

North East Derbyshire District Council

Cabinet

31 August 2016

Government Consultation concerning Proposals to Reform National Non-Domestic Rates (NNDR)

This report is public

Report of Councillor P R Kerry, Portfolio Holder with Responsibility for Economy, Finance and Regeneration

Purpose of the Report

- To make Cabinet aware of the main details of the Government's consultation on the future of NNDR (business rates) and to agree a process for submitting a response to that Consultation Paper.

1 Report Details

Background

- 1.1. On 14 July the Government issued a Consultation Paper on Business Rates Retention. The closing date for responses is the 26 September 2016 which is before the next meeting of Cabinet scheduled for the 29 September. Given the importance of this Consultation Paper to the future of the local government financial framework it is important that the Council submits a response and accordingly it is recommended that delegated powers are granted to the Executive Director – Operations in consultation with the Leader of the Council, the Portfolio Member for Finance and the Chief Executive to agree a response on behalf of the Council.
- 1.2. As part of the consultation process the DCLG also issued a further paper entitled "Business Rates Reform – Fair Funding Review : Call for evidence on Needs and Redistribution". It is intended that the Council will prepare a response to this paper as part of its response to the wider consultation around Business Rates reform. Both papers are available at <https://www.gov.uk/government/consultations/self-sufficient-local-government-100-business-rates-retention>.

2. Business Rates Retention

- 2.1. For a number of years local government has been in favour of a move towards a funding system where 100% of NNDR is retained locally in order to support local services. Prior to 2013 Local Government was in effect a collection agency for central government in respect of Business Rates. Local Council's send out bills, collected the money, paid over the cash collected to central government, who then

redistributed that funding to individual local Councils by way of formula grant. With effect from April 2013 local government has been able to keep 50% of any growth in their business rate receipts arising from new or expanding businesses.

- 2.2. The Government is now seeking to further extend the current system so that by the end of the current parliament in May 2020 all business rates will be retained by local Council's. As part of the proposed arrangements there will be a Fair Funding Review which will establish the funding baseline (funding required by each Council to deliver core services). This will ensure that individual Council's remain in the position of having adequate resources to deliver core services.
- 2.3. The Consultation paper sets out a number of key principles:
 - The reform of Business Rates will be fiscally neutral between central and local government. Given that 100% retention will provide local authorities with an increased level of resources this will be offset by a requirement to accept additional responsibilities which will 'mop up' the additional funding that is provided.
 - The new system should provide both financial independence and stability to local authorities.
 - Devolution of responsibilities should support the drive for economic growth, although the consultation balances this against the recognition that those local authorities which are not able to generate the required level of growth have sufficient resources to cover the cost of providing core services.
 - Reform should promote the development of new models of service delivery.
 - The Consultation paper indicates that the Government is prepared to look at adapting the system to meet local governance structures ie it may introduce a different model in a Combined authority with a mayor, than from the model which applies in a unitary area without a combined authority, or from those which apply in a two tier area such as Derbyshire.
- 2.4. The proposed changes amount to a fundamental reform of the local government finance system. Accordingly there remains a lot of further detailed work to be undertaken in order to develop a robust system which meets the Government's objectives. One of the particular difficulties in responding to the Consultation is that it does not include any exemplifications of the financial impact of the proposed measures. In addition to considering the proposals at technical level officers are also involved in working with colleagues across Derbyshire to ascertain whether it would be appropriate to submit a Derbyshire wide response, rather than a number of responses from individual authorities. One of the key advantages of looking to a Derbyshire wide response is that we already operate a successfully Derbyshire wide Business Rates Pool that has operated to the financial advantage of all Members of the pool. While the current Derbyshire pooling arrangements will end with the introduction of the new system it would appear to be appropriate to look to extend the partnership working into the new arrangements as a way of managing risk and promoting growth.

3. Conclusions and Reasons for Recommendation

- 3.1. Given the importance of the Government's Consultation Paper in respect of the retention of non domestic rates it is appropriate that the Council should give consideration to the issues that are raised and should prepare a formal response.

Reasons for Recommendation

- 3.2. To enable Cabinet to consider the issues raised within the Government's Consultation Paper and to agree a mechanism – through delegated powers – by which the Council will meet the timetable for submitting a response to the consultation.

4. Consultation and Equality Impact

Consultation

- 4.1 There are covered throughout the report.

Equalities

- 4.2 These are covered throughout the report.

5. Alternative Options and Reasons for Rejection

- 5.1 The Council could take the view that it is not appropriate to respond to the Consultation paper. Given that the Consultation Paper sets out what amounts to a fundamental reform of local government finance it is necessary for the Council to give structured consideration to the potential impact of these changes and to formulate a response to the Department for Communities and Local Government. Accordingly it is recommended that the option of not submitting a response be rejected.

6. Implications

6.1 Finance and Risk Implications

Financial

- 6.1.1 There are covered throughout the report and the attached Appendix.

Risk

- 6.1.2 There are covered throughout the report and the attached Appendix.

6.2 Legal Implications including Data Protection

- 6.2.1 There are no legal or data protection issues arising directly out of this report.

6.3 Human Resources Implications

- 6.3.1 There are no human resource issues arising directly out of this report.

7 Recommendations

- 7.1 That Cabinet note the report and grant delegated powers to the Executive Director Operations in consultation with the Chief Executive, the Leader of the Council and the Portfolio Member for Finance to agree and submit the Council's response to the Government Consultation Papers concerning 100% Business Rates Retention.

8 Decision Information

Is the decision a Key Decision? (A Key Decision is an executive decision which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Affected	None directly.
Links to Corporate Plan priorities or Policy Framework	Appropriate funding arrangements underpin the effective operation of the Council and its ability to secure all of the Corporate Plan priorities.

9 Document Information

Appendix No	Title
N/A	
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Copies of the Government's Consultation Papers can be found at: https://www.gov.uk/government/consultations/self-sufficient-local-government-100-business-rates-retention .	
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