

Technical Consultation on Business Rates Retention July 2012

Response Form

The Government would like your views on whether you agree with the options presented in the Technical Consultation on Business Rates Retention. This paper was published on the 17 July 2012, and can be found at the following address:

<http://www.local.communities.gov.uk/finance/brr/sumcon/index.htm>

For convenience, this preformatted response form contains all the questions in the main consultation document. Please click on the relevant check boxes to activate the 'X' that will indicate your preference. Space is available after each question if you wish to include any additional comments to support your choice. There is no limit on the size of these spaces and the boxes will resize themselves. We also welcome any additional comments and alternative proposals, and these can be made in the section available at the end.

All responses, whether using this preformatted response form, or otherwise should reach us by **5pm on 24 September 2012**.

We particularly welcome responses submitted electronically. Please e-mail responses to BRRtechnicalconsultation@communities.gsi.gov.uk

If you are not able to respond by e-mail, please post your response to

Andrew Lock
Settlement Distribution and Policy Team
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Alternatively, they may be faxed to 0303 4443294.

Confidentiality

All information in responses, including personal information, may be subject to publication or disclosure under freedom of information legislation. If a correspondent requests confidentiality, this cannot be guaranteed and will only be possible if considered appropriate under the legislation. Any such request should explain why confidentiality is necessary. Any automatic confidentiality disclaimer generated by your IT system will not be considered as such a request unless you specifically include a request, with an explanation, in the main text of your response.

I would like my response to remain confidential (please cross)

Please say why in the box below.

Business Rates Retention Consultation Response

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Section 2 – Establishing the start up funding allocation and baseline funding levels

Chapter 3: Local Government Spending Control Total

Q1: Do you agree with the methodology set out above for calculating the local government spending control total?

Agree

Disagree

Any further comments

We are concerned with the amount of deductions (New Homes Bonus, Safety Net & Capitalisation) that there will be less core funding available to meet local needs. Concern is also expressed over the rolled in grants and the effect this seems to have on baseline funding and could be 'lost' especially if there are further reductions in spending levels

Q2: Do you agree with the methodology set out above for calculating Revenue Support Grant?

Agree

Disagree

Any further comments

Protection for Authorities through floor damping is essential to reduce volatility

Chapter 4: Concessionary Travel

Q3: Do you agree with the proposed approach of updating the Concessionary Travel Relative Needs Formula to use modelled boardings data?

Agree

Disagree

Any further comments

As concessionary travel costs are based on estimates rather than actuals

Q4: Or, do you think it would be preferable to keep using the existing formula?

Agree

Disagree

Any further comments

As Q3

Chapter 5: Rural Services

Q5: Do you agree that we should increase the population sparsity weighting of super-sparse to sparse areas from 2:1 to 3:1 for non-police services?

Agree

Disagree

Any further comments

Sparsity factors are not sufficient to compensate rural authorities adequately for the additional costs they face so an increase in weighting is probably warranted. Agree in principal but would question the scale of the change and it is therefore essential for floor damping to continue

Q6: Do you agree that we should double the existing Older People's Personal Social Services (PSS) sparsity adjustment from 0.43% to 0.86%?

Agree

Disagree

Any further comments

Without the specific exemption for this Authority, the doubling of the adjustment seems too high. Further detail would be welcomed

Q7: Do you agree that the proportion of the Relative Needs Formula accounted for by the population sparsity indicator under the District Level Environmental, Protective and Cultural Services block should be increased from 3.7% to 5.5%?

Agree

Disagree

Any further comments

Again, this is a significant change in weighing and we would welcome further information

Q8: Should the County level Environmental, Protective and Cultural Services indicator be reinstated at 1.25%?

Agree

Disagree

Any further comments

There is not any real justification given for re-instating it

Q9: Do you agree that we should introduce a Fire & Rescue sparsity adjustment at 1%?

Agree

Disagree

Any further comments

It would dilute existing funding available for District Councils

Chapter 6: Taking account of Relative Needs and Relative Resources

Q10: Do you agree that we should restore the level of the Relative Resource Amount in 2013-14 to that for 2010-11?

Agree

Disagree

Any further comments

As the Relative Resource Amount is designed to ensure that more grant is allocated to those authorities with a low council tax base compared to other authorities

Q11: Do you agree that we should compensate for restoring the level of the Relative Resource Amount in 2013-14 to that for 2010-11 by increasing the level of the Central Allocation only?

Agree

Disagree

Any further comments

As Q10

Chapter 7: Grants Rolled In Using Tailored Distributions

Q12: Do you agree that we should continue to distribute funding for the Grants Rolled In Using Tailored Distributions according to the methodology used in 2012-13?

Agree

Disagree

Any further comments

We would however, go further and would rather grants be paid separately & identifiable rather than consolidated as they could lose their identity following future cuts

Chapter 8: Transfers and Adjustments

Q13: Do you agree that the October 2012 pupil census should be used in the final settlement for removing these services?

Agree

Disagree

Any further comments

No comment as County function / no exemplification provided

Q14: If not, what methodology would you prefer to use?

Preference

No comment

Q15: Do you agree with the proposed methodology for removing funding for the education services currently in the Local Authority Central Spend Equivalent Grant?

Agree

Disagree

Any further comments

No comment as County function / no exemplification provided

Q16: If not, what methodology would you prefer to use?

Preference

No comment

Q17: Do you agree that funding for Local Authority Central Spend Equivalent Grant should be removed after floor damping?

Agree

Disagree

Any further comments

No comment as County function / no exemplification provided

Q18: Do you agree with the proposed methodology for rolling in the 2011-12 Council Tax Freeze Grant?

Agree

Disagree

Any further comments

No, as this would be better if separately identified.

Q19: Do you agree with the proposed methodology for rolling in the Council Tax Support Grant?

Agree

Disagree

Any further comments

No, as this would be better if separately identified.

Q20: Do you agree with the proposed approach to continue to apply a damping floor to Early Intervention Grant allocations after the removal of the 2 year old funding and the top slice?

Agree

Disagree

Any further comments

No comment as County function / no exemplification provided

Q21: Do you agree with the proposed methodology for rolling in the Early Intervention Grant excluding funding for free early education for two years olds?

Agree

Disagree

Any further comments

No comment as County function / no exemplification provided

Q22: Do you agree with the proposed methodology for rolling in Greater London Authority General Grant?

Agree

Disagree

Any further comments

No comment as GLA function / no exemplification provided

Q23: Do you agree with the proposed methodology for rolling in a proportion of the Greater London Authority Transport Grant?

Agree

Disagree

Any further comments

No comment as GLA function / no exemplification provided

Q24: Do you agree with the proposed methodology for rolling in Homelessness Prevention Grant?

Agree

Disagree

Any further comments

We would rather see this as a separate allocation as currently

Q25: Do you agree with the proposed methodology for rolling in a proportion of the Lead Local Flood Authorities Grant?

Agree

Disagree

Any further comments

Separate allocations should be maintained

Q26: Do you agree with the proposed methodology for rolling in the Department of Health Learning Disability and Health Reform Grant?

Agree

Disagree

Any further comments

Separate allocations should be maintained.

Chapter 9: Population Data

Q27: Do you agree that the preferred population measure to use is the Interim 2011-based sub-national population projections?

Agree

Disagree

Any further comments

The most up to date information available should be used

Q28: Do you agree with the hierarchy of alternative datasets which would be used if there are problems with availability of any of the data?

Agree

Disagree

Any further comments

As above

Chapter 10: Taxbase data

Q29: Do you agree that we should use aim to use the council tax base projections as the council tax base measure in order to be consistent with our proposed approach to the population?

Agree

Disagree

Any further comments

The most up to date information available should be used

Q30: Do you agree that we should switch to the November 2012 council tax base data should population estimates have to be used?

Agree

Disagree

Any further comments

The most up to date information available should be used

Chapter 11: Other Data Indicators

Q31: Do you agree that we should use data from the Inter-Departmental Business Register in the Log of Weighted Bars indicator?

Agree

Disagree

Any further comments

No material impact

Chapter 12: Distribution of Revenue Support Grant

Q32: Do you agree with the proposed methodology for distributing Revenue Support Grant in 2014-15 by scaling the 2013-14 authority-level allocations of Revenue Support Grant to the level of the 2014-15 control total for services funded through the rates retention system?

Agree

Disagree

Any further comments

We do not agree with grants being rolled in and then reduced by scaling back in future years as existing demand for specific needs will continue - this method would dilute funding for these key areas

Chapter 13: Floor Damping

Q33: Do you agree with the proposed approach for calculating floor damping in 2013-14?

Agree

Disagree

Any further comments

Protection for Authorities through floor damping is essential to reduce volatility

Q34: Do you agree with the proposed approach for allocating floor damping bands in 2013-14?

Agree

Disagree

Any further comments

Protection for Authorities through floor damping is essential to reduce volatility

Q35: Do you agree with the proposed approach to splitting 2012-13 formula grant between the service tiers?

Agree

Disagree

Any further comments

No comment - No effect for Tamworth Borough Council

Q36: If not, what methodology do you think we should use?

Preference

No comment

Chapter 14: New Homes Bonus

Q37: Do you agree that the funding for capitalisation and the safety net should be held back from the surplus New Homes Bonus funding rather than as a separate top-slice?

Agree

Disagree

Any further comments

The amount of funding being retained is unjustified.

Q38: Do you agree that the remaining funding should be distributed back to local authorities prorata to the *start-up funding allocation*?

Agree

Disagree

Any further comments

While we do not agree with the top-slice levels, any funding remaining should be returned to local authorities on a needs basis

Q84: Would you prefer that (a) only sufficient funding to finance the New Homes Bonus in each year is removed, as well as funding for capitalisation and the safety net held back, rather than (b) the full £2 billion required for the entire period is removed, and the money held-back for capitalisation and the safety net is funded through the surplus, with the remainder of the surplus being paid back through section 31 grant in proportion to the start-up funding allocation?

Agree

Disagree

Any further comments

Option (a) is the only reasonable approach.

Chapter 15: Police Funding

Q39: Do you agree with the proposal for setting out the method of calculation of the 2013-14 formula grant element of police funding allocations in a separate document?

Agree

Disagree

Any further comments

No comment

Q40: Do you agree with the proposed methodology for funding local policing bodies in 2014-15?

Agree

Disagree

Any further comments

No comment

Section 3 – Setting up the business rates retention system

Chapter 2: Determining the estimated business rates aggregate

Q41: Do you agree with our proposal not to adjust the estimated business rates aggregate (England) to take into account transitional arrangements?

Agree

Disagree

Any further comments

This would seem the simplest approach

Q42: Do you agree with our proposal to adjust the estimated business rates aggregate (England) to take into account small business rate relief?

Agree

Disagree

Any further comments

It is essential to account for reliefs given

Q43: Do you agree with our proposal to adjust estimated business rates aggregate (England) to take into account mandatory reliefs in this way?

Agree

Disagree

Any further comments

It is essential to account for reliefs given

Q44: Do you agree with our proposal to adjust the estimated business rates aggregate (England) to take into account discretionary reliefs in this way?

Agree

Disagree

Any further comments

It is essential to account for reliefs given

Q45: Do you agree with our proposal to adjust the notional gross yield figure to take account of Enterprise Zones, New Development Deals and renewable energy schemes in this way?

Agree

Disagree

Any further comments

It is essential to account for these schemes

Q46: Do you agree with our proposal to adjust the notional gross yield figure to take account of costs and losses in collection in this way?

Agree

Disagree

Any further comments

Losses in collection are audited in the NNDR 3 forms

Q47: Do you agree with our proposal not to adjust the *estimated business rates aggregate (England)* to reflect the deferral scheme?

Agree

Disagree

Any further comments

This would seem a reasonable approach

Q48: Do you agree with our proposal to adjust the *estimated business rates aggregate (England)* to take into account losses on appeal in this way?

Agree

Disagree

Any further comments

It is important that the outcome of appeals are fully reflected in the calculations so that an authority's financial position is not affected

Chapter 3: Determining proportionate shares

Q49: Do you agree with our proposal to determine billing authorities' average contribution to the rating pool using *NNDR3* forms between 2007-08 and 2011-12 (subject to a number of adjustments)?

Agree

Disagree

Any further comments

It needs to reflect the current business rates position which has reduced significantly over the past 2 years

Q50: Do you agree with our proposal to adjust the incomes for 2007-08 to 2009-10 using a local revaluation factor calculated using the methodology set out?

Agree

Disagree

Any further comments

It needs to reflect the local position

Q51: Do you agree with our proposal not to make an adjustment in the five year average for inflation?

Agree

Disagree

Any further comments

It should affect every authority equitably

Q52: Do you agree with our proposal to make an adjustment to the contribution to the pool sum in respect of the transitional arrangements in this way?

Agree

Disagree

Any further comments

It seems simplest way

Q53: Do you agree with our proposal not to make a further adjustment to the contribution to the pool sum for either mandatory rate relief, or for the small business rate relief scheme when calculating the proportionate shares?

Agree

Disagree

Any further comments

There should be no local cost to the future granting of mandatory or small business rate relief as there is no discretion for authorities in awarding the relief. Entitlements are wholly determined by Government legislation, unlike discretionary rate relief. It may also potentially discourage some authorities from actively promoting the reliefs available

Q54: Do you agree with our proposal not to make a further adjustment to the contribution to the pool sum for reductions for empty property rates when calculating the proportionate shares?

Agree

Disagree

Any further comments

As there should be no material effect

Q55: Do you agree with our proposal not to make a further adjustment to the contribution to the pool sum for discretionary rate relief when calculating the proportionate shares?

Agree

Disagree

Any further comments

This would put a further burden on the Council and a disincentive to support the local economy / voluntary sector

Q56: Do you agree with our proposal not to make a further adjustment to the contribution to the pool sum for costs of collection when calculating the proportionate shares?

Agree

Disagree

Any further comments

The collection of business rates is likely to become more difficult given

the economic and other changes planned - additional costs are likely to be incurred in recovering debts

Q57: Do you agree with our proposal to make an adjustment to the contribution to the pool sum in respect of losses in collection in this way?

Agree

Disagree

Any further comments

The whole area of losses in collection remains a concern. The proposals come into force on 1 April 2013 and the economic picture at best remains unclear. There is clearly is a financial risk transfer to local government especially should a further economic decline occur and NNDR income falls. As this becomes a core element of local government funding, the sector's financial position would be vulnerable if the economic position deteriorates further. It is suggested that this area is kept under review as the ability of an authority to maintain, let alone increase, its base would be difficult and any safety net provisions would not be sustainable

Q58: Do you agree with our proposal to make an adjustment to the contribution to the pool sum in respect of deferral in this way?

Agree

Disagree

Any further comments

Q59: Do you agree with our proposal not to make a further adjustment to the contribution to the pool sum charges on property when calculating the proportionate shares?

Agree

Disagree

Any further comments

Not material

Q60: Do you agree with our proposal not to make a further adjustment to the contribution to the pool sum for prior year adjustments and interest on repayments when calculating the proportionate shares?

Agree

Disagree

Any further comments

As stated in response to Q 48, the effect of appeals and subsequent repayments, including interest, should not be to the detriment of local authorities

Chapter 4: Major precepting authority shares

Q61: Do you agree with our proposal to confirm the county share at 20% - less the percentage share that will be paid to single purpose fire authorities where the county does not carry out that function?

Agree

Disagree

Any further comments

Q62: Do you agree with our proposal to set the single purpose fire authority share at 2%?

Agree

Disagree

Any further comments

Q63: Do you agree that county councils carrying our fire and rescue functions should receive the full 20% county share?

Agree

Disagree

Any further comments

Q63A: Do you agree with the proposal that the London Boroughs should receive 60% of the billing authority business rates baseline, and that the Greater London Authority should receive the remaining 40%?

Agree

Disagree

Any further comments

Chapter 5: Treatment of City Offset and the City Premium

Q64: Do you agree with the Government's proposal to reflect the current arrangements for the City Offset by making an adjustment to the City of London's individual authority business rate baseline?

Agree

Disagree

Any further comments

No comment

Q65: Do you agree with the proposal to take account of the City Offset when calculating proportionate shares?

Agree

Disagree

Any further comments

No comment

Q66: Do you agree with the proposal to calculate the City of London's levy ratio by using its revised individual authority business rate baseline?

Agree

Disagree

Any further comments

No comment

Q67: Do you agree with the proposal to calculate the City of London's eligibility for the safety net by using its business rates income after the deduction of the City Offset?

Agree

Disagree

Any further comments

No comment

Q68: Do you agree that the City Premium should be disregarded in the definition of business rates income used in the rates retention scheme?

Agree

Disagree

Any further comments

No comment

Section 4 – The operation of the rates retention scheme

Chapter 2: Information Requirements

Q69: Do you agree with our proposals for information requirements before the start of the financial year?

Agree

Disagree

Any further comments

As current system

Q70: Do you agree with our proposals for information requirements at the end of the financial year?

Agree

Disagree

Any further comments

As current system

We have concern over any in-year changes such as large reductions in rateable value. Currently there is the NNDR2 process but the mechanism going forward is not clear within the consultation. As the Government share is now 50% there should be a means by which this can be achieved in-year to reduce the payments an authority makes

Chapter 3: Schedules of Payment

Q71: Do you agree with our proposals for the way in which a schedule of payment will operate for billing authorities?

Agree

Disagree

Any further comments

The current system seems to be fine but would have no real problem going to a monthly payment schedule (in arrears)

Q72: Do you agree with our proposals for the way in which a schedule of payment will operate for major precepting authorities?

Agree

Disagree

Any further comments

The current system seems to be fine but would have no real problem going to a monthly payment schedule (in arrears)

Q73: Do you agree with our proposals for the way in which a schedule of payment will operate between billing and relevant major precepting authorities?

Agree

Disagree

Any further comments

Chapter 5: Collection and general funds

Q74: Do you agree with our proposals for the operation of the *collection fund*?

Agree

Disagree

Any further comments

In line with current equitable council tax collection fund

Q75: And do you agree that the reconciliation payment due in respect of *transitional protection payments*, should be built in to the calculation of collection fund surpluses & deficits only once, when outturn figures are available?

Agree

Disagree

Any further comments

Q76: Do you agree with our description of the way in which the general fund will operate?

Agree

Disagree

Any further comments

In line with current equitable council tax collection fund

Chapter 6: The safety net and the levy

Q77: Bearing in mind the need to balance protection, incentive and affordability, and the associated impact on the amount of contingency that will need to be held back, in the early years where, within the range 7.5% - 10%, should the safety net threshold be set?

Agree

Disagree

Any further comments

7.5% is still a high figure for an authority to absorb and this should be at the upper end. A figure between the range of 2.5 - 5% would be more sustainable in terms of ensuring local government financing and would still have a material effect on local funding

Q78: Bearing in mind the need to balance protection, incentive and affordability, and the associated impact on the amount of contingency that will need to be held back, do you agree with the Government's proposal to set the levy ratio at 1:1?

Agree

Disagree

Any further comments

In light of costs to promote growth, there may be a position of less incentive to promote growth locally when the returns to the District Council are very restrictive. This has a disproportionate impact on a small District Council with low grant / taxbase

Q79: Do you agree with the approach set out in paragraphs [16 to 19] for defining a billing authority's net retained rates income for the purposes of the levy and safety net calculations?

Agree

Disagree

Any further comments

Q80: Do you agree with the approach set out in paragraphs [20 to 22] for defining a major precepting authority's net retained rates income for the purposes of the levy and safety net calculations?

Agree

Disagree

Any further comments

Any further comments

Q81: Do you agree with the approach set out in paragraphs [23 to 28] for safety net calculations and payments?

Agree

Disagree

Any further comments

Q82: Do you agree with the approach set out in paragraphs [29 to 32] for levy calculations and payments?

Agree

Disagree

Any further comments

In light of costs to promote growth, there may be a position of less incentive to promote growth locally when the returns to the District Council are very restrictive. This has a disproportionate impact on a small District Council with low grant / taxbase

Section 5: Reconciliation payments in respect of financial year 2012/13

Q83: Do you agree with our proposals for closing the 2012-13 national non domestic rating account?

Agree

Disagree

Any further comments

Similar to current system

Any Other Comments

Do you have any alternative proposals?

It would appear that the benefits of the new system and complexity of the changes outweigh the limited benefits for District Council on the basis that large increases in growth would be top sliced centrally and not benefit the local area. This should be reviewed to allow further retained investment in local growth.

Do you have any other comments?

Thank you for completing this response form.