased out (chapter five);
- Local government will be required to take on new responsibilities in return for the extra business rate revenue they will receive (chapter seven);
- The uniform business rate\(^\text{14}\) will be abolished (chapter six); and
- Directly elected mayors will be given the power to increase rates for spending on local infrastructure projects, provided they have the support of the majority of the business members of the Local Enterprise Partnership (chapter six).

13. Since the announcement in October 2015, few details of the reform programme and how the new system will work have emerged. A written statement from the Department indicated that redistribution will be maintained under 100 per cent rate retention.\(^\text{15}\) The Spending Review and Autumn Statement 2015 confirmed that “The system of top ups and tariffs which redistributes revenues between local authorities will be retained”.\(^\text{16}\) The Government has not confirmed whether the ‘safety net’ and ‘levies’ will be retained, although a source has claimed that they will:

> The safety net regime which protects councils against large year to year drops in business rates will remain but the growth levy—which claws money back from areas that see high annual rates of growth for use in other places—will be abolished.\(^\text{17}\)

14. The Spending Review and Autumn Statement also said that, as a result of the reform, by 2020 local government will have control of £13 billion of additional local tax revenues, but, to ensure the reforms are fiscally neutral, it would have to take on “new responsibilities” to match the rise in funding.\(^\text{18}\) It has since been reported that the amount of additional funding available could range from £4 billion to £13 billion\(^\text{19}\) and, during our inquiry, David Phillips, Senior Research Economist at the Institute for Fiscal Studies, suggested it could be £10.5 billion.\(^\text{20}\) Furthermore, measures introduced in the 2016 Budget, including the extension of Small Business Rates Relief, will affect the amount available.\(^\text{21}\) The Spending Review said that the Department would “shortly consult” on the reforms and on the new responsibilities, but suggested they might include funding the administration of housing benefit for pensioners and public health, and the provisional Local Government Finance Settlement 2016–17 suggested transferring Attendance Allowance.\(^\text{22}\)

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\(^{14}\) This refers to the ‘multiplier’, set each year by the Government. A property’s basic business rate bill is obtained by multiplying its rateable value by the multiplier.

\(^{15}\) HC Deb, 12 October 2015, col 221WS [Commons written ministerial statement]

\(^{16}\) HM Treasury, Spending Review and Autumn Statement, November 2015, p58

\(^{17}\) “Set your own business rates, Osborne tells sector”, LGC Plus, 5 October 2015

\(^{18}\) HM Treasury, Spending Review and Autumn Statement, November 2015, p58

\(^{19}\) “Extra business rates cash could be as little as £4bn”, LGC Plus, 17 May 2016

\(^{20}\) Q25

\(^{21}\) HM Treasury, Budget 2016, March 2016, p46

\(^{22}\) DCLG, Provisional local government finance settlement 2016-17, December 2015, p7
15. In February 2016, the Secretary of State made a commitment to revising the “underlying assessment of needs” on the basis of which local authority funding is allocated and the current business rate retention system is set. Specifically, he committed to “go back to the drawing board and look at the needs and the resources available to each county”.

16. The Queen’s Speech 2016 announced a Local Growth and Jobs Bill to “allow local authorities to retain business rates, giving them more freedom to invest in local communities”. The accompanying background briefing notes said that the Bill would put in place the framework of the 100 per cent business rate retention scheme, legislate for the devolution of additional responsibilities to local authorities, give local areas the ability to reduce rates and give directly elected mayors the ability to levy a supplement on business rates bills to fund new infrastructure projects. It has since been reported that the Bill will not be introduced until much later this year, once the summer consultation is complete.

17. We heard very few expressions of unqualified support for the reforms. Some expressed very strong concerns, such as the Industrial Communities Alliance, which represents sixty authorities in industrial areas, which said:

> It doesn’t require a degree in economics to recognise that the full retention of business rates, without any redistribution via central government, runs major risks for areas where the business rate base is weak. Most of England’s older industrial areas, where there have been substantial job losses over many years, fall into this category.

Others were more focused on the practical challenges posed by the reforms. Cllr Mitchell, Cabinet Member for Finance and Corporate Services at Westminster City Council, said that “the devil will be in the detail” and Paul Dransfield, Strategic Director of Major Programmes at Birmingham City Council, said “it is about having the right systems, checks and balances, like all forms of funding in government to protect those who are most vulnerable”. The following chapters bring together the various practical concerns and issues raised by authorities in considering the move to 100 per cent retention.

### Implementation

18. The Government has announced that there will be a consultation this summer but has not yet indicated how the reforms will be implemented and the timeframe between now and 2020 for doing so. In January 2016, the Municipal Journal reported that the Secretary of State had “urged the sector to strike an agreement on how business rates retention could work—or he could impose a plan”. We agree that it is essential that the sector is involved throughout the process, however lengthy. Paul Dransfield of Birmingham City Council, who had been involved in the design of the 50 per cent system along with other authorities, told us:

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23 [HC Deb, 10 February 2016, col 1642 (Commons Chamber)]
24 [Queen’s Speech 2016, Cabinet Office, 18 May 2016]
25 [Cabinet Office, Queen’s Speech 2016: Background briefing notes, May 2016, p22]
26 “Business rates bill will be late in the year”, LGC Plus, 18 May 2016
27 See, for example, Q90
28 [Industrial Communities Alliance (BUR49)]
29 Q90
30 Q91
31 “‘Agree, or I’ll set a plan,’ says Clark”, The MJ, 28 January 2016

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You cannot just do it; it needs that period of 12 to 24 months to seriously look at some of the detailed design and risk management issues that a new system will throw up, and to make sure we have solutions for them.\textsuperscript{32}

19. In April 2016, a joint DCLG and Local Government Association (LGA) steering group, consisting of representatives from local government and other interested bodies,\textsuperscript{33} was established to “provide information and expert advice to support the LGA and Department of Communities and Local Government in advising Ministers on the implementation of the reforms”.\textsuperscript{34} Five technical working groups have also been established to discuss the design of the retention system, needs and distribution, new responsibilities and accountability. The groups have been meeting regularly, and liaising with local authorities, and will continue to do so until implementation. We understand that their work will play a key role in the implementation of the reforms, from informing the contents of the summer consultation to final implementation by 2020.

\textsuperscript{32} Q91
\textsuperscript{33} County Councils Network, District Councils Network, Special Interest Group of Municipal Authorities, Society of Local Authority Chief Executives, Society of London Treasurers, Society of Municipal Treasurers, Society of County Treasurers, Society of District Treasurers, Society of Unitary Treasurers, CIPFA, Valuation Office Agency, Institute of Revenues Rating and Valuation, Greater London Authority and London Councils.
\textsuperscript{34} Local Government Association, \textit{Business Rates Retention Steering Group: Terms of Reference}, April 2016
3 The current system: 50 per cent retention

20. From the announcements made so far, we understand that the 100 per cent retention system will be an extension of the existing Business Rates Retention Scheme (referred to in this report as ‘the Scheme’ or ‘the current system’) and share its structure. We therefore begin by describing how the current system works and explaining the terminology,\(^\text{35}\) which appears throughout this report and in the glossary at the end.

21. In brief, the Scheme permits local authorities to retain a proportion of their business rates over a set period of time; however, because their revenue varies widely, central government levels the playing field by redistributing revenue according to authorities’ spending needs via ‘top ups’ and ‘tariffs’ at the start of the retention period. In addition, separate mechanisms, ‘levies’ and the ‘safety net’ operate to ensure that authorities’ revenues do not diverge too much during the retention period. Overall, local government keeps 50 per cent of locally collected business rates, and thus 50 per cent of any growth, with the other 50 per cent being remitted to central government. We anticipate that the 100 per cent retention scheme will operate in a similar way; crucially, the Government has said that top ups and tariffs will be retained.

Set up and operation

22. When the Scheme was set up, a ‘start-up funding assessment’ (now known as the ‘settlement funding assessment’) calculated how much funding each authority required on the basis of an assessment of needs, undertaken in 2012–13. This funding comes from two sources: Revenue Support Grant and funding provided through the Scheme (an authority’s baseline funding level, also known as an authority’s ‘local share’ of business rates). The local share, which is 50 per cent, is split 80:20 between district councils and county councils\(^\text{36}\) to set an authority’s ‘business rates baseline’. Baseline funding levels are fixed, subject to being uprated by the increase in the Retail Prices Index (RPI), until the system is ‘reset’. The reset was planned to take place in 2020 and every ten years thereafter.

\(^{35}\) For all publications relating to the Business Rates Retention Scheme, see DCLG, ‘Business rates retention’, accessed 26 May 2016

\(^{36}\) As well as the Greater London Authority and fire and rescue authorities.
23. Whether a local authority needs more business rate revenue, or raises more than it needs, is determined by comparing its baseline funding level with its business rates baseline. If the business rates baseline is greater than its baseline funding level, an authority must pay a tariff. If the situation is the reverse, an authority receives a top up. Tariffs and top ups operate each year to ensure that each authority receives its baseline funding level; however, the amounts of the tariffs and top ups are calculated at the outset of the scheme, remaining fixed until the reset.\(^\text{37}\) This is illustrated in Figure 1 above.

24. Adjustments for disproportionate gains and losses in business rate revenue are made during the reset period via levies and the safety net. Authorities which experience disproportionate growth in business rates income pay a levy, which reduces the share of growth they actually retain. The levy is then used to fund a safety net to protect authorities which experience a significant decline in their business rate income, for example, as a result of the closure of a major business in the area. The safety net guarantees that, each year, local authorities will receive at least 92.5 per cent of their original baseline funding. Therefore, no local authority’s business rates income will be more than 7.5 per cent below the baseline funding level. During the first two years of the 50 per cent retention system, the money raised by the levy was not sufficient to fund the safety net:

In 2014–15 the Secretary of State paid £145 million to authorities by way of safety net payments (£69 million in 2013–14). The Levy Account was credited with £120 million […] (£25 million in 2013–14).\(^\text{38}\)

**Incentives**

25. Reforms to business rates over the years have aimed to create and strengthen the incentives for local authorities to develop local businesses. Before the current system was introduced in April 2013, business rate revenue in England was paid to central government. A paper on the economic benefits of local business rates retention said in May 2012:

\(^\text{37}\) Uprated each year by RPI.

By reintroducing a fiscal incentive for local authorities to permit development, business rates retention could go some way towards reducing their planning restrictiveness, thus increasing the supply of business premises and reducing costs for business, which in turn would allow for the expansion of existing businesses and/or the start-up of businesses which otherwise might not have been viable.\(^{39}\)

The planning system is one of the ‘levers’ that authorities have to enable local growth; however, their responsibilities for local transport infrastructure, education and training, housing and the local environment are also significant.

26. Incentives alone do not ensure growth; the way in which they are structured is important. The May 2012 policy paper identified the relevant considerations for a growth incentive as:

   a) sufficiently large;
   b) no thresholds;
   c) incentivises the intended behaviour;
   d) targeted at appropriate decision maker;
   e) simple and transparent; and
   f) predictable, long-term and credible.\(^{40}\)

It said that the Scheme “seeks to provide the simplest and most substantial incentive consistent with sufficient redistributive mechanisms to protect authorities’ funding needs” but that “the size of the incentive will be affected by the size of the local share of business rates, the levy on disproportionate gain used to fund the safety net and by the length of time until the next reset”. Much of the evidence we heard related to the impact of the system on growth incentives. David Phillips of the Institute for Fiscal Studies summed up the challenge:

> The important thing to recognise is there is almost an inherent trade-off between equalisation, on the one hand, and incentives, on the other. That is a trade-off that is difficult to avoid, but what might be worthwhile thinking about is when it is that growth incentives matter. You could have two kinds of systems: those that give weaker incentives but for longer, so you get to keep somewhat less of the revenue but for more years, or you get to keep all of the revenue, or more of it, for a shorter period of time. Thinking about what would matter to councils more, this immediate bigger incentive or a longer slower incentive, could be worthwhile.\(^{41}\)

**Lessons from 50 per cent retention**

27. Looking at how the current system operates revealed the issues which need to be addressed in preparation for 100 per cent retention. The move from 50 to 100 per cent retention suggests that any issues would double in size or, at least, be magnified. Andy Hall, Business Rates Assurance Manager at Boston Borough Council, agreed with this.

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41. Q6
assessment, adding “Without some reforms, alterations, adjustments and refinements, in light of the experience we have had so far, we are not going to achieve what we think we are going to achieve”.  

28. David Phillips, Senior Research Economist at the Institute for Fiscal Studies, said that, although it was too soon to make an overall assessment of the 50 per cent system, for which only two years of outcome data are available, we could learn lessons from it in terms of “pitfalls to be avoided when designing the new system”. Witnesses argued that these pitfalls included appeals, the operation of incentives, the apportionment of revenue between districts and counties and the link between growth and new net floor space construction. Local authorities also highlighted the risks and volatility inherent in business rate revenue. All would be magnified under 100 per cent retention.

29. The DCLG and Local Government Association Business Rates Retention Steering Group is approaching implementation in a similar way:

In delivering 100 per cent rates retention, we will need to look again at the critical issues and decisions taken in setting up the 50 per cent rates retention system. It may be that the answers that were appropriate when local government retained 50 per cent of the business rates and still received significant sums of Revenue Support Grant are no longer the same.

Moreover, the move to 100 per cent rates retention provides an opportunity to look again at the existing design parameters in the light of the experience of the operation of the scheme in the three years since 2013–14.

30. Chapter five reviews the likely impact of the reformed system, its set up and operation, and, in doing so, will look in detail at how the issues outlined above may pose challenges. The next chapter will look at the evidence we received about appeals which appear to be severely undermining the current system and, unless resolved, will continue to impact on the reformed system.

42 Q52
43 Q2
44 Q2
45 Qq2-4
46 See, for example, District Councils Network (BUR18) para 3 and Leeds City Council (BUR12) para 2.1.7
47 Local Government Association, Business Rates Retention Steering Group paper: Design of the retention system, April 2016
4 Appeals

31. Although reform of the appeals system is already underway, we received substantial evidence on the impact on authorities’ business rate revenue of ratepayers appealing against their business rates bills; it was often the very first issue raised in the written submissions and oral evidence.48 Once an appeal is launched, a council must set aside a sum of money in case it is successful, which means that, in aggregate, often substantial amounts are unavailable for long periods of time. Appeals were a “massive problem”,49 had a “significant adverse financial impact”,50 were “huge but repeatedly ignored by DCLG” and “unfair and completely outside the control of councils”51 and were the “most unsatisfactory aspect of the present system”52 and the “most significant area where reform is required”.53

32. Under the current system, authorities are responsible for 50 per cent of the value of appeals and thus bear 50 per cent of the risk, including of those started before April 2013 which date back to revaluations carried out in 2005 and 2010. There was concern among those giving evidence that councils would bear 100 per cent of the risk under the reformed system.54 Boston Borough Council observed that, before April 2013, “such losses would have been borne by the Government’s National Non-Domestic Rates Pool and the impact spread out nationally”.55 It is notable that, apart from the safety net, there is no way of protecting authorities from reductions in rate revenue caused by appeals or compensating them for their losses.

33. In summing up his authority’s situation, Dennis Napier, Assistant Head of Financial Resources at Sunderland City Council, defined the issue for us:

We in Sunderland have roughly 1,429 appeals still outstanding. We have settled 295 and 183 came in this year. The value of these appeals, if successful, is over £11.3 million. That just gives you an idea of the context and the scale of things that are beyond the local authority’s control. Out of that £11 million, we have about £3 million ongoing. If you take the backdated figures out, that would be another cost of £3 million moving forward.56

34. For many councils, a significant proportion of their rateable value is under appeal; for example, 33 per cent in Sheffield57 and 40 per cent and 34 per cent respectively in the City of London and in Westminster.58 Paul Dransfield, Strategic Director of Major Programmes at Birmingham City Council, said that “Going forward, we have to provide forty-something million pounds’ worth of dampening down per annum to provide for successful appeals”.59 If the appeal is successful, councils are liable to repay substantial amounts to businesses.

48 See, for example, City of London Corporation (BUR57) para 2 and Boston Borough Council (BUR13) para 5
49 LGSS (BUR11) para 4
50 Boston Borough Council (BUR13) para 5
51 Gateshead Council (BUR34) para 4.2
52 City of London Corporation (BUR57) para 2
53 Greater London Authority (BUR43)
54 LGSS (BUR11) para 4; Stockton-on-Tees Borough Council (BUR51); Sunderland City Council (BUR29)
55 Boston Borough Council (BUR13) para 5
56 Q87
57 Sheffield City Region (BUR23) para 28
58 Greater London Authority (BUR43)
59 Q110
35. We heard that, for a range of reasons, appeals inject volatility and uncertainty into the business rate retention system. Sheffield City Region said that the “volatility” of the appeals process “makes it difficult to accurately predict the level of income that will be generated” and the City of London Corporation said, due partly to the “length and complexity” of the appeals process, appeal losses were “inherently difficult to predict”. R3 Intelligence, a research consultancy based at Northumbria University which monitors and simulates business rates retention, highlighted the “uncertainty, volatility, and turbulence” in the rating system itself, which they said made it difficult for councils to plan new functions and responsibilities. Decisions by the Valuation Office Agency (VOA) and courts to reduce rateable values, which then apply to similar types of property across the country, demonstrate this. Examples include Hartlepool power station: its rateable value was halved following a VOA review, leading to a drop in revenue for Hartlepool Borough Council of £3.9 million per year; and Virgin Media’s case which, if successful, could require around 60 local authorities to make substantial refunds of business rate revenue. Stockton-on-Tees Borough Council said that, as a result of Virgin Media’s appeal, they have had to identify £2.8 million to be set aside and almost £500,000 a year going forward which they say will have a “significant effect on the ability of the authority to deliver services at current levels”.

36. Authorities told us that growth in their business rate revenue was being outweighed or, in some cases “eradicated” by the impact of appeals. Cllr Tim Mitchell, Cabinet Member for Finance and Corporate Services at Westminster City Council, described the “conundrum that […], to date, under the present system since 2013–14 we have lost £220 million on appeals, but we have only gained £100 million in terms of growth”. Greater Manchester Combined Authority summed up the consequences of this for 100 per cent retention:

It is already clear that the fluctuations in revenue caused by the appeals process are so large that they are likely to swamp growth incentives. Unless […] addressed, there is a significant risk that the Government’s reforms will fail to meet their productivity and growth objectives.

37. The Enterprise Act 2016 introduced a new appeals system, aimed at reducing the number of long-term appeals in the system and discouraging speculative appeals, which goes live on 1 April 2017. The City of London Corporation said that, although this had addressed some of the “wider concerns” about the appeals process, local authorities...
needed to play a more active part in the process, given their “direct stake in the outcome of appeals”. The Greater London Authority welcomed the reforms but called for urgent action to reduce the existing backlog of appeals both in London and the rest of the country.

38. We were interested to hear that appeals will be dealt with separately under the additional business rate retention pilots in Greater Manchester and Cambridgeshire and anticipate that this approach is considered for the reformed system. We received a range of suggestions for tackling the impact of appeals on councils’ rates revenue and growth incentives. These included:

- Taking account of appeal losses via adjustments to top ups and tariffs;
- Dealing with appeals outside the business rates retention system and funding them separately, for example using the central list;
- Using the central list to fund repayments to businesses resulting from appeals prior to 2013, or for such costs to be funded by central government;
- Averaging out the value of appeals across the country, and
- More frequent revaluations, which would reduce the scope for businesses to appeal.

**Issues for consideration:**

- There was a substantial amount of evidence on the impact of appeals, which represent a significant concern for some authorities, dwarfing growth in the tax base and affecting incentives, and injecting volatility into the system.

- *Appeals pose a major challenge to 100 per cent retention and it is essential that the issue is resolved before 2020.*

- *The Government and local authorities should together explore the suggestions in paragraph 38 as to how appeals could be better tackled.*

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69 City of London Corporation (BUR57) para 7. See also Birmingham City Council (BUR27) para 3.9.2
70 Greater London Authority (BUR43)
71 Qq92, 200
72 City of London Corporation (BUR57) para 5
73 LGSS (BUR13) para 4, Q63 [Andy Hall], Q87 [Dennis Napier]
74 Newcastle City Council (BUR26)
75 Local Government Association (BUR14) para 5.1.5
76 Q45
77 Qq64, 140
5 The reformed system: 100 per cent retention dissected

Long-term challenges

39. We believe that the reform is a real opportunity for local government, but one which the evidence shows creates challenges, both short- and long-term, that need to be addressed. This section discusses some of the long-term challenges.

Ending Revenue Support Grant

40. On 5 October 2015, the Chancellor made a commitment to phase out Revenue Support Grant (RSG). As explained in chapter three, this is the general grant currently paid from the ‘central share’ of business rate revenue to supplement local authority revenue. Since 2010–11, the Government has been implementing reductions to local government funding by reducing RSG. Sheffield City Region said “the combination of annual budget setting requirements, unprecedented cuts and annual settlement announcements ensure that business rates may prove to be less volatile than the existing grant regime”. However, this view was not widely held. Andy Hall, Business Rates Assurance Manager at Boston Borough Council, said that business rates are “volatile on a daily basis, unlike RSG”. Birmingham City Council said:

It should be recognised that the Government may need to allocate further resources into the system to reflect demographic changes which have increased at a faster rate than business rates income nationally.

41. David Phillips, Senior Research Economist at the Institute for Fiscal Studies, also thought that authorities experiencing high increases in demand for services might need to have “a system of grant funding as a backstop”. Simon Parker, the Director of the New Local Government Network, said that grant funding was “inevitable” and that:

You get to 2020 and you look at where local government funding will be by then. Councils are going to be pretty threadbare places, and the business rate and council tax will not meet the full range of local need. The idea that we have permanently said goodbye to central grants is not credible. One way or another, it will come back in. It will have to.

Newark and Sherwood District Council asked “What happens with sudden changes in need (such as the influx of migrants in Kent, or flooding), a mechanism needs to be in place to deal with this—would central government still provide funds or would this be part...”
of the 100 per cent retention?”. They went on to suggest that authorities could put in place “a mechanism of set asides […] for such events”. Sean Nolan, Senior Local Government Advisor at CIPFA, was sceptical that separate funding would be forthcoming from the Government: “They will say, “Sector, we want you to come up with a solution yourself””. We also note that the Government has made clear that local government will be required to take on new responsibilities in return for additional funding.

Issues for consideration:

- Without Revenue Support Grant, there is no obvious way to shift resources in immediate response to councils affected differently by sudden increases in need, for example immigration, and environmental challenges, such as flooding.

- The reformed arrangements will need to be supported by a system of grants which local government itself may need to devise, as any additional funding from the Government would be accompanied by further devolution of responsibilities. A grant could provide a means of equalising resources between authorities without undermining incentives.

**Business rate revenue versus need**

42. Sean Nolan of CIPFA assessed councils’ likely reaction to the reforms:

> If you are a resourced council, you have a higher tax base and you are looking forward to the prospects of growth, you generally welcome the idea of retention. If you are a high-need council, despite your efforts—it may be to do with history and geography—you may be a bit fretful with the prospect of 100 per cent business rate retention because you are nervous about the amount of money you will be able to retain and grow.

The evidence we received confirmed this: for example, Birmingham City Council said that, based on their current funding levels, they would not be able to provide the services their residents required. Essex County Council foresaw a “potentially toxic combination of growing complex demand and rapidly shrinking revenue” due to the fact that, by 2020, they will have significantly more people aged over 85 than comparable areas. They were “concerned that the Government expects business rates to fund demand-led services despite the fact that demographic growth will likely far outstrip growth in business rates over a given period”. We analysed the relationship between population growth and business rate revenue. The graph below, which plots their modelled figures for budget growth from business rates in 2015 against population growth and population growth in the over-65s, quite clearly shows that there is little or no correlation.

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85 Newark and Sherwood District Council (BUR38) para 3
86 Q157
87 Q122
88 Birmingham City Council (BUR27) para 2.3
89 Essex County Council (BUR19) para 9
90 Essex County Council (BUR19) para 10
43. Authorities wanted reassurance that equalisation and redistribution would feature in the reformed system, even though the Government had already indicated that this would be the case. Dennis Napier, Assistant Head of Financial Resources at Sunderland City Council, said:

   One of the asks we have is to ensure that there is fairness in distribution of business rates and that they take into account need to spend, because those with a low tax base, like Sunderland, would suffer disproportionately.

The economic and financial context in which the changes are taking place compounds authorities’ concerns: as one of our witnesses pointed out, the reforms are being introduced “at a time when local government finance is under immense pressure”.

**Issues for consideration:**

- There is likely to be little or no correlation between changes in business rate revenue and changes in local authority needs.

- Until the Government confirms how equalisation will operate, councils understandably fear that they will lose out in the reformed system, either at the point of reform or in the longer-term.

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91 See, for example, Sheffield City Region (BUR23) paras 21-23; Birmingham City Council (BUR27) para 2.3; Essex County Council (BUR19) para 23; Greater London Authority (BUR43); Greater Manchester Combined Authority (BUR55); Stockton-on-Tees Borough Council (BUR51)

92 HC Deb, 12 October 2015, col 221WS [Commons written ministerial statement]

93 Q51

94 Q122
Divergence in revenue

44. In order to understand what the impact of the reforms on councils’ budgets might be, we looked at what would have happened had councils retained 100 per cent of their business rates in the past. By looking at how business rates have changed in each authority over the last six years and comparing the change to the authority’s budget, we were able to see what the effect of 100 per cent retention might have been in 2015–16, if it had started in 2010.

Figure 3: Gain/loss in 2015 as a share of budget, if 100 per cent retention had started in 2010, without levies and safety net

The graph above shows that, in some cases, the divergence in revenue could be substantial. 58 per cent of authorities would have seen a variation of no more than five per cent of their net revenue budget, either up or down, if a 100 per cent retention period had run from 2010 to 2015, without levies and safety net. However, a significant minority of authorities would have gained or lost very large amounts of money. The effect ranges from a loss of 27 per cent of the budget in Harlow, to a gain of 80 per cent of the budget in Bassetlaw. In the current system, the levy and safety net reduce this kind of variation, but the Government has not yet confirmed whether they will form part of the reformed system. Under 100 per cent retention, mechanisms to reduce divergence in resources between authorities, such as top ups and tariffs and the safety net will be even more necessary and significant and ensure the delivery of key public services.

Issues for consideration:

- Under 100 per cent retention, divergence in business rate revenue between authorities could be substantial. Mechanisms to reduce this divergence, such as top ups and tariffs, the safety net or similar measures, will be even more necessary and significant and be needed to ensure the delivery of key public services.
Setting up the system

45. The evidence on the current system revealed a number of short-term issues which need to be taken into account in the design and set up of the new system.

Needs assessment

46. In the current system, top ups and tariffs effectively redistribute business rate revenue between authorities; the amounts of which were calculated at the outset, based on the Revenue Support Grant previously received, remaining fixed until the reset in 2020. The needs assessment is therefore critical to councils which, understandably, want the introduction of 100 per cent retention to be accompanied by a reassessment of needs. Sharon Gregory, Group Accountant for Cambridgeshire and Northamptonshire County Councils, said that, as it stands, “the needs assessment formula, which is the fundamental basis for the business rates system, does not keep pace with growth of local authorities”. She wanted “more relevant and timely data used within any distribution mechanism, with less ministerial judgment and more empirical data, and smoothing of cliff edges” and “a less complicated and more transparent system”.

47. During the inquiry, the Secretary of State made a commitment to revising the underlying assessment of needs and to “go back to the drawing board to look at the needs and resources available to each county”. This is welcome, as long as the task is tackled in collaboration with local government and with input from an independent body. We endorse the recommendation of our predecessor committee that the process be “informed by the advice of an independent body, with responsibility for the assessment of needs and resources and the determination of apportionment between local authorities”. We also intend to contribute to this work ourselves in due course, including commissioning research. In the meantime, the Government should set out the timescales for this work and state whether the revised needs assessment will be used to set up the new system in 2020. It will also need to explain how and when the inevitable changes in resources distribution will be brought into effect.

Issues for consideration:

- **Revising the underlying assessment of needs should be tackled in collaboration with local government, with input from an independent body.**

- **The Government should set out timescales for this work and confirm as soon as possible whether needs will be reassessed in time for the start of 100 per cent retention in 2020. It will also need to explain how and when the inevitable changes in resources distribution will be brought into effect.**

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95 See, for example, Greater Manchester Combined Authority (BUR55); Knowsley Council (BUR37) para 2(c); Sheffield City Region (BUR23) para 26 and County Councils Network (BUR60) para 15.
96 Q94
97 Q97
98 HC Deb, 12 October 2015, col 221WS [Commons written ministerial statement]
Top ups and tariffs

48. The Spending Review and Autumn Statement in November 2015 confirmed that top ups and tariffs would be retained in the reformed system.\(^{100}\) The evidence we received supported this decision: Sean Nolan of CIPFA said it would seem “logical”\(^ {101}\) to retain top ups and tariffs, and David Magor, Chief Executive of the Institute of Revenues Rating and Valuation, said that they “work surprisingly well”\(^ {102}\) and did not therefore feel they should change. We agree, believing that it is sensible to continue with a tried and tested mechanism and help maintain stability.

49. However, top ups and tariffs may need to be adjusted to suit the demands of the reformed system. The Industrial Communities Alliance said that phasing out Revenue Support Grant means “the system of top ups and tariffs takes on paramount importance” and, if not structured appropriately, it would “seriously and systematically disadvantage local authorities in England’s older industrial areas”.\(^ {103}\) Paul Dransfield, Strategic Director for Major Programmes at Birmingham City Council, said that he would like the top up to “relate more to need” and suggested assessing it against need “as opposed to it just being a figure that is calculated”.\(^ {104}\) The County Councils Network said that “the top up system […] must adequately reflect the role played by the county council in two tier areas”.\(^ {105}\)

Issues for consideration:

- The evidence supported the Government’s decision that top ups and tariffs should continue in the reformed system.

- The consultation should gather views on whether adjustments are needed to the way in which top up and tariffs operate.

Regional redistribution

50. ‘Regional’ or ‘subnational’ redistribution, whereby redistribution takes place across a group of authorities rather than nationally, was a popular proposal\(^ {106}\) and one which fits in with the context of combined authorities and devolution deals. Essex County Council said that redistribution should “reflect economic linkages across local authority boundaries”\(^ {107}\) and Newark and Sherwood District Council said it should take place across a “minimum number of authorities”.\(^ {108}\) In their interim report, the Independent Commission on Local Government Finance said that regional redistribution would be “more transparent” and would “encourage strategic working between authorities”.\(^ {109}\) They suggested it could work in the following way:

First, there would be equalisation within a unit such as a combined authority, for example Greater Manchester. There would then be equalisation between

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\(^{100}\) HM Treasury, *Spending Review and Autumn Statement*, November 2015, p58

\(^{101}\) Q132

\(^{102}\) Q132

\(^{103}\) Industrial Communities Alliance (BUR49)

\(^{104}\) Q97

\(^{105}\) County Councils Network (BUR60), para 16

\(^{106}\) See, for example, Local Government Association (BUR14) para 7.2; New Local Government Network (BUR22) para 5

\(^{107}\) Essex County Council (BUR19) para 24

\(^{108}\) Newark and Sherwood District Council (BUR38) para 4

\(^{109}\) Independent Commission on Local Government Finance, *Public money, local choices* (October 2014), p19
areas. There is less disparity in wealth between the different parts of the country than is often assumed. On the 2018–19 projections, self-sufficiency would require 247 councils to ‘top up’ 106 councils. Most of this could be managed through transfers between councils in the same area.\textsuperscript{110}

51. We are less certain. The heatmap below shows, for 2015–16, the local tax (council tax and 100 per cent of business rates) surplus and deficit as a percentage of net revenue expenditure across the nine English regions.

Figure 4: Local tax surplus/deficit as % of net revenue expenditure (2015/16)

The regions shaded in green overall collect more in council tax and business rates than they spend and the regions shaded in red, which predominate, spend more overall than they collect in council tax and business rates. Although regional redistribution may well take place over a smaller geographical area, we think this map raises questions about whether a regionalised distribution system would work.

\textsuperscript{110} Independent Commission on Local Government Finance, \textit{Public money, local choices} (October 2014), p18
Issues for consideration:

- Regional redistribution fits in with wider Government policy on combined authorities and devolution deals, however the Government and local authorities should explore together the feasibility of this approach, which we suggest should include commissioning research.

The share of business rates in two-tier authorities

52. David Phillips of the Institute for Fiscal Studies suggested that the shares of business rate revenue retained by districts and counties in two-tier areas might need consideration.\textsuperscript{111} He said that the current split requires “big flows [of money] between districts and counties” to ensure counties do not lose out.\textsuperscript{112} We heard that the current shares do not properly reflect the distribution of responsibilities.\textsuperscript{113} Sharon Gregory from Cambridgeshire and Northamptonshire County Councils, said:

The split in two-tier areas is not appropriate and does not reflect the distribution of responsibility for authorities in two-tier areas. County councils pay a vital role in delivering growth. The growth could not happen without the infrastructure that we provide. We also incur the vast majority of the ongoing costs of that growth, particularly social care. We would like to see that addressed as a matter of urgency, to have a better split within the two-tier areas to represent where the true costs lie within each tier.\textsuperscript{114}

LGSS, which provides shared services for the same councils, said that the fact that county councils receive only a small proportion of business rate revenue diminished their incentives to encourage growth.\textsuperscript{115}

53. District councils, unsurprisingly, disagreed. Andy Hall of Boston Borough Council said:

If we are talking about the growth in business rates and how that should be split up, from Boston, our starting point is that 100 per cent should be retained by the district council. After all, the district council expenditure is much more likely to be closely linked geographically to the businesses that are contributing to that increased rate yield.\textsuperscript{116}

He went on to suggest that an individual approach based on an authority’s needs would be preferable to a single percentage split across the country.

Issues for consideration:

- There was substantial evidence that the shares of business rate revenue retained by districts and county councils in two tier areas do not properly reflect the distribution of responsibilities between them.

\textsuperscript{111} Q3
\textsuperscript{112} Q3
\textsuperscript{113} Districts and counties respectively receive 80 and 20 per cent of the local share of business rates.
\textsuperscript{114} Q95. See also County Councils Network (BUR60) para 24
\textsuperscript{115} LGSS (BUR11) para 1
\textsuperscript{116} Q58
• Counties said that the current apportionment did not reflect their responsibilities for providing demand-led services or services which are linked to economic growth, such as transport, housing, schools, and gave them little incentive to promote growth.

• The Government and local authorities should explore together how the shares should be adjusted, including whether an approach based on an authority’s needs would be fairer.

• The shares must reflect whether authorities have taken on new responsibilities in return for additional business rate revenue, and which authority has taken them on.

Running and managing the new system, and achieving growth

54. Evidence on the current system also revealed a number of existing issues which will have to be taken into account in the design and set up of the new system.

Risk and volatility

55. The evidence highlighted the volatility of revenue from business rates. The District Councils Network explained why this was the case:

Typically a tax base is made up of a large number of payees contributing a sum which does not range too widely. The business rates tax base is the exact opposite. A few very large payees can account for a massively disproportionate part of the tax take.

To illustrate this point a district tagged “the most typical town in England” has more than one-third of its business rates income paid by less than 0.5 per cent of its taxpayers.\(^{117}\)

56. Various factors, including business closures, appeals and changes to the health of the local and national economy, can cause reductions in business rate revenue. Sharon Gregory said that Cambridgeshire and Northamptonshire County Councils “have some very big businesses that represent a large proportion of the business rates base, and there are significant risks around those businesses leaving or failing”.\(^{118}\) Cannock Chase Council submitted evidence to us on learning that one of their major businesses, Rugeley Power Station, which represents nearly nine per cent of their business rates, will close later this year.\(^{119}\) David Phillips of the Institute for Fiscal Studies pointed out the further risk that eventually the space vacated by closing businesses “becomes redundant and is demolished” and therefore lost as a potential source of revenue.\(^{120}\) He believed that business rates expose local authorities in terms of risk to “the long-term process of economic and structural change”.\(^{121}\) Newark and Sherwood District Council pointed out the risk for authorities of the economy moving into recession:

117 District Councils Network (BUR18), para 3
118 Q91
119 Cannock Chase Council (BUR61)
120 Q10
121 Q10
If businesses collapse, this is a double whammy for authorities and for central government. Income drops—from both business rates and corporation tax; the benefits bill increases. Where will the extra money come from?122

57. Authorities also identified changes in Government policy as a source of risk. Sheffield City Region called on the Government to consider “the impact of national ratings policy decisions on local business rates and, therefore, local finances”.123 The examples they gave included the mandatory charitable rate relief offered to academies and, if their court case is successful, NHS Trusts, and the reduction in rateable value of GP surgeries (see also paragraph 76).124

The safety net and levies

58. At present, the safety net protects councils from disproportionate losses of business rate revenue. The Government has not yet said whether it will feature in the reformed system. The City of London Corporation said that, although it was unlikely to need such protection, the safety net should be retained in case authorities “suffer significant falls in their rating income as a result of events outside their control”.125 Witnesses were often critical of the way in which the safety net operated. Stockton-on-Tees Borough Council said:

The safety net is set too low, with local authorities being required to accommodate very significant reductions in income before triggering [it]. Based on the current system Stockton would need to lose approximately £5 million in one year before [it] is activated.126

Similarly, Dennis Napier of Sunderland City Council said that his council would have to incur “quite a significant drop in business rates” to fall within the safety net.127 Cannock Chase Council had a different concern: they said that if they had not achieved growth, they would have fallen within the safety net after the closure of Rugeley Power Station worth nearly 9 per cent of their business rates. They described having been “penalised for achieving the required growth.”128

59. At the time of the Chancellor’s announcement, it was reported that the levy would be abolished.129 This has not yet been confirmed by the Government. If this is the case, the Government needs to consider how the safety net, or the mechanism that replaces it, will be funded. The money could be found from within the system, as is currently the case with levies, or be funded by central government. However, the Government has made it clear that local government will be required to take on new responsibilities in return for additional funding. Sean Nolan of CIPFA suggested that the alternative was that local government itself would have to:

122 Newark and Sherwood District Council (BUR38) para 3
123 Sheffield City Region (BUR23) para 40
124 Sheffield City Region (BUR23) para 41
125 City of London Corporation (BUR57) para 11
126 Stockton-on-Tees Borough Council (BUR51)
127 OSR
128 Cannock Chase Council (BUR61)
129 “Osborne scraps core grant and allows councils to keep business rates”, Public Finance, 5 October 2015
Put pots in place—i.e., that suspiciously looks, walks and talks like a levy and it looks, talks and walks like a safety net but it may just be called something else. Without it, I do not see how you could have stability in the system which is 100 per cent devolved retention of business rates.\textsuperscript{130}

Earlier on in the session, he suggested local authorities would “have to self-insure […] By insure, I mean just putting money on a deposit and having it there to help.”\textsuperscript{131}

60. To cope with potential falls in business rate revenue, Birmingham City Council said there was “a strong case for local authorities increasing their reserves in order to build greater resilience into their finances”.\textsuperscript{132} We appreciate that, in the case where the risks in the tax base are being passed fully to local government, this may be necessary.

**Issues for consideration:**

- The evidence highlighted the potential volatility of revenue from business rates from appeals, business closures, the health of the local and national economy, and even the Government’s own policy decisions: this demonstrates the need for a safety net or similar mechanism.

- The Government and the sector need to consider how to protect authorities from the high volatility of business rate revenue, which could be by means of:
  - Continuing use of the safety net, or similar mechanism, taking into account the concerns we heard that in the current system the safety net was set too low and might distort growth incentives; or
  - A local government-led arrangement which insured authorities against changes in income.

- If the levy is to be abolished, consideration should also to be given to how the protection mechanism will be funded, as the Government has made it clear that local government will be required to take on new responsibilities in return for additional central government funding.

- To help protect themselves against risk, it may be prudent for authorities to increase their reserves.

**Resets**

61. At a reset\textsuperscript{133} local authorities’ needs will be reassessed and their funding adjusted accordingly. It will therefore be a significant event. The time between resets, which in the current system is ten years, is also important. The period needs to be long enough for authorities to gain from the growth in their rate revenue, thereby strengthening growth incentives, but not so long that authorities experiencing changes in their funding needs lose out. Sean Nolan of CIPFA described the situation in the following way:

\textsuperscript{130}Q133  
\textsuperscript{131}Q126  
\textsuperscript{132}Birmingham City Council (BUR27) para 3.4.4  
\textsuperscript{133}Due in 2020 under the current system.
You do need that incentive. If people thought you were going to reset it every four years, in local authority terms, from my days there, that is quite a short time frame. That really would get in the way of your enthusiasm. Equally, if you are on the front end of major population changes, and we can allude to those, or you are on the front end of major economic shocks [...] you are going to feel massively vulnerable.  

62. The financial benefits of growth are lost when the system is reset and this was thought to act as a disincentive to develop in the run up to a reset. Andy Hall of Boston Borough Council said it could “drive some quite strange behaviours” and that “If [...] something big was coming along close to a reset period, we would not necessarily want to see that go through”. Dennis Napier of Sunderland City Council also said that “there is this false economy that, if you have something in year nine, you might delay that as a tactical issue”. However, Cllr Claire Kober, the Chair of the Local Government Association’s Resources Panel and Leader of the London Borough of Haringey, thought this was a “marginal issue”, saying “most of us work in longer planning cycles”.  

63. When asked about the length of the reset period, most witnesses said it was slightly too long. To counteract any impact on growth incentives, Andy Hall suggested a “rolling reset period, whereby growth is guaranteed to the authority for ten years, whether it was in year one, two, eight or nine”. He continued: “There could be a methodology for tracking that growth, so that something that came along in year nine was not lost after the reset period in year ten, so we got it for another eight or nine years”. Dennis Napier of Sunderland City Council suggested a mini reset when revaluations are carried out and Paul Dransfield of Birmingham City Council suggested an “intelligent reset” that was not based purely on growth and “takes account of leaving people with that incentive to grow”.  

64. The other consideration to be taken into account was highlighted by Sheffield City Region which said that, in determining the reset period, the Government must balance incentives with “establishing a strong redistributive foundation to the business rate model”. The County Councils Network also emphasised the needs and redistribution element and called for a regular, rolling reset:  

There should be some form of mechanism which guards against too much divergence in budgets over time, and which ensures continuing reappraisal of need. That could for example be achieved through a regular reset. We would argue that unlike the current system this should be moved to a rolling basis so that there are no perverse incentives or step-changes in rates.
Issues for consideration:

- Our witnesses believed on balance that the current ten year reset period was slightly too long and we heard that it may act to distort the growth incentives which drive the system.

- A study should be carried out to consider how the reset could be adjusted to reduce its impact on growth incentives while taking into account authorities’ changing needs: this should also explore the viability of alternative approaches, such as a ‘rolling’ or ‘intelligent’ reset, which would take growth into account.

Revaluations

65. The current system is affected by business property revaluations, normally undertaken every five years by the Valuation Office Agency. The revaluation is based on rental values two years before the revaluation. The most recent valuation came into effect in April 2010. In 2012, the Government announced that the revaluation due in 2015 would be delayed until 2017, in order to “protect local firms and local shops from sharp changes in business rates bills at a time when we want to ensure the economy is growing”.  

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66. In the 2016 Budget, the Government said it will “aim to introduce more frequent business rate revaluations (at least every three years)” and a consultation paper outlining options for this has since been published. The Centre for Cities said that the current five-yearly revaluations “create major shocks to the business rates system for both local government as a revenue stream, and for businesses as ratepayers”. They continued:

[It] also means that businesses are paying rates based on out of-date valuations, which penalises businesses in struggling economies and subsidises businesses in thriving economies. In areas where economic growth has been relatively strong since the recession (and rents have risen), businesses are paying less than they should, based on outdated valuations. By the same logic, in places that have seen rents decrease in the past five years, businesses are paying more than they should.

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67. The evidence we received from the business sector as a whole supported more frequent revaluations. The manufacturing sector, however, preferred long revaluation periods to enable them to plan and invest with greater certainty. The evidence from local government was mixed. The Local Government Association was concerned that more frequent revaluations could result in a large number of appeals and therefore increased volatility and uncertainty and Sheffield City Region was also cautious, wanting to “understand whether [it] would reduce the volume of appeals, and consequently the risks to local government finances”. In contrast, Andy Hall of Boston Borough Council and

145 HC Deb, 12 November 2012, col 3WS [Commons written ministerial statement]
146 HM Treasury, Budget 2016, March 2016, p46
147 HM Treasury, Business rates: Delivering more frequent revaluations, March 2016
148 Centre for Cities (BUR24) para 3
149 Centre for Cities (BUR24) para 3
150 See, for example, the British Chambers of Commerce (BUR35); the Booksellers Association (BUR04) para 3.14; British Retail Consortium (BUR20); Federation of Small Businesses (BUR56) para 30
151 Q183
152 Local Government Association (BUR14) para 5.1.3
153 Sheffield City Region (BUR23) para 39
Sharon Gregory of Cambridgeshire and Northamptonshire County Councils thought that more frequent revaluations would, over time, spread out the impact of appeals, and the Institute of Revenues Rating and Valuation said that this would help to achieve “sustainability and fairness”.

**Issues for consideration:**

- The evidence generally supported more frequent revaluations, in line with the Government’s announcement, but there was no consensus as to how often they should take place.

**Limits to growth**

68. Under the new system, the ability of authorities to generate and sustain growth will be crucial. However, some authorities were not confident in their abilities to do this. Andy Hall of Boston Borough Council said:

> I do not think that local authorities are in a position to drive the growth in the way that you might think from how the announcement has been framed. If we are going to get the growth, we are going to get it. Some areas will not be able to attract that growth. They do not have the infrastructure in place. Perhaps regionally there will be growth, but there will be pockets of deprivation.

69. For some authorities, certain area characteristics, which were unlikely to change, limited their business rate revenue. Boston Borough Council said that, because their dominant industries were agriculture and horticulture, which are exempt from rates, growth would not lead to an increase in business rate revenue. “To remove any inequities”, LGSS called for a review of businesses and properties not currently liable for business rates, giving the examples of religious buildings, farm buildings, farmland and railways. Dennis Napier of Sunderland City Council said that manufacturing businesses which predominate in his authority attracted lower business rates than retail and that:

> Where we can grow the business—and I might add that the growth of manufacturing businesses is in line with Government policy—we are not seeing the benefit of that growth in our area, because of the makeup of our business rates structure.

He also said that deprivation and competition from other commercial centres nearby, such as Newcastle and Gateshead, limited Sunderland’s growth. He illustrated his authority’s predicament in the following way:

> Sunderland can raise £90 million in business rates. The amount per head of population is £324.72. Newcastle can generate £153 million worth of business rates. That is £531 per head, which is the third highest in the country. Gateshead, which has a much lower population than Sunderland, can generate £95 million...
worth of income, at £476.11 per head. There are not only regional variations; there are also local variations within that system. That is what makes things so difficult with the new system.\textsuperscript{160}

70. A further limit on the amount of rates local government could collect was introduced during the inquiry: the 2016 Budget announced changes to Small Business Rates Relief from April 2017 to exempt all properties under £12,000 from paying business rates.\textsuperscript{161} We will consider this in further detail at paragraphs 79 to 82.

Issues for consideration:

- Some authorities were not certain that they would be able to drive and generate growth, as a result of area characteristics which limited business rate revenue: such as the type of predominant business, the level of deprivation or the proximity to established commercial centres.

- 100 per cent retention must work in a way that ensures that areas with limited ability to generate growth in business rate revenue do not lose out.

Generating growth

71. Growth resulting from improvements to existing buildings is in practice largely removed in the revaluation process and redistributed, and therefore not retained locally. The current system operates in such a way that growth in business rates can only be generated by constructing new buildings or increasing net floor space. David Phillips of the Institute for Fiscal Studies said “The main thing with this system is that it is about attracting new development […] because that is the only revenue [local authorities] get to keep”.\textsuperscript{162} R3 Intelligence, which has undertaken research on the impact of this, said:

Since the announcements there has been a great deal of furore in relation to rich and poor locations and the relative ability to exploit [the Scheme]. Yet, we argue that this ability is not only defined by a location’s relative wealth, although this is important, it is also determined by the ability to generate new floor space construction in order to expand local business rate portfolios. This ability is in large part fuelled by the availability of development land and the financial conditions that determine viable economic development.\textsuperscript{163}

72. Depending on the extent to which areas possessed these characteristics, R3 Intelligence categorised them as “premium”, “stranded” or “redundant”. Contrary to what might be expected, in their assessment, Westminster was a “stranded location”. The evidence we heard from Cllr Tim Mitchell, Cabinet Member for Finance and Corporate Services at Westminster City Council, supported this:

The new arrangements give an incentive for floor space growth, but self-evidently in a city centre environment there is very limited floor space growth. We argue that there should be an incentive for rateable value growth which we […] would particularly benefit from.\textsuperscript{164}
According to R3 Intelligence, “redundant” locations are characterised by their “depressed rental values and low levels of occupier demand” and are “typically situated in the North and Midlands”.165

73. The Centre for Cities identified another drawback to linking business rates to growth in floor space, saying that it “rewards space-hungry, often edge or out of town development which can be to the detriment of town and city centres”.166 The New Local Government Network said it “incentivises large developments in low wage sectors, such as retail” rather than those which “occupy less floor space but create higher wage jobs and contribute to a dynamic and resilient local economy”.167

74. The Centre for Cities also pointed out that the current approach does not reward authorities for supporting “business and public investment, and economic growth, which does not increase net rateable floor space”.168 In other words, because local authorities do not benefit directly from growth resulting from improvements to existing buildings, they have little incentive to improve the local area.

Issues for consideration:

- Currently, growth in business rates can only be generated by constructing new buildings or increasing net floor space: growth resulting from improvements to existing buildings is mostly removed in the revaluation process and redistributed, and therefore not retained locally.

- The Government and the sector should consider:
  - What effect these constraints have on incentives to improve premises and invest in the local area, which would benefit the local economy.
  - How heavily-developed urban areas which do not have the space to accommodate new development can grow their rates.
  - How areas where rents are low and there is little demand for new property development can grow their rates.
  - Whether large out of town developments are encouraged to the detriment of town and city centres.

The tax base

75. The evidence has revealed various factors which decrease the tax base and weaken incentives and we suggest consideration is given to how their impact can be reduced.

The impact of Government decisions

76. Sheffield City Region said that the Government “must consider the implications of national policy decisions on fully localised business rates as the financial implications
of such decisions and level of risk likely to be carried by local authorities is significant”.

Academisation was one such decision which they described as having “profound implications” for local finances and had led in Sheffield to a loss in income of £13.4 million since 2006. David Magor of the Institute of Revenues Rating and Valuation said that the decision was made “without any thought to the impact on local government finances”.

The revaluation of GP surgeries and, if made, the award of mandatory charitable relief to NHS Trusts were given as further examples.

Plant and machinery

Currently, plant and machinery are subject to business rates. EEF, which represents manufacturers, said that this was “a disincentive for businesses to invest”. Although removing plant and machinery from business rates would reduce revenue, David Phillips of the Institute for Fiscal Studies thought that this could, on balance, be beneficial:

Maybe one way to get more growth would be to remove some plant and machinery from the business rates. That will encourage growth. Of course, you are losing some revenue. If you need to, you can make that up by having a slightly higher tax on earning properties. There would be a trade-off there: you are making some people worse off to make others better off, but that would be better for growth.

Online businesses

There has been a recent increase in online businesses which, occupying premises with low rateable value or being home-based, pay low business rates in proportion to their turnover. Sean Nolan of CIPFA said that this was generating value that was “not easily caught by the current system”.

Authorities frequently expressed concern that they were losing out on revenue from such businesses. LGSS gave the following example:

An example is a sole trader based in Northampton who is a website designer and development consultant. He qualifies for full small business rate relief as he only occupies a small office within a business centre. He pays no business rates as a result. This person has a significantly higher turnover than a number of vehicle repair workshops in the town who pay in excess of £10,000 per annum to their billing authority.

The Institute of Revenues Rating and Valuation suggested that the problem should be dealt with by a “transaction tax […] operated by the retailer themselves as part of the selling process”.

169 Sheffield City Region (BUR23) para 42
170 Academies, unlike state schools, attract mandatory charitable rate relief.
171 Sheffield City Region (BUR23) para 41. See also LGSS (BUR11) para 3
172 Q123
173 Sheffield City Region (BUR23) para 41
174 EEF (BUR53) para 24
175 Q45
176 Q141
177 LGSS (BUR11) para 3. See also David Finch at Q54
178 IRRV (BUR47) para 45
Issues for consideration:

- To stabilise the tax base and strengthen incentives, the Government and the sector should consider:
  - Before implementation, routinely assessing the effects on business rate revenue of national policy decisions, such as on academy transfers.
  - Removing plant and machinery from business rates in order to encourage growth.
  - How to ensure that revenue from online businesses is captured by local government, for example by a transaction levy on internet retailers.

**Small Business Rate Relief and the move to the Consumer Price Index**

79. In the 2016 Budget, the Chancellor announced that the Government had “decided to cut the burden on ratepayers in England by £6.7 billion over the next five years, cutting business rates for all properties and ensuring that the smallest businesses pay no rates at all”.\(^{179}\) The following permanent changes to Small Business Rate Relief (SBRR) will be introduced as of 1 April 2017: properties with a rateable value of £12,000 or less will attract 100 per cent rates relief; properties with rateable values of £12,000 tapering to £15,000 will attract tapered relief; and properties with a rateable value between £15,000 and £51,000 will be subject to the small business multiplier. However, the Government also said that local government would be compensated for the loss of income resulting from these measures and that the impact would be considered as part of the summer consultation. In addition, the Government announced that, from 2020–21, the multiplier would be uprated by the Consumer Price Index (CPI), which is on average lower than the current Retail Prices Index (RPI) rate.\(^ {180}\)

80. As the announcements were made during our inquiry, we were able to ask authorities what they thought of them. The Mayor of Liverpool, Joe Anderson, was pessimistic about the impact the extension of SBRR would have on the financial state of the city region.\(^ {181}\) In contrast, Sir Edward Lister, Deputy Mayor of London, said that the Greater London Authority (GLA) was “very supportive” of the move as it had “real advantages to a lot of businesses, particularly those that were struggling”.\(^ {182}\) Richard Paver, the Treasurer of Greater Manchester Combined Authority, said that authorities had already faced an extension of SBRR in 2015–16\(^ {183}\) and that he thought that it would be a bigger issue for rural authorities with more small businesses than major urban authorities, like his own.\(^ {184}\) He did, however, raise the question of whether connected businesses would attract SBBR, saying:

> I use the example of Greggs shops, which probably have quite a small [rateable value] individually, but across the country it is enormous. I assume they will

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181 Q219
182 Q262
183 Q220
184 Q223
not get small business rates relief once you aggregate them up. It is not that all small properties will be exempted; it will depend on who is in there. It will become a moving feast at the individual authority level.\textsuperscript{185}

81. Witnesses were concerned about the move to CPI. Richard Paver of the Greater Manchester Combined Authority drew our attention to the fact that the figure given by the Treasury for the difference between income generated by the multiplier linked to CPI, rather than RPI, was for a single year: “The Government’s number in the Budget policy costings for 2021 was £370 million, so that is £370 million, then £740 million, then £1100 million—it is going to compound quite rapidly to big numbers at a national level”.\textsuperscript{186} Guy Ware, Director of Finance at London Councils, estimated that:

Over 10 years we would be raising £3.3 billion a year less than we would have been otherwise, and over 20 years—who knows what will happen to inflation rates, but on current projections—that would rise to over £9 billion a year. So, over 20 years, the cumulative loss to local government—or, looked at another way, the cumulative gain to businesses that are paying business rates—is £78 billion.\textsuperscript{187}

82. Despite the Government’s commitment to compensate local government for the measures announced in the Budget, witnesses were uncertain that compensation would be forthcoming. Previously, the Government has compensated authorities for changes to SBRR via a ‘section 31’ grant. Sir Edward Lister said that he was “not clear” about the compensation for the changes to SBRR and whether “there is going to be any compensation for the RPI/CPI change”.\textsuperscript{188} Richard Paver of the Greater Manchester Combined Authority said he assumed that, to make up for the difference, fewer functions would be devolved to local government.\textsuperscript{189} Guy Ware of London Councils said:

There are three bits to this. There are the changes to the tax base up to the point when 100 per cent retention comes in, arising from the small business reliefs, and, although it is not labelled as such, the numbers appear to suggest that there has been an increase in the local government DEL from 2017–18 that will fund the level of section 31 grant that will be needed to compensate local government collectively for that loss of business rates in the short term. We then get to implementation, at which point a lower quantum of services can be devolved to local government. Beyond that, I do not think there is any prospect whatever of the Government thinking that it is their job to compensate for a change between RPI and CPI indexation, and it simply becomes part of the negotiation about what may become affordable to local government in future, when that is the basis of its funding stream.\textsuperscript{190}
Issues for consideration:

- Reactions to the changes to Small Business Rates Relief (SBRR) were mixed: however, we believe that the Government and the sector should consider whether they will impact on authorities’ incentives to encourage growth in small businesses.

- The change to uprating the multiplier by the Consumer Price Index will reduce revenue and the compounded effect of this will become very significant over the coming years.

- Despite a commitment from the Government, there was uncertainty as to whether compensation for these changes would be forthcoming; the Government should confirm that this is the case and that, when devolving new responsibilities to local government, it will take into account the reduction in revenue resulting from these changes.

Other issues

The central list

83. The central list is made up of large network style properties, such as gas, water, electricity, railways and telecommunications. Business rate revenue collected from central list properties is retained by the Government. Witnesses criticised the list’s lack of transparency. There were frequent calls for the revenue from the central list to be distributed among authorities\(^{191}\) or used to fund the safety net\(^{192}\) or compensate authorities for the costs of appeals.\(^{193}\) Several councils said that “the accounting is opaque”\(^{194}\) and London Councils said that the basis for including properties on the central list was “unclear”.\(^{195}\) David Magor of the Institute of Revenues Rating and Valuation (IRRV) said:

> The central list is a mystery; no one knows what the central list is spent on. Is it the Chancellor’s central pot? The central list should be distributed to local government because it is part of rate income. There is no logical reason why the central list should continue in its present form.\(^{196}\)

84. LGSS said that that properties on the central list should revert to local authority control. To support their argument, they gave the example of railway stations, which authorities had often funded and developed, resulting in better buildings and increased passenger numbers, but from which they gained no direct benefit as the property was on the central list.\(^{197}\) Furthermore, SIGOMA said that authorities felt threatened by possible transfers of properties to the central list and the resulting decrease in their business rate revenue.\(^{198}\) The IRRV said that such transfers had resulted in “substantial reductions” in income for some authorities which had resulted in “critical financial chaos”.\(^{199}\)

\(^{191}\) See, for example, Andy Hall at Q85, Sharon Gregory at Q111, Newark and Sherwood District Council (BUR38) para 2; IRRV (BUR47) para 48
\(^{192}\) London Councils (BUR07) para 22
\(^{193}\) Q63 [Andy Hall]
\(^{194}\) Knowsley (BUR37); Sigoma (BUR32) para 5; Stockton-on-Tees (BUR51) para 16-17
\(^{195}\) London Councils (BUR07) para 22
\(^{196}\) Q125
\(^{197}\) LGSS (BUR11) para 3
\(^{198}\) SIGOMA (BUR32) para 5
\(^{199}\) IRRV (BUR47) para 48
Empty property rates

85. Owners of empty property are liable to pay full business rates, subject to any other reliefs they might be entitled to, from three months after the date on which the property became empty. R3 Intelligence said that empty property rates distorted authorities’ growth incentives as “they were not awarded with any additional income from attracting new businesses into vacant premises”. They suggested that empty property rates should be abolished or, alternatively, local authorities should be given the power to alter them. Dr Kevin Muldoon-Smith, Associate Lecturer and Researcher at Northumbria University, set out both sides of the argument:

I believe that the level of empty property rates should be reduced and then it is a local authority’s best interest to fill those empty properties with businesses for economic growth. [...] the problem is that, if you get rid of that maximum empty property rate value, it puts local authorities at risk in a recession when businesses go out of business.

David Phillips of the Institute for Fiscal Studies pointed out that empty property rates protect councils from landlords who keep properties empty on purpose in the hope that they will be able to find a tenant willing to pay a higher rent.

Community benefit agreements

86. Sedgemoor District Council sought clarification as to how its community benefit agreement, which permits it to retain 100 per cent of business rate revenue in return for supporting the development of Hinkley Point C, would be affected by the move to 100 per cent retention. They said that under 100 per cent retention:

The Government will not be able to honour its commitment to recognise the unique role of communities hosting new nuclear development by allowing councils to retain a greater share of their business rates. In summary, it would not be fulfilling its 2013 announcement.

Enterprise Zones

87. Authorities did not know how the business rate revenue generated in Enterprise Zones would be treated under 100 per cent retention. Birmingham City Council pointed out that revenue from the zones had been dedicated to repaying borrowing costs and was, therefore, not available for local government services. They sought confirmation that, under 100 per cent retention, Enterprise Zones and similar schemes, in which business rate revenue has been earmarked for use elsewhere, would be “fully taken into account at individual local authority levels, with top ups and tariffs adjusted accordingly”.

200 R3 Intelligence (BUR01) para 2.1
201 Q37
202 Q39
203 Sedgemoor District Council (BUR59)
204 Sedgemoor District Council (BUR59)
205 Birmingham City Council (BUR27) para 3.7.2
206 Birmingham City Council (BUR27) para 3.7.3
Issues for consideration:

- The Government and local authorities should together consider:
  
  - Whether properties on the central list should continue to be held by central government and how the revenue it generates could better be used under 100 per cent retention, for example in funding appeals or the safety net.
  
  - How empty property rates impact on growth incentives. Empty property rates were thought to distort authorities’ incentives to attract businesses into vacant premises; however, we note that they also protect authorities in a recession.
  
  - The implications of the reforms for community benefit agreements, which already allow the authority involved to retain 100 per cent of business rate revenue.
  
  - The treatment of business rate revenue generated in Enterprise Zones under 100 per cent retention.
6 Other changes to tax levels

88. Alongside 100 per cent retention of business rates, the Chancellor announced powers that would enable local authorities to reduce business rates and enable mayoral combined authorities, with the support of local businesses, to add a premium to rates to pay for new infrastructure (the ‘infrastructure premium’).

The infrastructure premium

89. The Treasury press release accompanying the Chancellor’s announcement in October 2015 outlined how the infrastructure premium would operate:

Directly elected mayors—once they have support of local business leaders through a majority vote of the business members of the Local Enterprise Partnership—will be able to add a premium to business rates to pay for new infrastructure. This power will be limited by a cap, likely to be set at 2p on the rate.207

Simon Parker, Director of the New Local Government Network, supported the proposal: the directly elected mayor was democratically elected and the Local Enterprise Partnership (LEP) provided a “check and balance”.208 However, the rest of the evidence revealed very little support for the proposal from either local government or the business sector, with the exception, unsurprisingly, of combined authorities and authorities within combined authorities.209 There were two broad areas of concern: the involvement of the LEP in the process and the fact that the power would only be available to combined authorities with a directly elected mayor. Although the New Local Government Network made the additional point that limiting the use of the power to infrastructure projects was restrictive and “it should be for local discretion to determine what investment would make the biggest contribution to growth”.210

Involving Local Enterprise Partnerships

90. For a range of reasons, LEPs were near-universally thought to be ill-suited to the role being envisaged for them. Essex County Council said that their LEP covers too large an area to be able to make effective local decisions and it had “insufficient political mandate” to take such decisions.211 Sharon Gregory of Cambridgeshire and Northamptonshire County Councils said that Northamptonshire currently had two LEPs,212 which would have obvious practical implications for the operation of the premium. In addition, we heard that, in London, the LEP was not a prominent body.213 The business sector was concerned that some LEPs were not representative of the full range of businesses, particularly retail.214 The British Chambers of Commerce outlined various other concerns:

207 “Chancellor unveils ‘devolution revolution’”, HM Treasury press release, 5 October 2015
208 Q43
209 See, for example, Greater Manchester Combined Authority (BUR55); Birmingham City Council (BUR27) para 3.7.1; Liverpool City Region (BUR36) para f
210 New Local Government Network (BUR22) para 1
211 Essex County Council (BUR19) para 26-27
212 Q114
213 Q249
214 See, for example, the Association of Convenience Stores (BUR39) para 14; British Chambers of Commerce (BUR35) para 7.2; British Retail Consortium (BUR20) and Intu Properties plc (BUR05) para 7
LEPs are not appropriate vehicles for scrutinising proposals to raise local business taxes: LEPs remain young, with low business recognition; they can cover wide areas that are not always consistent with the boundaries of historic billing authorities; and the leaders of billing authorities make up most of the ex-officio posts on LEP boards. Such a compromised process could never have credibility in the eyes of business.\textsuperscript{215}

91. We also heard that LEPs were under-resourced,\textsuperscript{216} that businesses themselves were not set up to engage with them,\textsuperscript{217} that there was currently no clear process for holding LEP members to account for their decisions,\textsuperscript{218} and that they were a “select group of people with vested interests”.\textsuperscript{219} It should be noted, however, that we did not receive evidence from LEPs, which might have provided a different view.

92. The British Retail Consortium said that “a more robust method of determining a supplement […] would be to use a business ballot allowing impacted businesses a vote”.\textsuperscript{220} To make the process more accountable, EEF suggested that, if concerned, businesses should be able to “call in” the directly elected mayor’s decision and request a referendum.\textsuperscript{221} Colin Stanbridge, the Chief Executive of the London Chamber of Commerce, and the GLA,\textsuperscript{222} suggested that a review of LEPs was needed. Mr Stanbridge said:

> It is all very easy for politicians and civil servants to say, “We have created these LEPs.” But there is no transparency in them, people don’t know what they are and we don’t know what their powers are. We need a big review of that and so maybe out of that we will be able to find some sort of mechanism that will work.\textsuperscript{223}

**Issues for consideration:**

- The proposal that LEPs should be involved in the decision-making process was criticised by both local authorities and the business sector.

- *The Government should review whether it is practical, possible and fair for LEPs to play such a key role, taking into account the following concerns:*

  - Some LEPs are not representative of the full range of businesses, particularly retail;

  - LEPs may not be sufficiently resourced, well-established, accountable and impartial.

  - In some places, the area covered by the LEP is too large for it to be able to make effective local decisions.

  - In some places, LEPs overlap.

\textsuperscript{215} British Chambers of Commerce (BUR35) para 7.3
\textsuperscript{216} British Retail Consortium (BUR20)
\textsuperscript{217} Association of Convenience Stores (BUR39) para 14
\textsuperscript{218} Intu Properties plc (BUR05) para 7
\textsuperscript{219} R3 Intelligence (BUR01) para 5.2
\textsuperscript{220} British Retail Consortium (BUR20)
\textsuperscript{221} EEF (BUR53) para 40
\textsuperscript{222} Greater London Authority (BUR43)
\textsuperscript{223} Q249
The requirement for a directly elected mayor

93. The other cause of concern was that authorities without a directly elected mayor would not benefit from the infrastructure premium.\footnote{See, for example, Local Government Association (\textit{BUR14}) para 9.1; LGSS (\textit{BUR11}) para 7; District Councils Network (\textit{BUR18}) para 28; County Councils Network (\textit{BUR60}) para 34} The Chief Economic Development Officers Society (CEDOS) said:

In the move to 100 per cent business retention, it is essential for all areas, as far as possible, to have a level policy playing field on which to drive economic growth. In our view, the intention that only areas with elected city-wide mayors will be able to add a premium to business rates to pay for new infrastructure, is fundamentally at odds with this. We believe this power should be available to all areas with the provision that a majority of all businesses should agree, which we think is a reasonable one.\footnote{Chief Economic Development Officers Society (\textit{BUR12}) para 28}

Furthermore, Cornwall Council, with which the Government previously agreed a devolution deal without the need to elect a mayor, said that it would be at a disadvantage which needed to be addressed.\footnote{Cornwall Council (\textit{BUR33})}

Issues for consideration:

- There were calls across the sector for the infrastructure premium to be available to all authorities, not only combined authorities with a directly elected mayor.
- The Government and local authorities should together consider whether, by placing areas without a directly elected mayor at a disadvantage, this proposal conflicts with the aims of 100 per cent retention.

Business Improvement Districts and the Business Rate Supplement

94. Currently, the Business Improvement District (BID) mechanism enables a levy to be added to business rates in a given area, following a ballot of the businesses concerned, to fund improvements to the public sphere. A separate scheme, the Business Rates Supplement (BRS), allows local authorities to increase the multiplier by up to 2p in the pound to pay for economic development projects, subject to majority support in a referendum of local business rate-payers (this must be a majority both in number and in rateable value).\footnote{The only supplement scheme in existence so far is a 2 per cent supplement on businesses in London to help pay for Crossrail.}

95. R3 Intelligence said that the infrastructure premium was similar to a BID, and that it was preferable to use the existing “tried and tested” and “more democratic” method of raising additional funding.\footnote{R3 Intelligence (\textit{BUR01}) para 5.2. See also Intu Properties plc (\textit{BUR05}) para 1viii} However, Simon Parker of the New Local Government Network pointed out that, compared to what was envisaged by the infrastructure premium, a BID covered a much smaller area and “would not give you anything like the amount of money you would need to build a new bridge or a motorway”.\footnote{Q40}
96. David Phillips of the Institute for Fiscal Studies questioned whether BIDs, the BRS and the infrastructure premium would operate concurrently and David Napier of Sunderland City Council speculated that we could see a “triple system of taxation”. In addition, our London witnesses wanted clarification as to whether the infrastructure premium would be available in addition to the London BRS, which is being used to fund Crossrail.

**Issues for consideration:**

- There was concern that businesses might face cumulative raises in rates in the case where the infrastructure premium was introduced in an area which already had a Business Improvement District (BID) or, for example, in London where the Business Rates Supplement (BRS) operates to fund Crossrail: the Government should clarify whether the infrastructure premium will be levied on top of an existing increase in rates linked to a BID or the BRS.

**Abolition of the uniform business rate**

97. The Government announced that it would abolish the uniform business rate, and would allow local authorities “to cut business rates to boost enterprise and economic activity in their areas”. Significantly, the Government did not say that councils will have the power to raise rates. This proposal did not attract a great deal of support. Andy Hall of Boston Borough Council said that his authority would prefer to help businesses in a more targeted way with discretionary rate relief and local discount schemes. Dr Kevin Muldoon-Smith of Northumbria University thought that very few authorities would be able to reduce rates as “they already have their backs against the wall. They are already losing money”. The British Chambers of Commerce was also sceptical that authorities would reduce rates, pointing out that they already had the ability to do so via discretionary relief powers but very few had done so far. In contrast, Gateshead Council suggested that poorer authorities would be forced to use the power to lower rates to attract and retain businesses, despite having “the least capacity to absorb reductions in business rates”.

98. Although the Government has said that the power would be available to individual local authorities, we note the point made by Dr Muldoon-Smith that, in fact, “functional economic areas and property market dynamics” are more relevant. Simon Parker of the New Local Government Network illustrated the point with the following example:

> The idea of all 10 Greater Manchester districts each setting their own business rate seems not to be a brilliant idea, economically and administratively. On the other hand, the idea of Greater Manchester as a whole having control over its business rate strikes me as making lots of sense. It is a unit with which business can identify.

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230 Q78
231 Q113 [Cllr Tim Mitchell]; Q254 [Sir Edward Lister]
232 Rates are levied on business properties on the basis of their rateable value and the Uniform Business Rate, also known as the ‘multiplier’ (in 2015-16, 49.3p). The multiplier for England is set by the UK Government.
233 “Chancellor unveils ‘devolution revolution’”, HM Treasury, 5 October 2015
234 Q74
235 Q32
236 British Chambers of Commerce (BUR35) para 6.3
237 Gateshead Council (BUR34) para 6.2
238 Q17
239 Q18
Inter-authority competition

99. At the time the announcement was made, there was speculation that the abolition of the uniform business rate could lead to inter-authority competition and a “race to the bottom”\textsuperscript{240} with councils undercutting neighbouring authorities’ rates to attract businesses to their area. A number of local authorities were concerned that they would lose out in this situation.\textsuperscript{241} However, Essex County Council made the point that factors other than business rates, such as infrastructure, local skills levels and location, determine whether or not a business is attracted to an area.\textsuperscript{242} David Phillips of the Institute for Fiscal Studies suggested that, in the short term, businesses were unlikely to move due to the practical difficulties of doing so, but that it could happen over the longer term.\textsuperscript{243} However, coupled with the fact that authorities had so far made little use of discretionary powers to reduce rates, he concluded that “maybe whilst there is a risk of a race to the bottom, it is not that great a risk”.\textsuperscript{244}

Varying the multiplier

100. Instead, councils frequently called for the freedom to raise or lower the multiplier as they saw fit,\textsuperscript{245} as did other representatives of the sector, including the Local Government Association,\textsuperscript{246} the District Councils Network\textsuperscript{247} and the County Councils Network (CCN).\textsuperscript{248} Our predecessor committee recommended that authorities should be able to “set the business rate multiplier to meet local circumstances” on the basis that this would help to stimulate local economic growth, as long as any rise in rates was limited to the increase in the average council tax in the devolved area.\textsuperscript{249} The CCN suggested that such a power should be implemented at county level, following agreement with district councils, thus avoiding competition between them.\textsuperscript{250} The Greater London Authority favoured granting directly elected mayors the ability to vary the multiplier.\textsuperscript{251}

101. The business sector, however, took a different view. For example, the British Retail Consortium wanted the multiplier to be capped and then lowered\textsuperscript{252} and the Federation of Small Businesses wanted it to be fixed.\textsuperscript{253} Also, EEF said that manufacturers were concerned that giving local authorities the flexibility to vary the multiplier would undermine the “stability and predictability” of the system and manufacturers’ ability to plan their investments.\textsuperscript{254}

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\textsuperscript{240}Centre for Cities blog, ‘\textit{Will business rates devolution lead to a ‘race to the bottom’?’}, 5 October 2015; City Metric, ‘\textit{Devolution: Could cutting business rates attract new businesses to councils?’}, 8 October 2015
\textsuperscript{241}See, for example, Central Bedfordshire Council (\textit{BUR02}); Newark and Sherwood District Council (\textit{BUR39}) para 4; LGSS (\textit{BUR11}) para 5
\textsuperscript{242}Essex County Council (\textit{BUR19}) para 22
\textsuperscript{243}Q33
\textsuperscript{244}Q33
\textsuperscript{245}Essex County Council (\textit{BUR19}) para 17; LGSS (\textit{BUR11}) para 1; Leeds City Council (\textit{BUR12}) para 3.1.4; Greater London Authority (\textit{BUR43}); Andy Hall at Q74; Sharon Gregory at Q112
\textsuperscript{246}Local Government Association (\textit{BUR14}) para 5.1.2
\textsuperscript{247}District Councils Network (\textit{BUR18}) para 12
\textsuperscript{248}County Councils Network (\textit{BUR60}) para 35
\textsuperscript{250}County Councils Network (\textit{BUR60}) para 23
\textsuperscript{251}Greater London Authority (\textit{BUR43})
\textsuperscript{252}British Retail Consortium (\textit{BUR20})
\textsuperscript{253}Federation of Small Businesses (\textit{BUR56}) para 30
\textsuperscript{254}EEF (\textit{BUR53}) para 13
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102. A popular alternative proposal was that authorities should be able to vary the multiplier depending on business type. The New Local Government Network said that the Government should consider giving councils the freedom to “vary the rate to encourage more targeted sector development according to local growth plans”.\textsuperscript{255} London Councils argued for “reducing rates for those types of business a local authority most wishes to attract”,\textsuperscript{256} and R3 Intelligence went further and suggested that authorities should be able to adjust taxation for “different types of property, businesses and locations”.\textsuperscript{257}

**Issues for consideration:**

- The ability to reduce rates without a corresponding power to increase them was unpopular among local authorities, and we heard it was unlikely that they would use a power to lower business rates.

- The power to raise and lower the multiplier and the power to vary it according to business type, which was frequently requested by local authority witnesses, could give authorities, or groups of authorities, an effective lever to stimulate and foster local economic growth. The Government and local authorities should together consider introducing these powers, with rises in rates limited to the increase in the average council tax. These powers could also help protect councils from any changes made by central government to the business rates system after 2020.

- Before proceeding further, it would be prudent to commission research on the likelihood of inter-authority competition resulting from the abolition of the multiplier.
7 Additional responsibilities

103. The Treasury press release accompanying the Chancellor’s announcement said that local government would have to take on new responsibilities to “ensure that the reforms are fiscally neutral”, since permitting local government to retain 100 per cent of business rates will lead to a rise in its funding. The Government has said that the increase would amount to £13 billion. David Phillips, Senior Research Economist at the Institute for Fiscal Studies, believed that the actual increase would be lower:

£13 billion is about the amount of business rates that will be devolved. There is then about £2.5 billion of revenue support grant in 2019. In 2019–20, there will be £13 billion of business rates replacing £2.5 billion of revenue support grant, so that is £10.5 billion net transferred and then you need to think what additional things you transfer to use up that £10.5 billion of new money.

104. In the Spending Review, the Government said that the new responsibilities should be linked to “empowering [local authorities] to drive local economic growth and support their local community”, and gave the following examples: the administration of Housing Benefit for pensioners, Transport for London’s capital projects and public health. The Government has also said it will consider giving more responsibility to councils to support older people with care needs, including those who currently receive Attendance Allowance.

105. We were keen to gather authorities’ views on what new responsibilities they would be prepared to take on with a view to distilling and presenting them to the Department to inform the summer consultation. This chapter draws together the themes that emerged from the evidence and the principles on which our witnesses believed the decision about additional responsibilities should be based.

Themes

106. Themes emerged from the evidence about the nature of additional responsibilities that local government could take on:

- they should be linked to the drivers of local economic growth;
- they should not be demand-led; and
- in deciding what they should be, a set of principles should be followed.

107. However, we note that some authorities doubted that they would be in a better position under 100 per cent retention. Andy Hall, Business Rates Assurance Manager at Boston Borough Council, said that, without Revenue Support Grant, the amount available to them in business rates would not cover the costs of the services they presently provide, and the Institute of Revenues Rating and Valuation said:

258 “Chancellor unveils ‘devolution revolution’”, HM Treasury press release, 5 October 2015
259 HM Treasury, Spending Review and Autumn Statement, November 2015, p58
260 Q25
261 HM Treasury, Spending Review and Autumn Statement, November 2015, p58
262 DCLG, Provisional Local Government Finance Settlement 2016-17 consultation, December 2015
263 Q81. See also Cornwall Council (BUR33) and Sunderland City Council (BUR29)
Uncertainties exist around both the funding settlement up to 2020 and the mechanics of the fully devolved business rates retention scheme; thus it is something of a shot in the dark to try to identify at this stage what responsibilities and functions could or should be devolved. Local government is pre-occupied at present about how it can fund its current functions.\textsuperscript{264}

Councils need further confirmation that a redistribution mechanism will be part of the reformed system, and reassurance that, now or in the future, they will not be required to take on new responsibilities that are unaffordable or, over time, become unaffordable.

\textbf{Economic growth}

108. Taking on responsibility for the drivers of economic growth, including skills, transport, business support, infrastructure and employment support, was most popular among local authorities and the business sector. There appeared to be two main reasons for this. The first was articulated by the Chief Economic Development Officers Society (CEDOS):

Government and local government must focus on the fundamental purpose of allowing councils to retain 100 per cent of business rate income, namely to enable local authorities to drive local economic growth. In our view, it is essential that key areas of additional responsibility must provide local authorities/areas throughout the country with the levers for driving business growth and prosperity in relation to, for example, skills development, business support, inward investment and infrastructure provision.\textsuperscript{265}

109. Taking a different approach, Essex County Council thought it was important that businesses should be able to see that the rates they pay are “supporting the infrastructure and skills investment required to foster conditions for further economic growth.”\textsuperscript{266} Simon Parker, Director of the New Local Government Network, said that otherwise there could be a challenge from businesses “asking why they are funding not so far from half of the revenue, when actually most of that money is going to pay for things that they do not use”.\textsuperscript{267}

110. Representatives of the business sector agreed.\textsuperscript{268} Chris Richards, Senior Business Environment Policy Advisor at EEF, said that businesses would like to see any surplus in revenue “going back to local business environments”.\textsuperscript{269} Tom Ironside, Director of Business Regulation at the British Retail Consortium, said this would generate the “right partnership” between businesses and local authorities.\textsuperscript{270}

\textsuperscript{264}Institute of Revenues, Rating and Valuations (BUR47) para 10
\textsuperscript{265}Chief Economic Development Officers Society (BUR15) para 10
\textsuperscript{266}Essex County Council (BUR19) para 7
\textsuperscript{267}Q11
\textsuperscript{268}Q175
\textsuperscript{269}Q174
\textsuperscript{270}Q175
Skills and transport

111. Taking on responsibility for skills and transport was most popular among local authorities. The Local Government Association said that this would “empower local areas to close skills gaps, boost employment and improve public transport”.

Dennis Napier, Assistant Head of Financial Resources at Sunderland City Council, said:

The funding of skills is essential. We promote manufacturing within the area, and we need to make sure that our young people are fully trained and able to take advantage of that particular set of skills. It is the skills issue, definitely, and investment in infrastructure.

112. Sir Edward Lister, the Deputy Mayor of London, said that the Greater London Authority’s priorities were transport and skills. Colin Stanbridge, the Chief Executive of the London Chamber of Commerce, agreed, saying that skills, along with transport and crime, always came within the top three of their members’ concerns. However, the other business representatives we spoke to were more cautious about local authorities taking on responsibility for skills. For example, Tom Ironside of the British Retail Consortium said that localising skills arrangements could make them more complex than they already were and Chris Richards of EEF said that authorities may not actually gain as “the more high skilled people get, the more likely they are to be mobile and you lose that local connection”.

He said that the top issue for EEF’s members was local transport networks.

113. Andy Hall of Boston Borough Council said that the devolution deal currently being pursued by his council was a good guide to the services it was keen to take on: “business support and innovation; skills, education and employment; transport responsibilities; housing; public protection; and water management”. In addition, London Councils said that the “areas outlined in the London Proposition (subject to their subsequent development) should be regarded as the ‘first port of call’ for discussions about the transfer of responsibilities”. The County Councils Network also suggested that areas’ devolution bids should be taken into account.

Not demand-led

114. There was concern among councils that the transfer of funding for ‘demand-led’ services, such as Attendance Allowance, would over time leave them facing increasing costs as pressures mounted. Paul Dransfield, Strategic Director of Major Programmes at Birmingham City Council, said he would be very nervous of taking on responsibilities that “we cannot control. One of my fears is around the benefits bill”.

Essex County Council were concerned that the Government expected business rates to fund demand-
led services “despite the fact that demographic growth will likely far outstrip growth in business rates”.

The County Councils Network wanted to “steer away from the devolution of functions where demand-led pressures are likely to outstrip funding available to local government over time” and the District Councils Network said:

A key issue in the long run is the extent to which the new burdens (as yet unspecified or costed) placed on local government are commensurate to the additional funding which may arise from changes to the business rates scheme.

David Phillips, Senior Research Economist at the Institute for Fiscal Studies, echoed this, saying that “thinking about whether the projections of spending match the projections for revenue is a very important thing”. He continued:

There may be good reasons to devolve Attendance Allowance because of its integration with social care. I am not an expert to judge that matter but, as an economist, I would be wary about the negative correlation between demand for spending on this and business rate revenues.

Simon Parker of the New Local Government Network recommended that, if councils were expected to take on additional responsibilities that were demand-led, they would have to be given “the ability to manage that risk and that means deregulating and giving them more responsibility over how they administer that”.

**Principles**

115. Rather than specifying the responsibilities they would be prepared to take on, authorities often preferred to articulate principles which they believed should guide decision-making. From this, we have distilled a set of principles, which, broadly speaking, would ensure that new responsibilities are within local government’s control, fit with its role and wider responsibilities, and promote local growth and the wellbeing of residents.

116. Birmingham City Council said that new responsibilities should “support public sector reform”. Similarly, Sheffield City Region said the reforms to business rates should be a “mechanism to facilitate local public service reform.” Birmingham went on to say that new responsibilities should have “a logical place within local government and not solely have been transferred because it works mathematically.”

Leeds City Council said that they should “complement existing services” and fit in with the “development

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281 Essex County Council (BUR19) para 10
282 County Councils Network (BUR60) para 29
283 District Councils Network (BUR18) para 9
284 Q31
285 Q31
286 Q30
287 See, for example, Birmingham City Council (BUR27) para 3.2.2; Leeds City Council (BUR12) para 3.1.1; London Councils (BUR07) para 39; Sheffield City Region (BUR23) para 51; County Councils Network (BUR60) para 30; Greater Manchester Combined Authority (BUR55); Andy Hall at Q80 and Sean Nolan at Q129
288 Birmingham City Council (BUR27) para 3.2.2
289 Sheffield City Council (BUR23) para 49
290 Birmingham City Council (BUR27) para 3.2.2
of the localism agenda”. Andy Hall of Boston Borough Council said that there needed to be synergy between what the authority is currently doing and the responsibility to be transferred.

117. We also heard that new responsibilities should be directly linked to residents. The New Local Government Network said they should “improve social wellbeing” and Leeds City Region suggested they should “help residents to improve their options and personal circumstances and be less dependent”. Sheffield City Region said they could:

Address the socioeconomic causes of low productivity and dependency. This could include elements of spend that are associated with upskilling the current or potential labour force (ie. getting those out of work the training they need to find local jobs; or enabling employees to enhance their skills, progress their careers and potentially increase their incomes).

118. Sheffield City Region also suggested that new services should be linked to forms of preventative action. They gave the examples of services associated with early years, such as those relating to child wellbeing, or adult social care, such as interventions to support independent living and reduce higher care costs. We note that, although aimed at preventing demand, services of this kind are, to an extent, demand-led.

119. An important factor was how the new responsibilities would be managed: we were told that, in order to make a real difference, authorities needed to be given genuine discretion and not just be “used to passport existing services or to administer payments”. Greater Manchester Combined Authority said that a “one-size-fits-all approach that simply devolves responsibility for national programmes would not be appropriate”.

120. The County Councils Network and the Local Government Association called for each new responsibility to be accompanied by a new burdens assessment and be appropriately funded. Westminster City Council wanted the Government to ensure that, at the outset, funding was adequate and that it was “flexible enough to accommodate future changes in service demands and demographics”. To this end, Sheffield City Region wanted authorities to be given “freedom to manage resources”.

Issues for consideration:

• Some authorities were doubtful that they would be in a better financial position under a system of 100 per cent retention. Councils need reassurance that, now or in the future, they will not be required to take on new responsibilities that are unaffordable or likely to become unaffordable over time.
Themes

- There was broad agreement among witnesses on the nature of the additional responsibilities that local government would welcome. These responsibilities should:
  - Be linked to economic growth.
  - Include skills and transport.
  - Be aligned with areas’ devolution proposals and deals.
  - Not be demand-led.

Principles

- Based on the evidence, we recommend that decisions on additional responsibilities should be guided by the following principles:
  
  i) New services should:
    - Support public sector reform, devolution and localism and fit logically with the role and wider responsibilities of local government and complement existing services.
    - Help residents to improve their personal circumstances and be aimed at making them less dependent.
    - Not be high-risk or demand led: for this reason, the Government’s suggestion that Attendance Allowance be devolved to local authorities did not attract support.
    - Be linked to forms of preventative action, for example, spending on early years and public health.
  
  ii) Local government must have genuine discretion over how the services are provided and be able to control and influence their delivery.

  iii) The funding levels for each new service should be agreed at the outset, and be accompanied by a full new burdens assessment, with councils having the freedom to manage resources as service demand increases.
8 The business rate retention pilots

121. There are currently two ‘additional business rate retention pilots’ in operation in England: in Cambridgeshire and Peterborough and in Greater Manchester and Cheshire East. These were announced in the March 2015 Budget:

Additional Business Rate retention pilots—The Government will pilot schemes in Cambridgeshire and Peterborough, and, subject to formal approval of Greater Manchester Combined Authority, in Greater Manchester and East Cheshire from 1 April 2015 to retain 100 per cent of any additional growth in business rates above expected forecasts.\(^{302}\)

A year later, the 2016 Budget announced the piloting of 100 per cent retention in Greater Manchester and Liverpool City Region, and “any area that has ratified its devolution deal”.\(^{303}\) The Government also said that the share of business rates retained by the Greater London Authority would be increased and, alongside this, responsibility for funding Transport for London’s capital projects would be transferred. In addition, the Government said it would explore options for moving to 100 per cent retention in London ahead of the full roll-out of the business rates reforms in 2020.\(^{304}\)

The 2015 pilots

122. We invited witnesses from Cambridgeshire and Greater Manchester to give evidence on how the 2015 pilots were progressing. They told us that progress had been slow and that there had been problems with implementing the scheme, particularly with how to approach appeals.\(^{305}\) In follow-up evidence to the Committee, Sharon Gregory, Group Accountant for Cambridgeshire and Northamptonshire County Councils, who has been overseeing implementation of the Cambridgeshire and Peterborough pilot, said “there has been a significant delay in securing agreement from the DCLG on how the scheme will work in practice. This has also been the case for the Manchester authorities”.\(^{306}\) She went on to say that the latest proposal was issued by the Department on 29 April 2016, over a year after the pilot was first announced.

123. The Government said that the 100 per cent retention pilots would “help to develop the mechanisms that will be needed to manage risk and reward under 100 per cent retention”.\(^{307}\) Given that it has taken over a year to reach agreement on the 2015 pilots, we think it is unlikely that the 100 per cent retention pilots will be operational and producing useful outcomes in time to inform the national roll-out of the reformed system in less than four years. Moreover, additional written evidence from the Greater London Authority (GLA) and London Councils said that 2018–19 was the earliest possible date that the 100 per cent retention pilot could begin in London,\(^{308}\) and the GLA said it was possible the process could be delayed by the review of the needs assessment.\(^{309}\)

\(^{302}\)HM Treasury, *Budget 2015* (March 2015), p38
\(^{303}\)HM Treasury, *Budget 2016* (March 2016), p70
\(^{304}\)HM Treasury, *Budget 2016* (March 2016), p81
\(^{305}\)Q192
\(^{306}\)Letter from Sharon Gregory to Committee Chair (6 May 2016).
\(^{307}\)HM Treasury, *Budget 2016* (March 2016), p70
\(^{308}\)Letter from Sir Edward Lister to Committee Chair (28 April 2016); Letter from Mayor Jules Pipe to Committee Chair (4 May 2016)
\(^{309}\)Letter from Sir Edward Lister to Committee Chair (28 April 2016)
124. We understand that the main reason for the delay in implementation of the 2015 pilots was reaching a decision on the treatment of appeals, which the Department had agreed could be “disregarded from the growth calculation”.\(^{310}\) As noted in chapter four, we were interested to hear that the appeals will be dealt with separately\(^{311}\) and anticipate that consideration will be given to applying this approach to the reformed system. Indeed, Richard Paver, the Treasurer for Greater Manchester Combined Authority, said that appeals were the “biggest single” lesson which could be taken from the pilot:

> We are working in a sense to disregard them and take them out of the calculations so that we can get a true measure of growth. We have accepted that variations in reliefs, collection, academies and things fall within the purview of what the ten authorities are responsible for in terms of business rates calculations, but appeals just swamp those, so the work we are doing at the moment alongside Cambridgeshire is to strip that out so that we do have a measure.\(^{312}\)

**The 2016 pilots**

125. At this early stage, there is very little detail available about how the pilots announced in 2016 will function and the timescales for them. What effect the 100 per cent retention pilots would have on the eventual 100 per cent retention reforms was a cause for concern for some of our witnesses. Sean Nolan, Senior Local Government Advisor at CIPFA, was concerned that the pilots might lead to an incoherent national approach to 100 per cent retention.\(^{313}\) David Magor, the Chief Executive of the Institute of Revenues Rating and Valuation, was concerned about whether areas without pilots would be left behind:

> There is a real danger here that you have more and more trial areas and you will end up with rural wasteland areas that are not included in trial areas. There needs to be some clarification about how the trial areas are going to work and what that actually means in the long term.\(^{314}\)

126. In contrast, our witnesses from the pilot areas were optimistic. Our London witnesses welcomed the 2016 pilot. The Deputy Mayor of London, Sir Edward Lister, said that it was important because it would ensure the city long-term funding for infrastructure.\(^{315}\) Guy Ware, Director for Finance at London Councils, said that it was also an opportunity for London and other regions to explore the “inevitable trade-offs between investment to keep the place working and to improve its ability to grow and remain liveable, and funding for the day-to-day services for people”.\(^{316}\) In their follow-up evidence to the committee, the GLA also pointed out that the pilot in the capital would have implications for local authorities in the rest of England.\(^{317}\)
127. The Mayor of Liverpool’s reason for welcoming the pilot was, however, quite different. He said that he was “delighted”\(^{318}\) to participate because it was an opportunity for Liverpool City Region to demonstrate “what support needs to be given to us for us to be able to sustain ourselves”.\(^{319}\) He explained the city region’s position further:

> There is a clear difference between Kensington in Liverpool and Kensington in London. If we had the business rates of Kensington in London, I would not be sitting here talking to you; I would be creating new business in Liverpool. The argument for participating in the pilot is to show that unfairness.\(^{320}\)

**Issues for consideration:**

- We understand that appeals are being dealt with separately in the 2015 pilots, so as not to impact on growth, and recommend that consideration is given to taking this approach in the reformed system.

- There are concerns that areas without pilots would be at a disadvantage.

- The pilots are an important opportunity to ‘road-test’ the arrangements, understand their impact and resolve issues. However, given the earliest estimated start date of the 2016 pilots is 2018–19, and the fact that it has taken so long to agree the 2015 pilots, it is unlikely that the 2016 pilots will able to inform the roll-out of 100 per cent retention in 2020. This will be a significant missed opportunity.
Recommendations

Appeals

1. Appeals pose a major challenge to 100 per cent retention and it is essential that the issue is resolved before 2020. (Paragraph 38)

2. The Government and local authorities should together explore the suggestions in paragraph 38 as to how appeals could be better tackled. (Paragraph 38)

The reformed system: 100 per cent retention dissected

3. Revising the underlying assessment of needs should be tackled in collaboration with local government, with input from an independent body. (Paragraph 47)

4. The Government should set out timescales for this work and confirm as soon as possible whether needs will be reassessed in time for the start of 100 per cent retention in 2020. It will also need to explain how and when the inevitable changes in resources distribution will be brought into effect. (Paragraph 47)

5. 100 per cent retention must work in a way that ensures that areas with limited ability to generate growth in business rate revenue do not lose out. (Paragraph 70)

Other changes to tax levels

6. The Government should review whether it is practical, possible and fair for LEPs to play such a key role, taking into account the following concerns:
   • Some LEPs are not representative of the full range of businesses, particularly retail.
   • LEPs may not be sufficiently resourced, well-established, accountable and impartial.
   • In some places, the area covered by the LEP is too large for it to be able to make effective local decisions.
   • In some places, LEPs overlap. (Paragraph 92)

Additional responsibilities

7. Based on the evidence, we recommend that decisions on additional responsibilities should be guided by the following principles:
   
   (1) New services should:
   • Support public sector reform, devolution and localism and fit logically with the role and wider responsibilities of local government and complement existing services.
- Help residents to improve their personal circumstances and be aimed at making them less dependent.

- Not be high-risk or demand led: for this reason, the Government’s suggestion that Attendance Allowance be devolved to local authorities did not attract support.

- Be linked to forms of preventative action, for example, spending on early years and public health.

(2) Local government must have genuine discretion over how the services are provided and be able to control and influence their delivery.

(3) The funding levels for each new service should be agreed at the outset, and be accompanied by a full new burdens assessment, with councils having the freedom to manage resources as service demand increases. (Paragraph 120)
List of issues for consideration

Our evidence review has revealed that 100 per cent retention of business rates gives rise to some specific issues and pitfalls to be avoided in designing and setting up the reformed system. The supporting evidence is set out in chapters two to eight at the pages indicated below.

We hope the Government will take our findings on board and use the consultation as an opportunity to explore them further with the sector, as well as examining them in detail in their own right. However, where a particularly pressing issue has emerged from the evidence, we have made a specific recommendation (in bold).

Appeals (pages 15–17)

- There was a substantial amount of evidence on the impact of appeals, which represent a significant concern for some authorities, dwarfing growth in the tax base and affecting incentives, and injecting volatility into the system.

- Appeals pose a major challenge to 100 per cent retention and it is essential that the issue is resolved before 2020.

- The Government and local authorities should together explore the suggestions in paragraph 38 as to how appeals could be better tackled.

Ending Revenue Support Grant (pages 18–19)

- Without Revenue Support Grant, there is no obvious way to shift resources in immediate response to councils affected differently by sudden increases in need, for example immigration, and environmental challenges, such as flooding.

- The reformed arrangements will need to be supported by a system of grants which local government itself may need to devise, as any additional funding from the Government would be accompanied by further devolution of responsibilities. A grant could provide a means of equalising resources between authorities without undermining incentives.

Business rate revenue versus need (pages 19–20)

- There is likely to be little or no correlation between changes in business rate revenue and changes in local authority needs.

- Until the Government confirms how equalisation will operate, councils understandably fear that they will lose out in the reformed system, either at the point of reform or in the longer-term.

Divergence in revenue (page 21)

- Under 100 per cent retention, divergence in business rate revenue between authorities could be substantial. Mechanisms to reduce this divergence, such as top ups and tariffs, the safety net or similar measures, will be even more necessary and significant and be needed to ensure the delivery of key public services.
Needs assessment (page 22)

- Revising the underlying assessment of needs should be tackled in collaboration with local government, with input from an independent body.

- The Government should set out timescales for this work and confirm as soon as possible whether needs will be reassessed in time for the start of 100 per cent retention in 2020. It will also need to explain how and when the inevitable changes in resources distribution will be brought into effect.

Top ups and tariffs (page 23)

- The evidence supported the Government’s decision that top ups and tariffs should continue in the reformed system.

- The consultation should gather views on whether adjustments are needed to the way in which top up and tariffs operate.

Regional redistribution (pages 23–25)

- Regional redistribution fits in with wider Government policy on combined authorities and devolution deals, however the Government and local authorities should explore together the feasibility of this approach, which we suggest should include commissioning research.

The share of business rates in two-tier authorities (pages 25–26)

- There was substantial evidence that the shares of business rate revenue retained by districts and county councils in two tier areas do not properly reflect the distribution of responsibilities between them.

- Counties said that the current apportionment did not reflect their responsibilities for providing demand-led services or services which are linked to economic growth, such as transport, housing, schools, and gave them little incentive to promote growth.

- The Government and local authorities should explore together how the shares should be adjusted, including whether an approach based on an authority’s needs would be fairer.

- The shares must reflect whether authorities have taken on new responsibilities in return for additional business rate revenue, and which authority has taken them on.

Risk and volatility (pages 26–27)

- The evidence highlighted the potential volatility of revenue from business rates from appeals, business closures, the health of the local and national economy, and even the Government’s own policy decisions: this demonstrates the need for a safety net or similar mechanism.

- The Government and the sector need to consider how to protect authorities from the high volatility of business rate revenue, which could be by means of:
• Continuing use of the safety net, or similar mechanism, taking into account the concerns we heard that in the current system the safety net was set too low and might distort growth incentives; or

• A local government-led arrangement which insured authorities against changes in income.

• If the levy is to be abolished, consideration should also to be given to how the protection mechanism will be funded, as the Government has made it clear that local government will be required to take on new responsibilities in return for additional central government funding.

• To help protect themselves against risk, it may be prudent for authorities to increase their reserves.

Resets (pages 28–30)

• Our witnesses believed on balance that the current ten year reset period was slightly too long and we heard that it may act to distort the growth incentives which drive the system.

• A study should be carried out to consider how the reset could be adjusted to reduce its impact on growth incentives while taking into account authorities’ changing needs: this should also explore the viability of alternative approaches, such as a ‘rolling’ or ‘intelligent’ reset, which would take growth into account.

Revaluations (pages 30–31)

• The evidence generally supported more frequent revaluations, in line with the Government’s announcement, but there was no consensus as to how often they should take place.

Limits to growth (pages 31–32)

• Some authorities were not certain that they would be able to drive and generate growth, as a result of area characteristics which limited business rate revenue: such as the type of predominant business, the level of deprivation or the proximity to established commercial centres.

• **100 per cent retention must work in a way that ensures that areas with limited ability to generate growth in business rate revenue do not lose out.**

Generating growth (pages 32–33)

• Currently, growth in business rates can only be generated by constructing new buildings or increasing net floor space: growth resulting from improvements to existing buildings is mostly removed in the revaluation process and redistributed, and therefore not retained locally.

• The Government and the sector should consider:
  
  • What effect these constraints have on incentives to improve premises and invest in the local area, which would benefit the local economy.
• How heavily-developed urban areas which do not have the space to accommodate new development can grow their rates.

• How areas where rents are low and there is little demand for new property development can grow their rates.

• Whether large out of town developments are encouraged to the detriment of town and city centres.

The tax base (page 33–37)

• To stabilise the tax base and strengthen incentives, the Government and the sector should consider:

  • Before implementation, routinely assessing the effects on business rate revenue of national policy decisions, such as on academy transfers.

  • Removing plant and machinery from business rates in order to encourage growth.

  • How to ensure that revenue from online businesses is captured by local government, for example by a transaction levy on internet retailers.

Small Business Rate Relief and the move to the Consumer Price Index (pages 35–37)

• Reactions to the changes to Small Business Rates Relief (SBRR) were mixed: however, we believe that the Government and the sector should consider whether they will impact on authorities’ incentives to encourage growth in small businesses.

• The change to uprating the multiplier by the Consumer Price Index will reduce revenue and the compounded effect of this will become very significant over the coming years.

• Despite a commitment from the Government, there was uncertainty as to whether compensation for these changes would be forthcoming: the Government should confirm that this is the case and that, when devolving new responsibilities to local government, it will take into account the reduction in revenue resulting from these changes.

Other issues (pages 37–39)

• The Government and local authorities should together consider:

  • Whether properties on the central list should continue to be held by central government and how the revenue it generates could better be used under 100 per cent retention, for example in funding appeals or the safety net.

  • How empty property rates impact on growth incentives. Empty property rates were thought to distort authorities’ incentives to attract businesses into vacant premises; however, we note that they also protect authorities in a recession.

  • The implications of the reforms for community benefit agreements, which already allow the authority involved to retain 100 per cent of business rate revenue.

  • The treatment of business rate revenue generated in Enterprise Zones under 100 per cent retention.
The infrastructure premium (pages 40–43)

The role of Local Enterprise Partnerships

- The proposal that LEPs should be involved in the decision-making process was criticised by both local authorities and the business sector.

- The Government should review whether it is practical, possible and fair for LEPs to play such a key role, taking into account the following concerns:
  - Some LEPs are not representative of the full range of businesses, particularly retail;
  - LEPs may not be sufficiently resourced, well-established, accountable and impartial.
  - In some places, the area covered by the LEP is too large for it to be able to make effective local decisions.
  - In some places, LEPs overlap.

The requirement for a directly elected mayor

- There were calls across the sector for the infrastructure premium to be available to all authorities, not only combined authorities with a directly elected mayor.

- The Government and local authorities should together consider whether, by placing areas without a directly elected mayor at a disadvantage, this proposal conflicts with the aims of 100 per cent retention.

Business Improvement Districts and the Business Rate Supplement

- There was concern that businesses might face cumulative raises in rates in the case where the infrastructure premium was introduced in an area which already had a Business Improvement District (BID) or, for example, in London where the Business Rates Supplement (BRS) operates to fund Crossrail: the Government should clarify whether the infrastructure premium will be levied on top of an existing increase in rates linked to a BID or the BRS.

Abolition of the Uniform Business Rate (pages 43–45)

- The ability to reduce rates without a corresponding power to increase them was unpopular among local authorities, and we heard it was unlikely that they would use a power to lower business rates.

- The power to raise and lower the multiplier and the power to vary it according to business type, which was frequently requested by local authority witnesses, could give authorities, or groups of authorities, an effective lever to stimulate and foster local economic growth. the Government and local authorities should together consider introducing these powers, with rises in rates limited to the increase in the average council tax. These powers could also help protect councils from any changes made by central government to the business rates system after 2020.
Before proceeding further, it would be prudent to commission research on the likelihood of inter-authority competition resulting from the abolition of the multiplier.

**Additional responsibilities (pages 46–51)**

- Some authorities were doubtful that they would be in a better financial position under a system of 100 per cent retention. Councils need reassurance that, now or in the future, they will not be required to take on new responsibilities that are unaffordable or likely to become unaffordable over time.

- There was broad agreement among witnesses on the nature of the additional responsibilities that local government would welcome. These responsibilities should:
  - Be linked to economic growth.
  - Include skills and transport.
  - Be aligned with areas’ devolution proposals and deals.
  - Not be demand-led.

- Based on the evidence, we recommend that decisions on additional responsibilities should be guided by the following principles:
  i) New services should:
    - Support public sector reform, devolution and localism and fit logically with the role and wider responsibilities of local government and complement existing services.
    - Help residents to improve their personal circumstances and be aimed at making them less dependent.
    - Not be high-risk or demand led: for this reason, the Government’s suggestion that attendance allowance be devolved to local authorities did not attract support.
    - Be linked to forms of preventative action, for example, spending on early years and public health.
  ii) Local government must have genuine discretion over how the services are provided and be able to control and influence their delivery.
  iii) The funding levels for each new service should be agreed at the outset, and be accompanied by a full new burdens assessment, with councils having the freedom to manage resources as service demand increases.
The business rate retention pilots (pages 52–54)

- We understand that appeals are being dealt with separately in the 2015 pilots, so as not to impact on growth, and recommend that consideration is given to taking this approach in the reformed system.

- There are concerns that areas without pilots would be at a disadvantage.

- The pilots are an important opportunity to ‘road-test’ the arrangements, understand their impact and resolve issues. However, given the earliest estimated start date of the 2016 pilots is 2018–19, and the fact that it has taken so long to agree the 2015 pilots, it is unlikely that the 2016 pilots will able to inform the roll-out of 100 per cent retention in 2020. This will be a significant missed opportunity.
Glossary

**Business rates baseline**

The amount of a local authority’s share (local share) of estimated business rates revenue at the outset of the Business Rates Retention Scheme.

**Baseline funding level**

Authorities’ share of the local share of business rates determined by an assessment of their needs undertaken in 2012–13.

**Central share**

The share of locally collected business rates, currently set at 50 per cent, paid to central government by authorities which collect business rates. The central share is re-distributed to local government through grants, including Revenue Support Grant.

**Levy**

Authorities which experience disproportionate growth in business rates income pay a levy. These payments are used to fund the safety net.

**Local share**

The share of locally collected business rates, currently set at 50 per cent, retained by local government.

**Multiplier**

The multiplier when multiplied by the rateable value of a property determines a ratepayer’s business rate bill. The multiplier is set nationally and, currently, is uprated annually by the Retail Prices Index (RPI).

**Rates reliefs**

The rating system currently provides mandatory relief to charities and other categories of ratepayer and permits authorities to grant discretionary relief to other rate payers.

At a reset, baseline funding levels, business rates baselines, tariffs and top-ups are set for each authority to take account of changes in relative need and resource. A reset was due to take place in 2020.

**Reset period**

The period of time between resets during which local authorities can retain (after taking into account the levy and payments owing to relevant shares) the growth in business rates revenue. Under the current system, the initial reset period was to be between 2013 and 2020.

**Revaluation**

Business properties are normally re-valued every five years to reflect relative changes in rental valuations. The revaluation due to take place in 2015 was postponed until 2017.
Revenue Support Grant

The main grant for local authorities from central government under the current system.

Safety net

The method of protecting an authority which sees its annual business rates income drop by more than 7.5 per cent below its baseline funding level. Such authorities receive a safety net payment at the end of the financial year from central government.

Tariffs and top ups

These are calculated by comparing an authority’s business rates baseline against its baseline funding level. They are fixed at the outset of the scheme and index linked to RPI. Authorities with a higher business rates baseline than its baseline funding level pay a tariff to central government. Authorities with a lower business rates baseline than their baseline funding level receive a top up from central government.
Formal Minutes

Monday 6 June 2016

Members present:

Mr Clive Betts, in the Chair

Bob Blackman  David Mackintosh
Helen Hayes   Jim McMahon
Kevin Hollinrake  Mary Robinson
Julian Knight  Alison Thewliss

Draft Report (100 per cent retention of business rates: issues for consideration) proposed by the Chair, brought up and read.

Ordered, That the Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 127 read and agreed to.

Glossary agreed to.

Ordered, That the list of issues for consideration be annexed to the Report

Summary agreed to.

Resolved, That the Report be the First Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned until Monday 13 June at 3.45 p.m.]
Witnesses

The following witnesses gave evidence in Session 2015–16. Transcripts can be viewed on the inquiry publications page of the Committee’s website.

Monday 22 February 2016

David Phillips, Senior Research Economist, Institute for Fiscal Studies, Dr Kevin Muldoon-Smith, Associate Lecturer and Researcher, Northumbria University, and Simon Parker, Director, New Local Government Network

Monday 7 March 2016

Andy Hall, Business Rates Assurance Manager, Boston Borough Council, Councillor David Finch, Leader, Essex County Council, and Dennis Napier, Assistant Head of Financial Resources, Sunderland City Council

Councillor Tim Mitchell, Cabinet Member for Finance and Corporate Services, Westminster City Council, Paul Dransfield, Strategic Director, Major Programmes, Birmingham City Council, Sharon Gregory, LGSS Group Accountant, Cambridgeshire and Northamptonshire County Councils, and Councillor Claire Kober, Chair, LGA Resources Panel, Local Government Association

Tuesday 22 March 2016

Sean Nolan, Senior Local Government Adviser, Chartered Institute of Public Finance and Accountancy, David Magor, Chief Executive, Institute of Revenues Rating and Valuation, Andrew Hetherton, Chairman, IRRV Valuers Association Board, Institute of Revenues Rating and Valuation

Mike Cherry, Policy Director, Federation of Small Businesses, Tom Ironside, Director, Business Regulation, British Retail Consortium, Chris Richards, Senior Business Environment Policy Adviser, EEF

Monday 11 April 2016

Joe Anderson, Chair, Liverpool City Region, Sharon Gregory, LGSS Group Accountant, Cambridgeshire County Council, and Richard Paver, Treasurer, Greater Manchester Combined Authority

Sir Edward Lister, Deputy Mayor, Policy and Planning, Greater London Authority, Guy Ware, Director for Finance, Performance and Procurement, London Councils, and Colin Stanbridge, Chief Executive, London Chamber of Commerce and Industry
Published written evidence

The following written evidence was received and can be viewed on the inquiry publications page of the Committee’s website.

BUR numbers are generated by the evidence processing system and so may not be complete.

1 Action on Smoking and Health (BUR0008)
2 Association of Convenience Stores (BUR0039)
3 Birmingham City Council (BUR0027)
4 Boston Borough Council (BUR0013)
5 British Chambers of Commerce (BUR0035)
6 British Heart Foundation (BUR0058)
7 British Retail Consortium (BUR0020)
8 Cancer Research UK (BUR0050)
9 Cannock Chase Council (BUR0061)
10 CCN (BUR0060)
11 Central Bedfordshire Council (BUR0002)
12 Centre for Cities (BUR0024)
13 Centre for Urban and Regional Development Studies, Newcastle University (BUR0041)
14 Charity Finance Group (BUR0044)
15 Charity Retail Association (BUR0028)
16 Charity Tax Group (BUR0025)
17 Chief Economic Development Officers Society (CEDOS) (BUR0015)
18 Churches’ Legislation Advisory Service (BUR0010)
19 City of London Corporation (BUR0057)
20 Cornwall Council (BUR0033)
21 District Councils’ Network (BUR0018)
22 EDF Energy (BUR0030)
23 EEF – the manufacturers’ organisation (BUR0053)
24 Essex County Council (BUR0019)
25 FSB (BUR0056)
26 Gateshead Council (BUR0034)
27 GREATER LONDON AUTHORTY (BUR0043)
28 Greater Manchester Combined Authority (BUR0055)
29 Industrial Communities Alliance (BUR0049)
30 Institute of Revenues, Rating and Valuation (BUR0047)
31 Intu Properties plc (BUR0005)
32 Key Cities (BUR0031)
33 Knowsley MBC (BUR0037)
Leeds City Council (BUR0012)
LGSS (BUR0011)
Liverpool City Region (BUR0036)
Local Government Association (BUR0014)
Local Government Association (BUR0062)
London Councils (BUR0007)
Mr Julian Pratt (BUR0040)
New Local Government Network (BUR0022)
Newark & Sherwood District Council (BUR0038)
Newcastle City Council (BUR0026)
Professor Steve Fothergill (BUR0016)
R3Intelligence at Northumbria University (BUR0001)
RWE (BUR0052)
Sedgemoor District Council (BUR0059)
Sheffield City Council (BUR0023)
Society of County Treasurers (BUR0017)
Special Interest Group of Municipal Authorities (SIGOMA) (BUR0032)
Stockton on Tees Borough Council (BUR0051)
Sunderland City Council (BUR0029)
The Booksellers Association of the United Kingdom & Ireland (BUR0004)
The Royal Town Planning Institute (BUR0009)
The Theatres Trust (BUR0006)
Thomas More (BUR0048)
Westminster City Council (BUR0054)
# List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee’s website.

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