Consultation on Self Sufficient Local Government 100% Business Rate Retention
SIGOMA RESPONSE

1. About SIGOMA

1.1. SIGOMA is one of the largest special interest groups within the LGA. It comprises 46 local authorities in the northern, midland and south-coast regions of England, consisting of 32 metropolitan districts and 14 major unitary authorities, covering key urban areas.

1.2. All SIGOMA members are billing authorities and so have a dual interest in business rates. Like all authorities, they depend upon business rate income as a major source of finance but they also have administrative duties in relation to billing, collection, accounting and distribution of business rates.

1.3. The authorities SIGOMA represent are among those facing the greatest challenges. They face pressures both in terms of the demographics that determine demand for services but also in terms their ability to grow income locally, either due to low Council Tax banding, a low and weak business rate base or lack of substantial infrastructure investment.

- SIGOMA authorities represent 24.8% of English households and 24.5% of the English population. However:
- SIGOMA represent 29% of all households on council house waiting lists.
- SIGOMA residents have an average life expectancy at birth 2 years less than the national average, and have adult obesity levels 1% worse.
- SIGOMA authorities care for 35% of the country's looked after children.
- 33% of all households living in poverty are from SIGOMA authorities.

1.4. This trend has persisted over a number of years:

Percentage of households claiming out of work benefits

	2011 %	2012 %	2013 %	2014 %
SIGOMA authority average	6.9	6.5	6.3	5.8
Rest of England average	4.8	4.5	4.2	3.8

1.5. Yet SIGOMA authorities collect just 19.8% of the national net rates collectable from ratepayers this proportion has fallen since 2013 when it was 20%.

1.6. Business rates retained by all authorities has fallen in real terms by 0.12% between 2013-14 and 2015-16. For SIGOMA however the real terms fall has been 1.0%, around £44 million

1.7. Deprivation related data affect not only the demand for services but also the ability of an authority to recover costs from service users or to raise funding from other sources. Concerning parking, for example, only 4 SIGOMA authorities earn a higher income per head than the national average and all of the top ten earners per head are in London and the South.

1.8. Deprivation also impacts on the rates to rent ratios. Often in some of the poorest authorities the theoretical rents that properties could be let for, on which valuations are based, are very different from the actual rents that those properties earn. This gives rise to ratepayer dissatisfaction with the rate/rent ratio.

1.9. The above is also reflected in general economic data such as Gross Value Added[1] (GVA)[2]. SIGOMA authorities are amongst the lowest performing both in terms of GVA per head of population and growth in GVA, as the following two tables show:

Gross value added per head indices 2014 Highest and lowest	Index UK = 100
Wirral	55.2
Sefton	59.9
Blackpool	60.6
Northumberland	60.8
Dudley	60.9
Durham CC	61.6
Berkshire	158.3
Milton Keynes	161.3
Haringey and Islington	194.0
Kensington & Chelsea and Hammersmith & Fulham	203.2
Tower Hamlets	510.1
Westminster	846.9

G:\Sigoma\Data_Warehouse\[gross value added reference tables.xls]Table 3

Grass value added - percentage change 2010 to 2014	% Change 2010-14
Nottingham	-2.8%
Liverpool	-0.6%
North and North East Lincolnshire	1.1%
Thurrock	2.5%
Camden and City of London	2.7%
Portsmouth	2.9%
East Derbyshire	21.8%
Redbridge and Waltham Forest	23.6%
Hounslow and Richmond upon Thames	24.4%
Hackney and Newham	27.4%
Ealing	30.0%
Tower Hamlets	44.6%

G:\Sigoma\Data_Warehouse\[gross value added reference tables.xls]Table 2

1.10. Clearly, some of the issues arising from the above data also belong in the "*call for evidence on needs and redistribution*" but it is important for Government to appreciate the bigger challenge facing our members when devising a 100% retention scheme. Our members are concerned not only about a fair starting position but about ensuring an ongoing system that will not leave poor authorities locked into a subsistence budget or worse over a sustained period whilst others thrive.

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

Revenue support grant

We support the transfer of RSG into business rates for the amounts illustrated in 2015 settlement.

Although some authorities are pressing for elimination of negative RSG shown in the later years of settlement, we would point out that any unilateral action to do so would have the effect of providing additional funding to those

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[1] GVA measures the contribution to the economy of each individual producer, industry or sector.

[2] http://www.ons.gov.uk/economy/grossvalueaddedgva/datasets/regionalgrossvalueaddedincomeapproach

authorities above the allocations calculated in the 2015 settlement and in preference to their neighbours, without any logical needs-based justification.

We see this as a key issue. The 2015 provisional settlement seemed to respond to points made by SIGOMA and others about the necessity of measuring all income streams when fixing RSG reductions. Yet the final settlement, in removing negative RSG and fixing transition grant based on RSG alone, helped to bring back the inequities of previous years.

The following table illustrates how poorer and more prosperous authorities have fared in core spending power since 2010 and compares the top and bottom 10 losses, in £ per head of population, to the amount of transition grant those authorities, determined in the last settlement.

Cuts to Core Spending Power 2010-11 to 2016-17

	Cumulative cash terms £m	Cumulative cash cut per head £	Rank of Cash per head cut #	Share of £300m transition grant (2016-17 2017-18) £m
England	- 11,384.468	- 210.57		300.00
Wokingham	- 6.503	- 40.26	1	4.21
Surrey	- 62.021	- 53.47	2	26.78
Windsor And Maidenhead	- 8.511	- 57.51	3	2.54
Buckinghamshire	- 31.616	- 61.49	4	9.95
Central Bedfordshire	- 17.191	- 65.49	5	4.46
Rutland	- 2.570	- 66.75	6	0.68
Richmond Upon Thames	- 14.912	- 77.06	7	5.83
Greater London Authority	- 659.162	- 78.00	8	-
Hampshire	- 105.467	- 78.64	9	20.11
West Sussex	- 65.7	- 79.62	10	13.68
Tower Hamlets	- 102.784	- 380.31	143	-
Westminster	- 88.157	- 382.79	144	-
Hartlepool	- 35.920	- 387.46	145	-
South Tyneside	- 58.496	- 392.01	146	-
Islington	- 84.511	- 392.81	147	-
Camden	- 92.427	- 399.86	148	-
Manchester	- 207.645	- 406.36	149	-
Hackney	- 115.246	- 457.46	150	-
Liverpool	- 217.887	- 469.03	151	-
Knowsley	- 74.692	- 509.31	152	-

Footnote[3]

Rural services delivery grant
Many members question the continuation of rural services delivery grant which is based on measures of sparsity, since the consultation on a new needs formula comes with a proposal to include sparsity adjustments. This appears to duplicate compensation for sparsity.

The unique assessment of additional costs caused by sparsity requires further analysis and justification. Whilst the cost of delivering some services such as transportation to sparse areas may be higher, the demand on those services may be much lower and the opportunity to recover costs through charges higher. There is an equally strong argument that population density in its own right, in addition to deprivation, is a contributory factor in the demand for and cost of services.

[3] City of London results omitted as outlier

We argue therefore that this is an opportunity to re-assess both the measure of sparsity and the necessity for the rural services grant to continue from 2020.

Public Health Grant
We support, in principle the transfer of public health funding into rate retention. We support the LGA's position that the funding should become un-ring-fenced at this point and that any additional public health responsibilities that may arise thereafter should receive additional funding above the current grant level.

We note, however, that the sector still awaits an outcome from the consultation on the proposed ACRA measures for allocating public health funding. This consultation was issued last year with a very short response time and the proposed formulas were devised with no prior engagement with authorities. We suggest that the ACRA proposals are revisited with close involvement of authorities as part of the review.

Improved Better Care Fund.
Little is yet known about the way in which additional Better Care funding will be provided or the conditions which may attach to the grant. SIGOMA members are also concerned that this may become a fixed grant, despite the fact that they face exposure to varying levels of demand. Therefore, we cannot support the inclusion of this grant until further details are known about the funding and unless there were sufficient flexibility built into the allocation to match varying demand.

Early Years Funding
This is another area of funding where allocations are the subject of ongoing consultations on service provision and funding changes. Our members believe more clarity and stability is needed before this could be confidently taken into business rates.

Youth justice
Members are in support of this funding transfer in principle.

Local Council Tax Support administration subsidy and Housing Benefit Pensioner administration subsidy.
Members would support the transfer in of this funding at a realistic level.

Attendance Allowance
Members support the LGA and all other authorities in the view that transfer of this responsibility leaves us exposed to a potentially growing underfunded pressure on services and is not suitable for transfer.

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

Members support the principles of transfers into new responsibilities, established in the steering and working groups, which include the principles that new responsibilities:

- should build on the strengths of local government
- should support the drive for economic growth
- should take into consideration the future financial impact on local government.

Members have some sympathy with adding in s31 grants currently linked to Treasury initiatives on rates such as the business rate 2% cap and Small Business Rate Relief, provided this is accompanied by greater flexibilities for local government on reliefs and the multiplier. This could be accompanied by stipulations as to the overall proportion of rates which must be allocated to reliefs.

Members have also commented that the roll in process must leave headroom to allow for expansion in the cost of those responsibilities rolled in since it seems unlikely that it will be possible, even at a national level to exactly match retained rates increase to a tailored set of responsibilities.

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

Members are clear that pooling of budgets should be driven by a bottom up, not a top down process, i.e. that authority leaders and chief officers should be free to pool budgets wherever there is the political will and a practical framework.

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?

The concern of SIGOMA members is that the Department is unwilling to engage on determining the absolute cost of delivering essential services, making it difficult to assess the capacity for funding additional duties out of rate retention.

Members would accept the principle that funding for devolution could be included in retained business rates provided that the pressures of needs, resource changes and devolution funding were considered jointly at reset periods.

Members are also clear that the funding agreements reached with pilots and city region deals should not impact on wider local authority settlements.

Members feel that the many complications surrounding separate treatment of combined authorities and how they would continue to interact with the rest of local government funding mechanism, needs clarifying by the Department.

Question 5: Do you agree that we should continue with the new burdens doctrine post- 2020?
Members support the continuation of the new burdens principle and, further, suggest that the Department adopt the suggested improvements to the application of new burdens that were made in a National Audit Office report of June 2015, which were that:

- the Department should routinely publish the potential new burdens it considers or assessments it carries out
- better levels of scrutiny was needed by DCLG of new burden cost assessments undertaken by other Departments
- the effectiveness of new burden assessments should be reviewed post implementation.
- The Department should explain or obtain explanations of uncertainty in new burden estimates.
- It should be clearly shown that new burdens funding is maintained, year on year.

Question 6: Do you agree that we should fix reset periods for the system?
Members support a fixed reset period. This should be frequent, undertaken at every 5 years as a maximum, and harmonised with revaluations. This should help to strike an appropriate balance between a system that remains responsive to changing local circumstances and one that ensures budget certainty from year to year.

Members conditionally accept that there may be no full re-set under the circumstances described below.

Question 7: What is the right balance in the system between rewarding growth and redistributing to meet changing need?
SIGOMA members depend upon an equalising redistribution in order to deliver disproportionately high levels of statutory services, driven by the demographic pressures already mentioned, many of which are caused or exacerbated by deprivation.

At working groups and steering groups, all authorities have agreed that the main priority of the sector is to maintain service delivery and, where there are significant changes in demand for services, the distribution system must recognise this.

The needs versus growth balance must also take into account what will happen to local authority finances between 2015-16 and 2019-20. Over this time local authority core funding is set to fall by what appears a modest amount of £183 million[4], or 0.4%. Of course, this depends on assumed levels of council tax growth in core funding projections.

[4] DCLG core spending power tables – local government finance settlement 2015

However £164 million of that £183 million falls on SIGOMA authorities, whose cut in core spending power is 1.6%. In real terms, the cut to SIGOMA is nearer to 12.5%[5] over the four years.

In addition, and over the same time period, local authorities will also have to accommodate funding pressures from:

- Additional NI costs due to ending of the contracted out rate of National Insurance
- Above-inflation pressure from the National Living Wage
- The Apprenticeship Levy
- Additional service burdens under the Transformation of Care

SIGOMA accept that incentives should be built into the system; incentives, not only to grow income but to deliver services efficiently and at minimum cost to the taxpayer. Given the above, however, we see little scope for substantial rate growth retention without placing service delivery at risk in those authorities with low growth or low business rate gearing. In fact, some authorities have commented that the totality of funding will be inadequate to meet the projected cost of services even before reserving funds for any rate growth retention.

For the above reasons, we recommend that redistribution based on service need should be the first priority and carry substantially the greatest weight at reset.

We would like DCLG to focus also on incentivising for efficiency as well as growth. This has been further explained in our response to the call for evidence on needs.

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?

The principles we have discussed at working groups on a partial reset involve authorities retaining a certain percentage of accumulated growth beyond the reset period. This would enable the system to avoid cliff-edges at reset where authorities would otherwise lose all growth and would provide a longer term incentive. We would support an element of growth retention at reset period provided that:

- the retained percentage was a modest one
- the reset periods were more frequent
- the system allowed for a full reset in the event of dramatic changes in need, exceptionally widening gaps in prosperity, a Treasury intervention in local government funding or other exceptional circumstances
- that Safety Net provided a reasonable guarantee of adequate funding between resets.

[5] Based on RPI projections in the 2015 November Spending Review

A tentative illustration of the impact of varying growth retention rates at re-set have been provided by DCLG at working groups, not in general release. Further work and additional explanations of the assumptions underlying the illustration are needed before a balance could be suggested in percentage terms. On the basis of the illustrations provided we suggest the incentive must be less than 10% of accumulated growth at re-set.

Question 9: Is the current system of tariffs and top-ups the right one for redistribution between local authorities?
The system has proved an understandable and reliable method of balancing funding need with variations in local resource.

The top-up and tariff system may be a better method than negative RSG for rebalancing overall adjustments to funding (though it would then cease to be neutral overall).

Question 10: Should we continue to adjust retained incomes for individual local authorities to cancel out the effect of future revaluations?
SIGOMA supports this measure. Given that the multiplier is adjusted to bring the overall tax collected to the pre-revaluation total (adjusted for inflation), it follows that the impact of the revaluation is a redistribution of business rates revenue according to relative value changes. This is outside the control of individual authorities and could result in material swings in retained income with no change in hereditaments.

It is also essential that the multiplier is set so as to fully recover the estimated impact of appeals. We note in the recently issued technical consultation for 2017-18 that this is the intention and also note that this appeals element will not form part of the revaluation adjustment

Question 11: Should Mayoral Combined Authority areas have the opportunity to be given additional powers and incentives, as set out above?
As previously stated, we believe that mayoral authorities should only be given powers where this is in support of the unanimous wish of their constituency leadership and following a consultation with local residents and business.

We agree with the LGA that options for growth redistribution should also be available for non-mayoral combined authorities.

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?
We agree with colleagues in two tier areas that, wherever possible, the split between tiers should be a matter of consensus for the authorities concerned.

We accept, however, that there may need to be a default split in the event that authorities are unable to reach agreement.

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?
Removing fire authorities from rate retention would simplify the administration process for billing authorities and make budgeting simpler for fire authorities serving multiple authorities.

It would marginally increase the risk of reduced rate income to individual local authorities (giving greater certainty to fire authorities) but would mean fire authorities would forgo any opportunity for above CPI growth.

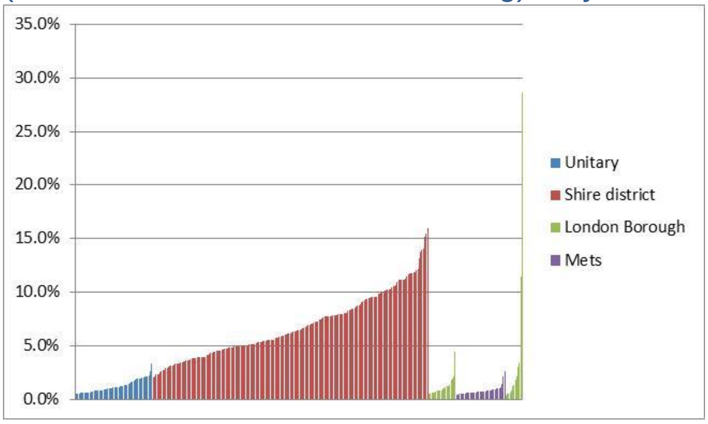
Nevertheless, it could not completely disassociate the fire and billing authority financing arrangements due to the continued need for a fire precept.

On balance, most members would support the removal of fire authorities from rate retention, provided that this did not have to be "bought" with overly generous transfers of funding out of local authority settlement.

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?
At the working group meetings we have discussed the relative lack of incentive for low rate-base authorities to grow.

A schedule showing the impact of a 2% rate rise (at local retention rate) as a proportion of Settlement Funding Allocation appears below.:

Impact of 2% rate rise
(£ rate increase/£settlement funding) - by authority



Clearly the lower rate base, high settlement authorities earn less from an across the board increase in terms of Settlement Funding. This will no longer be balanced by levy. We would, therefore, like to see authorities with a relatively small rate base given an enhanced growth retention share to balance out this impact and provide a greater incentive for growth.

This impact has been observed by the IPPR in their paper "*Better Rates*"[6]. The IPPR propose a "*growth first*" system whereby each authority retains growth based on its percentage rates growth applied to its baseline needs. In effect this means applying rates growth percentage to tariff and top-ups. IPPR argue, and we agree, that this would incentivise all authorities equally rather than only those who already have a large local rate base.

We would also suggest the creation of an efficiency fund that rewarded or seed funded authorities who have specific identifiable efficiency plans and which rewarded authorities demonstrating reduced unit costs in service delivery.

Greater local control over all aspects of business rates would also provide an incentive for innovative approaches. This could include more local control over the centrally created reliefs such as charitable relief and the current small business rate relief scheme.

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?

Whilst members are supportive of measures that reduce or share risk between local authorities they acknowledge the difficulty of devising a definition that could be systematically and equitably applied to distinguish central list across the country.

Members are of the view that the central list should be limited to infrastructure assets which present inherent difficulties in terms of attribution to a particular authority.

At the same time, however, the risk of the impact of such assets can be mitigated by more frequent resets and a narrower Safety Net gap.

Some members argue that assets which face a known risk of reduction, for example schools which are being pushed towards academy status, should be taken into the central list, with authorities being recompensed from efficiencies to the DfE.

Members would also like to see a clear illustration showing annually how central list funding is applied to local authority finance. This is not provided to us at the moment.

In addition, SIGOMA strongly suggest that transfers into/out of central list after a reset should be adjusted on the tariff/top up of the affected authority.

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?

[6] Alfie Stirling and Spencer Thompson June 2016

SIGOMA does not support the idea of regional lists. We support the widest possible sharing of individual risk.

We agree with our colleagues in other interest groups that this would in many cases add an additional level of bureaucracy to no great benefit.

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?

SIGOMA members support a national scheme of risk management for "Tone of List" appeals; that is, appeals which are not due to physical changes in the property under appeal.

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

The issue most consistently raised amongst members, affecting the management of appeals, including forecasts, is an ineffective valuation service.

It has become clear since the introduction of retained business rates that the Valuation Office Agency do not have the capacity or systems to deliver timely and accurate valuations or cope with the volume and complexity of appeals that have arisen at each new valuation.

Changes in the appeals system to "check, challenge, appeal" are welcome but members are not convinced that they will alleviate the problem of delays in resolving disputes that go to appeal nor that giving the VOA permission to share information will result in a better information service for authorities.

Members are concerned that without timely and adequate information from the VOA there will be even greater difficulty in making objective provision for rate refunds which arise as a result of challenges.

Members are concerned at the lack of consistency, across authorities, in engagement by the VOA and there is frustration amongst members that, as a paying "client" for this service, they have little say in the level of service that is provided.

Members have gone as far as suggesting that Government should pilot a scheme to bring the valuation service back under local authority control. If it were possible to do this during the 100% retention pilots, this could prove a useful addition to the options for 2020. We are aware that a number of authorities, including one SIGOMA member, have offered to host such a pilot.

Setting of the new business rate multiplier value at revaluation will also be a key factor. We join with other authorities in asking for a clear and possibly new approach to setting the appeals factor in the multiplier, as follows.

The stated aim of Government is to set the multiplier so as to be tax neutral after taking into account estimated appeals against the new list . We join with other authorities in requesting that the estimate of appeals should initially be a pessimistic one (bearing in mind that “appeals” will also include successful challenges under the check challenge appeals system).

Each year’s successive multiplier can be adjusted to take account of under/over recovery of tax in previous years. We suggest that an initially high multiplier could be adjusted in later years to match the estimated appeal impact to the actual impact. Thus Government could guarantee to businesses that, over time and in total, they would pay no more or less (and authorities would receive no more or less) than the rates Government intended to be collected.

We also support a call for a national pooling of ‘tone of list’ appeals such that an individual authority does not bear the impact of these appeals, which by their nature tend to be backdated to the beginning of the valuation list. Obviously such a scheme would require financing. With an appropriately set multiplier, the finance is available within the system, lying with individual authorities. An appeal pool could therefore be created by top-slicing, from each authority’s rates income, a percentage of the rates matching that part of the multiplier set to finance the appeals estimate. Individual authorities could then “claim” against this pool for subsequent appeals.

So long as the valuation service remains within HM Treasury, we think it reasonable to ask Treasury to underwrite appeals above their estimates (often valuation errors by the VOA).

Question 19: Would pooling risk, including a pool-area safety net, be attractive to local authorities?
Members support risk pooling, but only at the option of individual authorities.

Question 20: What level of income protection should a system aim to provide? Should this be nationally set or defined at area levels?
Members are of the view that income protection should continue to be set nationally, applied at individual authority level and relate to a recalculated baseline funding total.

The current Safety Net is set at 92.5% of indexed baseline funding, leaving authorities exposed to a 7.5% loss before access to the Safety Net. This was set when RSG funding still represented around 50% of settlement funding (in 2014-15). For example, when settlement funding totalled £23.9 billion, the amount not funded by Safety Net (7.5%) equated to around 3.5% of settlement funding.

By 2019-20, settlement funding will have fallen to £14.7 billion. We propose that the same level of exposure should apply based on settlement funding, which would suggest a loss exposure of around just over 2% of baseline rates at 100% retention. The Safety Net would therefore be set at 98%.

In the absence of a Levy, funding of the Safety Net is a key issue. The absence of a Levy represents an imbalance in the risk versus reward equation, whereby high rate base authorities stand to benefit disproportionately from growth yet would be the most likely to claim Safety Net in the event of a rate decline. They would have unlimited reward but a capped risk. It seems clear to us that higher rate base authorities should be substantially the largest contributors to a safety net fund. We suggest this would be done by top-slicing a percentage of collectable rates.

Question 21: What are your views on which authority should be able to reduce the multiplier and how the costs should be met?
Local authority groups have commented mainly that authorities would be unlikely to reduce business rates under the extreme funding pressures they face.

However we agree with the consensus that all tiers within government should be able to reduce rates or their share of rates, providing always that the authority or preceptor bore the full cost of the reduction.

It also follows from the same reasoning that Safety Net calculations must operate on the basis of a hypothetical standard multiplier rather than a reduced one, in the case of an authority who has reduced their rate charge.

Question 22: What are your views on the interaction between the power to reduce the multiplier and the local discount powers?
Discounts that operate on valuations would not be affected by the reduced multiplier.

Discounts that are driven by gross rates payable would be reduced in proportion to the reduced multiplier and would affect the retained income of the reducing authority.

Members support the LGA in its contention that authorities should be able to target multiplier reductions as an alternative to discounts.

Question 23: What are your views on increasing the multiplier after a reduction?
Any proposal to reduce the multiplier should be clear as to the period over which it would be reduced and what will happen when the reduction occurs; i.e. whether there will be a phased increase or a straight uplift to the current standard multiplier.
Authorities must always have the right to revert to the current “standard” multiplier when not committed within an agreed reduction period.

Question 24: Do you have views on the above issues or on any other aspects of the power to reduce the multiplier?
The decision to alter the multiplier within combined authorities should be at authority level unless they have unanimously, voluntarily ceded that power to the combined authority.

We have no proposals for the protection of neighbouring authorities where an authority reduces its multiplier.

Question 25: What are your views on what flexibility levying authorities should have to set a rateable value threshold for the levy? See 26
Question 26: What are your views on how the infrastructure levy should interact with existing BRS powers?
We share the views of our colleagues in other authorities that the power of a mayoral combined authority and the general powers under the BRS scheme should be combined in an amended BRS scheme.
We suggest that the power to levy a charge under the BRS scheme and the mayoral scheme should be the same, giving the same opportunity to all authorities.

Question 27: What are your views on the process for obtaining approval for a levy from the LEP?
Like many authorities, SIGOMA members view the requirement for LEP business member approval as one fraught with issues which are difficult to resolve, one of the main ones being the lack of consistency between local authority and LEP boundaries.

Members contrast the onus placed on local authorities to separately consult businesses on rates with Treasury policies on Corporation tax and employers' national insurance, which are implemented without a second mandate requirement.

Members would prefer the decision to lie with a local authority or combination of authorities, with a statutory requirement to consult affected businesses.

Question 28: What are your views on arrangements for the duration and review of levies?
We agree that the duration of the levy, terms for review and possible extension should be set out in an initial prospectus/consultation document.

Question 29: What are your views on how infrastructure should be defined for the purposes of the levy?
Infrastructure should be defined as widely as possible and may, perhaps, be better characterised by a demonstrable link to improvement in local conditions for business, employment and educational advancement.

In terms of the existing CIL list, we suggest the addition of IT and telecommunications infrastructure, power generation, housing and waste collection/handling. We would recommend that the definition of medical facilities should explicitly include the creation of adult's and children's non-medical care facilities.

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

We agree that the levy limit should be viewed as a maximum which is divisible in terms of number of levies and number of projects within a levy charge, providing the intention is made clear in an initial prospectus.

The Department should also consider the possibility that an authority may, in its prospectus, present a table of projects whereby if one should become impractical, a second approved project could be substituted.

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

Extend infrastructure levy

SIGOMA support the extension of levy powers to all authorities. We would welcome any change of policy made by the new administration in this regard.

Consultation

We see extension of consultations as an alternative to LEP approval

Discount power for BIDS

We would not object to authorities having the right to decide to extend BIDS discount to the Levy.

Definition of infrastructure

We have already commented in support of as wide a definition as possible for infrastructure and agree that "the promotion of economic development" objective should be central to a good general definition.

The power to introduce an infrastructure levy should be available to individual authorities, not confined to Mayoral city regions. This would ensure all areas are given an equal chance to influence growth.

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

Like many authorities, SIGOMA see centrally determined reliefs as constraints, increasing uncertainty and unfairness within the business rate and Council Tax systems.

In particular, small business rate relief and charitable relief absorb funds which could be better targeted at a local level to support businesses in difficulty and encourage local charitable endeavours to support the community within a centrally set framework.

With the advent of 100% retention, these reliefs should be set at a local level and reflect the often quoted view that local funding decisions are best made locally.

If the Government is insistent on continuing these reliefs, then they should set a cap on the absolute amount of these reliefs that local authorities are expected to bear to give some stability to the business rate funding mechanism.

The funding mechanism, once set, should be capable of arriving at allocations without the necessity for ministerial interventions at each settlement. Authorities are not able to predict income streams until their final settlement due to the detailed levels of intervention required to set variables in the mechanism. We welcome the Department's stated intention to move away from this towards a more autonomous system. It is understood that ministers will need to exercise judgment when unforeseen or extreme events occur but this should be the exception rather than the rule.

Government should continue to collect rate estimates and aim publish these on a shorter timetable so that authorities have access to relevant information as soon as possible.

We have already referred to the unsatisfactory state of the valuation service. Local government need to be much more engaged in the valuation and appeals process.

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?
The sovereignty of parliament is an important principle, as is the accountability of locally elected representatives.

It would be helpful if a jointly agreed statement on accountability were prepared and published at the inception of 100% retention.

Members recognise the crucial role of Government in establishing a framework within which authorities operate and that Government needs to rule on a mechanism for fairly distributing funds between authorities.

They feel that local government often bear the consequences of central policy, sometimes in an arbitrary fashion, without recognition of the variations in impact at a local level.

The grey areas of accountability often lie in areas of joint service delivery, such as public health, education and adult social care. Government should take a lead and bring together heads of Departments and local government leaders to establish lines of responsibility and determine how shared costs are borne.

Question 34: Do you have views on whether the requirement to prepare a Collection Fund Account should remain in the new system?
It is our view that the collection fund should remain in the new system to facilitate payments to preceptors and act as a buffer between forecast and actual rate retention.

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?
Members believe that the requirement for a balanced budget should remain. They ask that government understands, recognises and publicly acknowledges the necessity of maintaining prudent reserve levels under such a system.

One aspect of rate retention that must be addressed is the mismatch between the Safety Net (and Levy) calculations, and retained rates as recognised in the annual accounts.

The former is calculated and paid on an actual basis whilst the latter is calculated and recognised on an estimated basis. Over periods where actual rate income is higher than estimated rate income, this can result in an authority's net retained income being less than the 92.5% safety net. Possible resolutions to this are to:

- legislate for a Safety Net adjustment account that calculates the Safety Net based on accounting rate retention in the annual financial statements and defers the SN overestimate until the following year, or;

- allow the authority to take rate income into its accounts from the Collection Fund in the year earned, to the extent that this would rectify the safety net shortfall.

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?

SIGOMA members' main concern is the lack of time they have to complete NNDR1 and NNDR3 returns and the lengthy time period before the results of these are published.

Many of the recent changes to data collection are as a result of HM Treasury using business rates as a policy tool for passing on tax rebates. We acknowledge Government's right to subsidise whichever persons it sees fit but question the use of a complex rate relief system to do so and that one Department, local government, should bear the impact of these subsidy decisions. We therefore recommend the removal of SBRR and charitable reliefs from business rates.