

Self-Sufficient Local Government: 100% Business Rates retention

Summary

To respond to the Government's consultation on 100% Business Rates Retention

Portfolio Finance – Cllr Richard Brooks

Date Signed Off: 24 August 2016

Wards Affected

All

Recommendation

The Executive is asked to:

a) ENDORSE and COMMENT on the response as attached;

b) DELEGATE to the Portfolio Holder for Finance the completion and submission of the final response to Government

1. Key Issues

- 1.1 Local Government has asked for many years to be allowed to keep 100% of Business rates income. This request was partially granted a number of years ago when 50% of business rates were transferred to Local Government and this proposal seeks views on how 100% retention can be achieved.
- 1.2 100% retention does not mean that each council will keep whatever it collects in business rates. There will still need to be a system of redistribution around the country to take account of varying needs and resources. How this is done could have a major impact on individual councils.
- 1.3 The Government has indicated that because the value of all business rates collected exceeds the current total of local government funding a number of grants which are currently paid separately will be abolished. In addition Local councils can expect to have further powers and with it obligations devolved to them to take account of the additional funding the sector as a whole will be receiving through 100% retention
- 1.4 The government is also asking for views on what safeguards if any should be built in to the new system to protect councils from fluctuations in income while also incentivising councils to deliver growth.
- 1.5 The consultation is due to close on the 26th September and it is intended that the new scheme will be implemented before the next election.

2. Resource Implications

- 2.1 Business Rates are made up of two elements – the rateable value set by the valuation office – and the rate per £ set by Government. Businesses across Surrey Heath currently pay over £35m annually in business rates of which £1.4m is returned to the borough for services. This is due to reduce to £622k from 2019/20 if the funding in the autumn statement 2015 is implemented.
- 2.2 Although in theory of the £35m collected 50% is for government, 10% for Surrey CC and 40% for SHBC in reality we are required to pay a significant fixed Tariff to SCC out of our 40% share which in affect leaves us with only 4.2% or £1.4m.
- 2.3 Under the current system any growth generated over the £35m is shared 70% to Government, 10% to Surrey CC and 20% to Surrey Heath. Any losses are shard 50% Government, 10% Government and 40% Surrey heath although there is a safety net in place to protect councils from large losses.
- 2.4 It is the Government's intention that Business rates and council tax will be the only sources of public/Government funding for District Councils and it is likely that all other grants will be abolished.

3. Options

- 3.1 Members can accept, reject and/or make changes to the response.

4. Proposals

- 4.1 It is proposed that the Executive:
 - a) ENDORSE and COMMENT on the response as attached;
 - b) DELEGATE to the Portfolio Holder for Finance the completion and submission of the final response to Government

5. Supporting Information

- 5.1 None

6. Corporate Objectives and Key Priorities

- 6.1 This item addresses the Council's Objective of delivering services efficiently, effectively and economically

7. Sustainability

- 7.1 The final business rates retention scheme could have a significant impact on the financial sustainability of the Council.

8. Risk Management

8.1 None from the consultation itself.

9. Officers Comments

9.1 None

Background papers	The consultation document
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CONSULTATIONS, IMPLICATIONS AND ISSUES ADDRESSED

	Required	Consulted	Date
Resources			
Revenue	✓		
Capital			
Human Resources			
Asset Management			
IT			
Other Issues			
Corporate Objectives & Key Priorities			
Policy Framework			
Legal			
Governance			
Sustainability			
Risk Management			
Equalities Impact Assessment			
Community Safety			
Human Rights			
Consultation			
P R & Marketing			

Review Date:

Version: