

## TELFORD & WREKIN COUNCIL

CABINET – 20 OCTOBER 2011

### LOCAL GOVERNMENT RESOURCES REVIEW : PROPOSALS FOR BUSINESS RATES RETENTION

#### REPORT OF THE HEAD OF FINANCE

#### PART A) SUMMARY REPORT

- 1.1 The Government is consulting on proposals for a scheme of business rate retention which will replace the current system of local government finance.
- 1.2 The Business Rate Retention Scheme will operate from 2013/14 onwards and is designed to provide strong incentives for local economic growth.
- 1.3 The scheme will operate within the expenditure control totals for 2013/14 and 2014/15 which were set out in the Spending Review 2010.
- 1.4 The proposal includes a number of components which are complex and inter-linked: **setting a baseline** using the 2012/13 formula grant as a reference point; **applying tariffs and top-ups** to establish a fair starting point (whereby authorities who currently collect more business rates than they receive in Formula Grant will pay a tariff and those who collect less business rates than they receive will receive a top up); **charging levies** for disproportionate growth and having **a safety net mechanism** to ensure no marked year on year fluctuations in resources. There are also proposals to deal with **business rates revaluations** and the ability to **re-set** the whole system (if needed).
- 1.5 The consultation documents consist of a proposal document with 33 questions supplemented by eight technical papers containing a further 63 questions. Consultation ends on the 24<sup>th</sup> October after which responses will be reviewed and final decisions on a rates retention model will be announced.

In summary our responses include:

- The importance of data being updated when the baseline is constructed, particularly population data which is a key driver in the needs assessment.
- The need to use 2012/13 formula grant **before** damping as a true reflection of the needs of an area.
- Agreement in principle to adjustments for funding New Homes Bonus scheme and to fund Police and Single purpose fire and rescue authorities
- Agreement that new burdens should be funded by way of specific grants

- Supporting the use of an average to determine a billing authority's business rate yield, as opposed to a "spot" figure.
- Comment that the levy needs to be set at a level which retains the incentive impact required
- Year end reconciliations could be an administrative burden to local authorities
- Acknowledgement that the system will need to be re-set periodically to ensure it aligns with needs.

The detailed responses to the consultation are shown in Appendix 1.

## **2.0 RECOMMENDATIONS**

**2.1 That Members approve the consultation responses shown in Appendix 1.**

## **3.0 SUMMARY IMPACT ASSESSMENT**

<b>COMMUNITY IMPACT</b>	Do these proposals contribute to specific Priority Plan objective(s)?	
	Yes	Funding underpins the delivery of all Priority Plan objectives.
	No	
<b>TARGET COMPLETION/DELIVERY DATE</b>	24 October 2011.	
<b>FINANCIAL/VALUE FOR MONEY IMPACT</b>	Yes	The financial impacts are detailed throughout the report.
<b>LEGAL ISSUES</b>	No	
<b>OTHER IMPACTS, RISKS &amp; OPPORTUNITIES</b>	No	
<b>IMPACT ON SPECIFIC WARDS</b>	No	<i>Borough Wide</i>

## **4.0 PREVIOUS MINUTES**

None

## 5.0 PART B) ADDITIONAL INFORMATION

### 5.1 BACKGROUND

- 5.2 The Government published a consultation document *Local Government Resource Review: Proposals for Business Rates Retention* in July 2011 which seeks views on changes to the way local government is funded by introducing retention of business rates.

The Business Rates Retention Scheme will operate from 2013/14 onwards and will replace the current system of local government finance. It is designed to provide strong incentives for local economic growth and move towards local decision making.

The consultation deadline is the 24<sup>th</sup> October 2011 after which responses will be reviewed and final decisions on a rates retention model will be announced.

## 6.0 THE CURRENT SYSTEM

- 6.1 There are currently three main sources of income for Local Authorities: grants from central government, council tax, and locally generated income (such as sales, fees and charges for services). Central Government grants fall into two categories: specific grants and formula grant. Formula Grant is distributed to local authorities based on an assessment of the resources needed to provide services determined through a complex formula and individual allocations are announced annually in the Local Government Finance Settlement. Formula Grant comprises funding from central government, called Revenue Support Grant, and re-distributed business rates (local authorities currently collect business rates on behalf of central government and pay these into a central pool which is then re-distributed as part of Formula Grant).
- 6.2 In 2011/12 Telford & Wrekin is projecting to collect £62.9m business rates which will be paid into the national pool and will receive £54.1m back through Formula Grant.
- 6.3 There are approximately 1.7m properties liable for business rates in England. Each property has a rateable value which is assessed by the Valuation Office Agency with the business rates due being : **rateable value x national multiplier** (currently 43.3p in England). The multiplier is increased each year by Retail Price Index. Every 5 years there is a revaluation to ensure a property's rateable value reflects changes in the property market. The multiplier is adjusted after each revaluation so that the total yield remains the same in real terms, before and after the revaluation. There are a number of reliefs applicable, for example to charities and small businesses.
- 6.4 The Government is not proposing any changes to the way that properties are valued or how business rate levels are set. The focus of the proposals

is on the distribution of business rates revenues – therefore businesses will see no difference to the way business rates are set or how they pay them; also rate setting powers will remain under the control of central government and the revaluation process will be unchanged.

## **7.0 THE PROPOSED BUSINESS RATES RETENTION SCHEME**

7.1 The proposed rates retention scheme is designed to

- ensure a fair starting point for all local authorities
- deliver a strong growth incentive where authorities benefit from increases in their business growth
- include a check on any disproportionate benefits
- be sufficiently stable
- have the ability to reset in the future to ensure levels of need are met

### **7.2 Spending Review 2010**

The Business Rates Retention Scheme will operate within the expenditure limits for 2013/14 and 2014/15 set out in the 2010 Spending Review. It is expected that business rates collected in England will be greater than those anticipated in the Spending Review for 13/14 and 14/15 – any excess will be set aside and directed to local government through other grants (see set aside below).

7.3 There are seven key components of the proposed scheme:

- (i) Setting the Baseline
- (ii) Tariffs and Top Ups
- (iii) Incentive
- (iv) Levies & Safety Nets
- (v) Adjusting for Revaluation
- (vi) Re-setting the System
- (vii) Pooling

#### **(i) Setting the Baseline**

- To establish a fair starting point for all local authorities

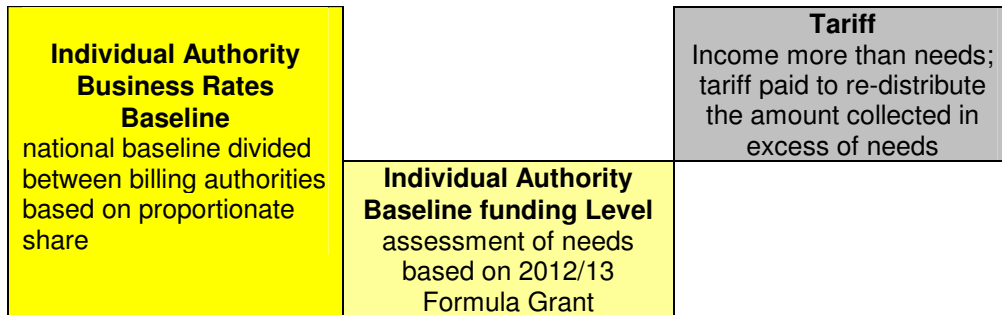
- The **National Business Rates Baseline** is the amount remaining after set aside and adjustments which will be distributed to all Local Authorities. This is summarised in the table below.

Total Forecast National Business Rates	<b>Set Aside</b>
	the difference between the forecast national yield and the control totals announced in 2010 Spending Review. All billing authorities will contribute to the set aside based on a proportionate share.
	<b>Difference between 13/14 and 14/15 spending review control totals</b> Returned to Local authorities in 13/14 via a specific grant
	<b>Adjustments</b> to fund New Homes Bonus, Police Authorities, Single Purpose Fire Authorities and changes to LA functions and responsibilities. All billing authorities will contribute based on a proportionate share.
<b>National Business Rates Baseline</b> the balance after set aside, the 13/14 specific grant and adjustments.	

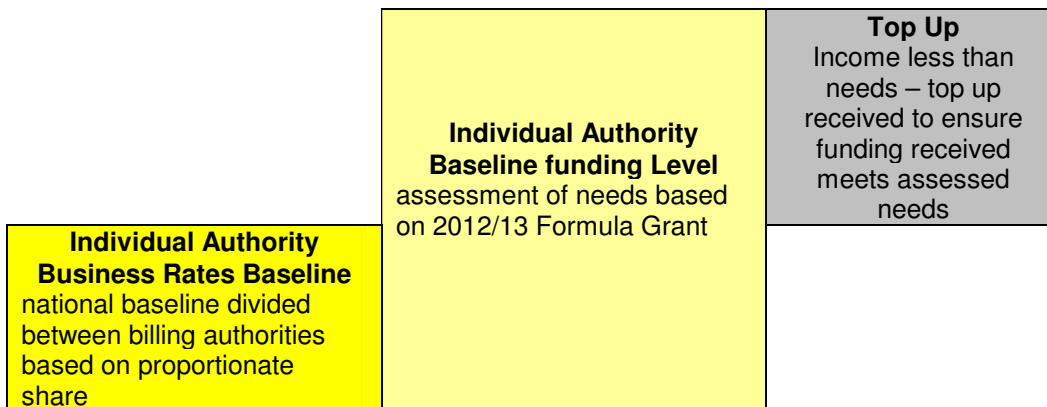
(ii) **Tariffs & Top Ups**

- Local Authorities currently collect business rates in their area which is paid into a central pool and then re-distributed through Formula Grant. Some authorities collect and pay more into the central pool than they get back in Formula Grant; others get more back than they collect and pay in. Therefore a degree of re-balancing is needed at the beginning of a new scheme to ensure resources are distributed fairly to meet service delivery needs on a national basis.
- Re-balancing will be at the outset of the scheme and will compare the amount of funding an authority needs with the business rates it collects. The assessment of the amount of funding an authority needs will be its **baseline funding level** and will be based on 2012/13 formula grant (the proposal is after damping).
- **Tariffs** and **Top Ups** will be the tools used to re-balance the distribution of resources and will be self funding at a national level.

- **Tariffs** – If an authority’s business rate income is more than its baseline funding level (needs based on the current formula grant) then the authority will pay back the excess by way of a Tariff.



- **Top Ups** - If an authority’s business rate income is less than its baseline funding level (needs based on the current of formula grant) then the authority will retain all of its business rates income and in addition will receive a top up amount.



(iii) **Incentive**

- Local Authorities will be able to retain a significant proportion of increases in their business rates, providing a strong incentive for growth and a corresponding disincentive for falling rates bases. There is also an incentive for effective billing and collection functions.
- There will be no cap on the amount of business rates growth an authority can benefit from.

(iv) **Levies & Safety Nets**

- Authorities with a high business rate taxbase could see disproportionate financial gains. To manage this it is proposed that the Government will collect a levy recouping a share of the disproportionate benefit
- The levy would be used to manage unforeseen negative volatility in the scheme by providing a Safety net for authorities whose business rates income falls, either temporarily or permanently.

(v) **Adjusting for Revaluation**

- Revaluation takes place every 5 years when the Valuation Office Agency re-assesses all business properties and gives them new rateable values. The overall business rates yield is capped at RPI meaning that the tax charge is re-distributed across England. This means that revaluations could result in significant volatility to Local Authority budgets in the proposed system. To avoid this it is proposed that the tariff or top up is adjusted at revaluation.
- Transitional relief protects rate payers from large increases at the five yearly revaluation – phasing in increases and decreases over a period of time. The proposal excludes transitional relief and so local authorities will not be exposed to the costs of surpluses arising from a transitional relief scheme.

(vi) **Re-Setting the System**

- There will be a mechanism to re-set the system if it is felt that over time resources diverge away from core service pressures/needs, for example because of population needs.
- The proposal also acknowledges the need to take into account new burdens placed on Local authorities and puts forward options on how this could be achieved, for example by departments giving additional Section 31 grants to local authorities to meet the costs of any new burdens.

(vii) **Pooling**

- The proposal gives the option for local authorities to voluntarily form a 'pool'. The pool would have a single tariff or top up, a single levy and would allow local collaboration.

## 8.0 **CONSULTATION QUESTIONS AND RESPONSES**

8.1 The main consultation document has 33 questions and there are a further 63 questions in the eight supporting technical papers. In summary our responses include:

- The importance of data being updated when the baseline is constructed, particularly population data which is a key driver in the needs assessment.
- The need to use 2012/13 formula grant **before** damping as a true reflection of the needs of an area.
- Agreement in principle to adjustments for funding New Homes Bonus scheme and to fund Police and Single purpose fire and rescue authorities
- Agreement that new burdens should be funded by way of specific grants
- Supporting the use of an average to determine a billing authority's business rate yield, as opposed to a "spot" figure.
- Comment that the levy needs to be set at a level which retains the incentive impact required

- Year end reconciliations could be an administrative burden to local authorities
- Acknowledgement that the system will need to be re-set periodically to ensure it aligns with needs.

8.2 Detailed responses are shown in Appendix 1.

## **9.0 BACKGROUND PAPERS**

CLG Local Government Resources Review – Consultation Document

Report Prepared by: Pauline Harris, Finance Manager, 01952 383701  
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### CONSULTATION QUESTIONS & PROPOSED RESPONSES

<b>Setting the Baseline</b>	
Q1	What do you think that the Government should consider in setting the baseline?
A1	Baseline's are to be set using the forecast national business rates for 2013/14 and 2014/15 and authorities will only benefit if business rates exceed the forecast level; therefore Local Authorities will not benefit from the growth already included in forecast rates – this could be seen as a disincentive and should be reconsidered as a starting point.
Q2	Do you agree with the proposal to use 2012/13 formula grant as the basis for constructing the baseline? If so, which of the two options at paragraphs 3.13 and 3.14 do you prefer and why?
A2	3.14 is preferred but with changes limited to updating data only (specifically population, which is a key driver).
TP1-1	Do you agree with the proposed approach to calculating the amount of business rates to be set aside to fund other grants to local government? If not, what alternative do you suggest and why?
	Yes – however it is important that the difference between the 13/14 and 14/15 SR Totals is transparently given back to Local Authorities in 13/14.
TP1-2	Do you agree with the proposed approach for making an adjustment to fund New Homes Bonus payments, and for returning any surplus to local authorities in proportion to their baseline funding levels?
	In principle yes. However given that in the early years of the scheme the adjustment will remove significantly more money than is actually required it is important that the Government's estimate of the surplus and "refunds" to individual Local Authorities is timely so it can be included in budget setting.
TP1-3	Do you agree with the proposed approach for making an adjustment in the event of any functions being transferred to or from local authorities?
	In principle yes. However as above, where functions are being transferred from local authorities, there is the danger of too much being removed at the outset which would impact on budget setting.
TP1-4	Do you agree with the proposed approach for making an adjustment to fund police authorities and potentially also single purpose fire and rescue authorities?
	Yes
TP1-5	Do you agree with the proposed approach for ensuring that no authority loses out in 2013/14 as a result of managing the business rates retention system within the 2014/15 expenditure control total?
	Yes – calculations relating to the 13/14 adjustment need to be transparent.
TP1-6	Do you agree that we should use 2012/13 formula grant after floor damping as the basis for establishing authorities'

	baseline funding levels? If not, why?
	Formula grant is the calculation which reflects the needs of a local authority and damping is a mechanism for smoothing out year on year changes, therefore we believe that baseline funding levels should be established before floor damping as this is the best reflection of actual needs in an area and the damping adjustment is a separate mechanism which was part of the old methodology.
TP1-7	Do you agree that we should use 2012/13 allocations as the base position for floor damping in calculating the 2013/14 formula grant equivalent; and use the 2013/14 formula grant equivalent as the base position for floor damping in calculating individual authority's baseline funding levels?
	As above, we do not agree that damping should be applied. If it is we accept the proposed calculations above.
TP1-8	If not, which years should be used as the base position for floor damping in each of these calculations, and why.
	N/A
TP1-9	N/A
TP1-10	N/A
TP1-11	If option two is implemented, do you think we should update none, some or all data sets used in the formula grant calculations? If you think some should be updated, which ones and why?
	It is important that any new system uses the most up to date and accurate information available, therefore we believe that data should be updated, particularly population data which is a key driver in the current formula.
TP1-12	If option two is implemented, do you think we should review the formula for none, some or all of the grants rolled in using tailored distributions? If you think the formula should be reviewed for some of these grants, which ones and why?
	The use of a tailored distribution method was to ensure that distribution matched needs for the specific grants which fall in this category. Therefore it seems sensible to retain the tailored approach.
TP1-13	If option two is implemented, do you think we should review the relative needs formula for concessionary travel?
XXX	Comment requested from Julia.
TP1-14	Do you think we should review any of the other relative needs formula? If so which ones and why?
	No.
TP1-15	If option two is implemented, do you think we should alter the balance between service demands and resources; and if so, how?
	In the current financial climate it would be prudent to reduce the relative resource adjustment as the economic

	conditions affect council tax collection levels.
TP1-16	Do you agree with the proposed approach for establishing levels of funding for police authorities, and potentially also single purpose fire and rescue authorities, in 2013 and 2014/15.
	Yes
TP1-17	Do you agree with the proposed approach for funding new burdens within the business rates scheme? If not, why?
	Yes – payment by grant will be transparent and clear.
TP1-18	Do you agree with the proposed approach for dealing with boundary changes and mergers? If not, what alternative would you propose and why?
	Yes – we agree it is a logical approach.
TP1-19	Do you agree with the proposals on the future of Revenue Support Grant?
	Yes
TP2-1	In the absence of billing authority estimates for 2013/14 and 2014/15, do you agree with the Government's proposals for setting the forecast national business rates?
	The proposals sound reasonable. Consideration should also be given to the changing position over a number of years as shown in the NNDR 3 statistical return, rather than the sole use of the NDR3 form for 2012/13.
TP2-2	Do you agree with the proposed basis on which proportionate shares would be calculated?
	Chapter 4 of the paper covers the allowable deductions from the gross yield in order to calculate the proportionate share. It would be entirely reasonable for an allowance to be made for losses in collection for bad debts. A billing authority maximises business rate collection, but in cases of liquidation or insolvency has no option but to write off the debts. As this is outside of the Billing authority's control, it would be reasonable for an allowance to be made for this.
TP2-3	Which of the options – "spot" or "average" do you believe would be the fairest means of determining each billing authority's business rate yield, upon which proportionate shares would be based?
	It is recognised that NDR1 returns are not accurate and do not usually reflect the outturn figures as provided in the NDR3 return. A spot check would therefore similarly be inaccurate. An average based on data from the previous 2 years is a more realistic measurement, although business rates can tend to fluctuate from one year to the next, particularly if a number of larger businesses move in to or out of the area, or go into insolvency.
TP2-4	Do you agree with the allowable deductions the Government proposes to make to each billing authority's business rates yield, to reflect differences in the local costs of items such as reliefs, in establishing proportionate shares?
	As per the answer to question 2: It would be entirely reasonable for an allowance to be made for losses in collection for bad debts. A billing authority maximises business rate collection, but in cases of liquidation or insolvency has no option

	<p>but to write off the debts. As this is outside of the Billing authority's control, it would be reasonable for an allowance to be made for this.</p> <p>With regard to Hardship relief, it is rare for a billing authority to award this relief. Apportioning a deduction based on national spend is therefore likely to result in a small allowable deduction per billing authority and result in a billing authority being unable to fund assistance for businesses where hardship relief may be applicable.</p> <p>Fixing the allowable deductions may result in close monitoring of the award of relief and the possibility that discretionary relief are not awarded where the expenditure would exceed the allowable deduction which has been made.</p>
TP3 - 1	Of the two options outlined for determining a county council's share of a billing authority's business rates baseline (pre-tier split), which do you prefer?
	N/A
TP3 – 2	Do you agree that Police authorities should receive a fixed funding allocations in 2013/14 and 2014/15 through an adjustment to the forecast national business rates?
	Yes
TP3-3	N/A
TP3-4	N/A
TP4-1	Do you agree with the proposed approach for administering billing authorities payments to central government?
	Yes – a clear timetable of payments will be key
TP4-2	Do you agree with the proposed approach for administering billing authorities payments to non-billing authorities?
	N/A
TP4-3	Do you agree with the proposals for year end reconciliations?
	Yes, although this could be an administrative burden for authorities.
TP4-4	Do you agree that there should be a process for amending payments to non-billing authorities to reflect in-year changes, similar to the current NNDR2 returns.
	N/A
TP4-5	If there is a process for amending payments schedules, do you think changes should be possible at fixed points throughout the year? How frequently should changes be possible?
	Quarterly
TP4-6	Alternatively, do you think changes should only be possible if triggered by significant changes in business rates forecasts? What do you think should constitute a significant change?

	Ideally changes should be reflected regularly; there is the danger of introducing an element of judgement if a definition of “significant” change is introduced.
TP4-7	Do you agree with the proposed approach for administering payments to and from non-billing authorities?
	N/A
TP4-8	Do you agree with the proposed approach for establishing liability for the levy and eligibility for support from the safety net on the basis of an authority’s pre-levy rates income?
	Yes, as long as the calculation for working out the levy is transparent and fair.
<b>Setting the tariffs and tops ups</b>	
Q3	Do you agree with this proposed component of tariff and top up amounts as a way of re-balancing the system in year 1?
A3	Yes in principle. It is important that the calculation of baseline funding is clear and transparent.
Q4	Which option for setting the fixed tariff and top up amounts do you prefer and why?
A4	Fixing tariffs and top ups to the year one cash amount and not uprate by RPI
TP5-1	Should tariffs and top ups be index-linked or should they be fixed in cash terms?
	Fixed in cash terms
TP5-2	Do you agree that a pool’s tariff, or top up, should be the aggregate of the tariffs and top ups of its members?
	Yes
<b>The Incentive Effect</b>	
Q5	Do you agree that the incentive effect would work as described?
A5	Whilst work can be undertaken to encourage new businesses into the area, some businesses are struggling in the current financial climate, and the local authority is limited in its ability to assist financially. The legislation does not prevent companies from building up large debts over a number of creditors (including the local authority), going into liquidation and then re-establishing themselves under a different trading name from the following day. These businesses are effectively undertaking exactly the same business, in the same premises, in the same way. A local authority is powerless against such activity and regardless of promptness and effectiveness of billing and collection, the business rates will remain unpaid.
<b>A levy Recouping a share of disproportionate benefit</b>	
Q6	Do you agree with our proposal for a levy on disproportionate benefit, and why?
A6	Yes in principle. The definition and calculation of disproportionate benefit needs to be clear.

Q7	Which option for calculating the levy do you prefer and why?
A7	Proportionate seems to most equitable method.
Q8	What preferences do you have for the size of the levy?
A8	The levy needs to be set at a level which retains incentive.
TP5-3	Do you agree that the levy should apply to change in pre-levy income measured against the authority's baseline funding level?
	Yes
TP5-4	The main consultation document seeks views on which option for calculating the levy you prefer (flat rate, banded or proportional) and why. What are your views about the levy rate that should be applied if a flat rate levy is adopted.
	Proportional.
TP5-5	If a banded levy is adopted, should the bands be set on the basis of an authority's gearing, or on some other basis, how many bands should there be and what levy rates should be applied to each band
	We do not think that a banded system is appropriate and therefore if a banded system is used there should be a large number of bands to minimise risk i.e. cliff edges between bands.
TP5-6	Under a proportional scheme, what is your view of the levy ratio that should be applied?
	The levy ratio should be set so that there is sufficient incentive retained in the scheme
TP5-7	Do you agree that pools of authority should be set a lower levy rate, or more favourable levy ratio than would have been the case if worked out on the aggregate of the pool members levy?
	No – this would be unfair on other individual authorities who are not in a position to form a pool.
TP5-8	Do you agree that safety net payments should be triggered by changes in an authority's retained income?
	Yes
TP5-9	The main consultation document seeks views on whether there should be a safety net for annual changes in pre-levy income. If so, what percentage change in annual income do you think that authorities could reasonably be expected to manage before the safety net kicked in?
	This should be linked to a percentage of an authority's usable reserves
TP5-10	The main consultation document also seeks views on whether there should be a safety net against absolute falls in

	income below an authority's baseline funding levels. If so, what percentage below baseline should the safety net kick in ?
	As Above – this should be linked to a percentage of an authority's usable reserves.
TP5 -11	Do you think that for the purposes of the baseline safety net, the baseline should be annually updated by RPI or not?
	Yes
TP5 -12	Do you think that the safety nets should provide an absolute guarantee of support, or should financial assistance be scaled back if there is insufficient funding in the levy pot?
	Scaled back.
TP5- 13	Should safety net support be paid in year, or after year-end?
	In Year
TP5-14	Do you agree that pools should be treated as single bodies.?
	Yes
Q9	Do you agree with this approach to deliver the Renewable Energy Commitment?
A9	Care would need to be taken to ensure that disproportionate benefit is not allowed in rural and coastal areas rather than in urban areas where the scope for such schemes is limited.
Q10	Do you agree that the levy pot should fund a safety net to protect local authorities: (i) whose funding falls by more than a fixed percentage compared with the previous year (protection from large year to year changes); or (ii) whose funding falls by more than a fixed percentage below their baseline position (the rates income floor)?
A10	Yes – option i
Q11	What should be the balance between offering strong protections and strongly incentivising growth?
A11	Security /protection is of more importance than incentivising growth.
Q12	Which of the options for using any additional levy proceeds, above those required to fund the safety net, are you attracted to and why?

A12	re-distributing the pot to all local authorities in proportion to their baseline; and holding back money in higher growth years to ensure sufficient funding for the safety net in lower growth years.
Q13	Are there any other ways you think we should consider using the levy proceeds?
A13	Re-distribute back to those authorities who paid a levy
<b>Adjusting for Revaluation</b>	
Q14	Do you agree with the proposal to readjust the tariff and top up of each authority at each revaluation to maintain the incentive to promote physical growth and manage volatility in budgets?
A14	Yes this is a fair approach and ensures that funding is not skewed by changes to the rates system.
Q15	Do you agree with this overall approach to managing transitional relief?
	Yes.
TP7-1	Do you agree that tariffs and top ups should be adjusted at a revaluation to ensure that authorities retained income is, so far as possible, unaffected by the impact of the revaluation?
	Yes
TP7-2	Do you agree that, having made an adjustment to tariffs and top ups, there should be no further adjustments to reflect subsequent appeals against the rating list
	No. Large adjustments as a result of an appeal can make a significant difference and might need to be reflected in-year. For example we have had 2 appeals on rateable value for properties in the area which have resulted in refunds of millions of pounds. It would be unreasonable for the billing authority to meet this cost in isolation.
TP7-3	Do you agree that transitional relief should be taken outside the main business rates retention scheme?
	Yes, as the authority has no control on revaluation or transitional relief. However, monitoring of transitional relief does not take place on a regular basis at the current time, and this would need to be undertaken to analyse business rate collection without transitional relief.
TP7-4	Do you agree with the Government's proposal for a system of transitional adjustments
	Yes, although as covered in question 2, monitoring of transitional relief does not take place on a regular basis at the current time, and this would need to be undertaken to analyse business rate collection without transitional relief.
TP7-5	Do you agree that any deficit on transitional adjustments should be charged to the levy pot?
	Yes, as the billing authority has no control over re-valuation or transitional relief.
<b>Resetting the system</b>	

Q16	Do you agree that the system should include the capacity to reset tariff and top up levels for changing levels of service need over time?
A16	Yes - the system needs to recognise that local authorities needs will change in different proportions to business rate growth.
Q17	Should the timings of reset be fixed or subject to government decision?
A17	Fixed to allow planning.
Q18	If Fixed, what timescale do you think is appropriate?
A18	5 years – linked to revaluation.
Q19	What are the advantages and disadvantage of both partial and full resets? Which do you prefer?
A19	It is more important to recognise changing needs at reset and ensure the assessment of needs is updated and accurate.
Q20	Do you agree that we should retain flexibility on whether a reset involves a new basis for assessing need?
A20	Yes.
<b>Pooling</b>	
Q21	Do you agree that pooling should be subject to the three criteria listed at paragraph 3.5 and why?
A21	Yes
Q22	What assurances on workability and governance should be required?
A22	Written agreement/ terms of reference
Q23	How should pooling in two tier areas be managed? Should districts be permitted to form pools outside their county area subject to the consent of the county or should there be a fourth criterion stating that there should always be alignment?
A23	N/A
Q24	Should there be further incentives for groups of authorities forming pools and if so, what would form the most effective incentive?
A24	No, this would be unfair to authorities who were not part of a pool.
<b>Impact on Non-billing Authorities</b>	
Q25	Do you agree with these approaches to non-billing authorities?
A25	Yes

Interactions with existing policies and commitments	
<b>New Homes Bonus</b>	
Q26	Do you agree this overall approach to funding the New Homes Bonus within the rates retention system?
A26	Yes – it is important that SR control totals used include New Homes Bonus funding otherwise this will penalise Local Authorities.
Q27	What do you think the mechanism for refunding surplus funding to local government should be?
A27	Acceptable – however local authorities will need to know details of the surplus to be refunded on a timely basis so it can be included in budget setting.
<b>Business Rates Relief</b>	
Q28	Do you agree that the current system of business rates reliefs should be maintained?
A28	Yes; there are always cases where the specific circumstances of the ratepayer mean that a rate relief may be applicable and treated differently to other accounts. We note that a technical paper will be issued with further details
<b>Supporting local economic growth through new instruments</b>	
Q29	Which approach to Tax Increment Financing do you prefer and why?
A29	Option two as there is more certainty on receiving projected revenues.
Q30	Which approach do you consider will enable local authorities and developers to take maximum advantage of Tax incremental financing?
A30	Option 2.
Q31	Would the risks to revenues from the levy and reset in option 1 limit the appetite fro authorities to securitise growth revenues?
A31	Yes.
Q32	Do you agree that pooling could mitigate this risk?
A32	
Q33	Do you agree that central government would need to limit the numbers of projects in option 2? How best might this work in practice?
A33	Yes because of the impact on the levy pot.
TP6-1	Do you agree that some financial assistance should be provided to authorities for the effects of volatility?

	Yes
TP6-2	Of the options set out in the paper, which would you prefer? Do you agree with the Government's analysis that a safety net, instead of an events-based, or application-based approach offers the best way of managing volatility?
	Safety Net approach preferred as events based is too judgemental
TP8-1	Do you agree that the generation of power from renewable energy technologies listed above should qualify as renewable energy projects for the purposes of the business rates retention scheme?
TP8-2	Do you agree that establishing a baseline of business rate income from existing renewable energy projects against which growth can be measured is the most effective mechanism for capturing growth. If not, what alternative approach would you recommend and why?
TP8-3	Do you agree with the proposal to define "renewable energy projects" using as a basis the definition in previous business rates statutory instruments
TP8-4	Do you agree with the proposal for identifying qualifying business rates income from new renewable energy technologies installed on existing premises?
TP8-5	Do you agree with the proposal that the business rates income from Energy from Waste plants that qualify as being from renewable energy project should be determined by the Valuation Office Agency apportioning the rateable value attributable to renewable energy generation? If not, what would you propose and why?
TP8-6	Do you agree with the proposal that the billing authority should be responsible for determining which properties qualify as a renewable energy project
TP8-7	Do you agree that the revenues from renewable energy projects should be retained in two tier areas, by the local planning authority or do you consider that the lower tier authority should receive 80% of the business rates revenue and the upper tier 20%