



Local Government Resource Review Proposals for Business Rates Retention Response from District Councils' Network Response to Questions

Chapter 3: A scheme for rate retention

Component 1: Setting the baseline

Q1: What do you think that the Government should consider in setting the baseline?

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?

National Business Rate – the forecast baseline must be calculated in a fair and transparent way. The assumptions for 'in built' growth must be realistic, otherwise local authorities will face a disincentive to promote growth if they think that they will not receive a fair starting point and, therefore, a fair 'reward' for their efforts.

Individual local Authority Baseline – in addition to the above, the method 'proportionate shares' must be fair.

Grant Baseline – it seems reasonable to use the 2012/13 formula grant as a starting point; for simplicity the first option seems appropriate. Having said that, we would argue that there is an opportunity from the onset of the system to remove the artificial funding positions that local authorities have found themselves in as a result of the floors and scaling factors being applied – some of the estimated treasury set-aside could be used to remove these artificial barriers whilst not financially disadvantaging any individual local authority, this would help the system start from a more appropriate baseline position.

Component 2: Setting the tariffs and top ups

Q3: Do you agree with this proposed component of tariff and top up amounts as a way of re-balancing the system in year one?

Q4: Which option for setting the fixed tariff and top up amounts do you prefer and why

The tariff and top-up approach seems a reasonable concept from which to build the system. The option whereby tariff and top-ups are annually up rated for RPI is the preferred approach.

Component 3: The incentive effect

Q5: Do you agree that the incentive effect would work as described?

For the incentive effect to operate effectively, it must incentivise and reward those authorities which can help generate business growth.

Therefore, the greatest proportion of any retained share from the increased business rate base must remain with the local authority which has played the biggest role in generating it – to achieve this the ‘proportionate shares’ advocated to allocate the business rate baseline is not the most appropriate basis on which to design any reward mechanism.

The Incentive must adequately reward local authorities whose decisions have resulted in the growth happening. We are concerned that there is a genuine danger of a ‘double dilution’ occurring at any level of local government in that the proceeds of growth are effectively damped firstly by the set-aside and secondly by the operation of a levy. At District level there is a danger of ‘triple dilution’ when the issue of the tier split is also considered. We feel that it is important that a fair and adequate proportion of any ‘growth’ ends up with the local authority responsible for stimulating / delivering it. We also feel very strongly that the incentive should not be removed at some future point through a full re-set of the system, if re-sets are deemed necessary they should still allow local authorities to benefit from the decisions that they have already made.

If the incentives are powerful enough (and paid to the correct organisation) there is no reason why, over time, the incentive effect shouldn’t prove effective.

Component 4: A levy recouping a share of disproportionate benefit

Q6: Do you agree with our proposal for a levy on disproportionate benefit, and why?

Q7: Which option for calculating the levy do you prefer and why?

Q8: What preference do you have for the size of the levy?

If the system is to be self-financing at macro economic level – there must be some form of levy and safety net in operation (as was the case previously with ceilings and floors). Without these in operation the system would not be able to be self financing and a number of local authorities would benefit at the expense of others simply due to their location, rather than whether they were trying to incentivise growth.

The balance that the Government will need to strike will be to have a levy that generates sufficient resources to pay for the safety net but one that does not act as a disincentive for rewarding growth.

On balance, a simple flat rate would seem to be the best option – it is simple and if it is set at the correct level should achieve its aims. A banded levy is likely to discourage growth as it increases. If an average is used to measure start points and involvement, then the need for safety nets should fall.

Q9: Do you agree with this approach to deliver the Renewable Energy commitment?

The DCN strongly supports the principle that all the additional business rates generated through renewable energy should be 100% retained by the local planning authority.

However, whilst agreeing with the policy aim, we would encourage the Government to go further in this regard. Given the empirical evidence that the rates yield on renewable energy parks is only small in comparison to other business uses for the same land, we would urge the Government to consider adding a premium to the amount of rates that can be retained or, preferably, consider establishing a system whereby the unit of measurement is completely different for these types of projects. We suggest that the reward could be an amount per unit of energy generated (i.e. per kilowatt).

There needs to be a powerful incentive for these types of projects to gain momentum – the opportunity exists while this review is being undertaken to introduce one. Even if a simple multiplier were applied it would be a start.

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)?

The principle that there should be some protection available by way of a ‘floor’ is supported.

The exact operation of the floor depends upon how much funding is available to pay for it – it is important that the new system gets the ‘incentive effect’ correct before it considers how and how much any floor system would cost. To do so the other way around would risk the incentive effect being properly established.

Q11: What should be the balance between offering strong protections and strongly incentivising growth?

Clearly there needs to be a balance, but the system must prioritise the incentivisation of growth - without this they may not be sufficient resources generated in the system to have a meaningful safety net.

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?

Q13: Are there any other ways you think we should consider using the levy proceeds?

As a matter of principle it is important that all funding is retained by local government and is not used to subsidise projects outside of the sector or used as an additional ‘windfall’ gain for the Treasury.

Having flexibility and transparency is very important – there would seem to be merit in using some of the money to help ‘smooth’ resources between years (eg, in reality - levy and safety net needs are unlikely to balance in each and every year).

Over time – the amount of money that is paid out through other mechanisms via the ‘set-aside’ should decrease once the system gets on a firm footing.

There should be an upper limit in percentage and cash terms for the 'set aside'.

Component 5: Adjusting for revaluation

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?

We support this, provided that the incentives are not diluted and that local authorities continue to benefit from the premium of the growth prior to revaluation. Early years’ financial benefit and incentives must not be diluted by revaluations.

Q15: Do you agree with this overall approach to managing transitional relief?

Yes – this is a very important part of the system and the main area that would be most likely to make the system malfunction due to year-on-year fluctuations.

Component 6: Resetting the system

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?

Q17: Should the timings of reset be fixed or subject to government decision?

Q18: If fixed, what timescale do you think is appropriate?

This is a problematic area for the Government to deal with. Unless changes and modifications are made to the system over time, it can slowly become defunct and not achieve the original aims of the scheme.

When looking at resets – the correct balance must be struck to ensure that those who need protection receive it, but those that have contributed to business growth continue to receive the financial benefits and incentives that they have helped achieve (see response to Q11).

Whilst there is logic in having revaluations at fixed points in time, there is no apparent need to do the same for resets. Presumably, resets would be few and far between so that local authorities can try and plan their finances for the medium term with some confidence and accuracy. Soundly based Medium Term Financial Planning is essential for effective local governance and service delivery.

Q19: What are the advantages and disadvantages of both partial and full resets? Which do you prefer?

Q20: Do you agree that we should retain flexibility on whether a reset involves a new basis for assessing need?

The difficulty is in differentiating between inevitable growth and intervention growth. The latter needs to be rewarded. The former is merely an accident of business demographics and should not be rewarded.

Retaining flexibility makes a lot of sense in this regard. When considering the objectives of the scheme, it is difficult to see how anything other than the use of partial resets could be considered – without this local authorities will not see the longer term financial benefit of generating growth.

Component 7: Pooling

Q21: Do you agree that pooling should be subject to the three criteria listed at paragraph 3.50 and why?

Q22: What assurances on workability and governance should be required?

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?

Q24: Should there be further incentives for groups of authorities forming pools and if so, what would form the most effective incentive? Impact on non-billing authorities

Q25: Do you agree with these approaches to non-billing authorities?

The three criteria listed at 3.50 seem an appropriate basis – the most important one being the fact that such arrangements are voluntary and cannot be imposed.

We do not accept the proposition (Q23) that Districts need any consent from their County Council in two-tier areas. District Councils are sovereign bodies in their own right and there is no other requirement for such consent elsewhere in any legislation. There are examples, however, where Counties and Districts' decision-making impact upon each other in very real and significant ways.

- (a) The role of the County Councils in approving and delivering highway decisions into the planning systems can adversely or positively impact on Districts' capacity to consent and deliver new homes. That in turn impacts the new homes bonus.
- (b) The role a District plays in the facilitation and or provision of supported housing has a direct impact on the likelihood of the County needing to find resources for adult social care.
- (c) Counties and Districts have a number of concurrent functions. Economic development, for example. Joint dialogue and strategies are thus necessary.

Districts and Counties share the same taxpayers. They share the same businesses. They share a duty to co-operate. The commonsense and moral duty exceeds any

legal one. No consents from each to/from the other exists in the three examples above, nor in many others. We should not introduce one here. This is not an area in which central government has ever trespassed and it should not begin to do so now.

In general, local authorities should be free to pool if they choose to and they should be free to pool with whoever they see fit to pool (provided that the governance arrangements work).

The DCN does not believe that there should be financial incentives to pool. If local authorities choose to spread their risks through the use of this approach, they should be free to do so, but further incentives are not required. If the Government decided that it does wish to provide a financial incentive, then it should not be funded from the national business rates baseline.

The DCN does not agree with the proposals in relation to non-billing authorities. The Government should always refer back to the aims of the scheme (ie, incentives for promoting and facilitating business growth) and have arrangements in place that seek to achieve this. Therefore, the proposals for Counties to receive a proportion of growth in relation to their revenue share is a flawed concept – the rewards should go to those local authorities which have generated the growth. The rewards should not be based on historic revenue share calculations. In relation to police and fire authorities, neither have a direct influence on generating growth in the business base and, therefore, they should not ‘profit or loss’ from it. Their funding should operate outside of the model.

Chapter 4: Interactions with existing policies and commitments

New Homes Bonus

Q26: Do you agree this overall approach to funding the New Homes Bonus within the rates retention system?

Q27. What do you think the mechanism for refunding surplus funding to local government should be?

The confirmation of this funding source is very much welcomed and is important if the scheme is to have a meaningful impact.

The DCN believes that it is correct to ‘ earmark’ the full allocation for NHBS out of the national business rates baseline at the commencement of the scheme. In the years until the full allocation is spent, it is important that any surplus is returned to local authorities in the same 80/20 split upon which the scheme is constructed – there should be a transparent mechanism in operation to achieve this.

Business rates relief

Q28: Do you agree that the current system of business rates reliefs should be maintained?

In general this is supported. The Government may need to give some thought as to how the provisions in the Localism Bill (re: business rate discounts) will work alongside this scheme without having a significant impact on safety net payments.

Those with a low growth rate in the safety net may as well give heavy discounts. Discounts need to be disregarded in the calculation of reductions.

Chapter 5: Supporting local economic growth through new instruments

Q29: Which approach to Tax Increment Financing do you prefer and why?

Q30: Which approach do you consider will enable local authorities and developers to take maximum advantage of Tax Increment Financing?

We strongly encourage the Government to ensure that option 2 is available to local authorities.

Availability of Option 2 is essential for TIF to be a viable tool for the stimulation of local economic growth. Only Option 2 will provide the confidence and certainty necessary for the implementation of major long-term development projects with private sector backing.

Whilst it is understood that the Government will wish to restrict the total amount of national funding tied up in TIF projects this could be achieved through setting a limit on the proportion of the council area's total NNDR base allowable for TIF repayment in any year.

Viable projects achievable within that limit could be subject to local authority determination only. Government approval would only be required for proposed schemes exceeding the prescribed repayment threshold. Such a mechanism would be consistent with the principles of localism, whilst protecting Treasury spending totals. The alternative, of limiting aggregate TIF exposure via a competitive bidding process, is a far less attractive option.

In two-tier areas TIF schemes must be available at the District Council level, without any requirement to pool or seek approval from other authorities, if key objectives of TIF funding, such as local economic growth and regeneration, are to be fully realised.

Q31: Would the risks to revenues from the levy and reset in option 1 limit the appetite for authorities to securitise growth revenues?

Q32: Do you agree that pooling could mitigate this risk?

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?

Whilst there is a risk (Q31), we suggest that the Government takes the 'brave' approach and prioritises incentives for growth; otherwise this objective will itself

be diluted. As stated earlier, we remain unconvinced that 'pooling' will mitigate this risk; indeed, if enforced, it could exacerbate the risk of 'non-growth'. Prior to the consideration of thinking about how things may need to be 'limited' – in the current economic times it is important to stimulate as many business growth opportunities as possible. The more flexibility the better in this regard.

Technical Paper Questions

Paper 1: Establishing the baseline

Q1: 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?

The DCN supports the proposal that **all** of the income from business rates should be redistributed back to local government.

Whilst understanding the policy position in relation to national control totals and the need to work within these limits during the initial years of the scheme – as the scheme develops the amount of funding being paid to local government should be more in line with the overall national business rates baseline, with less money being kept back for any 'set-aside'.

Q2: 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?

Yes – the DCN fully agrees with the funding of new homes bonus from this source and agrees that this should continue into the future.

However, we strongly disagree with the suggested approach as to how surplus monies are returned to local authorities in the early years. Any mechanism used to return such monies should ensure that the money is returned in the 80/20 (District/County) proportion on which the scheme has been founded. There should be no deviation from this proportion.

Q3: Do you agree with the proposed approach for making an adjustment in the event of any functions being transferred to or from local authorities?

Yes.

Q4: Do you agree with the proposed approach for making an adjustment to fund police authorities, and potentially also single purpose fire and rescue authorities?

It is reasonable to top-slice 'base' funding in this way but police and fire authorities should not be subject to the uncertainties of future funding that is linked to business base changes. They should neither profit nor loss from the operation of the scheme (see response to Q25).

Q5: 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 - this supports the fundamental principle of stability and certainty for planning purposes.

Q6: 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?

Using the 2012/13 formula grant seems reasonable, but this should be done prior to floor damping.

Having said that, we would argue that there is an opportunity from the onset of the system to remove the artificial funding positions that local authorities have found themselves in as a result of the floors and scaling factors being applied – some of the estimated treasury set-aside could be used to remove these artificial barriers whilst not financially disadvantaging any individual local authority, this would help the system start from a more appropriate baseline position.

Q7: 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?

See answer to question 6.

Q8: If not, which years should be used as the base position for floor damping in each of these calculations, and why?

See answer to question 6.

Q9: If option one is implemented, do you agree that we should reduce the formula grant for each tier of services according to its Spending Review profile?

If option 1 were implemented this would seem a reasonable approach.

Q10: If so, do you agree with the proposed methodology for splitting formula grant between the service tiers for those authorities that have responsibility for more than one tier of service, as described in annex B?

N/A

Q11: If option two is implemented, do you think we should update none, some or all of the data sets used in the formula grant calculations? If you think some should be updated, which ones, and why?

- Q12: If option two is implemented, do you think we should review the formulae for none, some or all of the grants rolled in using tailored distributions? If you think the formulae should be reviewed for some of these grants, which ones, and why?**
- Q13: If option two is implemented, do you think we should review the relative needs formula for concessionary travel?**
- Q14: Do you think we should review any of the other relative needs formulae? If so, which ones and why?**
- Q15: If option two is implemented, do you think we should alter the balance between service demands and resources; and if so, how?**

The more changes/updates there are to data sets and other distribution variables, the more problematic and less clear will be the transfer to a new system less clear and more problematic. The grant system has become outdated over recent years and the way that the grant was calculated for 2011/12 effectively corrupted the data going forward. As a result, we can see little purpose in following option 2 at this stage.

- Q16: Do you agree with the proposed approach for establishing guaranteed levels of funding for police authorities, and potentially also single purpose fire and rescue authorities in 2013-14 and 2014-15?**

Yes and funding levels in the future should not be linked to changes in the business base because neither fire or police have a direct role to incentive such things.

- Q17: Do you agree with the proposed approach for funding new burdens within the business rates retention scheme? If not, why?**

Yes

- Q18: Do you agree with the proposed approach for dealing with boundary changes and mergers? If not, what alternative would you propose, and why?**

Yes.

- Q19: Do you agree with the proposals on the future of Revenue Support Grant?**

It is difficult to see what long term future role RSG will have with the exception of making payments to deal with the redistribution of the set aside and other one off grants.

Paper 2: Measuring business rates

- Q1: 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?**

It is very important that the starting point for the system is 'fair' and that local authorities generally support that starting point, if there is to be confidence in the new system.

The DCN is concerned that the forecast amounts might be overstated. To address this, we suggest that there may be merit in using some historic data to inform the forecasts, so that they are not too ambitious, particularly in the current economic conditions.

Moving averages should be used to aid predictability and stability. As an additional benefit, this would limit the use of safety nets.

Q2: Do you agree with the proposed basis on which proportionate shares would be calculated?

Yes – in relation to the share of the national business rates base, but not in relation to the share of growth income.

Q3: 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?

The use of an average (perhaps a two year average) would allow the system to remain relatively simple and would help to smooth out in year-on-year fluctuations. It would also help with financial planning through a more effective smoothing of changes.

Q4: 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?

Yes.

Paper 3: Non-billing authorities

Q1: Of the two options outlined for determining a county council’s share of a billing authority business rates baseline (pre-tier split), which do you prefer?

The architecture of the New Homes Bonus Scheme was commended by the local government community for its simplicity and predictability. One of the main components of this was the use of a national average of (rather than individual) council tax levels. Given the close links between the schemes, it would seem a sensible transition to use fixed national shares – and that these should be based on exactly the same data set as that used for the new homes bonus scheme.

Q2: Do you agree that police authorities should receive fixed funding allocations in 2013-14 and 2014-15 through an adjustment to the forecast national business rates?

Yes - and subsequently.

Q3: Do you agree that the services provided by county fire and rescue authorities should be funded through a percentage share of each district council's billing authority business rates baselines (pre-tier split), subject to any tariff or top up required to bring them to their baseline funding level?

No - they should be funded through a system entirely separate to the top-up and tariff arrangements. As argued earlier, our view is that fire and rescue authorities do not contribute to growth and should not benefit from any related incentive.

It is irrational to fund one fire service in a way different to another due to its form. We are funding the function. All fire services should be funded by the same mechanism as the Police.

Q4: Do you think that single purpose fire and rescue authorities should be funded:

- a. through a percentage share of each district council's billing authority business rates baselines (pre-tier split), subject to any tariff or top up required to bring them to their baseline funding level; or
- b. through fixed funding allocations for 2013-14 and 2014-15, through an adjustment to the forecast national business rates?

We support Option (b), as evidenced by our response to Q3 above.

Paper 4: Business rates administration

Q1: Do you agree with the proposed approach for administering billing authorities' payments to central government?

Overall the approach seems reasonable, although the DCN has concerns about the amounts because they are to be derived from forecast figures (see earlier answers to questions on Technical Paper 2).

Q2: Do you agree with the proposed approach for administering billing authorities' payments to non-billing authorities?

Yes.

Q3: Do you agree with the proposals for year end reconciliation?

Yes.

Q4: Do you agree with there should be a process for amending payments to non-billing authorities to reflect in-year changes, similar to the current NNDR2 returns?

Yes.

Q5: If there is a process for amending payment schedules, do you think changes should be possible at fixed points throughout the year? How frequently should changes be possible?

Yes. The ability to do so quarterly would not be unrealistic.

Q6: 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?

No.

Q7: Do you agree with the proposed approach for administering payments to and from non-billing authorities?

Seems reasonable.

Q8: 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 business rates income?

No strong views on this element.

Paper 5: Tariff, top up and levy options

Q1: Should tariffs and top ups be index-linked, or should they be fixed in cash terms?

Indexed linked.

Q2: 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.

Q3: Do you agree that the levy should apply to change in pre-levy income measured against the authority's baseline funding level?

Yes.

Q4: 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?

Whichever is most likely to be able to differentiate between natural growth and intervention growth. As mentioned previously, there must be the correct balance obtained that firstly continues to act as an incentive for growth and secondly provides sufficient income to fund the safety net. We tend to support a 'flat rate'.

Q5: 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 that should be applied to each band?

A flat rate should be adopted, not a banded rate.

Q6: Under a proportional scheme, what is your view of the levy ratio that should be applied?

A flat rate should be adopted.

Q7: 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 – the levy rate should be the aggregate rate of those in the pool. The reason for establishing a pool is to share risk. If done properly, it should not need any further financial incentive. The main objective of the scheme is to stimulate economic activity not to reward local authorities for operating effective risk mitigation measures.

Q8: Do you agree that safety net payments should be triggered by changes in an authority's retained income?

In general that seems reasonable.

Q9: 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?

As mentioned previously, there must be the correct balance that primarily continues to act as an incentive for growth and secondly provides sufficient income to fund the safety net – the quicker the safety net kicks in, then the more income the levy will need to support.

Q10: 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, at what percentage below baseline should the safety net kick-in?

Ideally there should be a safety net against absolute falls in income – the level at which this may start to operate depends upon what funding is available to pay for it. Earlier there was a question about the use of some of the set-aside income – it was suggested that some of it could be used to smooth the required funding over a period of time. We would support this suggestion.

Q11: Do you think that for the purposes of the baseline safety net, the baseline should be annually updated by RPI, or not?

Yes, if it can be funded from the overall financial envelope.

Q12: 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?

See answer to question 10.

Q13: Should safety net support be paid in year, or after a year-end?

In year – if the cash flow position permits this to take place.

Q14: Do you agree that pools should be treated as single bodies?

Yes.

Paper 6: Volatility

Q1: Do you agree that some financial assistance should be provided to authorities for the effects of volatility?

Yes. This is particularly important where the volatility is a result of a conscious choice initiative, a significant example of which would be town centre redevelopment. In the current economic conditions it is difficult to put a funding package together to regenerate town centres, despite the fact that in the longer term they are likely to bring increased business rate income. The funding position is made more difficult, if the local authority must also fund a reduction in its business rates income during the period that the regeneration is taking place. There needs to be some consideration given as to how this conundrum can be resolved – it could be that the temporary loss secures some form of exemption through the mandatory allowances that would allow the impact to be lessened at local level, but that this is later corrected when the development is complete so that the local authority only benefit from the marginal not the absolute growth. The reduction is thus ignored or “borrowed” and then “repaid” from the increase.

Q2: 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?

In reality, a safety net by itself will not deal with all circumstances (as described above).

One issue that we would like to mention is in relation to Enterprise Zones - where a local authority has an EZ in its area, naturally most of the growth in its business base will come from there. The treatment proposed for EZ's could mean that some local authorities are at a disadvantage because of this unless there is a fair mechanism used for forecasting their future baselines that take the estimated impact of the EZ into account.

Paper 7: Revaluation and transition

Q1: 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.

Q2: 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?

Local authorities should not be financially advantaged or disadvantaged from the operation of the appeal process therefore we do not agree with this proposal.

Q3: Do you agree that transitional relief should be taken outside the main business rates retention scheme?

Yes - this is a very important part of any new system.

Q4: Do you agree with the Government's proposal for a system of transitional adjustments?

Overall, yes.

Q5: Do you agree that any deficit on transitional adjustments should be charged to the levy pot?

No - it should be funded from the overall set-aside amounts.

Paper 8: Renewable energy

Q1: Do you agree that the generation of power from the renewable energy technologies listed above should qualify as renewable energy projects for the purposes of the business rates retention scheme?

Yes – this is a very welcome and needed initiative. It is important that the list needs to be flexible enough so that proposals that generate significant levels of renewable energy are incentivised and benefit from the proposals. The important thing here is the output (renewable energy) rather than being prescriptive on the way of getting to it.

Q2: 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?

Yes, although it is not clear why such a specific baseline is needed – any growth that comes from this source can be easily identified without the need to have a separate baseline.

Q3: Do you agree with the proposal to define “renewable energy projects” using, as a basis, the definition in previous business rates statutory instruments?

Yes, although it is important that the Government remains flexible in its definition so that any large scale development of renewable energy can be encouraged and taken forward. However, the current statutory definition is a sound starting point.

Q4: Do you agree with the proposal for identifying qualifying business rates income from new renewable energy technologies installed on existing properties?

In general the idea makes sense but it is important that, if existing facilities are developed and start to generate significant amounts of renewable energy, they can be included in the scheme. Special treatment for Green Energy Proposals is very welcome. However, the amplified planning and political difficulty associated with such proposals and their discounted business rates means that even at the best scenario in the consultation paper will make them less worthwhile than "tin shed" type developments. Case studies from the East Midlands show a supermarket distribution centre being worth 40 times the business rates per acre for an adjacent wind farm; hence the proposal that green energy should be rewarded per kilowatt generated.

Q5: Do you agree with the proposal that the business rates income from Energy from Waste plants that qualify as being from a renewable energy project should be determined by the Valuation Office Agency apportioning the rateable value attributable to renewable energy generation? If not, what alternative would you propose, and why?

No – please see previous answer.

Q6: Do you agree with the proposal that the billing authority should be responsible for determining which properties qualify as a renewable energy project?

Yes.

Q7: 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 per cent of the business rates revenue and the upper tier authority 20 per cent?

The incentive should go to that local authority that makes the project possible. As such we would agree with the proposal in the consultation that the rewards should go wholly (100%) to the local planning authority. The DCN strongly believes that for renewable energy projects that should not be a 'divi up' and that 100% of the incentive should remain with the local planning authority.