worcestershire
county council

Local Government Finance Reform
Local Government Finance Directorate
Ministry of Housing, Communities and Local Government
2nd Floor, Fry Building
2 Marsham Street
London
SW1P 4DF

21st February 2019

Dear Sir

**Business Rates Retention Reform Consultation**

With regards to the Business Rates Retention Consultation please find attached the response from Worcestershire County Council. I have also submitted a pro-forma.

Kind regards

**Simon Geraghty**

**Leader of the Council**


**Simon Geraghty**
**Leader of the Council**

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Electoral Division
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## Business Rates Retention Reform Consultation

**Question 1: Do you prefer a partial reset, a phased reset or a combination of the two?**

The County Council believes there should be a phased reset.

**Question 2: Please comment on why you think a partial/ phased reset is more desirable.**

A phased reset is more desirable as this would smooth out cliff-edges / significant changes in funding thus giving local authorities more time to make appropriate plans.

**Question 3: What is the optimal time period for your preferred reset type?**

5 years.

A 5-year reset would provide an incentive to local authorities which can be built into business cases with a degree of certainty.

**Question 4: Do you have any comment on the proposed approach to the safety net?**

If the levy is reformed (raising the threshold at which levy becomes due), less income will be available to fund safety net payments and therefore a higher proportion of the safety net would need to be funded through a top-slice.

The County Council agrees the safety net threshold should be raised to compensate for an increased risk of excessive falls in business rate income. We also agree there should be a safety net to support against 'shocks to the system' and that it should be funded centrally through a top-slice. This threshold should not be decided until there is certainty of the new responsibilities that will transfer to local government.

However, the top-slice must give consideration to the ‘gearing’ effect of individual local authorities – and avoid circumstances where lowly geared local authorities pay for a safety net that they are unlikely to use. Neutralising the gearing effect through a calculated amendment would remove this unfairness.

**Question 5: Do you agree with this approach to the reform of the levy?**

The levy should only be paid on extraordinary growth.

**Question 6: If so, what do you consider to be an appropriate level at which to classify growth as ‘extraordinary’?**

The Council is not able to provide a full answer to this question without greater knowledge of government proposals on how individual authorities’ gearing would adversely affect retention of funding. That said, the Council would expect the level at which the levy would fall due ought to be closer to 110% and certainly considerably less than the minimum example of 150% quoted in the consultation.

**Question 7: What should the fall-back position be for the national tier split between counties and districts, should these authorities be unable to reach an agreement?**

The ‘fall back’ position should formally be named the ‘default’ position.

The County Council cannot give a complete response with regard to the national tier split as it depends on which new responsibilities are being proposed for transfer to local government, what the risks are, what the level of funding is and how the other funding implications of the proposed system will work.

The only firm view the County Council can give is that the existing tier split of 80/20 for Districts/Counties has proved to be a long way short of enabling a fair balance of risk and reward.

The County Council believes that the Government should recognise the Counties’ role in enabling infrastructure investment and increase the tier split more towards the balance of gross expenditure in two-tier areas - whilst maintaining a fair level of protection for education and social care services.

**Question 8: Should a two-tier area be able to set their tier splits locally?**

Yes.

Worcestershire County Council along with its six district councils worked successfully to agree a unique tier split regarding our successful 75% Business Rate Retention Scheme pilot. We would seek to do the same again but recognise that a default position is required nationally for those authorities unable to agree a local tier split.

**Question 9: What fiscally neutral measures could be used to incentivise pooling within the reformed system?**

Pools should be established on merit and should need little or no incentivisation from Central Government.

The Council disagrees with the use of any incentives and that not fiscally neutral, or promote one area of local government over another, or in particular where they may be used to promote the move to elected mayors.

**Question 10: On applying the criteria outlined in Annex A, are there any hereditaments which you believe should be listed in the central list? Please identify these hereditaments by name and location.**

No.

**Question 11: On applying the criteria outlined in Annex A, are there any listed in the central list which you believe should be listed in a local list? Please identify these hereditaments by name and location.**

No.

**Question 12: Do you agree that the use of a proxy provides an appropriate mechanism to calculate the compensation due to local authorities to losses resulting from valuation change?**

Yes.

**Question 13: Do you believe that the Government should implement the proposed reform to the administration of the business rates retention system?**

The County Council supports the proposed reform in principle but recognises that there is still much detail still to confirm.

**Question 14: What are your views on the approach to resetting Business Rates Baselines?**

The reset in 2020-21 should be based on 2018-19 NNDR3s.

**Question 15: Do you have any comments at this stage on the potential impact of the proposals outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.**

No.