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Brent

Resources and Public Realm Scrutiny Committee – Supplementary Agenda

Tuesday 8 November 2016 at 7.00 pm
Boardrooms 7&8 - Brent Civic Centre, Engineers Way, Wembley HA9 0FJ

Membership:

Members Councillors:	**Substitute Members** Councillors:
Kelcher (Chair) Davidson (Vice-Chair) Aden S Choudhary Ezeajughi M Patel Tatler	Chan, Harrison, McLeish and Naheerathan

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The press and public are welcome to attend this meeting

Supplementary Agenda

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This task group has been requested by the Scrutiny Members to ensure Brent council has the knowledge and understanding to respond to the devolution of business rates policy change; achieving the best financial outcomes for the borough.

Please remember to ***SWITCH OFF*** your mobile phone during the meeting.

- The meeting room is accessible by lift and seats will be provided for members of the public.

Resources and Public Realm Scrutiny Committee
8 November 2016

Report from the Director of Performance, Policy and Partnerships

For Information

Covering Report for Scrutiny Task Group The Devolution of Business Rates

1.0 Summary

1.1 This task group has been requested by the Scrutiny Members to ensure Brent council has the knowledge and understanding to respond to the devolution of business rates policy change; achieving the best financial outcomes for the borough.

1.2 The purpose of the task group is to review the background to the policy development, analyse the current themes and direction coming out of the current consultation work; ensuring Brent minimises the risks and takes advantage of the opportunities offered by the policy change.

1.3 The review was concerned with the wider strategies of business growth, including employment and skills. Engagement with the local business sectors, joint London and sub-regional working and identifying risks to Brent.

1.4 The review is aligned with borough priorities, such as the council's 2020 Outcome Based Reviews (OBRs) Employment Support and Welfare Reform and Regeneration (physical, social and environmental). The council's borough plan 2015-19 Better Place, emphasises increasing the supply of affordable, good quality housing; and Better Lives highlights supporting local enterprise, generating jobs for local people and helping people into work.

2.0 Recommendations

2.1 Members of the Resources and Public Realm Scrutiny Committee consider the contents of the Devolution of Business Rates task group report.

2.2 Members of the Resources and Public Realm Scrutiny approve the eleven recommendations made by the task group and support the development of an action plan across the council and partner organisations to take these forward.

2.3 The Resources and Public Realm Scrutiny agree to receive a progress report against the recommendations in six months' time.

3.0 Detail

3.1 Primarily, the task group started by collecting information about the proposed devolution of business rates policy change. The task group reviewed evidence and opinions gathered from Central Government and Ministers who were invited to contribute through discussion groups, meetings and visits.

The task group then met with Council Officers, West London Business Consortium and The Small Business Federation. Local business groups were also invited to attend along with Brent partners. As part of the discussion group other local councils attended and added their knowledge which enriched the quality of the discussions held. Given the focus on identifying good practice elsewhere, the group consulted with the LB Ealing, LB Camden, LB Westminster, LB Harrow and LB Barnet, where they discussed the financial risks and how the policy as they understood it would impact in local government and its business sectors. The discussions were in line with the task groups themes, which formed the focus and key areas of the review, these included:

Central Government Policy

What is the current status? What has been proposed to date?
What will the pilot schemes look like?
How can the Council engage in the current work?

Financial Risk

What is the biggest risk to the Council's planned finances?
What Safety net mechanisms are in place?
Will we still want to be part of a Business Rates Pool?

Possible impact to Brent

What will be in impact on current arrangements?
Will Brent be better or worse off?
How do we prepare for the devolution of business rates?

Growth in Business rate income

How do we grow our business rates locally?
How do we encourage local economic growth?
How do we improve collection rates?

3.2 The task group has made eleven individual recommendations, spread across the four key questions outlined in its Terms of Reference. The recommendations have been grouped into one of five discovery themes which the task group believes should form the basis of Brent Council's future devolution and business rates growth policies.

1. **Future Business Rates Strategies**
   In response to the Government's business rates policy proposal, the task group recommends the development of a robust business rates growth strategy, which considers the wider skills, enterprise and infrastructure needs of the borough.

2. **Skills and Enterprise (what new responsibilities should be devolved)**
   To mitigate any financial risks the devolution of business rates may impose on Brent, our strategies should have a keen focus on skills and enterprise.

3. **Preparation for 100% Devolution of Business Rates**
   To reduce the possibility of any negative impacts of business rates devolution on Brent, the council should be making preparations to ensure that we have a healthy local economy and that we are in the best position to implement the change with minimal disruption to services.

4. **Working in partnership**
   To ensure we make the most of the opportunities that devolution of business rates can provide to grow income, the task group proposes working in partnership where possible with London and sub-regional councils.

5. **General and Best Practice**
   To be a model for best practice by developing ground breaking strategies for the implementation of business rates devolution within local government.

3.3 **Task Group Recommendations**

Future Business Rates Strategies

1. Brent Council must develop a strategy to attract and retain businesses that pay good wages to Brent residents. We must encourage further growth in our already successful businesses and attract incoming investment into the borough which will benefit from and harness a skilled multicultural workforce. The strategy should be a central function within the council, embedded in the council's income generation and civic enterprise strategies going forward as Brent will rely on this income to fund services to residents and business development for decades to come.

2. Brent Council must be innovative, designing schemes like Local Enterprise Partnerships, Business Improvement Districts, and must also build on current policies such as the London Living Wage business rate reduction programme. The council should explore how existing powers such as, varying the business rate could:

   - Enable Town centre development e.g. business improvement districts in Willesden High Road, Ealing Road and Chamberlayne Road
   - Offer incentives to businesses to provide supported employment opportunities and increase public convenience provision
   - Encourage businesses to share knowledge and skills such as improving local supply chains.

3. Brent Council will need to establish arrangements to ensure that decision making on whether to increase or decrease the business rate tax is evidence-based. This decision should be made in consideration with the wider strategy and will require debate in Cabinet and at Full Council.

Skills and Enterprise

4. Brent Council must support its businesses throughout the borough with the cultural shift that will be needed to implement this change. The council should have a role in supporting the businesses in that shift by encouraging the employment of local workers wherever possible and (developing skills and apprenticeships for Brent's workforce.)

5. As a result of successfully growing the business rates base, Brent Council should be given greater powers for employment such as working more closely with Job Centre Plus so that the Council can ensure that skills and employment are aligned with the Council's wider economic growth objectives.

6. Given the extremely low interest rates at present, Brent Council should, individually and in partnership with neighbouring boroughs and the Mayor of London create business cases for borrowing money to improve infrastructure. Mixed housing and business units for example will support economic growth in the borough.

Preparation for 100% Devolution of Business Rates

7. Brent Council must do more to show that the borough is open for business. All of the borough has a responsibility to do this, so officers, Councillors and partners must work together to look at what is unique to the borough such as, Wembley Stadium and the fact that Brent is one of the most diverse places in the UK and actively promote these to attract new business.

8. Brent Council must consider the impact the devolution of business rates will have on policy development and financial planning. It is vital senior officers and Councillors keep abreast of the latest developments and continue to feed into consultations ensuring that Brent's interests are heard. Regular bi-annual updates should be brought to the Resources and Public Realm Scrutiny committee. In addition given the significance of this policy change we would urge a Full Council debate on this matter.

Working in partnership

9. Brent Council must build on the West London Alliance and the work of the Economic Prosperity Board, as sub-regional alliances' with neighbouring boroughs of similar economic profile will be essential in developing a business strategy. The work of these boards should be expanded with input from backbenchers, and regular reporting back to Scrutiny Committee and Full Council.

10. Brent Council must continue to work with the Mayor of London to lobby for opportunities for Brent that may emerge from Mayoral initiatives such as Old Oak Common.

General and Best Practice

11. The extensive meetings with all relevant stakeholders held by this task group has confirmed that the policy remains nebulous in many aspects, so work on the Devolution of Business Rates will still require regular reviewing, with regular updates to Scrutiny Committee and Full Council. Brent Council must remain closely connected to the work the of the Department for Communities & Local Government (DCLG) and Local Government Association (LGA), London Councils, the Parliamentary Select Committee and the London Assembly/Mayor of London's office.

4.0 Financial Implications

4.1 None of the recommendations in this report require significant upfront investment from Brent Council. Some recommendations require officer time to conduct further investigations into supporting the creation of wider business growth, working with partners and maximising skills and employment opportunities, but the task group are certain that this will bring overall positive benefits to the council.

5.0 Legal Implications

5.1 As these are very high level strategic recommendations, there are no specific legal implications that need to flag up at this stage.

6.0 Diversity Implications

6.1 None

7.0 Staffing/Accommodation Implications (if appropriate)

7.1 The following Brent services and partners would be affected by the recommendations made:

- Brent Finance Team
- Brent Business Rates Team
- Brent Employment & Enterprise Team

Background Papers
Devolution of Business Rates task group Scope and Terms of Reference (September 2016).

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Resources & Public Realm Scrutiny Committee

Devolution of Business Rates Task Group Report

November 2016

Cllr Joel Davidson (Chair)
Cllr Tom Miller
Cllr Bernard Collier
Cllr John Duffy
Cllr Neil Nerva
Cllr Helen Carr
Cllr Michael Maurice

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1. THE CHAIR'S FOREWORD

As a Brent Councillor, I represent many hard-working local businesses in the borough. I have seen at first hand the virtuous circle that exists between good quality local shops and commerce, good housing, and a flourishing local economy.

The business rates system plays a crucial role in sustaining a thriving local economy. The Government's recent announcement that it will be devolving business rates to Local Authorities marks a radical change to the system. By the end of this Parliament, Councils will be allowed to retain 100 per cent of business rate revenue, changing the way in which local government is funded for decades to come.

Brent Council needs to be prepared for this change to ensure that opportunities for local growth are optimised. This task group was established to bring local representatives from different political parties and with a range of knowledge and expertise together to examine the impact of this policy change and develop a framework to help the Council prepare.

As a Chartered Accountant and audit committee member, I have a keen interest in supporting local business activity as a means of boosting local economic growth to help overcome our budgetary challenges. It was an honour to be asked by Cllr Kelcher to chair this very important task group.

The Business Rates devolution policy will allow Local Authorities to take full responsibility for the appropriation and collection of business rates within their borough. Councils can now seize this opportunity to develop a proactive and localised strategy to attract and retain a diverse mix of business activity. This will in turn deliver a sustainable local tax base to fund good quality public services. There will undoubtedly be challenges in the implementation of the policy in London boroughs such as Brent which have high service needs, as the Revenue Support Grant is phased out and replaced by borough-specific business rates funding. This means that it is particularly important for the council to look at options around local tax flexibility, and rewarding growth in business activity. This has been a focus of the group and we have provided some recommendations to address key challenges both during and post policy transition.

Over the past two months, I and my fellow Brent councillors have met with a broad array of stakeholders involved in the policy change to further understand how it will work and ensure that our recommendations are practical and deliverable. This has included working with Government Ministers, MPs, London Assembly Members, Councillors in other London Boroughs, the Department of Communities and Local Government, the Local Government Association, London Councils, business organisations and regional economic development agencies.

Particular thanks go to Bob Blackman MP, Clive Betts MP, Andrew Boff AM, and Caroline Pidgeon AM for their time and the valuable counsel they provided.

I believe that the recommendations we have made should provide valuable guidance for the Council however, we firmly believe that this policy is of major significance, and that the Council must regularly review and address policy developments in relation to this as it became clear from our work on this group that there are still grey areas around how it will work in practice.

I pay tribute to the Task Group Members: Cllr Miller, Cllr Collier, Cllr Carr, Cllr Maurice, Cllr Duffy and Cllr Nerva. The insights and support of the team has produced some strong recommendations and I look forward to carrying on our work together in the future.

Finally, I must also place on record my appreciation for the thorough professionalism of Kisi Smith-Charlemagne, ably assisted by Jon Cartwright, who has been integral in compiling the report.

The task group is united in its desire to create the right environment for a prosperous economic future for Brent. Our report sets out a cross-party approach to embrace this opportunity to grow business activity and make the most from the new changes to the rate system. Our recommendations should help the council ensure a bright future for residents and businesses across the borough.

Cllr Joel Davidson, Brondesbury Park Ward
November 2016

2. TASK GROUP MEMBERSHIP

Cllr Helen Carr

Cllr Bernard Collier

Cllr John Duffy

Cllr Tom Miller

Cllr Michael Maurice

Cllr Neil Nerva

3. EXECUTIVE SUMMARY

On the 5th October 2015 the then chancellor George Osborne announced that local government as a whole would be able to keep 100 per cent of business rates by 2020. Using Office for Budget Responsibility (OBR) forecasts, the Government has estimated that the additional business rates kept by councils could be as much as £13 billion in 2020/21. Brent set up this task group to explore the risk and opportunities that this change may generate.

The task group has made recommendations which will boost local growth, help attract businesses and create jobs in Brent.

This Government's aim is to phase out Revenue Support Grant and potentially some other specific grants, and transfer new responsibilities to local government at the same time. Up to now, councils haven't been able to keep the full amount of business rates collected in their area. There will continue to be a system of redistribution across the whole of local government to make sure that councils which have higher needs or have less capacity to raise business rates do not suffer. However, individual councils will be able to keep subsequent growth in their business rates income.

The reform will mean local government retaining all revenue from business rates for the first time since 1990. These new powers will come with new responsibilities, as well as the phasing out the main grant from Whitehall, to ensure the reforms are fiscally neutral. Local government will of course also need to contribute to fiscal consolidation over this Parliament, and the government is due to set out further details in the Spending Review.

Whilst the task group encountered strong support for the principle of the move to devolution of business rates, there remain uncertainties regarding implementation.

Brent and London regional government must have a significant and substantial role to drive economic development, local employment and skills training in Brent. We highlight other devolved powers that have worked well, and we are excited by the opportunities presented by devolution in England via the creation of city region deals. The task group therefore supports fully devolving powers to Brent in the areas of employment and skills training.

Up to now business rates has been seen as a national tax, with little connection to the local authority. Going forward, the relationship between the local authority, local business and the local community will be more transparent, more obvious, and more direct. The task group believes that the devolution of business rates can trigger a cultural change in the relationship between public authorities and local businesses.

The task group considers that the impact of these changes could be far reaching. It is vital therefore that the authority puts in place organisational arrangements that enable Brent to take advantage of the opportunities from the outset.

The task group has made eleven individual recommendations, spread across the four key questions outlined in its Terms of Reference. The recommendations have been grouped into one of five discovery themes which the task group believes should form the basis of Brent Council's future devolution and business rates growth policies.

1. **Future Business Rates Strategies**
   In response to the Government's business rates policy proposal, the task group recommends the development of a robust business rates growth strategy, which considers the wider skills, enterprise and infrastructure needs of the borough.

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   To reduce the possibility of any negative impacts of business rates devolution on Brent, the council should be making preparations to ensure that we have a healthy local economy and that we are in the best position to implement the change with minimal disruption to services.

4. **Working in partnership**
   To ensure we make the most of the opportunities that devolution of business rates can provide to grow income, the task group proposes working in partnership where possible with London and sub-regional councils.

5. **General and Best Practice**
   To be a model for best practice by developing ground breaking strategies for the implementation of business rates devolution within local government.

4. RECOMMENDATIONS

Future Business Rates Strategies

In response to the Government's business rates policy proposal, the task group recommends the development of a robust business rates growth strategy, which considers the wider skills, enterprise and infrastructure needs of the borough.

1. Brent Council must develop a strategy to attract and retain businesses that pay good wages to Brent residents. We must encourage further growth in our already successful businesses and attract incoming investment into the borough which will benefit from and harness a skilled multicultural workforce. The strategy should be a central function within the council, embedded in the council's income generation and civic enterprise strategies going forward as Brent will rely on this income to fund services to residents and business development for decades to come.

2. Brent Council must be innovative, designing schemes like Local Enterprise Partnerships, Business Improvement Districts, and must also build on current policies such as the London Living Wage business rate reduction programme. The council should explore how existing powers such as, varying the business rate could:

    - Enable Town centre development e.g. Business Improvement Districts in Willesden High Road, Ealing Road and Chamberlayne Road
    - Offer incentives to businesses to provide supported employment opportunities and increase public convenience provision
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3. Brent Council will need to establish arrangements to ensure that decision making on whether to increase or decrease the business rate tax is evidence-based. This decision should be made in consideration with the wider strategy and will require debate in Cabinet and at Full Council.

Skills and Enterprise

To mitigate any financial risks the devolution of business rates may impose on Brent, our strategies should have a keen focus on skills and enterprise.

4. Brent Council must support its businesses throughout the borough with the cultural shift that will be needed to implement this change. The council should have a role in supporting the businesses in that shift by encouraging the employment of local workers wherever possible and (developing skills and apprenticeships for Brent's workforce.)

5. As a result of successfully growing the business rates base, Brent Council should be given greater powers for employment such as working more closely with Job Centre Plus so that the Council can ensure that skills and employment are aligned with the Council's wider economic growth objectives.

6. Given the extremely low interest rates at present, Brent Council should, individually and in partnership with neighbouring boroughs and the Mayor of London create businesses cases for borrowing money to improve infrastructure. Mixed housing and business units for example will support economic growth in the borough.

Preparation for 100% Devolution of Business Rates

To reduce the possibility of any negative impacts of business rates devolution on Brent, the council should be making preparations to ensure that we have a healthy local economy and that we are in the best position to implement the change with minimal disruption to services.

7. Brent Council must do more to show that the borough is open for business. All of the borough has a responsibility to do this, so officers, Councillors and partners must work together to look at what is unique to the borough such as, Wembley Stadium and the fact that Brent is one of the most diverse places in the UK and actively promote these to attract new business.

8. Brent Council must consider the impact the devolution of business rates will have on policy development and financial planning. It is vital senior officers and Councillors keep abreast of the latest developments and continue to feed into consultations ensuring that Brent's interests are heard. Regular bi-annual updates should be brought to the Resources and Public Realm Scrutiny committee. In addition given the significance of this policy change we would urge a Full Council debate on this matter.

Working in partnership

To ensure we make the most of the opportunities that devolution of business rates can provide to grow income, the task group proposes working in partnership where possible with London and sub-regional councils.

9. Brent Council must build on the West London Alliance and the work of the Economic Prosperity Board, as sub-regional alliances' with neighbouring boroughs of similar economic profile will be essential in developing a business strategy. The work of these boards should be expanded with input from backbenchers, and regular reporting back to Scrutiny Committee and Full Council.

10. Brent Council must continue to work with the Mayor of London to lobby for opportunities for Brent that may emerge from Mayoral initiatives such as Old Oak Common.

General and Best Practice

To be a model for best practice by developing ground breaking strategies for the implementation of business rates devolution within local government.

11. The extensive meetings with all relevant stakeholders held by this task group has confirmed that the policy remains nebulous in many aspects, so work on the Devolution of Business Rates will still require regular reviewing, with regular updates

to Scrutiny Committee and Full Council. Brent Council must remain closely connected to the work the of the Department for Communities & Local Government (DCLG) and Local Government Association (LGA), London Councils, the Parliamentary Select Committee and the London Assembly/Mayor of London's office.

5. INTRODUCTION – SCOPE OF THE TASK GROUP

Background

Devolution of Business Rates (DBR)
On the 5th October 2015 the then Chancellor George Osborne set out plans for local government to gain new powers and retain local taxes. The Chancellor set out major plans to devolve new powers from Whitehall to local areas to promote growth and prosperity. The Chancellor announced that local government as a whole would be able to keep 100 per cent of business rates by 2020.

Using Office for Budget Responsibility (OBR) forecasts, the Government has estimated that the additional business rates kept by councils could be as much as £13 billion in 2020/21. The Government feels that changing the current system of financing local government will boost local growth, help attract business and create jobs.

The Government's aim is to phase out revenue support grant and potentially some other specific grants, and transfer new responsibilities to local government at the same time as it receives additional income from business rates. This is so that the reform does not result in previously unplanned spending by the public sector as a whole and local government does not benefit financially at the point of transfer. An example is the consideration of whether other grants, such as the public health grant, should in the future be funded from retained business rates.

As in previous years, individual councils would not keep the full amount of business rates collected in their area. There will continue to be a system of redistribution across the whole of local government to make sure that councils which have higher needs or have less capacity to raise business rates do not suffer. However, individual councils will now be able to keep subsequent growth in their business rates income. Whilst we don't currently know exactly what the system will look like, the LGA is working with government and engaging with local authorities to consider how this could work.

Those areas which choose to have city-wide elected mayors will get even greater flexibilities. They will also be given the power to increase rates for spending on local infrastructure projects, as long as they win the support of local business.

The reform will mean local government retaining all revenue from business rates for the first time since 1990. These new powers will come with new responsibilities, as well as the phasing out the main grant from Whitehall, to ensure the reforms are fiscally neutral. Local government will of course also need to contribute to fiscal consolidation over this Parliament, and the government is due to set out further details in the Spending Review.

Impact on local government finances
Local government is currently financed by a combination of centrally-administered funding (Revenue Support Grant (RSG) and locally-administered charges and taxes.

Since 1990, local business rates have been set by central government at a uniform national rate. Rates are collected locally, but then transferred to central government to be distributed back to local areas in the form of grant. Since 2013, local councils have been enabled to retain 50 per cent of the proceeds of rates, to ensure that when local areas take steps to boost business growth in their area, they should see the benefit.

The reforms go much further, moving to 100 per cent retention of the full stock of business rates by 2020. It will mean that all income from local taxes will go on funding local services.

Local authorities will be able to cut business rates as much as they like. 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.

Impact on current systems

Currently business rates are paid by occupiers and owners of commercial and industrial property to the local authority, but at a rate set by central Government. The Government sets the rate in order to prevent wide disparities in charges stemming from widely differing rate bases between local authorities.

The multiplier - also known as the Uniform Business Rate (UBR) - is then used by the local authority to calculate what percentage of the rateable value of a property has to be paid as business rates. The multiplier is set annually by the Government.

A small business rate relief scheme has been in operation in England since April 2005 and there are other reductions available, for example if the premises are empty.

The impact on the current system will be significant and the Government is expected to publish further details as to how the new devolved system will operate in broad terms following the Comprehensive Spending Review on 25 November. Negotiations will presumably then start in earnest with local government to develop the local and national frameworks for the system within the funding envelopes set in the CSR. The new system is likely to require primary legislation and the changes are unlikely to be introduced in full before 2018-19 at the earliest.

Questions

The review considered the following questions in five key areas:

Central Government Policy

What is the current status? What has been proposed to date?
What will the pilot schemes look like?
How can the Council engage in the current work?

Financial Risk

What is the biggest risk to the Council's planned finances?
What safety net mechanisms are in place?
Will we still want to be part of a Business Rates Pool?

Possible impact to Brent

What will be in impact on current arrangements?
Will Brent be better or worse off?
How do we prepare for the devolution of business rates?

Growth in Business rate income

How do we grow our business rates locally?
How do we encourage local economic growth?
How do we improve collection rates?

Aims

The aims of the review set out at the start of the investigation were as follows:

- There is transparency and understanding of the local and national policies and processes regarding the devolution of business rates.
- Clarify how that policy is going to be implemented in Brent and make recommendations to support the best possible implementation outcome for the council and its residents.
- Through the recommendations of the review the council is able to further stabilise its financial position and has clear strategic direction.
- There is a link between council expenditure and business growth.
- The council develops links for engaging with local businesses that generate discussion on how to grow our local business rates and economy.
- The council is in an informed position to make good financial choices.

6. METHODOLGY

As part of this review the task group invited relevant partners to contribute through discussion groups, meetings and visits. Primarily, the task group started by collecting information about the proposed devolution of business rates policy changes. This included meetings with many Government officers and Members of Parliament.

The task group then met with Council officers to discuss the financial risks and how the policy as they understood it would impact Brent.

The task group decided to hold one themed discussion meetings which reflected a key area of the review (Growth in Business rate income) and met with the West London Business Consortium and Small Business Federation. Local business groups were invited to attend along with officers and partners. As part of the discussion group other local councils attended and added their knowledge which enriched the quality of the discussions held. Given the focus on identifying good practice elsewhere, the group consulted with the LB Ealing, LB Camden, LB Westminster, LB Harrow and LB Barnet.

Partners: Group 1

- Relevant Council Departments
- Brent Partners
- Local Residents Groups
- Local Business Groups

Partners: Group 2

- Department for Communities and Local Government (DCLG)
- Local Government Association (LGA)
- London Councils
- London Assembly
- Parliament Select Committee
- Best Practice Local Authorities

*A full list of participants of the task group's work can be found in section 10 of this report

7. POLICY CONTEXT

7.1. Brent

Local Context – Brent
There are currently, four (principal) sources of local government (revenue) finance, plus two others:

1. Revenue Support Grant
    - Based on central government assessment of need
    - In 2014/15 provided 30% of funding
    - Will be 10% by 2018/19 and falling to nil after 2020
2. Council Tax
    - Locally determined with significant restrictions
    - Six year freeze strongly encouraged by central government
    - Now can increase by 4% each year
        - – Of this, half ring-fenced for adult social care
        - – For planning purposes, 1% raises approximately £1m
        - – Current technical financial model doesn't assume any increases
3. Business rates
    - Retain 30% of business rates paid in Brent
    - 20% paid to GLA and 50% paid to Treasury
    - Rate (multiplier) and exemptions set centrally
    - Amount raised capable of being influenced locally
4. Top up grant
    - Required to make any system fair (Westminster effect)
    - Amount set on transition to new system (2011/12)
    - Then inflated annually at CPI
5. Fees and charges
    - Discretion varies significantly
        - – E.g. Parking, PCNs set regionally, P&D set locally
    - Usually some restrictions on ability to create surpluses
    - Can be for services to residents or businesses
    - Traditional (swimming pool); creative (filming)
    - Can link to policy goals; civic enterprise in more detail
6. Specific grants
    - Government makes specific grants to achieve policy goals
    - Nice to have, but can't choose what to spend on

Table 1 shows that in 2014/15 RSG still provided nearly 30% of our funding; more than council tax (26%) and more than business rates (24%).

Table 1

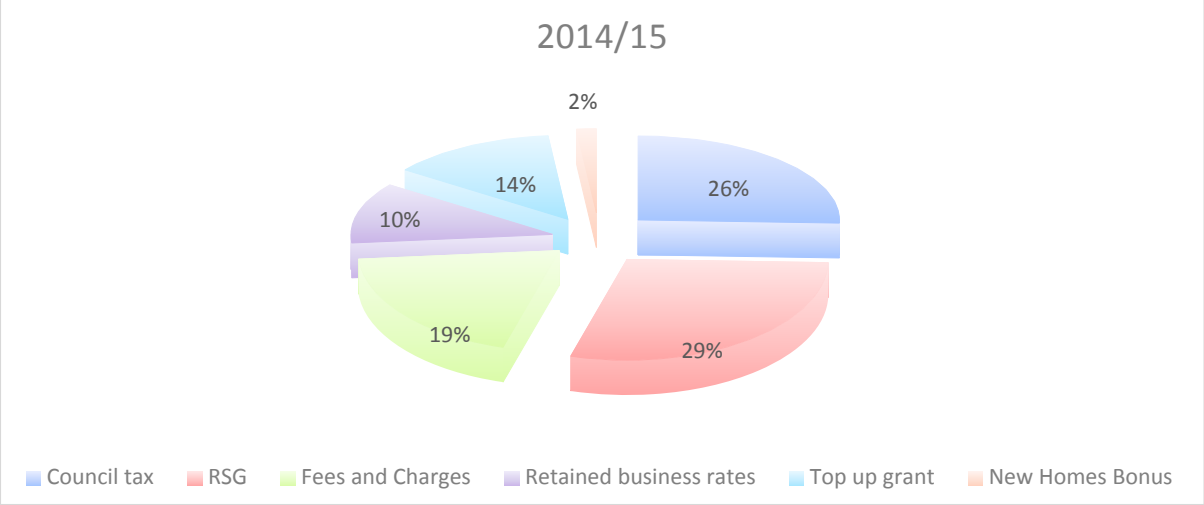
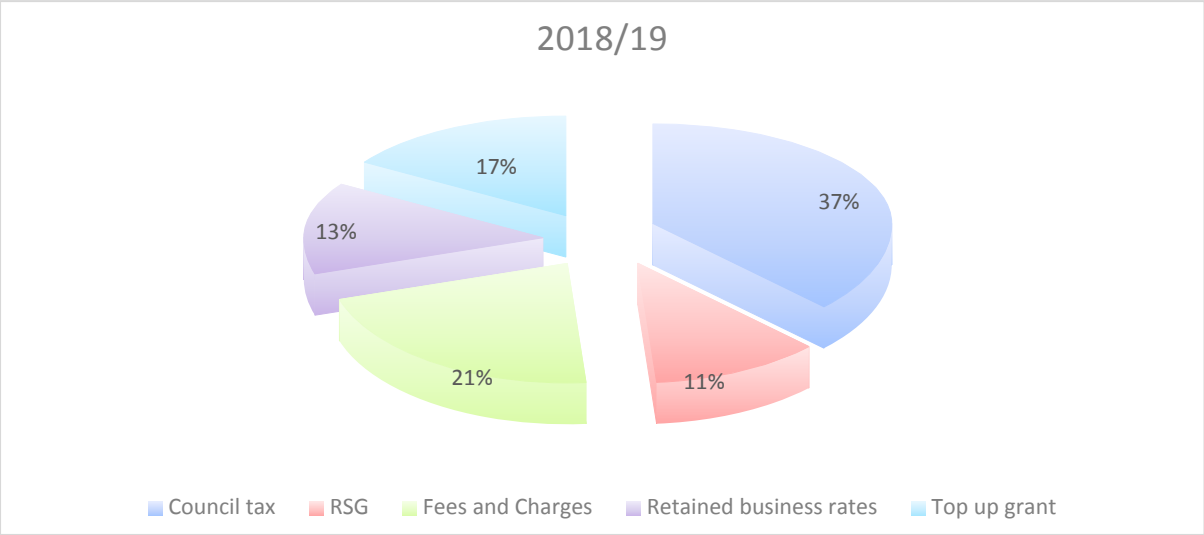


Table 2 shows that by 2018/19 RSG will barely provide 10% of our funding, less than half the amount we raise through fees and charges and a fraction of the amounts from local taxes.

Table 2



7.2. National

Business rates were introduced in 1990, along with the community charge or 'poll tax' (now Council Tax) as a replacement for the old system of domestic and non-domestic rates. The Valuation Office Agency, an executive agency of HM Revenue & Customs, has a statutory duty to prepare local rating lists containing rateable values for all non-domestic properties in England and Wales every five years.

On 1 April 2013 a new system of business rates retention began in England. Before April 2013 all business rate income collected by councils formed a single, national pot, which was

then distributed by government in the form of formula grant. Through the Local Government Finance Act 2012, and regulations that followed, the Government gave local authorities the power to keep up to half of business rate growth in their area by splitting business rate revenue into the 'local share' and the 'central share'. The central share is redistributed to councils in the form of revenue support grant in the same way as formula grant. Local share tax base growth is retained within local government.

However, this was done in a way that was consistent with the Government's deficit reduction plans. The change gave financial incentives to councils to grow their local economies. At the same time, it has resulted in more risk and uncertainty. By far and away the primary challenge was the level of financial risk that councils face due to appeals and business rate avoidance.

Councils keep up to 50 per cent of growth in their business rate receipts arising from tax base growth, which may arise from new or expanding businesses. Local authorities which were deemed to have a 'disproportionate potential to grow' by the Government (for example most councils in Central London) pay a growth levy of up to half of this retained growth. This is then used to partly fund the 'safety net' system to protect those councils which see their year-on-year business rate income fall by more than 7.5 per cent.

The introduction of business rate retention meant that from April 2013 a significant part of a council's budget became dependent on the amount of business rates collected from its area.

The business rate retention reform created a need for councils to receive new, previously uncollected, information to enable sufficiently robust financial planning, such as data about upcoming appeal decisions, the value of business rate income at stake and the impact of business rate avoidance. Most of this information had previously been collected by the Valuation Office Agency (VOA) and provided to central government, as councils had no direct stake in business rate collection.

Business rate retention resulted in the need for a major cultural change at the VOA as its importance as information provider has increased. This transition is still ongoing. The VOA has been working hard to provide information, for instance on the appeals and proposals sent to billing authorities in autumn 2013. However, 61 per cent of all respondent councils are not satisfied with the level and quality of data provided by the VOA to help financial planning.

Overall, respondents tend to agree that the retention scheme created a strong incentive to grow the business rate tax base. More than two thirds agreed, and 58 per cent said that this was the single best outcome of the reform. In last year's survey, 29 per cent of respondents said the reform provided sufficient incentives.

The LGA has been working with the councils and the Department for Communities and Local Government (DCLG) to ensure that local government is vocal in shaping the way that this new system will work (appendix 1). A technical steering group and a number of sub-groups have been established to provide information and expert advice to support the LGA and DCLG in advising Ministers on the setting up and implementation of this new system. The Steering Group will meet regularly and papers are available on the LGA website.

8. KEY FINDINGS

8.1 Central Government Policy

The task group accessed several levels of central government to gather its evidence on the devolution of business rates policy change. The policy was announced in October 2015, but the details have yet to be agreed and consultations are still being conducted.

One of the task group's main objectives for this piece of work was to gain a much better understanding of the devolution of business rates policy. Essentially the task group understands that this is a major fiscal change to the way that local government is financed and as such started gathering evidence from central government ministers who had agreed the policy. The task group found that total business rate yields are exceeding the amount given to local authorities as grants. The decision was made that profits should go to local authorities, however some local authorities with larger business rates bases would receive huge gains, while those local authorities with lower business rate yields would suffer huge losses.

This policy could pose a significant risk to local authorities across the country. Therefore, financial protection would need to be in place for losses of income. It was also agreed that this policy offers significant opportunities for local governments to have more control over finance and shaping local economies. The current timetable for implementation will remain, it is suggested that the policy may be phased in.

In the 2016 Budget the Government committed to piloting approaches to 100% Business Rates Retention in London, Manchester and Liverpool from as early as 1st April 2017. Pilot negotiations are now in the final stages. Pilots are bespoke to reflect the diverse needs of different areas and therefore contain different elements. In London the GLA will take over responsibility for funding Transport for London (TfL) Investment grant from Department for Transport (DfT). In return, the GLA will be allowed to keep a commensurately higher percentage of the business rates income collected in London. The GLA will also fund its share of RSG through business rates from 2017 (appendix 2).

In response to the policy, it was felt that the following areas highlighted raised more questions and needed further analysis in the context of local government actions.

- London region - should we be looking at this from a London regional perspective via London Councils?
- Financial risk - being able to predict appeals, how might this work?
- Valuation - who will administer this? Will there be a new department?
- Additional responsibilities – what might these be and will they be related to economic growth?
- Growth in business rate income - How do we want to be seen as a borough? How should LA's act to incentivise business growth?
- Employment – local employment, what kind of business do we want to attract as employers? What skills will be required?
- Council policies – how do we ensure that our business rates policies are aligned with employment and Income generation policies?
- Political accountability - the leadership of the council should take accountability for growing business rate tax base.

<u>London Region</u>

London Councils has recently finalised its consultation responses from the London boroughs which will feed into the DCLG/LGA consultation (appendix 3). There are two parts: the direct consultation on the business rates proposals, how the tax should work, what it should fund and what the responsibilities transferred should be. Separate to the consultation is a call for evidence on the needs assessment process, which also needs to be reviewed in order to underpin the way the finance system will work in the future.

It is possible that the end result could continue to be a relationship between individual councils and the national system. London boroughs and the Mayor's Office have stated that they are very interested in managing that as a collective system for London. London Councils is proposing two options 'what they would like to see for London' and 'how a national system should work'.

London Councils argument is that London is a large, complicated metropolis. It is argued London is a massive contributor in international terms because of the amount raised for its own use and controls, therefore there should be substantial devolution in order to raise taxes to pay for services in the capital. If this were a role of central government, accountability would improve, providing incentives for people to manage those taxes more effectively than the government does for London.

Financial Risk - Appeals

If a business disagrees with the Valuation Office Agency (VOA) assessment of a property's rateable value, they can propose changes to the VOA. They can also appeal the valuation which will be considered by an independent Valuation Tribunal. There are currently 300,000 outstanding appeals.

The number and scale of appeals are a concern for many councils. Currently, many local authorities pool their resources to tackle with appeals so that no Local Authority is disadvantaged disproportionately.

The uncertainty created by appeals means that instead of spending money on local services, they have to withhold a portion to ensure they can pay half of the costs of successful challenges in the future or backdated appeals. The Government is implementing a new system for appeals from 2017 which will require business ratepayers to state their case at an earlier stage and they could be fined for incorrect or misleading information.

London Councils believe that if London is permitted to manage its own system, this could reduce the rates to London as a whole, with a view to increased rates in the future, such as Canary Wharf. London boroughs would work on a more collective basis and would need a quota based on deprivation and London priorities. The challenge is to balance such a structure.

Additional Responsibilities

The Government intends the reform of business rates to be 'cost neutral'. This means that the level of public spending after the reform should remain the same as planned before the reform through phasing out revenue support grant, other specific grants and the transferring of new responsibilities to match the remaining additional business rates.

The Government has stated that it wants to consult with the sector on what specific funding and responsibilities will be funded from the retention of business rates. So far, the only confirmed decisions are the phasing out of revenue support grant and the additional Transport for London Capital Grant. This leaves a significant sum yet to be decided upon.

What are these additional responsibilities that will come to local government as a result of 100 per cent devolution of business rates? Will these be linked to inflation? These questions are the current points of the negotiations to be confirmed. It is thought these additional responsibilities should be related to financial drivers and be broadly business related, such as:

- Skills
- Employment
- Infrastructural spending
- Transport

This is a tax and not a payment for services and local government should be careful not to overspend; the relationship between councils and businesses is critical. Accountability and responsibility needs to be obviously and clearly defined.

Before the transfer of additional responsibilities, the LGA/DCLG want to consider how existing services can be funded.

The draft response to the LGA/DCLG consultation contains the following emerging themes:

1) Simple is good, but not at the expense of what works best in terms of distribution formula.

2) Which new resources should transfer - expected £7-11billion by 2020. TfL grant of £1biliion already agreed, £3.5billion public health expected already, new responsibilities should be services that support economic growth such as skills, infrastructure and transport, the very things that are in devolution deals.

3) There is strong agreement that the Attendance Allowance would not be welcome as it is not linked to business growth.

Political accountability

What are the definitions of success and failure? The task group were curious to know how this policy will be held to account. Could, would or should senior officers have their positons terminated and what are the legal implications etc? Could, would or should by elections be held if councilors are deemed to fail? It will be extremely difficult for some boroughs to grow their business rates base and central government may introduce additional measures to support these boroughs. A definition of fail might be if London boroughs are unable to grow their business rates and not meet targets.

Central government announced that all councils will have the flexibility to reduce the business rates multiplier in their area and combined authorities with directly elected mayors will also having the power to increase the multiplier by up to two pence in the pound. Such an increase must be agreed by the Local Enterprise Partnership (LEP) and if used, must be spent on infrastructure.

The task group firmly believes that there is still time to ensure the needs and aspirations of Brent council are incorporated into the final policy. Therefore, now is the time to ensure we have a firm vision for Brent's future, the tools required to achieve this vision, and sustainability measures. The council will need to be brave and ambitious regarding applying the multiplier and ensuring its application is fair and equitable. Flexibility around this area will be key. The task group feels central government should provide a toolkit for local government to use when considering whether to reduce or increase rates.

Council Policy

The task group wanted to understand what tools could be used at a local level to both enhance growth and reduce any negative impacts of the policy. What incentives and rewards would be available to local government. Since local government will be expected to take on new responsibilities, it is important to know what services that can be devolved will most benefit our residents. This issue is undecided because of the current status of the consultation. However, the tendency is for these details should be decided at a local level, with local governments' contributing significant to the consultation and models piloted.

The task group wondered if a 'race to the bottom' in terms of reducing rates might be an unintended consequence of the policy. However, historically few local authorities have used these types of powers when they have been available. Business rates remains a national tax and a stronger relationship between local governments and valuation office agency will help develop better insights.

Recommendations

Future Business Rates Strategies

In response to the Government's business rates policy proposal, the task group recommends the development of a robust business rates growth strategy, which considers the wider skills, enterprise and infrastructure needs of the borough.

1. Brent Council must develop a strategy to attract and retain businesses that pay good wages to Brent residents. We must encourage further growth in our already successful businesses and attract incoming investment into the borough which will benefit from and harness a skilled multicultural workforce. The strategy should be a central function within the council, embedded in the council's income generation and civic enterprise strategies going forward as Brent will rely on this income to fund services to residents and business development for decades to come.

2. Brent Council must be innovative, designing schemes like Local Enterprise Partnerships, Business Improvement Districts, and must also build on current policies such as the London Living Wage business rate reduction programme. The council should explore how existing powers such as, varying the business rate could:

    - Enable Town centre development e.g. Business Improvement Districts in Willesden High Road, Ealing Road and Chamberlayne Road
    - Offer incentives to businesses to provide supported employment opportunities and increase public convenience provision
    - Encourage businesses to share knowledge and skills such as improving local supply chains.

3. Brent Council will need to establish arrangements to ensure that decision making on whether to increase or decrease the business rate tax is evidence-based. This decision should be made in consideration with the wider strategy and will require debate in Cabinet and at Full Council.

8.2 Financial Risk

The financial risk that the change in policy could pose to Brent is uncertain. There are some major concerns, such as appeals, the valuation office and new additional responsibilities as outlined in 8.1 of the group's findings. The task group found that the other major concern is what a formula might be. The balance between incentive and need is essential, if business rates grow overall across the country there will be more money for everyone. The LGA is leaning towards a partial reset every five years, reassessing the business rates base against the needs requirement. Real-time needs data could be used to update the formula.

The impact of the policy change may be softened if the full list of devolution powers (excluding the Attendance Allowance) (appendix 4) were made available to all areas of local government. Brent Council should be lobbying for more devolved powers from Central Government.

Local government have a good track record of managing risk, as well as predicting and pre-empting changes. Business rates will be used for example to fund childcare and, back to work schemes. There will be some challenges shifting funds from one area to another. However the real issue will be reducing and/or removing any additional bureaucracy created related to the use of business rates funds.

Distribution of grant/funding

When introducing the system of 50 per cent business rate retention, the government put in place a system that ensures councils with relatively higher needs (but with relatively lower income from business rates) receive a 'top-up'. Equally, a Council with a relative income deemed greater than relative need, pays a 'tariff' to government.

These top-ups and tariffs balance each other nationally and rise in line with inflation between revaluations. In 2016, the Secretary of State for Communities and Local Government announced a full review of needs and redistribution. This will be used as the starting point for the new system when it comes into force.

When the task group enquired about a due date, it was stated that this would depend on "the call for evidence", but will be decided by the end of the Parliament. DCLG/LGA are optimistic and ambitious for reforms and are therefore keen to ensure that this policy is implemented at an efficient pace.

Revaluation

Revaluation is to be implemented 2017. Central Government has said it will re-examine the approach to valuations (perhaps becoming more frequent). It is at this stage, the perception of changes will shift to be understood as a 'local' tax. The GLA/DCLG believe that business rates are 'taxes' not necessarily requiring a culture change, but that a stronger working role between Valuation Office Agency and local government is more desirable.

The task group believes there will be a cultural shift, at least to the majority of Brent businesses, and that it is vital for Local Authorities to support its local economies though this transition.

Social Care

For most local authorities, the increase in income from business rates will not meet the increased spend requirements of care - largely due to demographics and aging population. LAs will need another source of funding – hence the issue of grants reemerging. Current proposals require local authorities to fund social care through council tax and business rates. It is anticipated that the Better Care Fund will end in 2020 when business rates are retained.

Employment
It was the unanimous view of all those consulted that employment, skills and enterprise is the most effective way to grow our economy, thus increasing our business rate tax base and our income to fund services. As previously stated, more devolved employment powers would allow the council the opportunity to redesign the way employment is tackled and work directly with residents.

The task group asked "what do we want a local employment market to look like" and 'what kind of business do we want to attract?' These questions should be managed not just elected members and council officers, but residents would need to be engaged in this work. The task group feel that the council should consider:

- What do our residents/public want?
- What types of businesses will improve and develop the borough?
- What types of businesses will improve the quality of employment in the borough?

The task group welcomes any opportunities for Brent residents to have priority over local jobs. However, it is not possible for the council to impose any such clauses on employers in accordance with discrimination and equal opportunity employment law. We can, however, strive to provide Brent residents with the skills needed to be competitive and be recruited to these jobs, thus making living in the borough attractive. Brent needs to become a borough people choose to live and work in.

Strategy for Business Improvement and enterprise
The task group explored the strategies already employed by Business Improvement whilst there were examples of best practice, a joint strategic approach has not yet been achieved. The task group are keen for the council to utilize these successes, and carry out needs analyses. Business intelligence gathered on the regeneration of Willesden might act as a pilot to establish if and how income has increased. Research is required to flesh out what the positive impact of business improvement districts are. The council is considering utilising Town Centre Managers to support this work.

If we are to be ambitious in growing our business rates income, then the council requires the technical expertise and resources in our council departments to help us understand the business sector not just in Brent and the WLA, but across the world.

Recommendations

Skills and Enterprise

To mitigate any financial risks the devolution of business rates may impose on Brent, our strategies should have a keen focus on skills and enterprise.

4. Brent Council must support its businesses throughout the borough with the cultural shift that will be needed to implement this change. The council should have a role in supporting the businesses in that shift by encouraging the

employment of local workers wherever possible and (developing skills and apprenticeships for Brent's workforce.)

5. As a result of successfully growing the business rates base, Brent Council should be given greater powers for employment such as working more closely with Job Centre Plus so that the Council can ensure that skills and employment are aligned with the Council's wider economic growth objectives.

6. Given the extremely low interest rates at present, Brent Council should, individually and in partnership with neighbouring boroughs and the Mayor of London create businesses cases for borrowing money to improve infrastructure. Mixed housing and business units for example will support economic growth in the borough.

8.3 Possible impact to Brent

Predicting and pre-empting unintended and unwelcome outcomes is essential and we must prepare for a potential loss in income to fund services.

Brent is a borough rich in culture and history. Home to Wembley Stadium and Wembley Arena, Brent has healthy manufacturing trade and good transport links throughout the borough. The task group understand that responsibility to promote Brent as a place for business should be shared by elected representatives and council officials.

Brent is unique and we should be utilising these features and benefits to attract and retain business and skills in the borough. The task group believe that there are examples and case studies (Manchester) that the council should visit as a place to learn. Any additional responsibilities should be linked to improving employment and supporting business growth

There should be a focus on:

- A skilled workforce
- Housing
- Good transport links
- Uniqueness of Brent
- International trade

A priority is to ensure the council also has the appropriate skills and resources made available immediately to undertake this change. The task group is specifically concerned with the extra pressure the policy may place on Brent councils finance team, especially the current capacity of the business rates team.

Recommendations

Preparation for 100% Devolution of Business Rates

To reduce the possibility of any negative impacts of business rates devolution on Brent, the council should be making preparations to ensure that we have a healthy local economy and that we are in the best position to implement the change with minimal disruption to services.

7. Brent Council must do more to show that the borough is open for business. All of the borough has a responsibility to do this, so officers, Councillors and partners must work together to look at what is unique to the borough such as, Wembley Stadium and the fact that Brent is one of the most diverse places in the UK and actively promote these to attract new business.

8. Brent Council must consider the impact the devolution of business rates will have on policy development and financial planning. It is vital senior officers and Councillors keep abreast of the latest developments and continue to feed into consultations ensuring that Brent's interests are heard. Regular bi-annual updates should be brought to the Resources and Public Realm Scrutiny committee. In addition given the significance of this policy change we would urge a Full Council debate on this matter.

8.4 Growth in business rate income

The task group was most concerned with this area of its work since growth in the business rates income will be vital for funding future council services. As such, central government and representatives from the local and west London business sectors were part of the consultation process.

The task group was keen to consider what incentives and rewards would be available to local authorities who successfully grow their business rates income. Unfortunately, at present it looks unlikely that there will be any incentives. The task group was told that being able to provide additional services from its own income should be reward enough.

Growth in Business Rate Income

The first question the task group wanted to know, was how we want to be seen as a borough. Councillors and officers responded by referring to ambitions in the borough plan and its 2020 vision

Well-connected by public transport within one of the great world cities and home to one of the world's most iconic sporting stadiums, Brent is attracting new investment, new business, new visitors and new residents every year. This makes the borough an exciting, dynamic and vibrant place to live and work, and it brings both opportunities and challenges.

The task group asked; 'what kinds of business packages can we offer to incentivise?' 'How flexible should we be?' And ultimately, 'what attractive business rates can we offer? 'However, in order for Brent to compete, the full package should include infrastructure, transport and Broadband fibre.

Further questions for consultation were:

- Can we offer systems where we can temporarily reduce the business rate?
- Will this be a reduction for all or certain types of businesses?
- If we are independent or in a pool with other boroughs, how might they respond if we decide to reduces rates and encourage business to Brent?

Some consideration should be given to the future of high streets. Given modern business is not dependent on location, with many businesses working from home – the questions will arise about whether these business be liable for business rates? We need to consider borough boundary areas and business areas shared with other boroughs such as Cricklewood and Kilburn. Discussions need to be initiated with neighboring boroughs. It is

clear that further investigation is required as to how we incorporate Park Royal and how we incorporate Old Oak and Park Royal Development Cooperation (OPDC) into our strategies and wider objectives for business development.

Regional Working

Senior Officers stated there will be a regional and sub regional economic need for a combined approach, sighting the West London Alliance (WLA) as body supporting such an approach. The agreement to work as part of the WLA Economic Prosperity Board was passed by Cabinet earlier this year.

The task group wanted to know the WLA priorities and objectives, officers stated the purpose of the WLA Board is to work together, but they are not a formal/legal body (and not permitted to be). Mayor of London and individual local authorities are legal bodies (as is the Manchester arrangement) but partnerships between boroughs are partnerships, not legally binding entities.

The WLA is a vehicle to promote digital skills. A long term strategy is to partner with the University of Westminster and College of NW London to develop a digital economy. All WLA members have delegated some powers to the WLA and this has been agreed by Cabinet. The task group understand that insufficient Councillors are aware of the work of the WLA, and therefore this should be addressed with updates to Full Council. The task group recommends that WLA needs to raise its profile across the board.

Reliefs

Brent is comprised of different categories and sizes of businesses (appendix 5), with some properties eligible to apply for a discount on their business rates. The council needs to be very familiar with its tax base and be clear on its strategic approach. Questions should include how we grow small businesses and if we support small business reliefs when it is necessary to raise income.

In addition to smaller scale reliefs, the following types of businesses are eligible:

- small businesses – in the 2016 Budget the Government announced that businesses with a rateable value up to £51,000 would pay lower business rates and that those below £12,000 would get 100 per cent relief
- businesses in rural areas
- charities – eligible for 80 per cent mandatory relief
- Businesses in enterprise zones – designated areas across England that provide tax breaks and government support to help an area in need of growth or regeneration.

Brent council will strive to work with other local authorities where possible. It is mindful that not all local authorities will be at the same point in their business development plans, Brent is keen to move forward with pace and therefore any additional partnership working must fit within its parameters.

Recommendations

Working in partnership

To ensure we make the most of the opportunities that devolution of business rates can provide to grow income, the task group proposes working in partnership where possible with London and sub-regional councils.

9. Brent Council must build on the West London Alliance and the work of the Economic Prosperity Board, as sub-regional alliances' with neighbouring boroughs of similar economic profile will be essential in developing a business strategy. The work of these boards should be expanded with input from backbenchers, and regular reporting back to Scrutiny Committee and Full Council.

10. Brent Council must continue to work with the Mayor of London to lobby for opportunities for Brent that may emerge from Mayoral initiatives such as Old Oak Common.

General and Best Practice

To be a model for best practice by developing ground breaking strategies for the implementation of business rates devolution within local government.

11. The extensive meetings with all relevant stakeholders held by this task group has confirmed that the policy remains nebulous in many aspects, so work on the Devolution of Business Rates will still require regular reviewing, with regular updates to Scrutiny Committee and Full Council. Brent Council must remain closely connected to the work the of the Department for Communities & Local Government (DCLG) and Local Government Association (LGA), London Councils, the Parliamentary Select Committee and the London Assembly/Mayor of London's office.

9. CONCLUSION

The devolution of business rates policy change offers the council real opportunities for businesses rates growth. This report has set out some key mechanisms by which this can be achieved as well as flagging potential pitfalls and issues that the Council need to be mindful of and this policy is implemented.

Firstly, it has identified how vital it is to the council to understand and engage with our local businesses.

Secondly, it has identified that a robust business growth strategy is needed and should be used to promote the borough; attracting appropriate businesses to the borough. The more appropriate businesses that are attracted to the borough the greater the opportunities the Council will have to increase revenue.

Thirdly, it has shown how crucial skills and enterprise is to growing our business base.

Fourthly, it has emphasised the importance of making our voice heard via the ongoing consultations on this policy. Working in partnership at a, London and sub-regional level, allows local government to have a louder voice which should be used to lobby for more devolved powers.

The task group believes that this report provides a range of important recommendations which, when implemented, will lead to improved outcomes for the borough.

We look forward to seeing these changes in action.

10. PARTICIPANTS, REFERENCES AND APPENDICES

Participants

London Borough of Brent:	The Leader of the Council
	Chief Executive Officer
	Strategic Director of Resources
	Chief Finance Officer
	Employment & Enterprise Team
Government Agencies	Department for Communities and Local Government (DCLG)
	Local Government Association (LGA)
	London Councils
Ministers of Parliament (MP's)	Bob Blackman
	Clive Betts
	Andrew Boff
	Caroline Pidgeon
Non-Government Organisations	West London Alliance
	Federation of Small Businesses
Brent Partners	Quintain
	OPDC
Business Groups	Wembley High Road Business Association
	Ealing Road Traders Association
	Neasden Business Association
Other Local Authorities	LB Ealing
	LB Harrow
	LB Camden
	LB Barnet
	LB Westminster

References:

The task group referred to a number of reports in the course of its work. Key documents include:

1. Local Government Association, Don't Be Left in the Dark, July 2016
2. Department for Communities and Local Government , 100% Business Rates Retention, August 2016
3. London Assembly, A New Agreement for London., September 2016
4. London Finance Commission Interim Report, October 2016

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5B	Brent Rateable Value by Cater gory
5C	Brent Council Tax vs NNDR
*	Brent NNDR Properties October 2016 – Large document and can be emailed on request

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Department for
Communities and
Local Government

Self-sufficient local government: 100% Business Rates Retention

Consultation Document

July 2016
Department for Communities and Local Government

This document/publication is also available on our website at www.gov.uk/dclg

If you have any enquiries regarding this document/publication, complete the form at http://forms.communities.gov.uk/ or write to us at:

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Contents

Scope of the consultation

Topic of this consultation:	This consultation seeks views on the implementation of the Government's commitment to allow local government to retain 100% of the business rates that they raise locally. Specifically this consultation seeks to identify some of the issues that should be kept in mind when designing the reforms.
Scope of this consultation:	This consultation seeks to identify some of the issues that should be kept in mind when designing the 100% business rate retention system and associated reforms.
Geographical scope:	These proposals relate to England only.
Impact Assessment:	An impact assessment will be developed in due course as proposals are finalised.

Basic Information

To:	The consultation will be of interest to local authorities, businesses and the public.
Body/bodies responsible for the consultation:	Department for Communities and Local Government.
Duration:	This consultation will last for 12 weeks from Tuesday 5 July 2016 to Monday 26 September 2016.
Enquiries:	For any enquiries about the consultation please email: BRRconsultation@communities.gsi.gov.uk
How to respond:	By email to: BRRconsultation@communities.gsi.gov.uk Or by post to: Business Rates Retention Consultation Local Government Finance Department for Communities and Local Government 2nd floor, Fry Building 2 Marsham Street London SW1P 4DF Please state whether you are responding as an individual or representing the views of a local council or other organisation. If responding on behalf of an organisation, please include a summary of the people and any other organisations it represents and, where relevant, who else you have consulted in reaching your conclusions.

Ministerial Foreword

The 100% retention of business rates by local government is a reform that councils have long campaigned for – and which central government is now committed to. Implementing this vitally important change will mean that 100% of all taxes raised locally are retained by local government.

The purpose of fiscal devolution is to provide communities with the financial independence, stability and incentives to push for local growth and pioneer new models of public service delivery. We've already taken several important steps in that direction and full business rate retention will maintain that forward momentum. This a huge opportunity for local authorities of all kinds to take control as never before, which is why this is an open consultation – an invitation to councils, businesses and local people to have their say on how the new business rates system should operate.

We have already worked closely with the Local Government Association and others to identify the key issues and options. For instance, in a devolved system, which grants and functions should be transferred to local control? How should the distribution of revenues between local authorities be decided? What are the best mechanisms for managing and sharing risk? And how should the new powers for councils to reduce the tax rate, and for elected mayors to raise extra revenue for infrastructure investments be implemented?

We will not impose a one-size-fits-all solution across the country. In fact, I would encourage you to consider how the system can be tailored to local needs and opportunities – especially in areas where communities are pressing forward with Devolution Deals, combined authorities and elected mayors.

Progress towards 100% retention of business rates is part of wider reform package – such as the option for local authorities to agree multi-year financial settlements and the abolition of the levy on revenue growth in the current business rates system.

I announced in February that we will conduct a review of what the needs assessment formula should be in a world in which all local government spending is funded by local resources not central grant, and use it to determine the transition to 100% business rates retention. We want councils to help shape this work and are today inviting local government and others to have their say on the questions at the heart of the review. Together, these changes are building the fiscal foundation for a new era of devolution. There has never been a better time for communities to shape their own future.

Rt. Hon Greg Clark MP
Secretary of State for Communities and Local Government

1. Introduction and overview

1.1. By the end of this Parliament, local government will retain 100% of taxes raised locally. This will give local councils in England control of around an additional £12.5 billion of revenue from business rates to spend on local services. In order to ensure that the reforms are fiscally neutral, councils will gain new responsibilities, and some Whitehall grants will be phased out.

1.2. This amounts to a fundamental reform to the financing of local government. This move towards self-sufficiency and away from dependence on central government is something that councils have called for over a number of decades. The historic 2016/17 local government finance settlement was a first step along this road. It gave those local authorities who are committed to reform far greater certainty over their future funding.

1.3. The move to 100% business rates retention marks an important milestone in the devolution of power and resources from Whitehall and will help shape the role of local government for decades to come. To achieve such radical reform, the Government wants councils, business and local people to take the initiative and shape the design of the new system. This consultation is therefore deliberately open and seeks views and ideas across all aspects of the reforms.

1.4. This is a major opportunity for all those involved in local government - and those interested in the future of their local areas - to come forward with proposals for how the reforms should work for them and should recognise their circumstances. Ahead of this consultation, the Government has been working closely with the Local Government Association (LGA), as well as other representatives of local government and business sector holding early discussions on the reforms. This consultation has been informed by these discussions, and reflects many of the points and questions raised. We would like now to invite others to join the conversation and help shape the debate.

<u>Designing the system</u>

1.5. This consultation seeks to identify some of the issues that we think should be kept in mind in designing of the reforms. This includes how the reformed system recognises the diversity local areas and the changing pattern of local governance arrangements. The system may not have to work in the same way across the country. For example, as is explored in Chapter 3, there could be more ambitious devolution of responsibilities in areas which have already taken steps to reshape their governance and enter into Devolution Deals.

1.6. It is also important to consider how the design of the new system can provide the right level of incentive and reward to those councils – particularly those working closely with local businesses and together as Combined Authorities – that pursue policies that drive additional growth in their areas. For example, the Government has already announced that the levy on growth within the current 50% rates retention scheme will be abolished in the new system. In addition,

councils will have new powers to shape the operation of the business rates tax in their area. These issues are considered in more detail in Chapters 4 and 5.

1.7. This consultation also welcomes views on how business rates income might be shared across different tiers of local government, including how the system should recognise areas which have moved to reformed models of governance. There is a balance to be struck between providing a strong incentive for growth in local areas and considering the distribution of funding between local authorities. For example, there will still need to be some system of redistribution between councils so that areas do not lose out just because they currently collect less in local business rates. This consultation seeks views on how this should work, including the extent to which the design of the system should seek to enable places to retain the rates they collect. These issues are considered in Chapter 4.

1.8. The Government is clear that the reformed system should ensure that authorities are able to manage and share risk to an acceptable level, and that they are insulated from undue shocks or significant reductions in their income. The discussion in Chapter 4 highlights different ways that these issues could be managed, including how councils might be able to work together to do so.

1.9. Finally, as announced in the Budget 2016, the Government is taking the opportunity to pilot the approach to 100% business rates retention in Greater Manchester and Liverpool City Region, and will increase the share of business rates retained in London. The offer to pilot the approach to business rates retention is open to any area that has ratified its devolution deal.

Timetable for reform

Summer 2016	Consultation on the approach to 100% business rates retention. We are inviting responses to this consultation by 26 September 2016. Those responses will help shape specific proposals across all aspects of the reforms.
Autumn 2016	We expect that Government will undertake a more technical consultation on specific workings of the reformed system
Early 2017	As announced in the Queen's Speech, the Government will introduce legislation in this Parliamentary session to provide the framework for these reforms. We expect the legislation to be introduced later in the Parliamentary session.
April 2017	Piloting of the approach to 100% business rates retention to begin.
By end of the Parliament	Implementation of 100% business rates retention across local government.

2. Background and context

Summary

2.1. This chapter provides some information which will help provide background and context to the discussion of the design of the new system:

- It describes the current system of 50% business rates retention.
- It sets out the approach to the reforms to date.
- It provides further information about progress of the Fair Funding Review.
- It discusses how the value of business rates revenue is estimated, including how such estimates may change.
- It provides more information about the arrangements for piloting the approach to 100% business rates retention.

Current system

2.2. The move to 100% business rates retention builds on the current system, in which local government as a whole retains 50% of locally collected business rates. That system was introduced in April 2013. Before then, all business rate income collected by councils formed a single, national pot, which was then distributed by government to councils in the form of formula grant. Through the Local Government Finance Act 2012, and regulations that followed, the Government gave local authorities the power to keep half of business rate income in their area by splitting business rate revenue into the 'local share' and the 'central share'.

2.3. The central share is redistributed to councils in the form of revenue support grant and in other grants. The local share is kept by local government, but is partly redistributed between local authorities through a system of tariffs and top-ups. This redistribution ensures that areas do not lose out just because their local business rates are low compared to their assessed needs.

2.4. Within the current system, councils keep up to 50% of growth in their business rate receipts arising from new or expanding businesses. Local authorities that pay tariffs are also liable to pay a levy of up to half of this type of growth. The money raised from this levy is then used to fund a safety net system. This system protects those councils which see their annual business rate income fall by more than 7.5% below their 'baseline funding level'.

2.5. The Government thinks that 100% business rates retention will have some strong similarities with the existing system. For example, there will continue to be a level of redistribution between authorities similar to the current system of

tariffs and top-ups. In addition, there will continue to be protection in the system to insulate authorities from shocks or significant reductions in their income.

2.6. There will also be some important differences. The Government has already announced that the levy on growth will be scrapped under 100% business rates retention, and that authorities will have additional flexibilities around the operation of the multiplier. In addition, we expect that the design of the new system will take account of the changing shape of local government, including the role of Combined Authorities. These issues are considered in more detail in Chapters 4 and 5.

Devolution and local growth

2.7. The Government is committed to devolving greater powers away from Whitehall to drive local and national growth. This recognises that no two places are the same and that people who live, work and run businesses in an area know best what their area needs to prosper and grow.

2.8. Since 2010 this has seen the agreement of two rounds of City Deals providing cities and regions with new powers in return for strong and accountable leadership. Since 2014 the Government has gone further by agreeing multiple ground-breaking devolution deals with areas all across the country: from Liverpool City Region in the Northern Powerhouse, to Cornwall in the rural South.

2.9. Devolution deals include the devolution of power from central government to local areas in England and provide an opportunity to stimulate economic growth and reform public services. These deals will introduce directly elected mayors and enable areas to deliver real improvements to local people and businesses. They include a wide range of new responsibilities on adult education and transport as well as specific funds for housing investment and direct incentives to enable local areas to realise their growth aspirations through the provision of distinct long term investment funds to Mayoral Combined Authorities.

2.10. The Government has invested significantly in local growth by agreeing a £12 billion Local Growth Fund. This provides the basis for the 39 Local Enterprise Partnerships to invest in local infrastructure, skills, housing, business and innovation. At a specific geographical scale, the Government has worked with local areas to establish 48 Enterprise Zones across the country. These provide distinct advantages to businesses and the retention of business rate growth free from reset in local areas. The Government has also provided substantial help to ensure our high streets and town centres thrive through a £6 billion plus support package of investment. This includes reductions in corporation tax and national insurance contributions and significant reductions in business rates for small businesses as announced at the Budget.

Approach to reform

2.11. In advance of this consultation, the Government has been working closely with the LGA and other representatives of local government to develop the principles that the reform package will be based upon. This has included a joint LGA-DCLG chaired Steering Group and set of Technical Working Groups to look at every aspect of how the new system should work, alongside which responsibilities should be devolved.

2.12. To provide focus, the work has been considered in the following themes:

- the devolution of responsibilities.
- the operation of the system, including how growth is rewarded and risk is shared.
- local tax flexibilities.
- assessment of councils' needs and redistribution of resources.
- accountability and accounting in a reformed system.

2.13. Papers and records of the discussions in these Groups are available on the LGA's website: http://www.local.gov.uk/business-rates.

2.14. We have also been talking to representatives of business, via a Business Interests Group – again jointly chaired with LGA. This has helped ensure that business can contribute to the policy and technical debate from its early stages, ensuring that the views of the business community are taken into account when designing the system.

Fair Funding Review

2.15. As part of the 2016/17 Local Government Finance Settlement, the Government announced a Fair Funding Review of councils' relative needs and resources.

2.16. A needs assessment was last carried out in 2013/14. However, this was largely focussed on updating the data used in the assessment. The needs formulae have not been thoroughly reviewed for over a decade, which many councils feel is far too long. There is good reason to believe that the demographic pressures affecting particular areas, such as the growth in the elderly population, have affected different areas in different ways, as has the cost of providing services. It is therefore only right that the way we assess relative need is reviewed. The Fair Funding Review will also establish what the needs assessment formula should be in a world where all local government spending is financed from locally raised resources.

2.17. The Fair Funding Review will address the following issues;

- what do we mean by relative 'need' and how should we measure it?
- what are the key factors that drive relative need?

- what should the approach be for doing needs assessments for different services?
- at what geographical level should we do a needs assessment?
- how should 'resets' of the needs assessment be done?
- how, and what, local government behaviours should be incentivised through the assessment of councils' relative needs?

2.18. For the services currently supported by the local government finance system, the outcomes of the Fair Funding Review will establish the funding baselines for the introduction of 100% business rates retention. The Fair Funding Review will consider the distribution of funding for new responsibilities on a case by case basis once these responsibilities are confirmed; they are likely to have bespoke distributions. Chapter 3 provides more detail about the issues related to the devolution of new duties. A balance must be struck in the new system between providing a strong incentive for growth in local areas, and considering how funding should be distributed between local authorities. Chapter 4 discusses this question in more detail.

2.19. The Government recognised in 2012 that there may be additional costs associated with service delivery in rural areas, introducing weighted sparsity adjustments to the relative needs formula in setting the baseline for the current system of business rates retention in 2013-14. Additional funding has also been provided since 2013-14 as a separate grant or through a transfer of funding into the settlement, and is now a candidate to be devolved as part of 100% business rate retention (see Chapter 3).

2.20. The Fair Funding Review will consider carefully how the different needs and costs of delivering services in urban and rural areas has changed over time, and how best to recognise these differences in the funding baselines for the introduction of 100% business rates retention. To support this, the Government has ensured rural and urban areas are appropriately represented on both the Steering Group for the 100% Business Rate Retention Programme and on the technical group working on the Fair Funding Review.

2.21. We want to give councils every opportunity to consider the best approach to measuring their needs. The needs assessment does not require legislative changes to implement. This means that we do not have to make decisions now, and allows us to progress this work with local government to a different timetable. For example, we are aiming to consult on the principles for the needs assessment in autumn 2016. We expect to have a final consultation on the formulae in summer 2018 in time for the introduction of 100% business rates retention across local government by the end of the Parliament.

2.22. To help shape the Fair Funding Review, we have been engaging with representatives from across local government through a Technical Working Group. Based on feedback from this Group, we have developed an initial call for evidence on Needs and Redistribution which is published alongside this consultation and can be found at: https://www.gov.uk/government/consultations/self-sufficient-local-government-100-business-rates-retention.

Assessing the value of business rates income

2.23. The Government has announced that the move to 100% business rates retention will be fiscally neutral. To ensure this, the main local government grants will be phased out and additional responsibilities will be devolved to local authorities in order to match the additional funding from business rates. In considering the design of the new system, authorities will inevitably be interested in how the value of additional funding from business rates - known as 'the quantum' - will be estimated and how that will compare to estimates of the cost of additional responsibilities that may be devolved.

2.24. Overall, business rate receipts provide a stable source of tax revenue. Our current estimate – based on forecasts from the Office of Budget Responsibility – is that the value of additional business rates revenue available to local government from locally collected rates in 2019/20 will be around £12.5 billion. However, forecasts of business rates income can change and are subject to some sensitivity, which means that we will need to keep this quantum under review and make final decisions closer to the point of implementation.

2.25. While most business rates are collected locally, rates for properties on the 'central rating list' are collected directly by government. The central ratings list contains the rating assessments of networked properties including major transport, utility and telecommunications undertakings and cross-country pipelines. This income is paid into the Consolidated Fund, with the statutory obligation under the Local Government Finance Act 2012 that an equivalent amount be redistributed to local government through grants. Our current estimate is that the value of central list income in 2019/20 will be £1.5 billion.

2.26. We will continue to work with councils to refine estimates of the value of business rates income and are clear that the process for designing the new, reformed system has sufficient flexibility within it to allow for this. The timetable for implementing the reforms means that we are unlikely to need to reach final views on the quantum until 2018.

2.27. Importantly, as we move towards self-sufficiency for local government, we are clear that under 100% business rates retention all authorities will be funded for their existing responsibilities and for any new responsibilities devolved. Changes or refinements to the quantum will not undermine that.

Piloting the approach to 100% business rates retention

2.28. As announced in the Budget 2016, the Government is taking the opportunity to pilot the approach to 100% business rates retention in Greater Manchester and Liverpool City Region, and will increase the share of business rates retained in London.

2.29. The pilots will provide an opportunity both to test elements of 100% rates retention before it is rolled out more widely, and to see how the system can take

account of the circumstances of different areas. They will enable us to learn from different approaches and to improve the design of the final scheme.

2.30. Discussions are underway with relevant authorities to determine what will be included in the pilots for 2017 and beyond. We expect that the pilots might look different in different places and in particular might help develop mechanisms that will be needed to manage risk and reward in a new system.

2.31. The offer to pilot the approach to business rates retention is open to any area that has ratified its devolution deal. Other groups of authorities, including those in Sheffield, have already come forward to explore what pilots could look like in their areas.

2.32. Piloting will allow places to benefit early from growth in their local tax base, and to see in full the impacts of local decisions that drive local business rates growth in their budgets from 2017 – up to three years ahead of schedule. Importantly, the pilots will not reduce the quantum of resource available for other parts of local government. They also do not impact on the assessment of relative needs which will be considered by the Fair Funding Review.

Business rates as a tax

2.33. This consultation considers the use of business rates income; it does not seek to cover issues related to the operation of business rates as a tax, outside of the additional flexibilities discussed in Chapter 5.

2.34. In Budget 2016, following the conclusion of the business rates review, the Government announced a range of measures to reduce the burden of business rates on ratepayers, and to modernise the system. These included;

- permanently doubling Small Business Rate Relief (SBRR) from 50% to 100% and increasing the thresholds to benefit a greater number of businesses
- increasing the threshold for the standard business rates multiplier to a rateable value of £51,000, taking 250,000 smaller properties out of the higher rate
- announcing that as of April 2020, taxes for all businesses paying rates will be cut through a switch in the annual indexation of business rates from RPI, to be consistent with the main measure of inflation, currently CPI.

2.35. In addition, the Government announced that it will modernise the administration of business rates, aiming to revalue properties more frequently and make it easier for businesses to pay the taxes that are due.

Appeals Reform

2.36. The Government is committed to delivering an efficient, modern and improved business rates appeals system. There is widespread agreement that the current

system is in need of reform. Too many rating appeals are made with little supporting evidence and are held up for too long, creating costs and uncertainties for businesses and local authorities.

2.37. In October 2015 the Government published a consultation paper which set out proposals for a three-stage approach to resolving appeals: 'Check, Challenge, Appeal', and sought views from businesses, local authorities and other interested parties. The reforms will introduce a more structured, rigorous and transparent system which will be easier for ratepayers to navigate. It will ensure that businesses can be confident that their valuations are correct and that they are paying the right amount of business rates with quicker refunds where appropriate. The Government is grateful for the views shared during the consultation process and has carefully considered all views. The summary of responses and the Government statement, which will set out the decisions the Government has taken in response to the consultation document, will be published shortly.

3. Devolution of responsibilities

Summary

3.1. This chapter considers the issues related to the devolution of responsibilities to local government:

- It describes our approach and how we have identified the range of responsibilities that could be funded from retained business rates.
- It sets out the criteria and how we have assessed the proposed options.
- It sets out the indicative lists of responsibilities that could be funded through retained business rates.
- It discusses the interaction with devolution deals and pilot areas.
- It also considers the treatment of new burdens in the new system.

Overview

3.2. Chapter 3 sets out the rationale and benefits for devolving responsibilities to local government. Alongside those direct benefits, the devolution of funding for new responsibilities will help set the shape and form of local government for the future. We want to make sure that these reforms help ensure that councils have the responsibilities they need to enhance their role as local leaders. We also want to make sure that the new system recognises the changing landscape across local government.

3.3. To ensure that the proposal for 100% business rates retention is fiscally neutral, local government will need to take on new responsibilities to match this increased income, and existing central government grants will need to be phased out. If the value of new responsibilities exceeds the increased retained rates receipts, Government would continue to make grant payments to fund the difference, although our expectation would be any grant payments would not replicate the current Revenue Support Grant.

3.4. We therefore want to hear from local authorities and others about what they think should be devolved as part of the reforms, and how this might work differently in areas with Combined Authorities and devolution deals. In line with this, this consultation takes an open approach – identifying a list of possible candidates for devolution.

3.5. Following responses to the consultation, the Government will make decisions on the responsibilities that will be funded from retained business rates. Where primary legislation is required to devolve the responsibilities, we expect to legislate as soon as Parliamentary time allows.

Our approach

3.6. In reaching a view on a list of options for consultation, we have endeavoured to ensure that we produce a package of responsibilities for potential devolution that fits well with the local government system in England.

3.7. To inform the consultation the LGA and the DCLG have been working with representatives of local government. That work has informed the following criteria for possible candidates for devolution. It has not been assumed that each candidate or responsibility proposed for devolution must meet all of those criteria. Rather, they have been used by the Government as guiding principles to shape discussions on the range of responsibilities to be included in this consultation:

1) Devolution of a responsibility should build on the strengths of local government

a) It will provide opportunities for greater integration across local services, taking advantage of council expertise to provide user-centric, outcomes focussed approaches.

b) Devolution would remove barriers to other innovative service delivery models, for example the commissioning of new multi-agency services that offer better value for the tax payer.

c) There should be appetite from local government for the responsibility to be delivered at a local level.

d) There should be capacity at a local level to deliver services, taking into account other local pressures.

2) Devolution of a responsibility should support the drive for economic growth

a) The responsibility will support local authorities' role in driving local growth, for example through a clear link to local employment, skills or infrastructure policy, and build on the ambition councils have demonstrated through Local Enterprise Partnerships and City Deals.

3) Devolution of a responsibility should support improved outcomes for service users or local people

a) Local authorities should have as much flexibility as possible to tailor local services, for example allowing user-centric, outcomes focused delivery.

b) Service provision can reflect the distribution of need across the country. Consideration should be given to the effect of devolution on groups with protected characteristics under the Equality Act 2010

4) **Devolution of responsibilities should be made with consideration for the medium-term financial impact on local government.**

a) The national cost and demand for any new responsibility should be relatively predictable and stable over time, relative to the business rates funding stream.

b) The relative demand for funding between local authorities should be relatively stable over time.

c) The timeline for devolution will allow sufficient time for preparations at a local level.

d) The responsibility is a sensible fit with a business rates funding stream, i.e. from a forward planning, governance and technical perspective.

3.8. We recognise that authorities will want to give particular consideration to the final criterion - the medium-term financial impact on local government of each candidate for devolution. Detailed consideration will need to be given to the demand profile for services beyond 2019/20 before final decisions can be made and spending pressures will continue to be assessed as part of future spending reviews.

3.9. To assist in supporting local government medium term financial sustainability, it is important that local authorities should have as much flexibility as possible to tailor local services. At the same time, the Government may want to ensure that certain outcomes are delivered with the funding devolved – for example through new statutory duties. These will be considered through later consultation.

3.10. This consultation makes no comment on the future distribution of the grants considered in this chapter. The allocation of any new grants rolled in will be considered on a case by case basis and are likely to have bespoke distributions. Further consideration will also be needed on the appropriate funding distribution for responsibilities devolved under retained business rates.

<u>The range of responsibilities</u>

3.11. This list of responsibilities or policies contains grants that have been identified as a possible fit against the criteria for being funded though retained business rates.

3.12. This list is not exhaustive and each option will not necessarily feature in the final package. The aim of the list is to enable a debate on the responsibilities to be devolved and funded from retained business rates. It remains open for respondents to come forward with their ideas for devolution of other responsibilities and budgets.

3.13. This could involve devolving functions and responsibilities to be delivered differently than now. However, to be fiscally neutral, central government

functions and associated budgets would need to cease and respondents are therefore invited to be clear where they would expect the funding to come from.

Revenue Support Grant	Revenue Support Grant is a central government grant given to local authorities which can be used to finance revenue expenditure on any service and is established through the local government finance settlement.
Rural Services Delivery Grant	This grant is distributed through the local government finance settlement to the top-quartile of authorities ranked by super-sparsity, based on the distributional methodology for the Rural Services Delivery Grant in 2015-16.
Greater London Authority Transport Grant	This grant is used for capital improvements to relieve congestion, improve reliability on key routes and provide a good fit with UK transport policies. The Chancellor announced in the Spending Review that the Greater London Authority Transport Grant would be devolved to be funded from retained business rates.
Public Health Grant	Public Health Grant provides funding for the discharge of public health functions defined in section 73(B)(2) of the National Health Service Act 2006. The ring-fence on the public health grant will be maintained in 2016-17 and 2017-18. Further consideration will be needed on how best to promote stability and improvements in public health from the proposed new funding arrangements.
Improved Better Care Fund	The funding for the Improved Better Care Fund goes directly to local government to ensure that health and social care services work together to support older and vulnerable people. It is our intention that any change to current funding arrangements ensures that the Improved Better Care Fund is used by local government to fund adult social care services.
Independent Living Fund	The grant for former recipients of the Independent Living Fund (ILF) compensates for the cost pressures caused by the closure of the ILF. This followed the introduction of the Care Act 2014 which ensures that the key features of ILF support, namely personalisation, choice and control, are now part of mainstream adult social care system.
Early Years	The grant is provided to English local authorities to fulfil their duties under sections 6, 7, 7A, 9A, 12 and 13 of the Childcare Act 2006 and under regulations that will be made pursuant to section 2(1) of the Childcare Act 2016.

	It is currently part of the Dedicated Schools Grant. Consideration of this grant for devolution would take place after successful delivery and establishment of the Manifesto commitment to 30 hours free childcare from September 2017.
Youth Justice	The funding provided by the Ministry of Justice to the Youth Justice Board is distributed as a grant to local authorities for the operation of the youth justice system and the provision of non-custodial youth justice services. The Ministry of Justice funding does not include funding from police, probation and health authorities who contribute at a local level to the costs incurred by local authorities in the provision of youth justice services.
Local Council Tax Support Administration Subsidy and Housing Benefit Pensioner Administration Subsidy	Local Council Tax Support Administration Subsidy provides funding towards the administration of local council tax support claims where there is not also a housing benefit application. Housing Benefit Administration Subsidy contributes towards the cost of administering housing benefit on behalf of the DWP. A portion of this subsidy contributes to the administration costs of joint housing benefit and local council tax support claims. Housing Benefit will cease to be paid to working age customers, as Universal Credit, which includes housing costs is rolled out. Housing Benefit for pensioners will remain with Local Authorities for now, and the Government will consult ahead of any proposed changes to that position. Nonetheless, at that point increased support for the higher level of non-joint local council tax support claims will continue to be required and so Local Council Tax Support grant, including the element of Housing Benefit administrative grant for what are currently joint claims, could be considered for devolution.
Attendance Allowance	As announced in December, the Government will also consider giving more responsibility to councils in England to support older people with care needs – including people who, under the current system, would be supported through Attendance Allowance. This will protect existing claimants, so there will be no cash losers, and new responsibilities will be matched by the transfer of equivalent spending power.

Question 1: Which of these identified grants / responsibilities do you think are the best candidates to be funded from retained business rates?

Question 2: Are there other grants / responsibilities that you consider should be devolved instead of or alongside those identified above?

Devolution Deals

3.14. The Government has agreed multiple devolution deals with areas across the country. These deals include the devolution of power from central government to local areas in England and provide an opportunity to stimulate economic growth and reform public services.

3.15. These deals include the devolution of a range of functions and associated budgets, many of which are pooled at Combined Authority level within single investment funds.

Grant funding for devolution deals

Investment funds for devolution deals	All mayoral devolution deal areas have an agreed Investment Fund, which is a grant-based fund specific to each deal, which is paid in annual instalments for 30 years. However, only the first five years' funding is confirmed with the remainder subject to five-year reviews.
Adult Education Budgets	At present, nine devolution deal areas have agreed the devolution of the Adult Education Budget from 2018/19. The devolution of this budget is subject to the satisfaction of a number of 'readiness' conditions set out in the deals. The Adult Education Budget provides grant funding for learning up to Level 2 (up to Level 3 for young people aged 19-23 who do not yet have the equivalent of 2 A-levels).
Transport Capital Grants	All devolution deal areas receive consolidated funding for Transport which is made up of a number of grant streams, for example highways maintenance funding and, in some areas where bus franchising is implemented, the associated commercial bus service operators grant.
Local Growth Fund	All devolution deal areas have the flexibility to incorporate the Local Growth Fund awarded to Local Enterprise Partnerships in their area into their Combined Authority single investment funds. The Local Growth Fund is awarded competitively to Local Enterprise Partnerships to spend on investment designed to drive and unlock economic growth in their local areas in line with local priorities.

3.16. There are a number of connections between devolution deals and the proposal for 100% retained business rates. The Government considers that the move to self-sufficiency under business rates retention could take account of the different governance arrangements across local government. The new pattern of Combined Authorities, Mayors, as well as the Greater London Authority provides an opportunity for specific devolution that may not be appropriate in other areas.

3.17. There is therefore an opportunity to consider funding some or all of the commitments in existing and future deals through retained business rates, i.e. transferring them from grant commitments to being paid for through retained rates. This would give these areas, Combined Authorities, Mayors and the Greater London Authority, the advantage of fiscal autonomy for these functions.

3.18. Doing so would establish different funding arrangements for Mayoral Combined Authorities and the Greater London Authority than in non-devolution areas, reflecting their different governance arrangements, alongside universal devolution to every local authority.

3.19. Funding devolution deals in this way would allow them to continue to be agreed on a bespoke basis. Future deals may contain different functions than those in the list above and we make no assumption that limits the scope of future deals or therefore what, in future deals, could be funded from retained business rates.

3.20. An important consideration for the funding of devolution deals through retained business rates will be the impact that increased funding to devolution deal areas would have upon the system design for 100% retained business rates, in particular, on the Government's interest in implementing a system that minimises the redistribution of business rates, as described in Chapter 4.

3.21. Finally, some commitments may be more suitable than others to fund through business rates. For example, the Investment Fund is subject to 5-year review points and the Local Growth Fund is subject to a competitive bidding process. Devolving these funds into retained business rates would effectively permanently embed that level of funding to those authorities in the retained business rates system.

Question 3: Do you have any views on the range of associated budgets that could be pooled at the Combined Authority level?

Question 4: Do you have views on whether some or all of the commitments in existing and future deals could be funded through retained business rates?

Devolution in pilot areas

3.22. As announced in the Budget[1], the Government is taking the opportunity to pilot the approach to 100% business rates retention in Greater Manchester and Liverpool City Region and will increase the share of business rates retained in London.

3.23. Discussions are underway with Manchester, Liverpool and London to determine what will be included in the pilots for 2017 and beyond. Pilots might look different in different places and they provide an opportunity both to test elements of 100% rates retention before it is rolled out more widely and to reflect the different needs of different areas. This will include discussions on how the transfer of certain functions can complement the devolution arrangements in place and contribute to growing the economic base of the different places. This is seen by the areas as an opportunity to drive growth both through investment and the transfer of functions.

3.24. We are in discussion with pilot areas on approaches to data collection to allow monitoring, and how this data will inform the long term 100% business rates retention system.

Assessing New Burdens costs post-2020

3.25. Successive Governments have sought to keep the pressure on local taxpayers to a minimum through a 'new burdens doctrine[2]'. This requires all Government departments to justify why new duties, powers, targets, responsibilities and other bureaucratic burdens are being placed on local authorities, how much these will cost and that they will allocate commensurate resources to pay for them.

3.26. In the current system, new burdens funding is either paid by incorporating funding into the Local Government Finance Settlement or by payment of section 31 grants. Our starting point is that the New Burdens doctrine should continue to apply after the introduction of the 100% retained business rates system, with funding to be paid through section 31 grants.

Question 5: Do you agree that we should continue with the new burdens doctrine post- 2020?

[1] 'Budget 2016'

[2] https://www.gov.uk/government/publications/new-burdens-doctrine-guidance-for-government-departments

4. The business rates system: Rewarding growth and sharing risk

Summary

4.1. This chapter considers the operation of the new system:

- It considers how the system should treat growth, including how and how often the system should be reset.
- It seeks views on the system of redistribution, including the treatment of Combined Authority and Mayoral areas.
- It discusses how risk within the system is managed, including whether there is opportunity to share risk at different levels.
- It seeks views on the operation of the safety net within the reformed system.

Overview

4.2. The Government has been working closely with local government on the design of the 100% rates retention system. The System Design Technical Working Group – made up of representatives from across local government – has played a key role in helping to develop the design options set out here.

4.3. The Government wants to ensure that the reformed system provides stronger incentives to boost growth and rewards those authorities and areas that take bold decisions to further increase growth. This is why, in the reformed system, the levy on income from business rates growth will be abolished.

4.4. We also need to decide how business rates income is shared across different tiers of local government, recognising the new models and arrangements that exist and how the system rewards areas which have moved to reformed models of governance through devolution deals.

4.5. To ensure that authorities can make longer term plans, including plans that will support investment in growth, we need to look at how risk is shared across the system. In doing so, the system also needs to ensure that authorities are adequately protected from business rates volatility and shocks in business rates income.

4.6. Alongside all of these considerations, we should aim to make the system simple to operate and understand. A system that is too complicated may struggle to work in practice.

Growth and redistribution

4.7. We want to make sure that local authorities have the right incentives to grow their income from business rates and that they can keep all the growth they generate. For this reason, the Government announced that the levy on growth that exists under the 50% scheme will be scrapped, to allow local authorities to keep 100% of growth.

4.8. We understand that there is a balance to be struck in the new system between providing a strong incentive for growth in local areas, and considering the distribution of funding between local authorities. We expect to find this balance is by 'resetting' the system on a fixed basis, to allow us to reconsider relative need and to recalculate the redistributable amounts (through a system similar to the current top-ups and tariffs arrangement).

4.9. The alternative to having fixed reset periods would be for Government to choose when to reset the system, possibly based on indicators such as the number of authorities requiring safety net payments. Our view is that this would be too uncertain for local authorities, who would not have the clarity of timings to utilise growth in the system on long term projects.

4.10. On the one hand, depending on the services devolved to local government as part of the new system, adjustments to redistributable amounts may need to be made frequently to reflect changes in relative needs. There is a risk that redistributing too infrequently could result in authorities not being able to deliver services where relative need grows faster than local tax resource. On the other hand, changes made too frequently weaken the incentive for growth, and may reduce the confidence of local authorities to build achieved growth into their base budgets, or use that growth for long-term investment. This is exacerbated if the growth that local authorities do achieve is included in the quantum of funding that is to be redistributed when the system is reset.

4.11. At the same time, as well as any growth, the system of resets must be able to take account of local authorities whose business rates income declines within a reset period. As local authorities under the new system will be heavily dependent on business rates income for delivery of core services, we think it is right to set fixed reset periods to give authorities certainty of income. But there is a wide spectrum of options for how frequently resets are carried out:

a) Full reset of the system, including all achieved growth, frequently (e.g. every 5 years).	This would ensure that business rates income was frequently redistributed to meet changes in relative need, and that local authorities would retain a 'growth incentive' for the five years between resets.
b) Reset the system, including all achieved growth, infrequently (e.g. every 20 years), or never.	This would set a single baseline for local authorities based on their relative need at a fixed point in time. Any growth local authorities saw after this baseline was

	set could then be incorporated into budgets. However, any reduction in income would also need to be managed by a local authority, which could see reduced income affecting the delivery of local services. This approach could mean that some local authorities are heavily dependent on the safety net (see below) for an extended period.
c) A partial reset of the system on a frequent basis.	We could operate a partial reset of the system every 5 years. Under a partial reset we would still adjust for changes in relative need and business rates income but to a lesser extent that under a full reset. This option could give authorities a greater incentive for growth than (a) but give greater protection for services than (b). This option would allow local government to carry some growth over the reset, but might also require them to retain some losses.

4.12. Under a partial reset a proportion of growth could be included as part of a regular reset, and a proportion would remain with the local authority on a longer term basis. As such it may be possible, under a partial reset, to allow authorities which have seen growth to retain some of that growth with the remaining part being available to support those authorities that have seen their income decline (or their needs increase). Any growth (or decline) at the partial reset could be shared based on overall baseline funding levels or by more precisely reflecting different types of services provided by the authorities. But how much growth is retained (and how much loss is carried) by individual authorities at a partial reset is a key question.

4.13. Therefore, in considering options for a partial reset, local government need to consider the degree of trade-off between allowing authorities to retain growth and supporting authorities which have seen decline (and/or seen needs increase).

4.14. Mechanisms for incentivising growth are being tested by the pilot areas. This may include abolishing the levy on growth in pilot areas before the new system is introduced across local government. This will help demonstrate the impact that this change will have.

Question 6: Do you agree that we should fix reset periods for the system?

Question 7: What is the right balance in the system between rewarding growth and redistributing to meet changing need?

Question 8: Having regard to the balance between rewarding growth and protecting authorities with declining resources, how would you like to see a partial reset work?

Redistribution between local authorities

4.15. The Government is clear that there will still need to be some system of redistribution between local authorities to balance revenue with relative needs. The Fair Funding Review will identify relative need for each local authority and we will need to find a way to redistribute business rates income according to that.

4.16. Under the 50% scheme, we have used a system of top-ups and tariffs to redistribute funding from those local authorities that collect more in business rates than their identified need, to those who do not collect enough for their needs.

4.17. We expect to continue to need a redistribution system of top-ups and tariffs, based on the current one. The top-ups and tariffs that each local authority could expect to see will be calculated before the new system is introduced, based on the Fair Funding Review and an assessment on their expected business rates income. More generally the Government is interested in exploring how we could set up a system that minimises the redistribution of rates, while ensuring that areas are not put at a significant disadvantage through collecting less business rates income.

4.18. Top-up and tariff payments will be fixed for the period between resets to give local authorities certainty about their baseline funding level. Having these baseline levels fixed provides a growth incentive for authorities, who will be able to retain growth gains within that reset period.

Question 9: Is the current system of tariffs and top-ups the right one for redistribution between local authorities?

Impact of revaluations

4.19. General revaluations of all properties are currently scheduled to take place every 5 years (although the Government aims to reduce this period). The next revaluation takes effect from 1 April 2017. The revaluation is the point in the system at which economic changes in property values are reflected in rateable values. Between revaluations, rateable values only change through appeals and physical changes to the property or location.

4.20. However, the Government is required at the revaluation to reset the multiplier to ensure no more is raised in business rates. So if rateable values increase overall at the revaluation the multiplier will fall (and vice-versa). As a result, at the national level, any increase in the economic value of the tax base does not lead to any additional business rates income.

4.21. Within this national picture, individual local authorities will see their rates income rise or fall at revaluation. This will depend upon whether the economic growth (or decline) in the individual local authority area is above or below the national average. This means that many authorities are likely to see their rates income fall at revaluation despite having seen increases in their rateable values. For the current rates retention system, the Government concluded it would be unfair to allow this to feed through into retained incomes. To do so would penalise many authorities who had generated physical growth in their area between the revaluations but, had lagged behind on relative economic growth. Therefore, the Government currently adjusts each authority's tariff, or top-up, following a revaluation, to ensure that their retained income is the same after revaluation as immediately before.

4.22. We propose the same system of revenue neutral revaluations with economic growth cancelled out through a change to the multiplier will continue to apply for the 100% business rates retention scheme. Therefore, it may again be necessary to adjust retained incomes for individual local authorities to cancel out the effect of future revaluations.

Question 10: Should we continue to adjust retained incomes for individual local authorities to cancel out the effect of future revaluations?

4.23. We believe that Combined Authorities with a directly elected Mayor should have the opportunity for an enhanced role in achieving growth under the 100% rates retention system.

4.24. Directly elected Mayors have democratic accountability to their area, and we know that some have expressed a wish to be given greater responsibility for the distribution of resources within the Combined Authority area.

4.25. In some places, we know that there have been discussions about whether a Mayoral area (which covers multiple local authority areas) could be given a greater role in deciding how 'growth' is redistributed across the area. Other places have discussed whether the Mayor and local authorities could be given a single area-wide 'baseline' of relative need, and therefore a single tariff or top-up; and could develop appropriate governance arrangements for deciding how resources are distributed; or even whether they could assume greater responsibility for determining the relative needs baseline itself.

4.26. These, or similar ideas, could increase the autonomy of Mayoral areas and might help stimulate coherent decision making across local authority boundaries, with growth gains being owned and used at a strategic level.

Question 11: Should Mayoral Combined Authority areas have the opportunity to be given additional powers and incentives, as set out above?

4.27. In non-Mayoral areas, we would have to continue to set 'tier splits' – i.e. the percentage of business rates income that each tier of authority would get. There are a wide range of options for how these tier splits could be set.

4.28. Setting tier splits for the future 100% rates retention system will take some further consideration, and will need to take into account the services that are expected to be delivered at each tier of government. Further work on tier splits will need to consider the impact of different options on a local authority's exposure to risk and incentive to grow their business rates base.

4.29. At this point, the Government would welcome views from respondents on their experience of tier splits under the current 50% rates retention system, including any points for consideration in developing the system for the future.

Question 12: What has your experience been of the tier splits under the current 50% rates retention scheme? What changes would you want to see under 100% rates retention system?

4.30. Through the Policing and Crime Bill, the Government is legislating to enable Police and Crime Commissioners (PCCs) to take on responsibility for fire where a local case is made. Whilst fire and rescue authorities are currently part of the business rates retention scheme, police funding is provided separately through the Police Funding Formula. In considering the future approach to business rates retention, it is therefore sensible to look at whether fire funding should remain part of the scheme and the local government finance system in future.

4.31. We could go further by removing fire from the business rates retention scheme, with fire funding provided through a separate grant administered by the Home Office.

4.32. In common with other local authorities, fire and rescue authorities have been offered firm four year funding allocations to 2019/20 in return for robust and transparent efficiency plans. If fire funding were to be removed from the business rates retention scheme, we would seek to replicate published allocations for 2019/20 through a separate fire grant for any authorities who take up that offer. The approach to allocating fire funding in future would be subject to consultation.

Question 13: Do you consider that fire funding should be removed from the business rates retention scheme and what might be the advantages and disadvantages of this approach?

<u>Enterprise Zones</u>

4.33. Under 100% rates retention, the Government intends that Enterprise Zones and other designated areas will continue to operate as now and, therefore, will be guaranteed 100% of business rates growth for 25 years.

4.34. This means that for the purposes of the scheme, the Government intends that any income above current baselines in Enterprise Zones and designated areas will be disregarded for the purposes of calculating "cost neutrality" when devolving new responsibilities to local government and for the purposes of working out tariffs and top-ups.

Question 14: What are your views on how we could further incentivise growth under a 100% retention scheme? Are there additional incentives for growth that we should consider?

Sharing risk

4.35. The current system can lead to volatility in income for local authorities, and we recognise that some authorities believe that their exposure to risk may be greater under 100% business rates retention.

4.36. Our aim is to balance risk sustainably within the system. We believe the system should support and reward authorities who make bolder choices, including working with others to look more creatively at how to promote and shape growth across their areas. At the same time as rewarding local authorities for their growth gains, the system might allow for local government to hold an appropriate risk at an area level, while systemic risk could be borne across all local authorities.

4.37. We would welcome your views on how risk is best managed within the new system.

4.38. Income from business rates is at risk for broadly two reasons:

- changes to rateable values of hereditaments following successful appeals by ratepayers, and

- physical changes to property, including building closures as a result of business failure.

4.39. Under the current 50% rates retention scheme, these risks are managed in two ways:

- local authorities have to make financial provision against known liabilities – broadly, the potential impact of 'appeal losses', and

- additionally, the system provides a safety net against 'physical losses', as well as against loss on appeals in excess of provisions. The safety net is currently set to operate where authorities incur more than 7.5% loss as measured against baseline funding level.

4.40. Experience of the 50% rates retention system shows that the risk profile of authorities varies enormously and that some local ratings lists are inherently

more risky than others – either because a list is dominated by a single rateable property, or because certain types of property are inherently more difficult to value and therefore more liable to be reduced significantly on appeal.

4.41. Under 100% business rates retention, we could revisit how best to manage risk at different geographic levels using ratings lists, how we manage risk arising from successful business rate appeals, and the operation of a future safety net mechanism.

Ratings lists

4.42. The set-up of the 100% rates retention system provides an opportunity to look again at the rating list system.

4.43. Currently, business ratepayers appear on either a central rating list (administered by DCLG) or one of 320 local rating lists (administered by lower tier and unitary authorities). Only business rates income from local lists is taken into account in determining: top-ups and tariffs; the business rates income receivable by different tiers of authority; and eligibility for the safety net. Under the current system, local authorities therefore only benefit from any growth in income from ratepayers on local lists.

4.44. Some local authorities tell us that the highest risk hereditaments should be removed from local lists. These might include power stations, oil refineries and national airports, which could be moved onto a refreshed national level list (i.e. the current central list).

4.45. Alternatively, some authorities have told us that they would welcome the opportunity to manage some of the riskier properties at a broader 'area level' – sharing the risk that these properties bring, but also receiving an element of reward from any growth. The Government would expect any changes to ratings lists to remain fiscally neutral. Some authorities have suggested a system along the following lines:

Central list	The central list includes national network properties. The list would continue to be administered centrally.
Local list	Local lists would broadly comprise the same rateable properties as now, but we might remove 'riskier' classes of property and perhaps classes that were more in the nature of 'national infrastructure'. Local list income would continue to be collected and retained at the local authority level.
Area list	We could create new area lists for Combined Authorities which, could take risky or significant property from local lists, Area list income could be made available to the Combined Authority.

4.46. The Government might explore some of these options with the pilot areas, to test what changes to local lists would mean in practice.

Question 15: Would it be helpful to move some of the 'riskier' hereditaments off local lists? If so, what type of hereditaments should be moved?

Question 16: Would you support the idea of introducing area-level lists in Combined Authority areas? If so, what type of properties could sit on these lists, and how should income be used? Could this approach work for other authorities?

Helping to manage 'appeal risk'

4.47. Under the current 50% rates retention system, local authorities have had to deal with the impact of business rate appeals at a local level. Many local authorities tell us that the large volume of appeals, the time it takes to deal with them and the difficulties in predicting appeal outcomes has made it difficult for them to forecast their business rates income in any year.

4.48. This also makes it difficult for local authorities to forecast the appeal adjustment that they should make. As a result, local authorities are setting aside more for appeal 'provisions' than had been expected at the start of the 50% rates retention system. As a consequence, in each year since 2013-14, authorities have been budgeting to spend less than they might otherwise have spent as a result of provisions associated with appeals uncertainty. Under the 100% rates retention system, we are interested in exploring how we can help local authorities manage this risk.

4.49. As well as the options discussed in the previous section, we think that there are a number of ways to manage the remaining risk. One option would be for local authorities to continue managing the risk of successful business rate appeals as they do now, with increased support to improve local ability to set aside the right amount in provisions. This would be supported, as now, by a safety net to ensure no local authority is at risk of losing too much of their income (see below for further questions on the future safety net).

4.50. Alternatively, we could explore a system whereby local authorities pool their risk at a wider level, with other local authorities in the area, i.e. through a Combined Authority. Local authorities could be better off by pooling their risk, setting aside appropriate provisions at a wider geographical level to cover all authorities within the pool. This could be combined with 'area lists' for businesses as set out above, allowing a wider geographical area to share both risk and reward.

4.51. Alongside this, we continue to explore how some of the risk associated with successful appeals could be managed at a national level – i.e. funded by all authorities instead of being borne entirely by individual local authorities. Such an approach would necessitate identifying which losses were to be met by the system as a whole and how. Because of data limitations, and the timing of compensation and accounting rules, no approach is likely to be perfect, nor would it remove the need for authorities to make provision for losses.

4.52. Testing mechanisms to manage appeals could be a feature of the pilot areas. This may involve trialling options on a 'shadow' basis, and learning lessons to apply to the future system.

4.53. Any option to manage risk associated with successful appeals will need to be funded from within the overall business rates system, in line with the aim of increased local responsibility.

Question 17: At what level should risk associated with successful business rates appeals be managed? Do you have a preference for local, area level (including Combined Authority), or across all local authorities as set out in the options above?

Question 18: What would help your local authority better manage risks associated with successful business rates appeals?

Insulating against shocks

4.54. Under the current 50% rates retention system, a safety net exists to support those local authorities who see a reduction in income greater than 7.5% of their business rates baseline income. The safety net provides funding to those authorities to bring them back up to 92.5% of their 'business rates baseline' (the level of funding set in 2013 to meet their relative need), and is funded by the current levy on growth.

4.55. We are clear that the new system will continue to need to help insulate authorities from shocks. As with other areas of managing risk, we would be interested in views on the right geographical level for managing risk and providing protection.

4.56. For local authorities pooling risk via an area-level ratings list, and pooled provisions for appeals, their collective ratings income could provide an area-level safety net. Combined, this would work to make the geographical area more self-sufficient, working together to manage risk and reward over a wider area. Authorities within that area could decide what proportion of business rates baseline an area-level system would protect.

4.57. Others may prefer the idea of something much closer to our current national level safety net, to provide protection of baseline funding at a defined level. This would need to be funded from within the 100% rates retention system. This would require local government collectively to pay for a safety net fund from their retained rates income.

Question 19: Would pooling risk, including a pool-area safety net, be attractive to local authorities?

Question 20: What level of income protection should a system aim to provide? Should this be nationally set, or defined at area levels?

5. Local tax flexibilities

Summary

5.1. This chapter covers the design and operation of the new tax flexibilities that authorities will have under the new system:

- It considers the range of options for the design of the new power to reduce the business rates tax rate, including how decisions are made and at what level.

- It also seeks views on the design of the new ability for Combined Authority Mayors to raise an infrastructure levy.

Overview

5.2. A key part of the reforms to make local authorities more self-sufficient and better able to drive local growth is the devolving of tax-setting powers. Under the new system, authorities will be able to tailor their own business rates regime to fit the local economic environment. The new powers that the Government is providing are:

- the ability to reduce the business rates tax rate (the multiplier), and

- the ability for Combined Authority Mayors to levy a supplement on business rates bills to fund new infrastructure projects, provided they have the support of the business community through the Local Enterprise Partnership.

5.3. We would welcome views on a number of key policy design decisions on both measures which will help ensure that the policies operate efficiently and have maximum impact.

5.4. Our work with local government and business sectors thus far has also produced a number of suggestions for how the announced policy could be amended or developed further. These are also reflected below for comments.

Ability to reduce the business rates multiplier

5.5. Since the introduction of the existing business rates system in 1990, a uniform business rates tax rate – known as the multiplier – has applied across the country. Each business rates bill is calculated by multiplying the property's rateable value by the multiplier. Increases in the multiplier are capped by inflation. The Government has announced that authorities will have a new power to reduce the multiplier. We welcome views on all aspects of the design and operation of this new power.

Decision making and costs of reducing the multiplier

5.6. In single tier areas, it is clear that the relevant authority would take the decision about whether to exercise the power. It is also clear that the relevant authority would meet the costs of doing so. As such, other components of the system for that local authority such as tariffs, top-ups and revaluation would continue to be based on the national multiplier.

5.7. However, there are options around how the power should operate in two tier or in Combined Authority areas alongside the infrastructure levy. For example, which tier should have the power to reduce the multiplier and should that tier bear all the costs of doing so, or should the costs be automatically shared (probably in line with tier splits)? An option may be to give the power to both tiers and whichever tier uses the powers meets the costs. The authorities in question could also agree to share the costs.

5.8. We would be grateful for views on how the power should operate in two tier or Combined Authority areas. In addition, we would be grateful for views on how the power should operate in London, and in areas with fire authorities.

Question 21: What are your views on which authority should be able to reduce the multiplier and how the costs should be met?

Scope of the power to reduce the multiplier

5.9. We expect that this power will provide authorities with the ability to make structural changes to their tax regimes – i.e. to provide an across the board reduction in the multiplier.

5.10. Local authorities already have the power to provide targeted local discounts at their discretion. The key difference between local discount powers and the new power is that the new power could be used to make structural changes to the multiplier. Also, local discounts under existing powers are applied to bills after transitional and mandatory reliefs.

5.11. We think that authorities should continue to use their existing local discount powers for targeted relief and that the new power should be used as a structural power across their areas.

Question 22: What are your views on how decisions are taken to reduce the multiplier and the local discount powers?

Increasing the multiplier after a period of reduction

5.12. We need to consider how the multiplier could be increased after a period of reduction to catch-up with the 'normal' inflation-linked multiplier ("the national multiplier"). For example, an authority could be allowed to increase a previously reduced multiplier back up to the national multiplier in one step. Alternatively, the

system could allow for a maximum permitted increase in any year (an adjustment would need to be made in revaluation years to take account of the change in the multiplier).

5.13. Capping the rate of increase after a reduction will limit an authority's ability to balance their finances in future years which could influence an authority's decision to reduce the multiplier in the first place.

Question 23: What are your views on increasing the multiplier after a reduction?

Further suggestions on reducing the multiplier

5.14. As mentioned above, a number of suggestions have also been made for how the announced policy could be amended or developed further.

- Role of Mayoral Combined Authorities – The appropriate scale for reducing the multiplier could be determined by Mayoral Combined Authorities, alongside decisions on an infrastructure levy.

- Providing safeguards for neighbouring authorities - The purpose of providing authorities with the power to reduce the multiplier is to provide opportunities to tailor tax regimes to the local trading environment. An authority or group of authorities may therefore decide to reduce the multiplier in order to encourage business in to the area. Some have asked whether arrangements should be put in place to limit the impact of such decisions on neighbouring areas. As all authorities would have similar powers to reduce their multiplier, the Government does not envisage introducing safeguards to mitigate against any potential impacts.

Question 24: Do you have views on the above issues or on any other aspects of the power to reduce the multiplier?

Ability to charge an infrastructure levy

5.15. We are seeking views on key policy decisions on the design of the power of Combined Authority Mayors to levy a 2p in the pound supplement on business rates bills to fund new infrastructure projects.

Rateable value thresholds

5.16. The system could set a minimum rateable value threshold for the application of the levy. This could guarantee protection for the occupiers of less expensive properties (as with the Business Rates Supplement Act 2009 which provides that no hereditament with a rateable value below £50,000 should pay a supplement).

5.17. On the other hand, a national threshold could mean that regional variations in property values may limit the amount that could be raised for infrastructure projects. Instead, the system could provide Combined Authority Mayors with the freedom to choose whether to set a minimum rateable value threshold above which to charge an Infrastructure Levy. Under that discretionary arrangement, a decision to apply a levy would still require the approval of the relevant Local Enterprise Partnership Board (LEP Board).

Question 25: What are your views on the flexibility levying authorities should have to set a rateable value threshold for the levy?

Interaction with Business Rates Supplement powers

5.18. The new levying powers will only be open to Combined Authority Mayors. The existing Business Rates Supplement powers, which allow authorities to levy a supplement on the national multiplier to fund additional investment aimed at promoting the economic development of local areas, approved by a ballot of ratepayers, will still be available outside of Combined Authority Mayoral Areas.

Question 26: What are your views on how the infrastructure levy should interact with existing BRS powers?

Local Enterprise Partnership (LEP) approval

5.19. The Government is clear that the approval of a majority of the business members of the LEP Board will be required in order for an Infrastructure Levy to be raised. This could be sought in the form of a prospectus from the Mayor, setting out the key parameters of the proposal.

5.20. One issue this presents is that whilst LEPs are often co-terminous with Combined Authority Mayoral Areas, this is not always the case. We should therefore consider whether the requirement for LEP approval should extend to all the LEPs within the proposed area of application of the levy.

5.21. We would also welcome views on how LEP approval should be sought, with a view to help ensure that the LEP role is clear, accountable, and representative of the business community.

Question 27: What are your views on the process for obtaining approval for a levy from the LEP?

Duration of the levy

5.22. Local ratepayers will of course be interested in the duration of a levy, and how decisions about its duration are made and reviewed.

5.23. We would expect that the proposed duration of a levy would be set out in an initial prospectus containing key parameters of the levy and plans for the project to be funded, submitted for approval from the LEP. We would expect the proposal to be for a period of whole years. Provision could also be made for the Mayor to submit a revised prospectus to the LEP for an extension of the levy for a period of whole years, or to adjust other parameters of a levy, for example following a revaluation.

Question 28: What are your views on arrangements for the duration and review of levies?

Using revenues raised from the levy

5.24. The Government is clear that levy revenues must be used to fund infrastructure projects. Infrastructure could be defined in a similar way to how it is defined for the Community Infrastructure Levy - roads and transport, flood defences, educational facilities, medical facilities, sporting/ recreational facilities, and open spaces – or a different definition could be used to capture different uses.

Question 29: What are your views on how infrastructure should be defined for the purposes of the levy?

Multiple levies/multiple projects

5.25. We wish to allow Mayors sufficient room for manoeuvre to fund the projects that would add most value. There is a further question of allowing authorities to charge a single levy for multiple infrastructure projects or multiple levies all at once. For instance, it could be provided that a single Combined Authority Mayoral Area may raise multiple levies all at once, providing that the sum of the infrastructure levies on any given ratepayer does not exceed 2p in the pound.

Question 30: What are your views on charging multiple levies, or using a single levy to fund multiple infrastructure projects?

Further suggestions on infrastructure levy

5.26. Our engagement with the local government business sectors thus far has raised some further suggestions for the operation and scope of the ability to charge an infrastructure levy.

- Extend the power to raise an infrastructure levy beyond Combined Authority Mayors – Some have suggested that other areas, including other Combined Authority areas, should have a similar power to raise an infrastructure levy or that the power should replace existing Business Rates Supplement powers. The Government is clear that this new power will be for Combined Authority Mayors only who are directly elected and can be held accountable. Any

authorities not covered by the new power will retain the ability to fund infrastructure through existing Business Rates Supplement powers.

- Extend the business consultation requirements more widely – LEPs already play a strategic role in determining the priorities for infrastructure investment through the Strategic Economic Plan (SEP), and would act as representatives of local business communities to ensure that proposed infrastructure projects will benefit ratepayers. It has also been suggested though that there should be additional safeguards for ratepayers, for example consultation beyond the LEP.

- Include a discount power for Business Improvement Districts (BIDs) – The Business Rates Supplement Act 2009 makes provision for the levying authority to provide a discount to BIDs within the area of application of the supplement. It has been proposed that similar provision could be made for the levy, in view of the additional tax contributions which are made in BIDs.

- Amend the definition of infrastructure – These proposals differ from the existing Business Rates Supplement powers, which provide for a supplement to be raised for any project to promote economic development. It has been suggested the latter option may provide authorities with greater flexibility to use the power. Additionally, there is a question over whether the levy may be used for housing.

Question 31: Do you have views on the above issues or on any other aspects of the power to introduce an infrastructure levy?

6. Accountability and accounting

Summary

6.1. This chapter considers the consequences of a reformed local government finance system, particularly in terms of accountability and accounting:

- It considers how the reforms may change the balance of local and central accountability, including in relation to the additional responsibilities that councils will take on.

- It seeks views on the current method of accounting for business rates and - depending on the design of the scheme - whether this may need to change.

- It also considers how the information that Government needs to collect from councils to help the system function might change.

Overview

6.2. The move to 100% business rates retention marks an important milestone in the devolution of power and resources from Whitehall. By 2020, councils will raise the great majority of their funding locally for the local services they provide. In addition, as part of these reforms, a new set of responsibilities will be devolved to local government. This move towards a more self-sufficient local government must be accompanied by a shift towards greater local accountability over funding and the way devolved responsibilities are delivered. There will also be implications for how income from local taxes is accounted for.

6.3. The Government, working with the LGA, CIPFA and other local government representatives, has sought to consider these issues. This Chapter sets out some of the thoughts and ideas raised during that engagement.

6.4. As policy development around system design continues, and decisions about which new responsibilities are devolved are made, the Government will continue to work with councils and others to explore the implications and consequences of the new system. This includes accountability and accounting terms, but also the type of information that government needs to collect from councils as part of the system. These issues may be subject to further consultation at a later date, in the lead up to implementation.

The balance of local and central accountability

6.5. As local services are increasingly funded from locally raised resources, it will be important to ensure councils are accountable for deciding how to fund local services.

6.6. The current process for determining allocations of funds to authorities through a Local Government Finance Report and resolution by Parliament encourages accountability for funding decisions to remain with central government. The requirement for an annual process of distribution from central government also has the potential to undermine the funding certainty offered through multi-year settlements, and the announcement of final decisions relatively late in the year can make it difficult for local authorities to manage the process of local consultation in setting their budgets.

6.7. The Government is interested in exploring how to change the process for allocating funding to increase funding certainty for local government, providing councils with the flexibility to set budgets in good time and strengthening local accountability.

Question 32: Do you have any views on how to increase certainty and strengthen local accountability for councils in setting their budgets?

6.8. Where responsibilities are devolved from central to local government, it is important to consider how the balance of accountability between central and local government to Parliament for delivery of those services may change - for example, the relative roles and responsibilities of central government Accounting Officers and local government. The position may be different for different areas - for example, Mayoral Combined Authority areas may have more responsibilities, and we will therefore need to consider the implications for accountability for each of the candidates, and overall for devolution under these reforms on a case by case basis. The Government will continue to engage with local government on these issues, particularly as decisions are taken about what new responsibilities will be devolved as part of the reforms.

6.9. In setting out clearer accountability at the local level, the Government will need to continue to respect the rights of the UK Parliament to hold to account both Ministers and officials for the way that they use funding provided through the Parliamentary Vote. It is important that funding decisions made at the national level continue to be scrutinised by the national Parliament, while local decision making is scrutinised by local accountability structures.

Question 33: Do you have views on where the balance between national and local accountability should fall, and how best to minimise any overlaps in accountability?

<u>Accounting for income from local taxes</u>

6.10. Local authorities are required by statute to account for Council Tax income and Business Rates income in what is known as the 'Collection Fund Account'. In effect this is an agent's statement, which shows the amount of council tax and business rates that each billing authority forecast it would collect and how that has been distributed between billing authorities, precepting authorities and central government. It is included in each council's annual accounts and is subject to audit.

6.11. Councils recognise in accounting and budgetary terms the amount of income that they forecast they would collect. Any surplus or deficit on collection is carried forward as an adjusting item to the following year's forecast Council Tax or Business Rates income.

6.12. The Government has been working with the LGA, CIPFA and other representatives of local government to consider how local authorities might be required to account for business rate collection in an updated reformed system, in a way that continues to comply with best practice for transparency and accountability.

6.13. In a reformed system, the central government share of local business rates income will no longer exist so will not need to be disclosed in the Collection Fund Account. However, billing and precepting authorities will continue, both for Business Rates and Council Tax. Therefore, both the Government and the Accountability and Accounting Technical Working Group consider that there would be no benefit in removing the requirement to prepare a Collection Fund Account. A number of the disclosures in the Collection Fund Account are required by statute and may need to be revised depending on detailed design choices made in the retained business rates system.

Question 34: Do you have views on whether the requirement to prepare a Collection Fund Account should remain in the new system?

Balanced Budget Requirement

6.14. A requirement to produce a balanced budget is a key element of the local authority financial control framework. This requirement applies only to revenue and was introduced by section 32A of the Local Government Finance Act 1992.[3] The Act sets out a number of detailed items that must be included in the balanced budget calculation, but in summary, local authorities are required to perform the following sum:

Net service expenditure	**(x)**
Other expenditure	(x)
RSG and other centrally held grants	x
Forecast business rates income	x
Transfer to/from reserves	x/(x)
Council tax requirement	x

6.15. Since this statutory requirement was introduced the way that local authorities manage their business has changed and the introduction of retained rates will give them further flexibilities in relation to setting their expected level of income.

[3] For councils – different statute applies to the GLA, PCCs, FRAs etc. but the format of the calculation is the same in each case.

6.16. Both the Government and the Accountability and Accounting Technical Working Group agree that there is no benefit in removing the requirement to prepare a balanced budget. However, the way that local authorities are required to calculate their balanced budget no longer aligns with the way they actually manage their finances. It is possible that if the way that councils are required to calculate their balanced budget was adjusted to better align with the way they run their business, both efficiency and transparency gains may be achieved.

Question 35: Do you have views on how the calculation of a balanced budget may be altered to be better aligned with the way local authorities run their business?

Other Reporting to Central Government

6.17. In addition to the statutory accounts local authorities are required to prepare and submit financial data returns to DCLG. These are the NNDR1 and NNDR3 forms. These forms serve a dual purpose.

6.18. For local government, the NNDR1 form allows authorities to estimate the amount to be retained by Billing Authorities, and the amount to be paid to central government and Major Precepting Authorities. This is fixed at the start of the financial year on the basis of the Billing Authority's estimate of its Non-Domestic Rating income for the year and is reflected in each authority's balanced budget calculation. The NNDR3 form provides authorities with a tool by which they can calculate their certified non-domestic rating income and calculate the final sums due by way of section 31 grants for certain government-funded rates relief measures.

6.19. The consolidated results of these forms feed into official statistics and the financial statements setting out the amount of business rates income collected in England. Under the current system, they allow central government to put sufficient budget aside to fund mandatory and discretionary reliefs and form the basis of the calculation of the safety net and the levy.

6.20. The Government has announced that following business rates reform, the levy will no longer exist. In addition the way that the safety net is funded may change. This means that some elements of the current NNDR1 and NNDR3 forms will no longer be relevant. Other data currently collected by central government may no longer be required, depending on detailed system design choices made.

6.21. The Government is clear that some form of reporting will still be required, both to allow local authorities to provide information to feed into the safety net and levy calculations and to allow central government to provide information to Parliament on the quantum of business rates collected. However, it may be possible to revise data collection activities to make the data more transparent.

Question 36: Do you have views on how the business rates data collection activities could be altered to collect and record information in a more timely, efficient and transparent manner?

Summary of Questions

Question 1: Which of these identified grants / responsibilities do you think are the best candidates to be funded from retained business rates?

Question 2: Are there other grants / responsibilities that you consider should be devolved instead of or alongside those identified above?

Question 3: Do you have any views on the range of associated budgets that could be pooled at the Combined Authority level?

Question 4: Do you have views on whether some or all of the commitments in existing and future deals could be funded through retained business rates?

Question 5: Do you agree that we should continue with the new burdens doctrine post- 2020?
Question 6: Do you agree that we should fix reset periods for the system?

Question 7: What is the right balance in the system between rewarding growth and redistributing to meet changing need?

Question 8: Having regard to the balance between rewarding growth and protecting authorities with declining resources, how would you like to see a partial reset work?

Question 9: Is the current system of tariffs and top-ups the right one for redistribution between local authorities?

Question 10: Should we continue to adjust retained incomes for individual local authorities to cancel out the effect of future revaluations?

Question 11: Should Mayoral Combined Authority areas have the opportunity to be given additional powers and incentives, as set out above?

Question 12: What has your experience been of the tier splits under the current 50% rates retention scheme? What changes would you want to see under 100% rates retention system?

Question 13: Do you consider that fire funding should be removed from the business rates retention scheme and what might be the advantages and disadvantages of this approach?

Question 14: What are your views on how we could further incentivise growth under a 100% retention scheme? Are there additional incentives for growth that we should consider?

Question 15: Would it be helpful to move some of the 'riskier' hereditaments off local lists? If so, what type of hereditaments should be moved?

Question 16: Would you support the idea of introducing area level lists in Combined Authority areas? If so, what type of properties could sit on these lists, and how should income be used? Could this approach work for other authorities?

Question 17: At what level should risk associated with successful business rates appeals be managed? Do you have a preference for local, area (including Combined Authority), or national level (across all local authorities) management as set out in the options above?

Question 18: What would help your local authority better manage risks associated with successful business rates appeals?

Question 19: Would pooling risk, including a pool-area safety net, be attractive to local authorities?

Question 20: What level of income protection should a system aim to provide? Should this be nationally set, or defined at area levels?

Question 21: What are your views on which authority should be able to reduce the multiplier and how the costs should be met?

Question 22: What are your views on the interaction between the power to reduce the multiplier and the local discount powers?

Question 23: What are your views on increasing the multiplier after a reduction?

Question 24: Do you have views on the above issues or on any other aspects of the power to reduce the multiplier?

Question 25: What are your views on what flexibility levying authorities should have to set a rateable value threshold for the levy?

Question 26: What are your views on how the infrastructure levy should interact with existing BRS powers?

Question 27: What are your views on the process for obtaining approval for a levy from the LEP?

Question 28: What are your views on arrangements for the duration and review of levies?

Question 29: What are your views on how infrastructure should be defined for the purposes of the levy?

Question 30: What are your views on charging multiple levies, or using a single levy to fund multiple infrastructure projects?

Question 31: Do you have views on the above issues or on any other aspects of the power to introduce an infrastructure levy?

Question 32: Do you have any views on how to increase certainty and strengthen local accountability for councils in setting their budgets?

Question 33: Do you have views on where the balance between national and local accountability should fall, and how best to minimise any overlaps in accountability?

Question 34: Do you have views on whether the requirement to prepare a Collection Fund Account should remain in the new system?

Question 35: Do you have views on how the calculation of a balanced budget may be altered to be better aligned with the way local authorities run their business?

Question 36: Do you have views on how the Business Rates data collection activities may be altered to collect and record information in a more timely and transparent manner?

About this consultation

This consultation document and consultation process have been planned to adhere to the Consultation Principles issued by the Cabinet Office.

Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004.

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department for Communities and Local Government will process your personal data in accordance with DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.
Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed the Consultation Principles? If not or you have any other observations about how we can improve the process please contact DCLG Consultation Co-ordinator.

Department for Communities and Local Government
2 Marsham Street
London
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Business Rates Retention Early Implementation Pilots: update

Background

1. At the Budget the Government committed to piloting approaches to 100% Business Rates Retention in London, Manchester and Liverpool from as early as 1st April 2017.
2. Some elements will be piloted from 2017-18 onwards, however we expect a number of elements of the system will not be piloted before 2018-19.
3. The Government has committed that the pilots offer be available to other city regions with ratified devolution deals. Sheffield, the West Midlands, the West of England and Cornwall have come forward to explore the options around becoming pilot areas and DCLG is working with them on this. Other areas have also expressed initial interest and are in the very early stages of discussion so we would expect these areas to pilot from 2018 rather than 2017.
4. With a move to 100% rates retention pilot authorities will be taking on a degree of risk in advance of a system-wide approach to risk management. As part of the negotiation leading up to the Budget announcement it was therefore agreed with the pilot areas that pilots will result in no detriment.

Current state of play

5. Pilot negotiations are now in the final stages. Since the announcement DCLG has engaged with pilot areas to scope options for development and to discuss mechanisms for implementation. Pilots are bespoke to reflect the diverse needs of different areas and therefore contain different elements.
    a. Greater Manchester, Liverpool, Cornwall, the West of England and the West Midlands intend to move to 100% business rates retention from 2017. Sheffield is considering a transition to 100% retention over a period of time but proposes to pilot elements of the system from April 2017.
    b. In London the GLA will take over responsibility for funding TfL Investment grant from DfT. In return, the GLA will be allowed to keep a commensurately higher percentage of the business rates income collected in London. The GLA will also fund its share of RSG through business rates from 2017.
    c. The following options will be implemented by all or some pilot areas. Alone or in combination, these will ensure that the increase in the “local share” of business rates is cost neutral at the point of change:
        i. Ending RSG entitlement
        ii. Ending entitlement to other funding streams. Options under consideration are:

1. Rural Services Delivery Grant
2. Public Health Grant
3. Devolved Transport funding

iii. Devolving additional responsibilities to pilot areas

iv. Adjusting existing tariffs and top-ups

d. The scope of the pilots will likely expand from April 2018. Pilot areas are ambitious and are keen to test rolling in further functions and taking on new responsibilities.

e. We are planning to test mechanisms for managing appeals risk in some pilot areas, most likely on a shadow basis, from either 2017 or 2018.

f. We are considering a new form of safety net for pilots and are working with pilot areas to consider options. Given that work on the wider design of the system has not yet concluded, risk management measures for pilots will not necessarily mirror the future system. With the full rollout of 100% retention we expect that pilots will move to the new system.

g. The mechanism by which we will calculate the value of business rates percentage shares has been agreed with pilot areas. This was included in the consultation on the Local Government Finance Settlement, published earlier this month.

h. We are discussing with pilots the approach to data collection to allow for monitoring.

i. Any cost to the system from elements of the pilots will not impact on non-pilot authorities.

<u>Next Steps</u>

6. Final pilot agreements are currently being drafted and we expect these to be signed off in October.
7. Changes to secondary legislation will be required to implement elements of the pilots from 2017. We are developing legislation and expect Orders to be laid in Parliament later this year.
8. The Local Government Finance Settlement for 2017 will incorporate pilots and all decisions will therefore need to have been taken before publication of the provisional Settlement.

LONDON COUNCILS

GREATER LONDON AUTHORITY

"Self-sufficient local government: 100% Business Rates Retention"
A joint consultation response by London Councils and the Greater London Authority: Summary

1. This paper summarises the joint position on how London Government believes the 100% business rates retention reforms should be implemented in London in order to benefit not just the capital but the local government sector – and the UK economy - as a whole. It summarises the (much longer) accompanying full consultation response. This develops a set of key principles that were agreed by London Councils Leaders' Committee and the Mayor of London in June, and formally submitted to the Chancellor of the Exchequer and the Secretary of State for Communities and Local Government on 1st July.

Rationale for London devolution

2. The Government's proposals to localise business rate income create an opportunity to secure devolved responsibility for an important strand of local government funding – to which London has a long-standing commitment. Developing a successful London approach will help protect and promote economic growth in the capital - and therefore in the UK as a whole - will secure funding for public services and strategic infrastructure investment, and will support local public sector reform and enhance the accountability of London Government to its business taxpayers.

3. In order to achieve this, however, it will be necessary to recognise that London's circumstances may require different solutions to other parts of the country, and that those solutions require joint and collective approaches by all parts of London Government. It will also be important to overcome some of the key flaws of the existing business rates system.

4. London's economy is vital to the success of the UK as a whole. Maintaining London's growth during a period of uncertainty in which the UK will leave the EU will be a huge challenge. In 2014-15 London generated around £140 billion in tax – exceeding the cost of public services in the capital by an estimated £45 billion. But London's economy – and its business rate tax base – is different to the rest of the country: with only 16% of England's business premises, it currently generates around 30% of business rate income; 68% of those rates come from office and retail premises, compared to only 43% elsewhere.

5. London's population will grow at double the rate of the rest of England (24% compared to 12%) by 2039 – to over 11 million. This brings opportunities and challenges not only in the successful management of the capital's economic growth, but also in securing a sustainable financial future for its public services. In considering the future assessment of relative needs and the services to be transferred, it will be essential that any London deal secures genuinely devolved control over a level of resources sufficient to manage the financial risks involved.

6. Devolving business rates (and other revenue streams) will help build a joint, city-wide approach that can incentivise, prioritise and manage the public services and

infrastructure investment London needs to continue its contribution to the public life and economic success of the UK.

7. Two key elements of the current system could undermine the Government, and London's, ambition to use business rates to provide incentives and rewards for promoting growth: appeals and revaluations.

8. The effect of appeals – particularly in London – has been to undermine the benefit of growth, to introduce an unacceptable degree of uncertainty in funding and to tie up vast amounts of resources in provisions for successful appeals.

9. Under the current system, where the total business rates yield is fixed at the national level, revaluations act as a redistribution mechanism over and above the resetting of business rates and funding baselines. This will be brought home in the impact of the revaluation due to come into effect in April 2017. In areas in which property values rise faster than the national average, rates paid by businesses will rise, while those paid in other areas will fall. This has two interrelated consequences which potentially undermine the Government's policy objective. Firstly, the burden of business rates will fall on a smaller and smaller number of businesses (we estimate that, under current arrangements, London businesses' contribution would double from 30% to 60% of the total). Secondly, the taxbase in areas with lower rates of property market growth is artificially depressed, thus leaving local authorities in those areas increasingly reliant on top-up funding and increasingly unable to benefit from the economic growth they are seeking to promote.

10. The difficult balance between rewarding growth and reflecting needs in local government funding is also made harder by a national approach which seeks to address the issues of authorities of hugely different scale, geography, demography and economic activity. The result is complex, opaque and promotes unhelpful division. A more devolved approach could improve clarity and accountability.

11. London's proposals, as set out in the fourteen "asks" summarised below, would help address these problems in ways that would not only help London manage its future sustainable economic growth, and the financial sustainability of its local public services, but would benefit local government in the country as a whole.

Retention level

12. The level of rates retained is inextricably linked with the additional responsibilities to be funded (see Ask 2 below). Following the 2017 revaluation it is likely that London's rates will exceed current spending responsibilities (including those agreed for transfer in April 2017) by around £4 billion. Transferring additional spending responsibilities to match these resources would maintain "fiscal neutrality" ensuring that neither the government nor the rest of the local government sector is financially disadvantaged. It could also provide the opportunity to pilot devolution approaches across a range of services. The headroom anticipated would be sufficient to fund all of the grants and services London would seek to transfer (see Ask 2).

13. If however, the agreed national approach requires a lower level of transfer and a continued contribution from London, this should be calculated as a single aggregate tariff for London, based on regional business rate and funding calculations (see Ask 7). London Government would then take responsibility to manage top-ups and tariffs to balance to zero *within* London.

Ask 1 – London Government seeks to explore full retention of the business rates collected in the capital by 2020; if London does not retain 100 per cent of its business rates, we ask that the tariff is one single payment at the aggregate London level

Additional responsibilities

14. The Government consultation identifies a list of grants and services for potential transfer. London would seek the transfer of those responsibilities which best support its ability to promote economic growth and implement local public sector reform. As stated above, the future level of business rates in London would be sufficient to fund all of these within the capital (see Annex 1 for details); but the same is not true for the country as a whole. If the level of transfers has to be scaled to match the national total of business rates (rather than, say, Government identifying additional budgets to devolve) London's priorities would be to transfer those responsibilities which best support its ability to promote growth and implement local public sector reform.

Ask 2 – London Government would prioritise the transfer (over and above what has already been decided) of:
- ***Skills - 16-19 funding***
- ***Adult Education Budgets***
- ***Careers Service***
- ***Work and health programme***
- ***Capital funding for Affordable Housing; and***
- ***Early Years funding***

15. Devolution should be an on-going process, not confined to those services which can be funded by current business rates. Any future transfers should be accompanied both genuine transfer of control of the services concerned as well as clarity about future funding – whether through increased business rates yield, other devolved taxes or government grant.

Ask 3 - London Government would wish to agree prior to the start of the 100 per cent retention system a robust mechanism for negotiating and agreeing with central government any new responsibilities that are to be delivered in the capital beyond 2020

Revaluations and Resets: balancing needs and resources

16. As indicated in paragraph 9, the current revaluation system distorts both the economic effectiveness of the tax and the tax base of local authorities around the country: in future that tax base should rise or fall in line with economic performance. London believes that sub-national areas that can show to government they are willing and capable of delivering devolved control of business rates should be allowed to benefit from increases, and manage the risk of decreases, in their tax base arising from changes in valuation. Breaking the link between revaluation and the fixed quantum of tax yield benefits both those areas where commercial property markets are strong and

those where they are not. Where values rose, local authorities would be able to fund additional investment or services, or reduce the multiplier while maintaining current expenditure levels. This would both underpin devolved local government and improve local political accountability.

Ask 4 - London Government asks that the Government considers ending the principle of "fixed yield" revaluations, and that London's business rates be "de-coupled" from the national valuation system.

17. Government is considering changes to the frequency of valuations and the appeals process they inevitably generate. However, accountability for the accuracy and timeliness of decisions would still not be aligned with their impact on local authorities' finance. Once London's rates were "de-coupled" from the national valuation system, greater alignment could be achieved by a corresponding devolution of the valuation process to match devolved control and accountability for raising rates.

Ask 5 - London Government calls for the ability to determine its own valuation system to be administered by a regional valuation office for London.

18. Finding the appropriate balance between risk and reward - meeting need and incentivising growth - is perhaps the biggest challenge in setting up the 100 per cent retention system. We believe that, within a London retention system, the frequency of resets of business rate and funding baselines should be determined locally by London Government. We would seek to manage future resets taking into account the overall balance between spending need, council tax base, the speed of change and the desire to maintain incentives within a devolved system. We think that it may be possible to reset funding and business rates on different timetables, for example with business rates baselines being set over a longer period (10 years for example) and funding baselines being reset more frequently (every 3 years for example), and would explore options around this.

Ask 6 – London Government calls for the ability to manage future resets of business rate and funding baselines, and their impact, within London.

19. Measuring relative need to spend will be a key factor in any reformed system that balances authorities' capacity to spend and raise tax. There is common agreement across the sector that any new needs assessment system should be less complex and more responsive to changes than the current system. A potential solution could involve a two-stage approach to assessing need. The first stage would be an assessment of needs at a suitable sub-national level, followed by a more local/sub-regional approach to allocate within these areas.

20. Such an approach would:
    - be less complex and therefore more transparent;
    - be more responsive to population changes; and
    - give London boroughs and the GLA more collective ownership over the process and therefore would build trust that the system is fair.

Ask 7 – London Government proposes a two-stage process in which a regional needs assessment for the capital would be combined with the ability to vary a needs formula within London over time to reflect local circumstances.

Determining the allocation of resources between tiers of London Government

21. The allocation of resources in London should follow the responsibilities to be funded. The starting point should therefore be the agreed transfer of responsibilities: any future revisions should be periodically agreed and managed by London Government.

Ask 8 – London Government asks for the ability to decide collectively for itself how business rates are shared between the boroughs and the GLA.

Setting Business Rates – flexibilities

22. London Government would wish to explore options for either a collectively agreed single multiplier across London, or two separate multipliers with the Mayor of London being granted the ability to set a proportion of the rate on a London wide basis, and boroughs collectively setting the rest of the multiplier.

23. Following successful implementation of a London scheme, however, we would want to explore with Londoners how this could be developed towards full control of rate setting – including the safeguards that would be required to prevent a disproportionate tax burden on business – along with a broader range of fiscal devolution as envisaged by the London Finance Commission.

Ask 9 – London Government initially seeks the flexibility to determine the business rates multiplier(s) in London, agreed collectively between the Mayor and London's borough Leaders over a defined period

24. In the short term, it will be important that the 2% infrastructure levy opportunity offered to Combined Authority areas should also be available in London, over and above the existing Business Rate Supplement that funds Crossrail.

Ask 10 – London Government asks that the 2% infrastructure levy is made available to the Mayor of London.

25. Mandatory reliefs awarded in London will amount to around £650 million in 2016-17, and are currently set by central government. London Government believes these could be used more constructively to improve local economies and to encourage greater dialogue and engagement between councils and local businesses. London Government should have the collective ability to set the qualification criteria and thresholds of the existing mandatory reliefs currently set by central government (and the discretionary elements of those schemes), as well as determining new mandatory relief schemes periodically when deemed necessary. This would include the small business rates relief threshold. Where individual boroughs or the Mayor wished to offer additional discounts over and above a collective scheme agreement, this could be achieved through adjustments to their retained rates.

Ask 11 – London Government seeks the flexibility for all parts of London Government to determine all business rates discounts and reliefs, including scheme parameters and thresholds

Distributing the benefits of growth

26. Within a devolved system, any business rate growth could be retained by boroughs and the GLA in line with their overall share. However, London's economy is a complicated system in which different parts of the capital will have different, but inter-related, roles to play. For the economy to keep growing in a sustainable manner, we need to expand the overall business premises capacity, but also to find ways to house, train, transport and provide access to leisure and culture for millions of people around the capital. We may therefore want to use some of the proceeds of growth to facilitate additional investment, and to create targeted rewards that incentivise contributions to the capital's overall success beyond hosting new business properties.

27. This could be achieved by retaining a central pool for distribution according to collective priorities. Ultimately, however, this should be a matter for London Government to determine.

Ask 12 – London Government asks for the ability to determine collectively how the proceeds of growth are shared within London

Managing risk: safety nets and the Central List

28. If the move to 100% retention is to be successful then the need to share and manage risk effectively will be essential. However, the balance between central and local responsibility cannot be separated from the questions of the overall proportion of rates retained, and the degree of local control allowed.

Ask 13 – Under a devolved retention system, London Government asks that the safety net mechanism and thresholds are determined locally by London Government

29. The central list has been identified as a potential source of funding for future safety net arrangements. Where responsibility for such arrangements is devolved, it would be appropriate also to maximise local access to the rates derived from properties currently held on the central list. This would also increase opportunities and incentives to maximise the value and use of such assets where possible.

30. London local government considers that, unless there is a clear case for an assessment to be on the central list, it should be on either a local list or regional list.

Ask 14 - London Government would seek to transfer central list properties to either a local or regional list wherever possible, including the transfer of TfL's separately identifiable assessments potentially as a single TfL operational assessment.

Governance

31. A regional approach to managing business rates in London will require appropriate mechanisms to ensure that robust, timely and accountable decisions can be taken to

raise and distribute tax revenues. In return for the level of devolution and autonomy London Government is asking for, central government will require reassurance that London is capable of governing such a system collectively.

32. London Government is well placed to develop a collective governance model to enable a devolved business rates retention system. London is the only region in England with a regional tier of government, and the 33 local authorities and the Mayor of London have developed a mature relationship that has gradually evolved since 2000.

Decisions required to set up and run a devolved retention system

33. The proposals set out in this paper generate three classes of decisions for London to Government address:

    - ***Initial set-up:*** decisions and agreement with Government on the scheme design, including the level of retention, responsibilities transferred, the basis and frequency of revaluations, and resets, the allocation of resources between GLA and boroughs, the multiplier(s), the framework for discounts and reliefs, the distribution of growth proceeds, the operation of a regional safety net and a regional list. Such decisions would need to be taken collectively – and unanimously – by the Mayor of London and Leaders.

    - ***On-going tax-setting and resource allocation:*** annual decisions such as setting the multiplier(s) and allocating the collective growth pool; periodic decisions such as agreeing revised baselines and changes to the needs formula. These decisions would need to be taken collectively by the Mayor and Leaders, building on the existing Congress arrangements, with appropriate voting and other principles consistent with the London Finance Commission in 2013, built in to ensure the appropriate protection of minority interests within London.

    - ***Technical underpinning and review:*** it may require two independent technical commissions to manage on-going work around valuation (including the performance of a regional VOA) and the operation of the tax, and around maintaining the needs formula and distribution model. Political oversight of these commissions could be undertaken by the Governance structures described above.

Existing principles

34. The London Finance Commission identified a set of principles upon which such governance could be based. These were expanded in evidence submitted to the CLG Committee inquiry into fiscal devolution in April 2014. These governing principles are as follows[1]:

    - **Each element of London government should have a stake:** Elected leaders of all London local authorities and the Mayor of London must be able to feel confident about the governance arrangements for the new finance system

[1] Extract from a joint letter from Boris Johnson, Mayor of London and Mayor Jules Pipe, Chair of London Councils to Clive Betts MP, Chair of the Communities and Local Government Committee, 10 April 2014, submitted as evidence to the Committee's review of Fiscal Devolution

- **No exclusion:** No one borough or group of boroughs can be excluded from the benefits of London's success or become disempowered from addressing local needs.
- **No over-riding:** Interests of the Mayor cannot be overridden by the boroughs or vice versa.
- **No deadlock:** Arrangements must prevent or break deadlock. We believe that this can be achieved through suitable voting arrangements and clarity about which tier of government is responsible for decision-making, as reflected in the principles below.
- **Enforcement:** The system must enforce binding decisions and these decisions must reflect a clear initial consensus – even if there are disagreements from time to time about individual decisions.
- **Simplicity and clarity:** The reformed system should be as simple as possible. It should avoid the need for annual decision-making between different sections of London government. It should seek to distinguish clearly the responsibilities of the GLA, Boroughs and London Assembly.
- **Stability…** Existing responsibilities should be maintained where possible.
- **… But potential for reform.** Provisions in the 'devolution settlement' should enable, by agreement, periodic property tax reform and changes to any within-London distribution arrangements. Such reforms would be distinct from the 'Day 1' operation of a devolved system. There should also be a presumption that the more significant reforms were proposed, the longer they would be phased in.
- **Practical operations:** decisions would be taken by the Mayor or Borough politicians as appropriate. However, a joint GLA and London Councils Officer Group would provide standing technical advice and support for politicians to decide matters where there is significant joint interest under the above arrangements. This might be independently chaired.
- **Decision rules:** Any new system would require a set of decision rules, some of which would be reflected in legislation. For instance, Parliament might legislate for periodic property revaluations to be carried out by devolved authorities. There are various options for the rulebook governing changes within London following devolution but here is one example:
    - Mayor would need to agree any decision and by converse would have a veto
    - Boroughs would need to agree to any decision by their own rules (e.g. two-thirds majority)
    - The London Assembly would retain its existing powers to amend or reject the Mayor's tax and spending decisions, which would be enhanced commensurate with the increase in the Mayor's powers.

35. The Mayor of London has re-formed the London Finance Commission to review, refresh and revise its original recommendations in light of the changed circumstances, following the UK's vote to leave the European Union. It will report by the end of 2016. We will follow the work of the commission closely, and anticipate that it will re-visit the

governance principles outlined above in the context of recommendations on broader fiscal devolution.

London Government will work with government collectively build on these principles to define and establish appropriate governance arrangements to manage a devolved business rates system.

Annex 1: Additional Responsibilities

1. London Government believes, when determining the existing grants and new responsibilities that should be funded by business rates, priority should be given to responsibilities that maximise London Government's ability to improve the life of Londoners, the effectiveness and efficiency of its public services, and the future economic success of the capital.

2. We would therefore wish to prioritise the transfer of grants and responsibilities that:
   - have a direct relationship to business;
   - help tackle key infrastructure challenges, including housing and transport; and
   - have a compelling public service reform case to be delivered more efficiently and effectively by local government.

3. We believe the government should first consider the outcomes the sector is aiming to achieve, and then design local public services around them. This will require greater exploration of the funding necessary to deliver those outcomes. However, the list set out in the consultation is a helpful starting point, which we have used to identifying grants and responsibilities we feel are suitable candidates to be transferred in Table 4.

4. The grants and responsibilities listed below are grouped by whether they are a new responsibility or existing grant, and then by which of the three principles set out above they meet. Estimated values for London in 2019-20 are set out in the fourth column.

Table 4 – Existing grants & new responsibilities - Suitable candidates for transfer in Addition to TfL Capital Grant

	Existing grant or responsibility	Reason(s)	Estimated London value in 2019-20 (£bn)
Skills - 16-19 funding	New responsibility	Business link/PSR	0.499
Adult Education Budget	New responsibility	Business link/PSR	0.400
Careers Service	New responsibility	Business link/PSR	0.097
Work and health programme	New responsibility	Business link/PSR	0.014
Youth Justice	New responsibility	PSR	0.054
Valuation Office Agency	New responsibility	PSR	0.032
Affordable Housing capital funding	Grant	Infrastructure	0.417
Transport capital (outside London)	Grant	Infrastructure	n/a
Early Years funding within DSG	Grant	PSR	0.748
Public Health Grant	Grant	PSR	0.628
Revenue Support Grant	Grant	PSR	0.538
Improved Better Care Fund	Grant	PSR	0.247
Housing Benefit Admin Subsidy	Grant	PSR	0.033
Independent Living Fund	Grant	PSR	0.019
CT Support Admin Subsidy	Grant	PSR	0.015
Rural Service Delivery Grant	Grant	PSR	n/a
Total grants & responsibilities			**3.741**
Total "headroom" in 2019-20			**3.975**
Remaining capacity			**0.234**

NB: RSG here is net of the GLA's RSG which is expected to be funded from business rates from April 2017. TfL Capital grant is also excluded as the government has confirmed this will be transferred in 2017-18. Estimates for 16-19 skills funding excludes 6th form and academy providers at this stage.

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BRIEFING PAPER

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Devolution to local government in England

By Mark Sandford

Inside:

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Summary

This note summarises the main developments regarding the process of devolution of powers to local government within England since 2014. It covers the devolution deals agreed between the Government and local areas up to July 2016, including the powers to be devolved, the procedures required for devolution to take place, and reactions to the policy from the local government and policy-making worlds.

This note addresses the debate around devolution of power to local government in England only. Local government is a devolved matter in Scotland, Wales and Northern Ireland. The Library has also published notes on the West Lothian Question; the English Question; English Votes for English Laws; and notes on the *Cities and Local Government Devolution Bill* and on its progress through Parliament.

1. Devolution in England: inception

1.1 Background: 2010-15

Following the 'no' vote in the September 2014 Scottish independence referendum, the Prime Minister announced that, alongside proposals for additional devolution to Scotland, Wales and Northern Ireland:

> It is also important we have wider civic engagement about how to improve governance in our United Kingdom, including how to empower our great cities — and we will say more about this in the coming days.[1]

This followed the production of several reports during 2014 making proposals for the transfer of additional powers to local authorities, or to local areas. These built upon the 2012 report *No Stone Unturned: in Pursuit of Growth* ('the Heseltine report'), which recommended the merging of various national funding streams to provide much greater local responsibility for economic development (see section 5). Efficiency in public service provision, triggered by continuing reductions in local government funding, was also prioritised within the more recent reports. Changes proposed include:

- Giving new powers in specific policy areas to local authorities;
- The transfer of additional budgets alongside those powers;
- Enhanced power over local taxes (council tax and business rates), additional local taxation powers, and more flexibility around borrowing and financial management;
- The creation of combined authorities and/or directly-elected mayors.[2]

More details of these proposals can be found in the Library briefing papers Local government devolution: policy proposals and Local government devolution: fiscal proposals.

1.2 Devolution deals

The first 'devolution deal' was announced by the Government and the Greater Manchester Combined Authority in November 2014. In advance of the 2015 general election, further deals followed with Sheffield (December 2014) and West Yorkshire (March 2015).

Following the 2015 General Election, the then Chancellor, George Osborne, gave a speech on 14 May in which he said that a 'Cities Devolution Bill' would feature in the 2015 Queen's Speech:

> …a central part of our Queen's speech will be a bill to enable a radical new model of city government.
>
> Here's the deal:
>
> We will hand power from the centre to cities to give you greater control over your local transport, housing, skills and healthcare.

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1 See BBC, *David Cameron's statement on the UK's future*, 19 September 2014
2 See the Library briefing papers on *combined authorities* and *directly-elected mayors*.

> And we'll give the levers you need to grow your local economy and make sure local people keep the rewards.
>
> But it's right people have a single point of accountability: someone they elect, who takes the decisions and carries the can.
>
> So with these new powers for cities must come new city-wide elected mayors who work with local councils.
>
> I will not impose this model on anyone. But nor will I settle for less.
>
> London has a mayor.
>
> Greater Manchester has agreed to have a mayor as part of our Northern Powerhouse - and this new law will make that happen.
>
> My door now is open to any other major city who wants to take this bold step into the future.
>
> This is a revolution in the way we govern England.[3]

The Government indicated subsequently that departments of state were expected actively to consider devolving powers wherever possible:

> 3.15 The government is committed to building strong city regions led by elected mayors, building on the ground-breaking devolution deal with Greater Manchester in November 2014. The Chancellor has asked all relevant Secretaries of State to proactively consider what they can devolve to local areas and where they can facilitate integration between public services…..
>
> 3.16 As part of the Spending Review, the government will look at transforming the approach to local government financing and further decentralising power, in order to maximise efficiency, local economic growth and the integration of public services.[4]

To have their proposals taken into account in the autumn 2015 Spending Review, any further proposals for devolution from local areas were required to be submitted to the Treasury by 4 September 2015.

As of March 2016, devolution deals with eleven areas have been agreed. Discussions have also taken place on further devolution to Greater London (see section 3.3). Table 1 below sets out the details of the devolution deals agreed as of March 2016, including links where available. Details of the local authorities involved in each devolution deal area can be found in Appendix 2.

The main powers that Government has agreed to devolve in multiple areas in the devolution deals agreed to date can be found in Appendix 1. A number of core powers have been made available to most areas, whilst most areas have also been provided with one or more unique responsibilities (see section 3.1).

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[3] HM Treasury, "Chancellor on building a Northern powerhouse", 14 May 2015
[4] HM Treasury, *A country that lives within its means*, 2015, p. 15

Table 1: Devolution deals

	Devolution deal agreed	Bid document
Greater Manchester	3 Nov 2014 27 Feb 2015 8 Jul 2015 25 Nov 2015 16 Mar 2016	Not published
Sheffield City Region	5 Oct 2015 12 Dec 2014	Not published
West Yorkshire	18 Mar 2015	Not published
Cornwall	27 July 2015	March 2015
North-East	23 Oct 2015	2015 (undated)
Tees Valley	23 Oct 2015	Not published
West Midlands	17 Nov 2015	July 2015
Liverpool City Region	17 Nov 2015 16 Mar 2016	2015 (undated)
Cambridgeshire	20 June 2016	Not published
Norfolk / Suffolk	20 June 2016 (East Anglia: 16 Mar 2016)	4 Sep 2015 (Suffolk);
West of England	16 Mar 2016	4 Sep 2015
Greater Lincolnshire	16 Mar 2016	4 Sep 2015

1.3 Ratification of deals

Devolution deals have been negotiated in private between Government teams and local authority leaders. Once the deal document has been agreed and published, each council involved must then itself approve its participation in the deal. This has been referred to by some reports as 'ratification'.

Commonly the majority of local councillors are not provided with information on a devolution deal until the final document is published. Some have, at that point, expressed scepticism about the deal, and a number of councils have voted against further participation (see 'authorities rejecting membership' in Appendix 2).

1.4 Implementation of deals

Many aspects of the deals are to be implemented via Orders under the *Cities and Local Government Devolution Act 2016*. Other elements of

the devolution deals do not concern statutory functions, and as such will not need to be implemented via Orders. Some commitments in the devolution deals so far have already been implemented (for examples, see section 2.6 below).

Orders under the 2016 Act must be approved by both Houses of Parliament (the 'affirmative procedure'). They must then be 'made' by the Secretary of State. At this point, new combined authorities – or changes to existing ones, such as the introduction of a mayor - will formally come into existence.

The following orders have been made under the 2016 Act at the time of writing:

- Elected mayoralty orders: Greater Manchester;
- New combined authorities: Tees Valley, West Midlands;
- Draft mayoralty orders: North-East; Liverpool; Sheffield; Tees Valley; West Midlands.[5]

1.5 Deals under negotiation

The Government received 38 bids for devolved powers by 4 September 2015.[6] A table summarising the bids can be found on the Local Government Association website. The *Local Government Chronicle* has produced a map of the state of play in different parts of England as of December 2015.

Some areas have published bids or 'prospectuses'. The existence of a published document does not guarantee that the Government will agree a deal with the area: indeed, some documents explicitly state that they are intended to begin a discussion with Government rather than representing a final position. Some areas are seeking to establish combined authorities and/or directly-elected mayors, whilst some are not.[7]

Deals have been reported as under negotiation in a number of areas:

- Derbyshire and Nottinghamshire: agreed in draft as the 'North Midlands' in January 2016, but subsequently a number of district councils have pulled out;
- Hampshire / Isle of Wight: a bid was submitted from all councils in the area in September 2015. The Government approached authorities in urban South Hampshire in March 2016.[8] Latest indications are that a deal is progressing between Portsmouth, Southampton and the Isle of Wight only;[9]

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5 The first four of these are progressing through Parliament at the time of writing. See debate in the House of Lords at HLDeb 18 Jul 2016 c509

6 This figure included bids from Cardiff, Edinburgh, Aberdeen, and Inverness; and the deals that had already been agreed with Greater Manchester, Sheffield, West Yorkshire and Cornwall. The geographical areas of some of the bids overlapped with one another e.g. North and East Yorkshire vs West Yorkshire.

7 See David Paine, "Power to shape economies tops devolution demands", *Local Government Chronicle*, 17 September 2015. The online page also includes a link to a spreadsheet showing which powers each area has bid to take over.

8 Mark Smulian, "Minister invites separate devo bid from South Hampshire", *Local Government Chronicle*, 29 February 2016

9 David Paine, "Unitaries ditch districts in bid to secure devo deal", *Local Government Chronicle*, 4 July 2016

- Bids from Gloucestershire, Cheshire and Warrington and Cumbria have been reported as foundering on the areas' opposition to a directly-elected mayor;
- Devolution bids, or expressions of interest / prospectuses, have also been published in Leicestershire; North and East Yorkshire; Surrey and Sussex; Greater Essex; and Devon / Somerset.

1.6 Devolution deals and Brexit

At the time of writing, no hard information is available about the likely effect on the local devolution agenda of leaving the European Union. The main subjects of speculation so far have been as follows:

- George Osborne, as Chancellor, was closely associated personally with the agenda. It is not clear whether the new Chancellor, Philip Hammond, will maintain support for the agenda within Government.[10] Lord (Jim) O'Neill of Gatley has indicated that he would leave the Government if he perceived that the agenda was no longer being treated seriously.[11]
- Conversely, Greg Clark, the previous Secretary of State for communities and local government, claimed that he had "argued successfully … for English local government to be part of the negotiations on the terms of our exit".[12]
- A number of sector representatives, as well as Mr Clark, have argued for a "radically expanded role for local government" in the wake of leaving the EU.[13]
- European Union structural funds have formed a major element of many devolution deals. It is not yet clear if and when structural funds will cease to be paid to UK localities. A number of sector representatives have argued that, if the funds are withdrawn, Government should make good the deficit for the 2014-20 programming period.[14]

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10 See, for instance, Jessica Studdert, "Brexit raises questions about Osborne's devo push", *Public Finance,* 24 Jun 2016; Jo Casebourne, "What Brexit means for English devolution", *Institute for Government*, 28 Jun 2016

11 Andrew Bounds, "Northern powerhouse plans must continue, says Jim O'Neill", *Financial Times*, 4 Jul 2016

12 DCLG, *Greg Clark's speech to the LGA conference 2016*, 5 July 2016

13 Ibid.

14 Thomas Bridge and Heather Jameson, "Clark demands clarity amid threat of EU funds 'madness'", *Municipal Journal*, 7 July 2016

2. The Greater Manchester devolution deals

This section outlines the devolution deals agreed with the Greater Manchester Combined Authority.

2.1 The Greater Manchester Agreement

The Greater Manchester Agreement set out proposed new powers for the Greater Manchester Combined Authority (GMCA).[15] A directly-elected mayor will be established for the whole Greater Manchester area. The first mayoral election will take place in 2017, the next in 2020, followed by four-yearly terms. The elected mayor would receive the following powers and resources:

- A consolidated, multi-year transport budget;
- Responsibility for franchised bus services, railway stations, and 'smart ticketing' (an example of this is London's Oyster Card) in Greater Manchester;
- A Housing Investment Fund of £300m over 10 years, making loans to housebuilders (and thus being self-sustaining over time);
- The power to produce a statutory spatial strategy, equivalent to the power of the Mayor of London: this would be subject to unanimous approval by the 'combined authority cabinet' (i.e. the ten leaders of the combined authority's member authorities);
- An enhanced form of the Manchester 'earn-back' agreement;
- The elected mayor will also become the Police and Crime Commissioner for Greater Manchester.[16]

In the meantime, the GMCA itself has received the following additional powers and resources:

- Devolved business support budgets: the Growth Accelerator, Manufacturing Advice Service and UKTI Export Advice;
- Power to restructure further education in Greater Manchester, plus control of the Apprenticeship Grant for Employers;
- Joint commissioning, with the Department for Work and Pensions, of the next stage of the Work Programme;
- Control over the housing investment fund and the earn back deal, subject to the requirements set out in the *Agreement*, before these transfer to the mayor once s/he is elected.[17]
- The opportunity to plan the integration of health and social care (see also section 2.2).[18]

The new elected mayor will be subject to scrutiny by the existing scrutiny committee of the GMCA: the 'GMCA Scrutiny Pool', made up of 30 non-executive councillors drawn from the ten Manchester boroughs.

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15 See also a Written Ministerial Statement at HCDeb 3 Nov 2014 c36-7WS
16 HM Treasury, *Greater Manchester Agreement*, November 2014, p. 1
17 Ibid., p. 5
18 Ibid., p. 1

The Government passed an amending Order to create an eleventh member of the GMCA (alongside the ten borough leaders) to be the 'interim mayor' until the first mayoral election in May 2017. Tony Lloyd, currently Greater Manchester Police and Crime Commissioner, was appointed to the post (by the existing members of the GMCA) on 29 May 2015.[19]

2.2 Health devolution in Greater Manchester

The Government published the Greater Manchester Health and Social Care Devolution Memorandum of Understanding on 27 February 2015.

This paper envisaged a new Greater Manchester Health and Social Care Partnership Board (GMHSPB), which will produce a joint health and social care strategy for Greater Manchester.

The GMHSPB ran in shadow form in 2015-16, before going live in April 2016. It has two sub-groups: a Greater Manchester Joint Commissioning Board (JCB) and an Overarching Provider Forum. Members of the former are the 12 Clinical Commissioning Groups (CCGs) in Greater Manchester; the 10 Greater Manchester boroughs; and NHS England. Members of the latter are service providers: acute care trusts, mental health trusts, ambulance trusts, LMCs (local medical committees), and others.

Through the JCB, strategic decisions regarding commissioning of health and social care services in Greater Manchester will be agreed by NHS England, CCGs, and local political actors. A strategy was published in December 2015. The JCB will commission health and social care services across Greater Manchester on behalf of its constituent organisations, pooling the pooled commissioning budgets of the CCGs and the social care budgets of the boroughs.[20]

At local (borough) level, Health and Wellbeing Boards, made up of representatives from CCGs and boroughs, will ensure that health and social care services are provided in a joined-up fashion, in line with the GMHSPB's Strategic Sustainability Plan. The proposals will not lead to a wholesale transfer of functions or funds from the NHS to local authorities, or vice versa. Chris Ham, chief executive of the Kings Fund, stated:

> Devolution to Greater Manchester should enable decisions to be taken much closer to the population being served, with councillors having a bigger influence on future decisions. …The unanswered question is how much freedom public sector leaders will have to depart from national policies in taking greater control of NHS resources.[21]

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[19] See the *Greater Manchester Combined Authority (Amendment) Order 2015* (SI 2015/960). The interim mayor must be a councillor, MP, MEP or Police and Crime Commissioner in the Greater Manchester area.

[20] See the Greater Manchester Commissioning Strategy, *Commissioning for Reform*, 2016

[21] Chris Ham, "What Devo Manc could mean for health, social care and wellbeing in Greater Manchester", *Kings Fund*, 2 March 2015

These proposals are being implemented via section 75 of the *National Health Service Act 2006*, which permits agreements to share functions and budgets between NHS bodies and local authorities. The elected mayor will not have any formal control over the integration of health and social care. The GMHSPB has appointed its own chief executive, Jon Rouse, as of 31 March 2016.

The chief executive of the NHS, Simon Stevens, said in December 2015 that 'not many' other areas were likely to take on health responsibilities in the near future. So far, the only other areas to take steps in this direction are Cornwall and some London boroughs.[22] A document entitled *NHS Devolution: Proposed Principles and Decision Criteria*, published in September 2015, sets out the NHS's preferred approach to proposals for health and social care integration. In Manchester, criteria for national intervention in the devolved arrangements were published in March 2016.[23]

2.3 Further proposals: July 2015 budget

The July 2015 Budget made additional proposals for devolution of power to Greater Manchester:

- The Greater Manchester Fire Service will be abolished and its functions transferred to the Mayor.[24] The Fire Service is currently managed by a joint board of the ten Greater Manchester boroughs, having previously been run by the former metropolitan county;
- A Greater Manchester Land Commission will be established. This reflects recent Government interest in taking a more strategic approach to the management of public sector land. The idea builds on the Government's 'One Public Estate' programme, which seeks to bring public bodies together to rationalise the management of public sector-owned land and buildings;
- The Mayor is to be given powers to introduce Mayoral Development Corporations, similar to those which exist in Greater London; and to make Compulsory Purchase Orders, with the agreement of the borough in which a CPO is made;
- Further discussion regarding joint working between central government and Greater Manchester on children's services and employment programmes, including "greater local flexibility in employment and skills programmes generally";[25]
- The Government published a consultation on the devolution of powers over Sunday trading hours to elected mayors and/or local authorities.[26] This plan has since been dropped, after the

[22] David Williams, "Exclusive: Stevens casts doubt over NHS devolution outside Manchester", *Health Service Journal*, 14 Dec 2015

[23] See Greater Manchester Combined Authority, *Accountability Agreement* (paper 5b), 18 March 2016

[24] See HM Treasury, *Further devolution to the Greater Manchester Combined Authority and directly-elected Mayor*, July 2015, p. 3

[25] Ibid., p. 4

[26] DCLG / BIS, *Consultation on devolving Sunday trading rules*, July 2015

Government was defeated in the House of Commons on an amendment to the *Enterprise Bill* on 9 March 2016.[27]

The Government also agreed, on 12 August 2015, to pass control over European Union structural funds to the GMCA. It will become an 'intermediate body' as of 1 April 2016, giving it the power to decide on the allocation of EU structural funds in the Greater Manchester area. It is not yet clear what will happen to EU structural funds as the UK leaves the EU (see also section 1.6 above).[28]

2.4 Spending Review 2015

The 2015 Spending Review announced the following further powers for the GMCA:[29]

- Power to impose a community infrastructure levy (CIL) on new properties in its area. This power is already available to local authorities and the Greater London Authority. See the Library briefing paper *Community Infrastructure Levy* for further details of how CILs work;
- Clarity that the elected mayor of Greater Manchester will be able to set a business rates supplement, subject to LEP agreement: this has formed part of many devolution deals since November 2014;
- Joint working with the British Business Bank to support Greater Manchester small and medium enterprises (SMEs);
- An 'integrated approach' to children's services. This is likely to consist of increased joint working between local authority departments;
- Further discussion on devolution of 16-18 vocational education and adult skills funding;
- Continued working on devolving power over railway stations; examining housing regulatory reform; tailoring national energy programmes; and a science and innovation audit.

2.5 Budget 2016

The March 2016 Budget announced the following additional powers for the GMCA:

- Bringing together work on Troubled Families, Working Well, and the Life Chances Fund into a single Life Chances Investment Fund;
- work with the Government and PCC on joint commissioning of offender management services, youth justice and services for youth offenders, the courts and prisons estates, 'sobriety tagging', and custody budgets;
- taking on adult skills funding (in contrast to other devolution deals, Greater Manchester had previously held back from this, unconvinced of the benefits);
- further discussion over approaches to social housing.

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27 See HCDeb 9 Mar 2016 c371-4; also the Library briefing *Shop opening hours and Sunday trading*.

28 See David Paine, "Greater Manchester to get control of £300m European funding", *Local Government Chronicle*, 12 August 2015

29 See HM Treasury, Spending Review and Autumn Statement 2015 update: further devolution to the Greater Manchester Combined Authority and directly-elected Mayor, December 2015

Greater Manchester (along with Liverpool and possibly Greater London) will pilot 100% retention of business rates as of 1 April 2017, in advance of this being extended to the whole of England by 2020. A consultation was published in July 2016.[30]

The GMCA also intends to absorb the Manchester joint waste disposal authority. This is currently a free-standing joint body, covering all of the Manchester boroughs except Wigan. Wigan will retain its own waste disposal arrangements.

2.6 Justice devolution

An agreement on devolution of powers associated with the justice system in Greater Manchester was published in July 2016. This will be co-ordinated by a Justice and Rehabilitation Executive Board, and will include:

- The use of "problem-solving courts";
- Creation of "new models of secure schools for under-18s";
- Integration of youth support;
- Autonomy for prison governors, including over rehabilitation and education;
- A role in the commissioning of offender management services;
- Better co-ordination with mental health and substance misuse services, and better use of offenders' skills;
- More influence over the Manchester Community Rehabilitation Company and over probation.

2.7 Progress in Manchester

Progress towards the delivery of the Manchester package has been tracked in a number of media reports during 2015:

- The GMCA has increased the funding available through the devolved Apprenticeship Grant for Employers, with the help of a £7m grant from BIS and DfE. Businesses with up to 250 employees can receive up to £3,500 per qualifying apprentice aged between 16 and 24, compared with £1,500 elsewhere;[31]
- Transport for Greater Manchester was reported in August to have cancelled its contract with the expected provider of the smart ticketing system;[32]
- A spatial development framework is being established via agreement between the ten boroughs, under section 28 of the *Planning and Compulsory Purchase Act 2004*. The GMCA states that this will become the responsibility of the elected mayor by 2017;[33]
- A Greater Manchester Investment Fund, making business loans of up to £5m across the area, has been established;

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30 DCLG, *Self-sufficient local government: 100% business rates retention*, 5 July 2016

31 David Paine, "Devolved budget funds new Manchester apprenticeship scheme", *Local Government Chronicle*, 31 July 2015

32 Josh Halliday, "Manchester 'Oyster card' in chaos as contractor admits it cannot deliver", *Guardian*, 6 August 2015.

33 GMCA, *Work on Greater Manchester Land Plan Reaches Latest Milestone*, 28 July 2015

- A pilot of seven-day-per-week access to GPs is to be extended to the whole of Greater Manchester by the end of 2015, under the joint health and social care arrangements;[34]
- £66.3 million in loans has been committed by the Greater Manchester housing fund;[35]
- Public Health England state that they are "working with academia in Greater Manchester… to both drive innovation and best practice and to share this new knowledge with others".[36]

A dedicated website covering new arrangements for health and social care has also been established. This states that the early priorities of the new bodies will be: seven-day access to GPs (noted above); children's mental health; mental health and work; better care for dementia sufferers; a joint public health strategy; and aligning the workforce policies of health provider organisations. Greater Manchester has also been awarded £450 million health service transformation funding over five years.[37]

[34] Manchester City Council, "Devolution set to propel seven day primary care coverage across Greater Manchester", 10 June 2015
[35] Place North West, *GM housing fund commits £66m*, 2 September 2015
[36] Mel Sirotkin, "Greater Manchester Devolution – the public health revolution", *Public Health England*, 14 August 2015
[37] David Paine, "Greater Manchester receives £450m to spur health transformation", *Local Government Chronicle*, 21 Dec 2015

3. Devolution deals in other localities

3.1 Deals: the 'menu'

The devolution deals agreed to date can be characterised as consisting of a 'menu with specials'. A number of items have been made available to most areas, but each deal also contains a few unique elements or 'specials' (typically consisting of commitments to explore future policy options). The following sections outline the nature of the 'menu' powers that have been made available to most of these areas. The exact nature of the powers devolved can be seen in the deal documents (see section 1.2 for links).

The devolution deals agreed so far have many similarities in terms of powers to be devolved. The core powers devolved include the following:

- **Restructuring the further education system.** This typically consists of local commissioning of the Adult Skills Budget from 2016-17, followed by full devolution of the budget from 2018-19. Areas will be required to undertake a full review of further education and skills provision, and to have agreed arrangements with the Government for managing financial risk. Some areas will also take on the Apprenticeship Grant for Employers.
- **Business support**. In most areas, local and central business support services will be united in a 'growth hub'. UK Trade and Investment will be required to partner with local business support services. Many deals have agreed a "devolved approach" to business support services from 2017.
- **The Work Programme.** This is the Government's main welfare-to-work programme. Unemployed people claiming Jobseeker's Allowance (JSA) or Employment and Support Allowance (ESA) are referred on to the programme from their local Jobcentre Plus, and remain on the programme for up to two years. The scheme is run by providers who have the freedom to introduce and implement their own ideas and schemes to help unemployed participants find work. Providers are paid by results. Many areas are to jointly develop a programme for 'harder-to-help' benefit claimants.
- **EU structural funds.** A number of areas are to become 'intermediate bodies', which means that they, instead of the Government, will be able to take decisions about which public and private bodies to give EU structural funds to (though see section 1.6). Local areas will be able to link these funding decisions to investment decisions they make in other devolved areas, such as further education and business support, provided their decisions remain within the terms of the EU structural funding agreement.
- **Fiscal powers**. Many deals include an investment fund, often of £30 million per year. The division of this fund into capital and revenue elements varies between areas. The power to retain 100% of business rates growth also appears in a number of deals. Elected mayors will have the power to add a supplement of up to

2% on business rates, with the agreement of the relevant Local Enterprise Partnership.[38]

- **Integrated transport systems.** Many deals include the power to introduce bus franchising, which would allow local areas to determine their bus route networks and to let franchises to private bus companies for operating services on those networks (see the Library briefing paper *Buses: franchising* for further details).[39] Multi-modal 'smart ticketing' systems, akin to the Oyster Card in London, are to be introduced. Each deal also includes a unified multi-year transport investment budget, and most commit to improving joint working between the combined authority and Network Rail, Highways England, and (where relevant) plans for the HS2 line. Some deals include passing a 'key network of local roads' to the combined authority: this is a power that is currently exercised at local authority level.
- **Planning and land use.** Many deals include the power to create a spatial plan for the area, and/or the power to establish Mayoral Development Corporations. Each of these powers is available in Greater London. Some deals will also permit the combined authority to use Compulsory Purchase Orders, with the consent of the local authority in which the land or property is located. Non-statutory joint bodies ('Land Commissions' or 'Joint Asset Boards') will be established to improve the management of surplus land and buildings across public sector bodies, making joint decisions on whether to re-use, share, or sell unused land and buildings within the public estate.

The following sub-sections set out the main features of those deals that vary from this pattern.

3.2 The Cornwall devolution deal

A devolution deal with Cornwall was agreed in July 2015.[40] The deal was agreed with Cornwall Council and the Cornwall and Isles of Scilly NHS Trust. The deal does not require a combined authority or elected mayor to be established.

This is the only deal so far to be agreed with a single unitary authority: the powers to be devolved will be devolved to Cornwall County Council. The deal follows Cornwall Council's publication of a document entitled *The Case for Cornwall* in March 2015. Under the deal, the following powers will be transferred:

- Devolution of local transport funding and of power to franchise bus services, subject to primary legislation permitting this to be done and to public consultation in Cornwall: this will be accompanied by the introduction of a smart ticketing system;
- Joint working to "reshape further education training and learning provision for adults", with the new system to begin in 2017. This will include aligning the Adult Skills and Adult Community Learning budgets with local funding for further education;

[38] DCLG, *Self-sufficient local government: 100% business rates retention*, 5 July 2016
[39] Powers to do this are expected to be introduced via a *Buses Bill*, expected to pass through Parliament during the 2015-16 session.
[40] HM Treasury, *Cornwall Devolution Deal*, July 2015

- Discussions with local partners to improve outcomes for Employment and Support Allowance claimants, and identifying new apprenticeship opportunities;
- Cornwall Council to have intermediate body status for EU Structural Funds, giving it the power to select projects for funding from April 2016;
- Government and Cornwall Council will work together to integrate local and national business support services, aimed at a "devolved approach" from April 2017;
- Proposals to be invited for a low carbon enterprise zone related to geothermal energy, plus joint working with the Government on energy efficiency in homes and community energy projects;
- Cornwall Council and local health bodies to produce a business plan for the integration of health and social care provision;
- Enhanced joint working regarding land and buildings owned by the public sector in Cornwall, including the NHS and the Homes and Communities Agency, building on the work of the Cornwall Property Board;
- Establishment of a Cornish Heritage Environment Forum.

3.3 London devolution agreements

In December 2015 the Government agreed a series of pilots around health and social care collaboration with groups of London boroughs, in partnership with the Greater London Authority (GLA) and London CCGs.[41] NHS England and Public Health England are also fully involved. The London-based partners have also signed a London Health and Care Collaboration Agreement, committing them to joint working regarding health and care services.

In London, a joint London Health Board is to supervise five pilot schemes for the integration of health and care. The pilots will focus on local integration of services (using section 75 of the NHS Act 2006 to pool funding, as in Greater Manchester); utilisation of estate assets, working with the London Land Commission; and transformation at a sub-regional level.

The London Health Board will also work with the Working Capital team in the GLA, which has begun a programme of supporting the hardest-to-help claimants into employment. There is a particular focus on mental health in the London context. European Social Fund money (also devolved to the GLA) is also being used.

The London boroughs, together with the GLA, have also put forward a number of plans for sub-regional devolution within London.[42] Most recently, in November 2015, a joint document produced by the Mayor, London Councils, and the London LEP, entitled *Skills Devolution to London,* was submitted to the Government. This contained a series of

[41] HM Treasury, *London health devolution agreement*, 15 December 2015. See also Heather Jameson, "'Giant leap' for capital care after health deal is unveiled", *Municipal Journal*, 17 Dec 2015

[42] These proposals have not been formally published. See also the London Assembly report *A New Agreement for London*, September 2015

high-level outcomes sought for the skills system in London by 2020, and set out a prospectus for devolving power in order to achieve them:

- Devolution of the Adult Skills Budget, Adult Community Learning, and discretionary support for 19+ learners;
- Devolution of London's share of advanced learning loans;
- A guaranteed 'proportionate return' to London from the apprenticeships levy introduced at the 2015 Spending Review;
- Transfer of the Secretary of State's appointment powers over college boards;
- Protection of London's share of 16-19 skills funding;
- Creation of a Skills Commissioner for London.

3.4 The West Yorkshire devolution deal

The West Yorkshire Combined Authority agreed a deal on 18 March 2015. The deal "sees the Combined Authority take further responsibility over skills, transport, employment, housing and business support".[43] This includes:

- Reform the further education system in West Yorkshire, to be done jointly by the combined authority and the Government (BIS, DfE, SFA and EFA);
- Devolution of the Apprenticeship Grant for Employers (AGE);
- Consultation with the Department for Work and Pensions regarding joint commissioning of the next phase of the Work Programme, from 2017;
- National and local spending on business support to be aligned through the Leeds City Region Growth Hub, with more devolution of support from 2017 onwards; closer working with UKTI and the newly created LEP International;
- More control for the Leeds City Region over the delivery of local transport schemes; improved liaison with Highways England regarding investment in the strategic highways network; infrastructure works to be aligned with Leeds City Region's investment strategy for rail stations;
- Reconfiguration of the city region's Joint Assets Board with the Homes and Communities Agency (HCA); development of a joint Asset and Investment Plan.

The agreement states that:

> In the event of any future agreement, West Yorkshire Combined Authority will consult on options for enhanced governance, decision-making and delivery arrangements that will be mutually agreed with Government.[44]

A media report in November 2015 suggested that disagreements over boundaries and the question of a directly-elected mayor have so far prevented a more extensive devolution deal for the area.[45]

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43 HM Treasury, *Budget 2015*, 2015, p. 73
44 HM Treasury, *Leeds City Region and West Yorkshire Devolution Agreement*, 2015, p. 5
45 David Paine, "'Gerrymandering' and threat of mayoral veto derails Leeds deal", *Local Government Chronicle*, 11 Nov 2015

Sheffield: December 2014

The West Yorkshire deal is similar to the first Sheffield City Region deal, published on 12 December 2014.[46] Powers included in this deal were:

- The majority of the Adult Skills budget, and the Apprenticeship Grant for Employers, which will be used to 'build a new skills system';
- The opportunity to introduce 'Oyster-style' smart ticketing on the city-region's public transport system; funding for the Sheffield-Rotherham tram-train pilot; exploring the possibility of greater control over local transport schemes;
- Consultation with the Department for Work and Pensions regarding joint commissioning of the next phase of the Work Programme, from 2017;
- Close working between UK Trade & Investment and the Sheffield Local Enterprise Partnership; joint working with JobCentre Plus on improving outcomes for Employment Support Allowance recipients; plus devolved spending on business support, to be aligned via the Sheffield Growth Hub;
- Decisions regarding disposal or regeneration of assets and land held across the public sector to be taken jointly by the city-region and Government, via a Joint Assets Board.[47]

3.5 Liverpool: March 2016

A second devolution deal for the Liverpool City Region was announced alongside the March 2016 budget. The city region will take on the following additional responsibilities:

- Beginning to plan for integration of health and social care;
- A review of the delivery of children's services;
- The Apprenticeship Grant for Employers, accompanied by discussions on the use of funding from the apprenticeship levy;
- Additional, unspecified transport and highway powers to accompany the city region's Key Local Roads Network;
- work on developing a Clean Air Zone.

Liverpool will also pilot 100% retention of business rates revenue as of 1 April 2017, in advance of English local government as a whole retaining 100% of business rates revenue from 2020.

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46 The full deal document is available on Parliament's deposited papers website: reference DEP2015/0467.

47 See Deputy Prime Minister's Office, *'Oyster-style' cards for Sheffield as Deputy PM agrees devolution deal*, 12 December 2014; HCDeb 18 Dec 2014 WMS 141

4. Analysis and perspectives

4.1 The available powers

The Government has stated on a number of occasions that it has had no preconceived ideas about which powers should be devolved, or to which areas. However, there are a number of evident similarities between the devolution deals agreed to date (the 'menu' noted in section 3.1 above). Powers over business support services, adult skills funding, transport budgets and bus franchising, and land management feature in almost all of the deals. By contrast, involvement in health services and policing, for instance, have been offered in only a small number of areas. The negotiations have been conducted in secret, leading to much speculation about the intentions underlying central government's approach.[48]

The new elected mayors will have differing degrees of power over different matters. In most areas, they will have an effective veto over decisions. Under most deals, mayoral spending plans are to be subject to rejection by cabinet members on a two-thirds majority. Where powers to create a spatial strategy are available, this will require unanimous approval from the mayor and combined authority members. This contrasts with the situation in London (see Library briefing paper CBP05817, The Greater London Authority). The Mayor of London can take decisions without reference to the London boroughs. The London Assembly only has the power to veto a small number of high-level Mayoral decisions.

Despite the differing levels of formal power, the mayor's profile will be such that s/he is likely to become associated, in the public eye, with any new initiatives or policy changes in all of the 'devolved' areas. For instance, in Greater Manchester, the mayor will have no formal responsibility for the integrated health and social care bodies; but there may be pressure on him/her to broker agreements across the devolved institutions. The mayor may face being held accountable for things that s/he does not control. This points towards a reliance on 'soft power' and informal governance skills, rather than formal proceedings and votes, to achieve desired outcomes. This would be at one with practice so far: Lord Smith of Leigh, the chair of the Greater Manchester combined authority, noted in June 2015 that "I have still not had a vote as chairman of the combined authority, and if I did have one I would think of it as a failure".[49]

4.2 Boundaries

The 2016 Act permitted combined authorities to be created between local areas that did not share boundaries. It also allowed district councils to join combined authorities without requiring the consent of the

[48] Background to the process leading up to the first agreement can be found at Simon Jenkins, "The secret negotiations to restore Manchester to greatness", *Guardian*, 12 February 2015

[49] HLDeb 22 Jun 2015 c1413

county council in their area, which had been required under the 2009 Act.

The Sheffield City Region is the first to attempt to expand its boundaries, as Bassetlaw and Chesterfield (both district councils in neighbouring county areas) wish to join. They are two of five authorities that are currently 'associate members' of the city region. A local consultation on this proposal is taking place in July-August 2016. If it goes ahead, Sheffield will be the first combined authority to take on district councils without their county areas, and the first to have an 'exclave' (a part which is geographically separated from the rest), as Chesterfield does not share a border with the city-region.

4.3 Governance

Most of the deals agreed so far have featured a new directly-elected mayor covering a combined authority area. The Government has stated that a directly-elected mayor will be required where substantial powers are to be devolved.[50] Baroness Williams, speaking for the Government in the House of Lords, has said:

> First, nobody has been required to have a mayor. Secondly, it would be irresponsible of any Government to put in place devolution of the scale and ambition as in Tees Valley and Greater Manchester without the clear, single point of accountability that an elected mayor can bring.[51]

Professor Francesca Gains, of the University of Manchester, stated:

> For the chancellor it was important to have a clear public line of accountability for decision-making around significant spending streams if they were to be devolved from the existing departmental accounting conventions.[52]

The IPPR report *Empowering Counties* suggests that a framework for Government thinking does exist:

> …despite the rhetoric around locally tailored deals, it has become increasingly clear that the government does have some unwritten rules, particularly around scale and governance. County proposals that have been considered too small have been challenged, while, more significantly, in almost all cases where there is anything other than modest ambition, the government would appear to be insisting on the introduction of a directly elected mayor.[53]

The report suggested that elected mayors were inappropriate for areas which did not have a single urban centre, and urged the Government to clarify what alternative governance arrangements would find favour in devolution deal negotiations.

Professor Francesca Gains, of the University of Manchester, has stated:

> Research at the University of Manchester examining the first city mayors suggests that there are reasons why an elected mayor is

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50 For instance, see HCDeb 26 Nov 2015 c473WH
51 HLDeb 23 Mar 2016 c2414
52 Francesca Gains, "Metro Mayors: Devolution, democracy and the importance of getting the 'Devo Manc' design right", *Representation*, special issue, March 2016
53 Ed Cox and Jack Hunter, *Empowering Counties: Unlocking County Devolution Deals*, 2015, p.4

> the right model for the new settlement. The visibility of a mayor means the public knows who to hold to account for the spending decisions now to be made in and across the region. Being directly elected wil keep the mayor responsive to all communities.[54]

The Centre for Public Scrutiny, which is pursuing research into the governance and accountability surrounding combined authorities, has stated:

> … the asymmetry involved [between the deals] also provides an additional impetus for transparency. Local people – anyone, indeed, not involved in the negotiations – need to understand what devolution priorities are being arrived at and agreed on. … At the very least, the broad shape and principles of a bid for more devolved powers should be opened up to the public eye.[55]

In a debate on 18 July 2016, it was indicated that chairs of scrutiny committees are likely to be appointed via "an open, competitive process", and that "a candidate must submit an application to the combined authority in response to a public advertisement".[56]

4.4 Reactions

The Centre for Cities report *Firm Views*, published in late 2015, indicated that businesses supported enhanced powers for local government, and found substantial support for additional taxation powers for local government. The report also found substantial regional variation in business concerns:

> For example, in Bristol businesses felt that housing and planning must be the priority for the economy and therefore more local control over where and what sort of housing and developments could be built were seen as essential. In Birmingham, the focus was on alleviating transport pressures and using public assets more efficiently. In Manchester businesses were very positive about more powers being devolved, but there were concerns over the ground-breaking devolution of health budgets given their magnitude, and possible limited local capacity and institutional inexperience.[57]

Much reaction from the local government world to the proposals has been positive, though this has not been a universal response.[58] Professor Francesca Gains has noted:

> The interim mayor has to champion the region, and the idea of devolved powers, without having the budgets and powers fully in place. In the face of welfare cuts, cuts in adult social care and other non-protected spending areas locally, early visible signs of

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54 Francesca Gains, "The making of the Greater Manchester mayor – what next?", *On Devo*, policy@manchester, 2015, p. 6

55 Ed Hammond, *Devo Why? Devo How?,* Centre for Public Scrutiny, 2015, p.8

56 HLDeb 18 Jul 2016 c515

57 Ed Clarke and Simon Jeffrey, *Firm views: the business take on devolution*, Centre for Cities, 2015, p. 6-7

58 For supportive responses, see Local Government Association, *LGA response to government announcement of devolved health budget to Greater Manchester*, 27 February 2015; more cautious responses include Daisy Srblin, *Unanswered questions on devolved healthcare in Manchester*, Fabian Society; Chris Ham, "What Devo Manc could mean for health, social care and wellbeing in Greater Manchester", *Kings Fund*; Joy Furnival, *What Health and Social Care can learn from UK Devolution*, University of Manchester.

> economic and infrastructural benefits of the devolution agenda will be important to demonstrate to the public the potential benefit of devolution ahead of the full devolution of powers and election of the mayor proper in 2017.[59]

Helen McKenna, of the King's Fund, has suggested that health and social care integration in Greater Manchester could have a transformative effect:

> Although what is currently happening in Manchester is technically more a case of delegation than devolution, particularly as formal accountabilities will remain with the national NHS bodies, it is nevertheless a far cry from 'business as usual'….In exchange for more of a say over its own future, Greater Manchester is promising to deliver changes to health and care services that we and many others have long been calling for… But what makes Greater Manchester's devolution project so exciting is the fact that their ambitions go much further than the integration of health and social care to consider public services in the round. This creates the opportunity to look beyond the role of health services in determining health outcomes to the (Far more influential) wider social determinants of health – for example, the roles of early years, education, employment and housing.[60]

Iain Wright MP expressed a more critical view in a Westminster Hall debate in June 2015:

> …the areas that are being identified for devolution are those that have suffered the greatest cuts. Areas are being set up to fail, which feeds my concern, shared by many others, that the primary thing the Government want to localise is the blame for cuts they have made in Whitehall.[61]

The commentator David Walker contrasted education policy with the approach of the deals, and questioned the resulting accountability structures:

> Localism.. means taking responsibility for services run by others, while finance is moved away from local government and … accountability disappears into a Sargasso Sea somewhere between schools, academy chains, the Schools Funding Agency and Parliament.[62]

Phillip Blond, director of ResPublica and co-author of *Devo Max – Devo Manc*, was quoted as saying:

> These deals are fairly average and fairly small. It's all sub-Manchester and a lot of the innovation hasn't really made its way past the first tier of negotiations.[63]

Ben Harrison, of the Centre for Cities, suggested that the devolution offered to Greater Manchester may turn out to be 'a process not an event', as with devolution to Scotland, Wales and Northern Ireland:

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59 Francesca Gains, *The future of metro mayors – all eyes on Greater Manchester*, 25 June 2015

60 Helen McKenna, "Devo Manc is a far cry from 'business as usual'", *Manchester Policy Blogs*, 1 April 2016

61 HCDeb 9 Jun 2015 , c76WH

62 David Walker, "Why I'm unconvinced by Cameron localism and DevoManc chatter", *Manchester Policy Blogs*, 31 March 2016

63 See Sam Clayden, "Deals of the century?", *Municipal Journal*, 26 Nov 2015, p. 12

> The devolution settlements that have been struck in the UK over the last fifteen years have not remained static – the prize for city-regions vying for devolution is not just what is on offer in 2015, but what could end up being on the table in the decade to come….Rather than being evidence of some kind of Whitehall favouritism or political game-playing, these decisions ultimately illustrate the fact that the presence of strong, democratically accountable institutions, at the right geographic scale, makes a significant difference when it comes to decisions on where and how funding and functions are allocated.[64]

The proposals to pass Police and Crime Commissioner (PCC) powers to elected mayors have been opposed by some PCCs, who were concerned that current relationships would be disrupted.[65] The Government has also published a consultation on passing control of fire and rescue authorities to PCCs where local areas agree.[66] This has already been agreed for Greater Manchester (see section 2.3), but has been subject to some opposition.[67]

The House of Commons Communities and Local Government Committee published a report in February 2016 entitled *Devolution: the next five years and beyond.* The Committee commended the general approach of devolving power, whilst recommending that greater attention be paid to transparency and accountability – both in the negotiation and implementation of deals.

4.5 Public consultation

A number of criticisms have been made of the lack of public consultation in most devolution negotiations. The 2009 and 2016 Acts require a statutory consultation process when a new combined authority is created or when new powers are devolved to it. However, the negotiations *leading to* devolution deals are non-statutory and informal, and have been conducted confidentially to date. Professor Robin Hambleton of the University of the West of England has described the Government's policy as 'centralisation on steroids':

> Ministers, not elected local politicians, still less local citizens, will decide whether the deals are acceptable. The accountability is up to distant figures in Whitehall, not down to local people.[68]

The University of Sheffield and the Electoral Reform Society, with other partners, held two "citizens' assemblies" in autumn 2015, in Sheffield and Southampton. Over two weekends, selected members of the public discussed devolution options in their local areas. Details of the assemblies and the outcomes of the public discussions can be found at http://citizensassembly.co.uk/. Similarly, Coventry held a one-day citizens' panel on 9 September 2015, discussing whether the city should participate in the West Midlands combined authority.

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64 Ben Harrison, "There's more to devolution deals than the prizes on offer today", *Centre for Cities blog*, 13 August 2015

65 Sam Clayden, "PCCs urge PM to rethink police commissioner plan", *Municipal Journal*, 20 Oct 2015

66 DCLG, *Enabling closer working between the emergency services*, 2015

67 See, for instance, the Fire Brigades Union's press release on 19 December 2015.

68 Robin Hambleton, "The devolution deception must be exposed", *Local Government Chronicle*, 24 November 2015

Following the announcement of the North-East devolution deal, the leader of Durham Council, Simon Henig, announced that a referendum on the deal would be held, in County Durham only, in early 2016. Its cost has been estimated at £325,000.[69] In the event a number of questions were asked, and some 22% of the electorate responded. 60% said they thought the region getting some extra powers and controls from Whitehall would be a 'step in the right direction'. 40% of respondents thought an elected mayor for the North East should have quite a lot of power and influence, while 48% felt the mayor should have limited powers.[70]

The *Local Government Chronicle* published a list of reported candidates for the various mayoral positions on 15 June 2016:

[69] "Durham reveals devo poll costs", *Local Government Chronicle*, 18 December 2015
[70] David Paine, "Results in on Durham's devo poll", *Local Government Chronicle*, 19 February 2016

5. Further reading

The following reports contain proposals to devolve power to local authorities, combined authorities or local enterprise partnerships. The majority have been produced during 2014. The powers and budgets proposed for devolution are very varied.

Local Government Association, *What next for devolution?*, July 2016

National Audit Office, *English devolution deals,* HC948 2015-16, April 2016

Political Studies Association, *Examining the role of 'informal governance' on devolution to England's cities,* March 2016

Representation, special issue, March 2016

Ed Hammond, *Cards on the table: English devolution and governance*, Centre for Public Scrutiny, March 2016

Communities and Local Government Committee, *Devolution: the next five years and beyond,* HC-369 2015-16, Feb 2016

Joe Randall and Jo Casebourne, *Making devolution deals work*, Institute for Government, February 2016

Grant Thornton, *Making devolution work*, November 2015

On Devo, policy@manchester, 2015

Norman Warner and Jack O'Sullivan, Letting go: how English devolution can help solve the NHS care and cash crisis, Reform, March 2015

Independent Commission on Non-Metropolitan England, Devolution to Non-Metropolitan England: Seven Steps to Growth and Prosperity, March 2015

Independent Commission on Local Government Finance, Financing English Devolution, LGA/CIPFA, February 2015

Mark Morrin and Phillip Blond, Restoring Britain's City States: Devolution, Public Service Reform and Local Economic Growth, ResPublica, February 2015

Centre for London, The Brightest Star: A Manifesto for London, October 2014

City Growth Commission, Human Capitals, Connected Cities, Powers to Grow, Unleashing Metro Growth [four papers], RSA/Core Cities Group, 2014

Ed Cox, Graeme Henderson and Luke Raikes, Decentralisation Decade: A plan for economic prosperity, public service transformation and democratic renewal in England, IPPR/PwC, September 2014

Mark Morrin and Phillip Blond, Devo-Max, Devo Manc: Place-Based Public Services, September 2014

London Finance Commission, Raising the Capital, GLA, 2013

Lord Heseltine, No stone unturned in pursuit of growth, BIS, 2012, plus Government response, 2013

Communities and Local Government Committee, *Devolution in England: the case for local government*, HC-503 2013-14, July 2014

Appendix 1: powers to be devolved in devolution deals

		Greater Manchester	Sheffield	North-East	Tees Valley	Liverpool	West Midlands	Cornwall	West Yorks	Cambs/Pboro	Norfolk/ Suffolk	Greater Lincolnshire	West of England
Further education and skills	Redesign post-16 FE system												
	Apprenticeship Grant for Employers												
	Adult Skills funding by 2018-19												
Transport	Devolved, consolidated transport budget												
	Bus franchising												
	Joint working with Highways England and Network Rail												
	Local roads network												
	Smart ticketing												
Business support	Growth Hub to align local and national business support services												
	Joint working with UKTI												
	Devolved approach to business support services from 2017												
Employment support	Joint commissioning of support for harder to help claimants												
	Possible full joint commissioning from 2017												
Land and housing	Public land commission / joint assets board												
	Housing Loan Fund												
	Compulsory purchase orders												
	Mayoral Development Corporations												
	Planning call-in powers												
	Consultation on strategic planning applications												
	Housing grant fund												
	Spatial strategy												

		Greater Manchester	Sheffield	North-East	Tees Valley	Liverpool	West Midlands	Cornwall	West Yorks	Cambs/Pboro	Norfolk/ Suffolk	Greater Lincolnshire	West of England
Public services	Health and social care integration												
	Planning for health and social care integration												
	Children's services												
	Offender management, probation, prison estate												
	Troubled Families / Working Well												
	Mayor to become Police and Crime Commissioner												
	Fire service												
	Intermediate body for EU Structural Funds												
Finance	Investment fund (per year)	£30m	£30m	£30m	£15m	£30m	£36.5m			£20m	£25m	£15m	£30m
	Single funding pot												
	Retention of 100% business rates growth												
	Pilot retention of 100% business rates revenue												
	Mayor business rates supplement												
	Community Infrastructure Levy												

To be devolved	
Under discussion	
[Cornwall CC]	

Note: Cornwall County Council holds a number of the powers set out here in its capacity as a unitary authority.

Appendix 2: participants in devolution deals

Deal	Full members	Associate members	Authorities reported as seeking membership	Authorities rejecting membership
Greater Manchester	Manchester; Salford; Tameside; Oldham; Trafford; Stockport; Bolton; Rochdale; Bury; Wigan			
Liverpool City Region	Liverpool; Wirral; Knowsley; St Helens; Sefton; Halton			
Sheffield City Region	Sheffield; Doncaster; Rotherham; Barnsley	Chesterfield, Bassetlaw (both seeking full membership); North-East Derbyshire; Derbyshire Dales; Bolsover		
North-East	Newcastle-upon-Tyne; Northumberland; Durham; Sunderland; North Tyneside; South Tyneside			Gateshead
West Yorkshire	Leeds; Calderdale; Bradford; Kirklees; Wakefield	York	Harrogate; Craven; Selby	

Deal	Full members	Associate members	Authorities reported as seeking membership	Authorities rejecting membership
West Midlands	Birmingham; Sandwell; Dudley; Wolverhampton; Walsall; Coventry; Solihull	Redditch; Nuneaton & Bedworth; Tamworth; Cannock Chase; Telford & Wrekin	Shropshire; Herefordshire; Warwickshire; Rugby; Stratford-upon-Avon; Bromsgrove	
Tees Valley	Darlington; Middlesbrough; Hartlepool; Stockton-on-Tees; Redcar & Cleveland			
Cornwall	Cornwall; Isles of Scilly			
Norfolk / Suffolk	Norfolk; Suffolk; Forest Heath; St Edmundsbury; Babergh; Mid Suffolk; Ipswich; Suffolk Coastal; Waveney; South Norfolk; Broadland; King's Lynn and West Norfolk			Norwich; North Norfolk; Breckland; Great Yarmouth
Cambridgeshire / Peterborough	Cambridgeshire; Peterborough; Huntingdonshire; Fenland; East Cambridgeshire; South Cambridgeshire; Cambridge City			
West of England	Bristol; Bath & North-East Somerset; South Gloucestershire			North Somerset
Greater Lincolnshire	Lincolnshire; North Lincolnshire; North-East Lincolnshire; West Lindsey; East Lindsey; Lincoln City; North Kesteven; South Kesteven; Boston; South Holland			

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BRIEFING PAPER
Number 07029, 19 July 2016

Business Rates collectable debit for 2016/17 as at 30/9/2016

Opening Debit @ 01.04.2016

Additional income due to New Assessments
Lost income due to Deleted Assessments
Rateable Value Changes (net)
Miscellaneous changes

NNDR & BRS COLLECTABLE

Lost income due to small business rates relief (net)
Lost income due to properties being empty
Lost income due to being partially empty
Lost income due to charities getting 80% relief
Lost income due to awarding Discretionary Relief

COLLECTABLE BALANCE

£139,866,097.52

£2,616,257.10
-£2,702,060.22
-£151,283.48
£120,165.67

£139,749,176.59

-£1,620,892.21
-£2,524,323.46
-£53,079.20
-£8,047,646.04
-£478,229.89

£127,025,005.79

Stats Analysis (2010) for Billing Authority of BRENT on 23-SEP-2016	Number	2010 List @ 23rd September 2016	Draft 2017 List	Change (£)	Change (%)
ADVERTISING RIGHTS AND STATIONS	210	389,135	409,840	20,705	5.32%
CAMPING SITES, HOLIDAY CENTRES ETC.	0	0	0		
PETROL FILLING STATIONS, GARAGES ETC.	130	5,110,325	5,690,475	580,150	11.35%
HOTELS, BOARDING HOUSES ETC.	19	4,316,000	7,392,090	3,076,090	71.27%
LICENSED PROPERTIES	116	3,972,300	4,869,350	897,050	22.58%
MARKETS	1	44,250	55,000	10,750	24.29%
OFFICES	1,607	34,992,745	40,796,875	5,804,130	16.59%
CAR PARKS AND PARKING SPACES	76	766,425	925,325	158,900	20.73%
RESTAURANTS, CAFES ETC.	184	5,567,900	6,793,400	1,225,500	22.01%
SHOPS, BANKS, POST OFFICES ETC.	3,016	74,810,525	85,127,050	10,316,525	13.79%
WAREHOUSES, STORES ETC.	1,625	83,175,888	85,116,577	1,940,689	2.33%
OTHER COMMERCIAL	90	1,645,900	1,482,500	-163,400	-9.93%
TOTAL COMMERCIAL	7,074	214,791,393	238,658,482	23,867,089	11.11%
LOCAL AUTHORITY SCHOOLS AND COLLEGES	79	9,380,750	10,269,500	888,750	9.47%
MUSEUMS, LIBRARIES ETC.	8	760,300	704,250	-56,050	-7.37%
DAY NURSERIES	46	964,250	1,160,850	196,600	20.39%
PRIVATE SCHOOLS AND COLLEGES	16	2,961,250	3,262,500	301,250	10.17%
UNIVERSITIES	1	1,250,000	1,730,000	480,000	38.40%
OTHER EDUCATIONAL, TRAINING AND CULT.	2	160,000	247,300	87,300	54.56%
TOTAL EDUCATIONAL TRAINING AND CULTURAL	152	15,476,550	17,374,400	1,897,850	12.26%
DOCKS AND HARBOURS	0	0	0		
ELECTRICITY	1	288,000	270,000	-18,000	-6.25%
TOTAL FORMULA ASSESSED PUBLIC UTILITIES	1	288,000	270,000	-18,000	-6.25%

FACTORIES, WORKSHOPS ETC.	760	21,495,380	22,186,415	691,035	3.21%
MINERAL	2	134,500	147,500	13,000	9.67%
OTHER INDUSTRIAL MINERALS	3	676,500	855,000	178,500	26.39%
OTHER INDUSTRIAL	3	3,905,000	4,368,000	463,000	11.86%
TOTAL INDUSTRIAL	768	26,211,380	27,556,915	1,345,535	5.13%
CLUBS, COMMUNITY CENTRES ETC.	113	2,192,360	2,267,075	74,715	3.41%
BEACH HUTS	0	0	0		
INDOOR SPORTS FACILITIES	5	7,052,600	8,131,500	1,078,900	15.30%
SPORTS GROUND ETC.	8	348,250	352,150	3,900	1.12%
THEATRES, CINEMAS ETC.	4	837,300	952,250	114,950	13.73%
OTHER LEISURE	14	719,940	1,057,490	337,550	46.89%
TOTAL LEISURE	144	11,150,450	12,760,465	1,610,015	14.44%
CEMETERY AND PREMISES	6	60,800	164,800	104,000	171.05%
PRIVATE HOSPITALS, CLINICS ETC.	139	8,231,575	11,671,750	3,440,175	41.79%
LOCAL GOVERNMENT OFFICES	6	455,950	651,900	195,950	42.98%
POLICE STATIONS, COURTS, PRISONS (NON CROWN)	8	1,562,800	1,823,000	260,200	16.65%
RESIDENTIAL HOMES, HOSTELS ETC.	14	400,200	895,700	495,500	123.81%
FIRE AND AMBULANCE STATIONS	4	383,750	398,000	14,250	3.71%
COMMUNICATION STATIONS, PUBLIC TELEPHONE KIOSKS	193	2,130,600	2,246,700	116,100	5.45%
OTHER MISCELLANEOUS (COMMUNICATIONS)	0	0	0		
OTHER MISCELLANEOUS	5	308,250	442,750	134,500	43.63%
TOTAL MISCELLANEOUS	375	13,533,925	18,294,600	4,760,675	35.18%
TRANSPORT	3	2,140	29,750	27,610	1290.19%
WATER	0	0	0		
OTHER NON FORMULA	19	5,146	10,224	5,078	98.68%
TOTAL NON FORMULA ASSESSED PUBLIC AND OTHER UTILITIES	22	7,286	39,974	32,688	448.64%
FORCES CAREERS OFFICES AUXILIARY DEFENCE (TA) ESTABLISHMENTS	0	0	0		
ROYAL PALACES, OTHER CROWN	0	0	0		
TOTAL TREASURY (CROWN)	0	0	0		
GRAND TOTAL	**8,536**	**281,458,984**	**314,954,836**	**33,495,852**	**11.90%**

Current Council Tax Charges:-

	A	B	C	D	E	F	G	H
Brent	734.16	856.52	978.88	1101.24	1,345.96	1,590.68	1,835.40	2,202.48
GLA	184.00	214.67	245.33	276.00	337.33	398.67	460.00	552.00
Charge	**918.16**	**1,071.19**	**1,224.21**	**1,377.24**	**1,683.29**	**1,989.35**	**2,295.40**	**2,754.48**

COUNCIL TAX vs NNDR:-

Council Tax on 2 new blocks of flats adjacent to Civic Centre - Dakota and Montana, Exhibition Way Wembely HA9 0FU
These comprise 132 flats banded at C or D - Council tax income:-

	Band C	Band D		
Brent	£978.88	£1,101.24		
GLA	£245.33	£276.00		
Charge	£1,224.21	£1,377.24		
No of flats	66	66		
CTAX due	£80,798.08	£90,897.84		£171,695.92
	Income split between		**Brent**	**£137,356.74**
			GLA	£34,339.18

Alternatively a 2 bed flat comprises 68m2 - at a charge of £1,377.24 this equates to **£20.25 per m2** **£16.20 Brent Share**

NNDR on Civic Centre, Engineers Way, Wembley:-

see note below

That occupied by Brent - 23,354m2 at £144 per m2		£3,360,000		
Occupied by Air France 0 1,134m2 at £150 per m2		£170,000		
Total rateable value		£3,530,000		
Rates payable		£1,754,410.000		
split bewteen:	**Brent (30%)**	**£526,323.000**	this equates to a price per m2	**£21.49**
	GLA (20%)	£350,882.000		
	CLG (50%)	£877,205.000		
After retention in 2019/20				
	Brent (80%)	£1,403,528.000	this equates to a price per m2	**£57.31**
	GLA (20%)	£350,882.00		

NB price per m2 for Brent less than Air France as includes shared areas such as foyer, library, etc., that has a lower price per m2 but all office space is valued at £150m2

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