

Report to the Finance & Performance Management Cabinet Committee



**Epping Forest
District Council**

Report reference: *FPM-008-2016/17*
Date of meeting: *15 September 2016*

Portfolio: Finance

Subject: Consultation on Business Rates Retention

Responsible Officer: Bob Palmer (01992 564279).

Democratic Services: Rebecca Perrin (01992 564532).

Recommendations/Decisions Required:

- 1. That the response to the consultation be based on the Society of District Council Treasurers draft response; and**
- 2. That the exact responses to each question be determined by the Director of Resources in consultation with the Finance Portfolio Holder.**

Executive Summary:

In July the Department for Communities and Local Government (DCLG) issued a consultation entitled "Self-sufficient local government: 100% Business Rates Retention". The consultation runs for twelve weeks to 26 September.

A brief summary of the consultation paper is provided in the report below, with the draft response of the Society of District Council Treasurers attached as a separate appendix. The draft response was prepared by the consultancy LG Futures who have confirmed that the document can be published as part of this agenda.

The consultation is at a high level as DCLG are still seeking to establish how the scheme will work. No detailed authority specific exemplifications have been provided to support the various proposals so it is not clear if this Council will benefit from any given alternative. The full consultation document runs to 50 pages and so has not been provided as part of the agenda but can be viewed in the consultation section of the DCLG website.

Reasons for Proposed Decision:

To determine the responses to be made to the consultation.

Other Options for Action:

Members could decide to not respond, to respond in part or to respond in full to each of the thirty six questions.

Report:

1. In 2013/14 there was a significant change to the system of funding for local authorities with the introduction of business rate retention. For each subsequent year from 2013/14 the significance of retained business rates within the funding structure has increased. This direction of travel has been clear with a strong emphasis from Government on local authorities becoming self-financing and reducing their reliance on central grant funding. The ultimate aim of Government policy here is to introduce 100% business rates retention by the end of the parliament.
2. The size of the challenge in achieving the Government's ambitions should not be underestimated as it requires a completely new system of financing to be designed and implemented. This is reflected in the high level of a number of the consultation questions for example –

<i>Question 1 – Which responsibilities do you think are the best candidates to be funded from retained business rates?</i>
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<i>Question 7 – What is the right balance in the system between rewarding growth and redistributing to meet changing need?</i>
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<i>Question 20 – What level of income protection should a system aim to provide?</i>
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3. While the system is still at this design stage it is impossible to say if this district will gain or lose from the system overall or the many alternatives contained within it. However, some of the questions do have alternatives that are likely to benefit district councils in general and these are highlighted in the draft response provided by LG Futures. The draft response also provides useful background and context and is a good basis for any response that Members decide is appropriate to make to the consultation.
4. If Members support the use of the LG Futures document it is proposed that the Director of Resources should complete the detailed response in consultation with the Finance Portfolio Holder. Member's views are requested.

Resource Implications:

As this process is still at the system design stage it is too early to say what the resource implications will be.

Legal and Governance Implications:

Changes following the consultation will be included in subsequent Local Government Finance Bills and are likely to come into effect from 1 April 2020.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

The draft response provided by LG Futures has been widely supported by the Executive of the Society of District Council Treasurers.

Background Papers:

None.

Risk Management:

There is a risk that further significant reductions in funding could arise through this process. However, at this stage it is too early to attempt to assess the likelihood or size of such reductions.

Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

Date / Name	Summary of equality analysis
02/09/16 Director of Resources	The report is about responding to a Government consultation. Whilst the response is aimed at reducing the overall reduction in resources it does not deal with the use of those resources and so has no equalities implications.