

## **LANCASHIRE COMBINED FIRE AUTHORITY**

### **RESOURCES COMMITTEE**

Meeting to be held on 28 September 2016

### **SELF SUFFICIENT LOCAL GOVERNMENT: 100% BUSINESS RATES RETENTION**

Contact for further information:

Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

#### **Executive Summary**

The Government has previously announced its proposals to move to 100% retention of local business rates. In line with this principle it has now published a consultation document seeking views as to how a new system might work.

At the same time it has also published a second consultation document “Fair Funding Review: Call for Evidence on Needs and Redistribution”

Both consultations include very detailed questions as to how a system should work and the majority of questions are not of particular relevance to ourselves. However the key question from Fire Authority perspective is “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?”

The consultation closes on 26 September; hence a response has been agreed with the Chairman and Vice-Chairman of Resources Committee, as set out below.

#### **Recommendation**

The Committee is asked to note the report, and endorse the response to the consultation document agreed by the Chairman and Vice-Chairman of Resources.

#### **Background**

The current business rates retention scheme was introduced in 2013. Within the current scheme 50% of local business rates are retained in theory providing a strong incentive for local authorities to grow business rates in their area and thereby generate additional funding.

The main points of the current scheme are as follows:-

- The scheme is based on each authority being funded by the retention of a proportionate share of local business rates, subject to a tariff/top up system.
- Under the scheme a proportion of any change in the authorities proportionate share of business rates are retained locally, therefore if business rates grow locally funding will increase but if business rates reduce funding will also reduce.

- The tariff or top up system is based on the historic comparison between baseline funding and the level of each authority's proportionate share of business rates. A tariff authority is where forecasted business rates exceed baseline funding and the difference is paid into a central pool as a tariff. A top-up authority is where forecasted business rates are less than baseline funding and the shortfall is paid from the central pool as a top-up. Tariffs and top ups will be updated annually by RPI.
- There is a safety net to provide protection to those authorities who suffer a disproportionately high reduction in business rates. Conversely there will be a levy system so that any authority which generates excessive business rate growth will make a contribution to a levy fund, and this will be used to fund the safety net.
- The system is subject to periodic resets, to ensure that funding remains relative to requirement.
- From a Fire Authority perspective our proportionate share of local business rate is 2% of the 50% which is retained locally (i.e. 1% of the total), hence we are a top up authority, meaning that our baseline funding exceeds our proportionate share of business rate and therefore the government provides protection in the form of a top up grant.

In 2016/17 our local retained business rates is £4.7m (less than 10% of our total budget) and our top up grant is £9.7m.

A move to 100% retention of business rates will have little impact on the position as we would still be a top up authority requiring specific government grant to maintain funding levels. Furthermore the proposal will still retain a safety net and periodic resets.

It is also worth noting that within the draft 4 year settlement business rate income is assumed to grow by 2.0% in 2017/18, 3.0% in 2018/19 and 3.2% in 2019/20, which is significantly higher growth than we have seen within Lancashire over the last 3 years, which averaged just 1.2%.

At the time of the initial consultation in 2012 we argued that Fire Authorities should not be included in the scheme as they had very little, if any, impact on business rates. We do not believe this position has changed significantly and therefore still feel that we should be excluded from this system and should be funded from specific grant similar to the Police.

Furthermore, as business rates in Lancashire have historically grown by less than the national average then removing us from this should in theory provide greater funding in future years, assuming that any grant funding is linked to national indices. It should also improve funding, certainty reducing the risk to future funding should a large business pull out of the area, such as British Aerospace, or should a major business be successful in winning an appeal against their rating value.

A response has been agreed with the Chairman and Vice-Chairman of Resources as follows: -

*Lancashire Combined Fire Authority believe that fire funding should be moved from the business rates retention scheme as Fire Authorities have very little, if any, impact on business rates a point that we argued when the scheme was first proposed.*

*Having moved to the Home Office we believe that funding which is more akin to Police Grant would be appropriate for the Fire Service, hence removing some of the uncertainties over which we have no control, such as ratings appeals, loss of major business etc.*

*We also believe that this process will simplify our administrative arrangements negating some of the complex accounting requirements surrounding the scheme and the reliance on billing authorities to provide information to feed into our budget setting process.*

*From a Lancashire perspective we do not believe there is any significant disadvantage to moving away from the current scheme.*

**Financial Implications**

None specifically from this report. However the final agreed scheme may have a significant impact on the Authority which will be reported in due course.

**Human Resource Implications**

None

**Equality and Diversity Implications**

None

**Environmental Impact**

None

**Business Risk Implications**

None from the report but again this will be updated once final schemes are developed

**Local Government (Access to Information) Act 1985  
List of Background Papers**

Paper	Date	Contact
Self Sufficient Local Government:100% Business Rates Retention	July 2016	Keith Mattinson
Fair Funding Review: Call For Evidence On Needs And Redistribution	July 2016	Keith Mattinson
Reason for inclusion in Part II, if appropriate:		