

**LOCAL GOVERNMENT RESOURCE REVIEW – BUSINESS RATES
CONSULTATION PROPOSALS**

EXECUTIVE MEMBER: Councillor G Troughton

LEAD OFFICER: Joanne Wagstaffe, Corporate Director, Resources and Transformation

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WHY HAS THIS REPORT COME TO THE EXECUTIVE?

To inform Members of key issues relating to the Government's proposals to reform the allocation of financial resources to Local Government particularly in relation to the proposals for Business Rate reform, and the impact this may have on the Council's Medium Term Financial Strategy planning assumptions. These issues will be considered further as additional information comes to light.

SUMMARY:

The report gives an update on the Government consultation proposals for Business Rates Retention. The issue will impact considerably on future budget assumptions, and will be considered during the budget process in accordance with the budget timetable for 2012/13 which is attached to this report.

RECOMMENDATIONS:

There are no specific recommendations however Members are asked to note the issues raised in the report and that further reports will be brought forward for consideration as further details become available.

1. INTRODUCTION

- 1.1 As part of the Spending Review 2010, the Government announced that it would carry out a review of allocation of financial resources to Councils from 2013/14 onwards.
- 1.2 The terms of reference for the review were published in March 2011 and were limited in scope to a consideration of the following two issues (as opposed to a full review of the whole Local Government finance system):

- Changes to the Business Rates System
- Localisation of the Council Tax Benefits

1.3 During late July, consultation documents were received on both of the above issues and this report addresses the issues relating to changes to the Business Rates System. A report elsewhere on the agenda will consider the issues relating to the Localisation of Council Tax Benefits.

1.4 A second phase of the Local Government Resource Review will focus on Community Budgets; however no further information has been received to date in this regard.

2. PROPOSALS FOR BUSINESS RATES RETENTION

2.1 The Government has now issued a consultation document with options for change to the Business Rates System. The Plain English Guide to the proposals is attached at **Appendix A** (the full consultation document runs to 46 pages and contains 33 questions). The consultation commences on 18th July and will run until 24th October. Following the consultation the Government will review the responses and announce the final decisions on the rates retention model.

2.2 The basis of the new business rate system is that the baseline will be set at the start so that each authority's budget is equivalent to what it would have been under the current system. Thereafter funding would grow or fall as business rates grow or fall in the area, with a system of protection for those authorities who are less able to grow and a system of 'clawing back' disproportionate gains. The document also includes options to enable authorities to carry out Tax Incremental Financing (TIF), which is basically a method of borrowing against the value of future uplift in local taxes, and is intended to work as a way of funding infrastructure investments to unlock economic growth and regeneration.

2.3 Unfortunately the consultation proposals issued are not yet complete and it is not known, for instance, what the Government would consider to be a 'disproportionate gain'. A series of 'technical papers' will be published during August to provide further details on a range of issues. It is not therefore possible to provide Members with an analysis of what the proposals might mean for Copeland BC or what our consultation response should be. Further reports will be brought back to Members once further information is received.

3 CONCLUSIONS

3.1 Members are asked to note the issues raised in the report and note that further reports will be made once further details are known.

4. STATUTORY OFFICER COMMENTS

- 4.1 The Monitoring Officer's comments are: None
- 4.2 The Section 151 Officer's comments are: Included in the report
- 4.3 EIA Comments: Comments will be made specifically as part of the responses to the consultation document.
- 4.4 Other consultee comments, if any: Resource Planning Working Group considered the issue at their meeting on 11th August.

5. HOW WILL THE PROPOSALS BE PROJECT MANAGED AND HOW ARE THE RISKS GOING TO BE MANAGED?

- 5.1 The consultation document on Business Rates will result in a considerable increase to the financial risk to the authority and proposals for managing and controlling those risks will be considered in the individual responses.
- 5.2 The issue will impact on the Council's MTF5 and this will be project and risk managed as part of the overall budget process for 2012/13. A timetable for the budget process has been prepared and was considered at the RPWG on 14th June. This is attached at **Appendix B** for information.

6. WHAT MEASURABLE OUTCOMES OR OUTPUTS WILL ARISE FROM THIS REPORT?

- 6.1 This report will be followed up by other reports as further information becomes available and ultimately the Council's response on the consultation documents will be made in October.

List of Appendices:

Appendix A – Local Government Resource Review: Proposals for Business Rates Retention – A Plain English Guide (July 2011)

Appendix B – Budget Timetable 2012/13

List of Background Documents:

- Local Government Resource Review: Proposals for Business Rate Retention. Detailed Consultation Document July 2011 (available on request)

BUDGET OVERVIEW TIMETABLE – 2012/13 BUDGET

APPENDIX B

Purpose of Meeting	RPWG / C2C	Executive Meeting	Overview & Scrutiny / Consultees	Council Meeting
Budget Policy Documents 2011/12 to 2014/15: - Corporate Plan - MTFS - Treasury Management Strategy - Asset Management Plan			6 th June	22/2/11 22/3/11 22/2/11
Update to MTFS / Financial Resilience Service Planning process Consideration of Budget Timetable	7 th April / 14 th June		8 th August	
Scenario planning / update MTFS Service Reviews Consultation proposals	13 th July		8 th August	
Scenario planning / update MTFS Service Reviews Consultation progress	10 th August	23 rd August		
Star Chambers – Service Reviews - Full update on Progress - MTFS updates	13 th September	27 th September	10 th October	
Scenario planning / update MTFS Service Reviews Consultation progress	11 th October	25 th October	Special 17 th Nov	

Detail	RPWG/C2C	Executive	Overview & Scrutiny	Council
Consideration of first forecast of overall budget position including: <ul style="list-style-type: none"> - Summary Projections including initial impact of CSR and base budget review - Service Review initial options - Capital Programme proposals - Treasury Management draft strategy 	8 th November	22 nd November	5 th December	
Consideration of final recommendations for issuing Budget proposal for Consultation: <ul style="list-style-type: none"> - Summary of Overall Budgetary Position for Revenue including Formula Grant Settlement and Service Review Options, and Capital. - Treasury Management & Investment Strategy (including Prudential Borrowing Indicators) 	6 th December	20 th December		
<u>Formal Consultation Period (20/12/11 to 31/1/11)</u> <ul style="list-style-type: none"> - Statutory Consultation (NDR) - Public Consultation - Overview & Scrutiny 			OSC1 special mid Jan	

Detail	RPWG/C2C	Executive	Overview & Scrutiny	Council
<p>Consideration of:</p> <ul style="list-style-type: none"> - Consultation Feedback - Final Budget Reports including Final Settlement figures - Treasury Management & Investment Strategy (including Prudential Borrowing Indicators) <p>Executive Issue Final Budget Proposals</p> <p>(NB: If the Council budget meeting is held after 7th February in any year, then the Council decision on the night is binding)</p>	<p>7/2/12 (RPWG)</p>	<p>3rd Feb</p> <p>14/2/12 (budget special)</p>		<p>23/2/12</p>
<p>Formal Setting of Council Tax (same date as Budget Setting)</p> <p>(NB: Final Statutory date is 11th March)</p>				<p>23/2/12</p>
<p>Updates to MTFS:</p> <ul style="list-style-type: none"> - For additional year 2015/16 	<p>7/2 & 13/3/12</p>	<p>28/2/12</p>	<p>13/2/12</p>	<p>22 March 2012</p>

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