Matthew Style
Director Local Government Finance & Settlement
Department for Communities and Local Government
2 Marsham Street
London
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Xx September 2016

Dear Matthew

100% Retention of Business Rates and the Fair Funding Review

Thank you for the opportunity to respond to your consultation on the future of Business Rates and Fair Funding.

We collectively represent the 26 local authorities in Surrey, East and West Sussex that together with our three Local Enterprise Partnerships; one Combined Fire Authority and the South Downs National Park Authority, are supporting the proposal for a Three Southern Counties 3SC Devolution deal.

This response shows the degree to which we now embrace working collectively and the importance of the approach towards business rate retention for our future collective ability to deliver the ambitious plans that we have put forward to support increased investment in infrastructure in the area and the significance of the area for the national economy and for the generation of a fiscal dividend to the Exchequer.

The combined GVA of Sussex and Surrey is over £74 billion a year and the area currently generates over £1bn in business rates per annum. This reflects the importance of the area as a home for international business and the degree to which it exhibits many of the characteristics of the kind of knowledge driven, high skills growth that will be increasingly important for the future health of the economy. Though across the area there is a significant range of needs ranging from pockets of severe deprivation to areas of significant wealth.

A separate letter from the Leaders of all of the Local Authorities has been sent directly to the Secretary of State in response to the consultation.

Fairer Funding

<u>Funding the current pressures</u>

<u>There is also a general recognition that the current system is already underfunded and because the current methodology relies on regression based statistical analysis of historic cost data, does not reflect the current actual demand for services and the diverse needs of individual local authorities which across an area the size of 3SC is significant.</u>

<u>We would also like reassurance though the process that the government will be providing adequate funding to fully match the new repsonsiblities that will be transferred so that no additional future financial risks are transferred onto Local Authorities.</u>

It is also recognised that the current mechanism fails to take proper account of the significant regional differences in the costs of providing services. The South East is a high cost area and suffers disproportionately from the cost to serve imbalance. Proper recognition of the cost to serve must become a key criterion in determining the new Need Assessments; also before new areas of responsibility are devolved there must be some accommodation to meet unfunded current pressures which are considerable. These have arisen and will continue to arise from the reductions in central government funding, and the increase in demographic growth, placing significant pressures on social care and serious knock-on impacts on the NHS which is now becoming more and more visible. By 2030 the proportion of our population requiring multiple service support aged over 65 will have increased by 18.3% and by 42.4% for those aged over 85.

Given the proximity of our area to London and the significant proportion of our resident population who commute to London to help maintain its economic output, we feel that the level of overall government support should be reviewed in any rebasing of business rate redistribution. For example in 2016-17 residents in our area received £802.35 per head of Core Spending Power (CSP) funding this is 14.6% less than residents in London

Before any further services are devolved there must be assurance that these pressures will be adequately recognised by the new Fair Funding formula but also fully funded not only in the initial year of transferred but in all subsequent years as well. In many cases there is little or no correlation between demand for services and economic prosperity.

<u>Local Resources</u>

A significant proportion of a local authority's budget is financed by council tax. Over the last decade and a half the Government have continually carried out what is referred to as "resource equalisation", the result of which has always been to penalise those authorities with large tax bases, especially the south east.

According to the Annual Survey of Hours and Earnings (ASHE), produced by the ONS, wages for residents in our area is significantly lower when compared to London, yet the average adult living in a shire area will pay more towards the costs of services through their council tax.

In 2016/17 the average Band D property in the 3SC area is paying £1,632, this is 20% higher than London and higher than any other class of authority across the country. This is not because the 3SC area is less efficient, but because the proportion of central funding is less, and therefore a larger element of funding has to be met locally. This is unfair in terms of affordability for the 46% of the population who live in shire areas and contribute to the economy.

Although less easily quantifiable, it is an unfortunate fact of life that residents in shire, and often rural, areas will tend to receive less services (either through removal of service or reduced hours) as well as having to travel further to reach them.

In the interests of fairness and transparency, we believe that all elements of local resources need to be discussed openly and addressed as part of the business rate review. In our view the 100% retention of Business Rates cannot be viewed in isolation from the associated impact that it will have on council tax in future years.

Our full response to the consultation question is attached as Appendix A.

The 3SC Area and Business Rate retention

We know that with the right investment there is enormous potential to further increase the contribution that our area makes to the national economy. Our devolution proposals have shown that the implementation of the improvements to our infrastructure will yield the Government over £1bn per year in additional taxation. Being provided with the opportunity to have full control over the generation of Business Rates within the area is important to us as it will enhance our relationship with our business community and through the retention of new business rates generated from future growth provide the funding necessary to pay for the additional borrowing that will be required to deliver the infrastructure. Without business rates becoming a secure and sustainable revenue stream it will be impossible for us to secure the economic and fiscal benefits that have been identified.

Though we will be taking the opportunity to respond individually to the consultation questions we felt that it was important for you to be aware of our collective view. Attached (Appendix B) is a schedule which sets out our collective responses to the individual questions within the consultations. It was felt that there was both a degree of duplication in some of the consultation questions, so some responses have been clustered to a group of questions. There are also some to which no response has been provided, on the basis that we currently have insufficient information or understanding on which to determine an opinion.

We hope that you find our responses helpful in providing a summary to ministers on the views of local government to both of these consultations. As a group of would helpful the opportunity to work further with the department to develop on the ideas and comments we have made.

Yours collectively

Reigate & Banstead Borough Council	Arun District Council
Hastings Borough Council	Epsom & Ewell Borough Council
Horsham District Council	Chichester District Council
Tandridge District Council	Surrey Heath Borough Council
East Sussex County Council	West Sussex County Council
Spelthorne Borough Council	Surrey County Council
Worthing Borough Council	Woking Borough Council

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Crawley Borough Council	Rother District Council
Mole Valley District Council	Adur District Council
Waverley Borough Council	Elmbridge Borough Council
Lewes District Council	Guildford Borough Council
Wealden District Council	Eastbourne Borough Council
Runnymede Borough Council	Mid Sussex District Council

Appendix A

FAIRER FUNDING RESPONSES TO CONSULTATION QUESTIONS

Q1: What is your view on the balance between simple and complex funding formulae?

The Four-Block Model was complex, opaque and extremely difficult to explain to elected members and taxpayers. Since the four block model's introduction it has been widely discredited – both independently and from within the sector. The complexity is that as local authorities we deliver a wide range of services to a broad spectrum of the population. Therefore when a funding model results in unexplainable results and unfair allocations of resources, then that becomes unacceptable.

Different local services will face demand driven by different demographics or geographical landscape. The current reliance on regression encourages statisticians to look for increasingly complex formulae in an attempt to replicate the historic pattern of spending or activity. By basing future allocation on past spend the line between past and future funding is cemented and old funding inequalities are "locked in" to the system and move further away from reality in the demand and local cost of providing individual activities.

As a group we believe that a sensible approach would be for simplicity first with additional layers of complexity argued and evidenced on a service by service basis. For example, start by funding services on an appropriate per capita basis (per elderly person, per waste bin collected, per child in education, and per km of road for example) before hearing evidence about demand and incorporating other measures into the formula. But each layer of additionality should meet the following criteria:

- each case has evidence to justify its argument;
- each additional layer improves the fairness of the system; and,
- the system retains its transparency and continues to be seen to be fair.

Different local services will face needs and demands driven by differences in demographics, economic activities, local costs of delivering services and geographical landscape. Furthermore, these drivers are dynamic and are each changing at different speeds across the country and will need to be addressed within the formula.

One of the advantages of simplicity and transparency in a funding system that is materially fair is that it is reasonably predictable, enabling local authorities to plan around its outputs.

Q2: Are there particular services for which a more detailed formula approach is needed, and – if so – what are these services?

Excluding Education the largest service area in term of expenditure across our area is Adult Social Care. It is therefore of paramount importance that the increasing demands of this service, as the population ages, are not just captured now but into the future until the next review of the Need Assessments. The consultation running alongside this call for evidence suggests that partial resets may also incorporate some measure of need reset for services which are "demand led", such as adult and children's social care. Given the potential impacts of failures in these services we would be wholly supportive of demands and funding in these areas being reviewed more frequently.

A key element of this work will be through engagement with the Department of Health and its work since the last formula update on developing social care formulae. This includes the Advisory Committee on Resource Allocation's (ACRA) work to review and recommend changes to the public health formula to calculate 2016-17 allocation. We also understand that in anticipation of the Care Act the Department commissioned work from LG Futures on updating the adult social care relative need formula (RNF), which we hope to see reflected in the Improved Better Care Fund formulae consultation when that takes place, as this work should provide a strong platform for the work of the Formula Funding Review in getting the considerable adult social care element right.

However, our earlier comments still remain future funding allocations cannot be based upon past spend or activity. An area that fares well from the funding system will be able to choose to do more and spend more than an area that does not. We strongly urge the Department to speak to directors of adult social care to understand the growing demand pressures and ensure that these are funded adequately rather than relying on regression analysis to lock in past funding patterns.

There are many other services that we collectively provided which are also coming under increasing pressure. For example school transport costs are increasing as the number of maintained schools converting to academies grows (who are responsible for the qualifying criteria). Historical pressure on concessionary fares budgets has meant that, in some areas, the difficult decision to offer reduced bus services is masking the true unfairness of the current funding. **{Need to add some B&D level examples}.** We believe that an approach to funding local services based more on actual service demand levers will address many of these current issues.

We also would want the Department to recognise that the way the current model work under allocated the required resources needed to match realistic demands for the services so we would urge the Department not to be constrained by the current allocations. If a new formula is rigorously constructed and consulted upon but offers a different pattern of funding then, transitional arrangements aside, it should be implemented.

Q3: Should expenditure based regression continue to be used to assess councils' funding needs?

It is general recognition that the current system if grant support is already significantly underfunded and because the current methodology relies on regression based statistical analysis of historic cost data, does not reflect the actual demand for services and the diverse needs of individual local authorities which across an area the size of 3SC is significant.

We believe that a system whereby future funding allocations are calculated on the basis on past spending decisions is not one that supports future funding need. Instead it simply embeds past funding decision (whether these were by the local authority itself or the government) in determining the funding need and damping levels of local authorities.

It is of paramount importance that service needs are not just captured for services now but for the lifetime of which the formula is expected to apply. This is vital for a needs assessment that is expected to be "frozen" for a numbers of years under the business rates retention scheme during which population increases are expected to cause significant service pressures for demand across the whole range of service we provide.

We are excited at the possibility of designing a distribution system from a "blank sheet of paper" and would welcome this as an opportunity to bring together representatives in each service area to agree the key cost drivers in providing each service, in order to determine an average cost for each service which then could be used as the standard around which regional variations could be established. We believe that an approach like this will provide the incentive effect that the Government are keen to incorporate.

As a group we would support that ALATS members should form a group to consider putting forward a funding proposal based on this concept whereby local need is driven by a common basket of place based indicators that give a fair reflection of local need, considering primary cost drivers for all local areas. This approach focusses on existing and emerging service need rather than historical need to spend. It therefore provides the mechanism to establish a funding formula that is not just relevant today but future proof as well.

Q4: What other measures besides councils' spending on services should we consider as a measure of their need to spend?

See Q3. We consider that councils' spending on service is a very poor measure of need as it will be dependent on whether they were adequately funded or not in the past. As stated above, the development of key cost drivers with a reflection of relative activity levels would seem a more fair and equitable measure to assess need. This should also be set against the determined period of time between Needs reassessments, so that need is assessed across the medium term, not just at current levels.

Q5: What other statistical techniques besides those mentioned above should be considered for arriving at the formulae for distributing funding?

See Q3. We do not have an issue with the regression technique, in itself. However for the reasons outlined we can support a method based on the use of historic data.

Q6: What other considerations should we keep in mind when measuring the relative need of authorities?

See Q3. The new funding formula must be capable of reflecting future demands for services. For example, the introduction of the Care Act will change the pattern of demand for adult social care from being driven by deprivation to being more associated with an aging population. **{is there an equivalent B&D example we could add}**

Q7: What is your view on how we should take into account the growth in local taxes since 13-14?

Given the current financial environment within which local government is current operating all increases in local taxes since 2013/14 have already been fully used to fund local service demands; but we recognise and welcome that local capacity to raise income (including but not limited to council tax) will need to be considered as part of this review.

The proportion of an authority's budget which is funded by council tax varies hugely across the country. There can, of course be many reasons for these differences; however, past local government settlements have frequently included an element of resource equalisation, whose impact of which falls heaviest in areas with large tax bases, such as the South East.

When council tax was introduced it was based on property values as a suitable proxy for wealth. Since then the housing market has changed drastically and the resulting comparison between wages and council tax makes for interesting reading:

- Residents within the 3SC area are paid, on average, XX% less than the national average. However, they tend to pay nearly xx% more in council tax.

- When compared to London 3SC residents on average earn xx% less. However they pay xx% more for their local authority services.

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Clearly since 1991 house prices as a proxy for wealth is no longer valid. In the interests of fairness and transparency we firmly believe this issue needs to be discussed openly and addressed as part of this review. Leaving the current assumptions in place risks undermining any work to create a fair funding formula and is unacceptable.

On the subject of locally raised taxes we would also like to see a review of the general mechanisms of allocation of discounts and exemptions that form the the basis of the current council tax reduction scheme, specifically the protected demographics in shire areas. Being given greater authomy over the operation of who would be eligible for these will enable us to better target them to the residents in most need and improve control on the overall costs of the scheme; in a similar way to our suggested approach for more local freedoms in relation to the discounts and reliefs operating within business rates.

Q8: Should we allow step-changes in local authorities' funding following the new needs assessment?

We believe that service provision to the local population should be managed as effectively as possible throughout the Formula Funding Review process. We agree that transitional arrangements are an important part in ensuring this is maintained if any new needs assessment results in a significantly different distribution pattern by allowing local authorities the time to financially plan for them.

We believes that there is a balance between moving to the new distribution as quickly as possible and a safe transition period that takes account of the scale of funding changes local authorities can cope with. We believe that specifying where this balance should be set without knowing the magnitude of changes caused by any new needs assessment would be misinformation at this point in time, and therefore recommend that this is revisited once implications of the new scheme design are clearer.

For the devolution of new responsibilities as part of 100% business rate retention our view is that the new responsibilities must be aligned to supporting economic activity and growth, but we agree that, where possible, existing distributions should be continued for a transitional period and consistent with principles set out for future models.

Q9: If not, what are your views on how we should transition to the new distribution of funding?

See Q8

Q10: What are your views on a local government finance system that assessed need and distributed funding at a larger geographical area than the current system – for example, at the Combined Authority level?

Though our 3SC initiative we are seeking to establish a separate geographical identity, which shows how we as a group of 26 sovereign local authorities can work effectively as a unit. We would therefore welcome the opportunity for further dialogue on a large geographical approach, but this would have to be on the

- recognition that there may be a significant diversification of individual needs across a larger area and that this would need to be fully reflected in any future approach,
- basis that increased local control and therefore increased local accountably would need to come with greater flexibilities over both policy and operational issues.

Q11: How should we decide the composition of these areas if we were to introduce such a system?

See Q10. We believe this is something that should be decided on an authority-by-authority basis locally. A truly fair funding formula where the assessment of need and distribution of funding are based on a fair and transparent unit cost basis would significantly help to facilitate this.

Q12: What other considerations would we need to keep in mind if we were to introduce such a system?

One of the advantages of collaboration and partnership working is better management of risk, but this needs to be aligned with appropriate incentives to help effectively manage and mitigate the risks.

Q13: What behaviours should the reformed local government finance system incentivise?
Q14: How can we build these incentives in to the assessment of councils' funding needs?

The approach for reaching a fair funding formula that we outline above would produce a weighted per capita approach for each local authority area (or region). We believe that fair funding puts local authorities on a fair footing, should increase the relevance of current and foreseeable needs to funding of services and mean that Councillors and directors of services can get on with running the best services they can knowing that their funding allocation does not put them at a disadvantage. We do not believe that any further incentification is needed in the formula.

We call on the Government to publish a more detailed timetable of implementation, giving local authorities an implementation date to work and plan towards. It is also important that decisions are made regarding devolved services as soon as practicable, to enable discussions in other areas to continue. Recent political developments such as the EU referendum, a new Prime Minister as well as new Secretaries of State means that local authorities are operating in a time of unprecedented uncertainty. We strongly believe that local government has shown enormous capacity and competence to change and deal with uncertainty. We are also in an excellent position to work locally with partners, businesses and other stakeholders to stimulate and sustain economic growth, which will generate additional long term resources at both a national and local level. It is important that the sector as a whole is enabled and encouraged to deliver this agenda and a plea is therefore made to ensure that unnecessary blockages are not put in place of prevent this from happening.

Appendix B

100% BUSINESS RATE RETENTION RESPONSES TO CONSULTATION QUESTIONS

1. **Which of these identified grants / responsibilities do you think are the best candidates to be funded from retained business rates?**
2. **Are there other grants / responsibilities that you consider should be devolved instead of or alongside those identified above?**

Though the 3SC authorities would generally welcome having more local control we feel that any activities that were to be devolved to the Local Authorities needs to come with total freedom and a true transfer of responsibilities with the discretion to shape the services to suit our residents. This includes not wanting to simply become the new administrators of grants without the ability to alter the eligibility criteria, for example the Independent Living Fund and the Attendance Allowance, or without any restrictions on spendability such as with "ring fencing" of the Public Health grant.

In support of the 3SC evolving devolution deal it was felt that the focus should be on devolving responsibilities over activities that would support and facilitate the areas economic development, such as skills, education, transport and digital.

We feel that stimulating the future growth in the economy would provide the best opportunity to generate additional resources to help contribute to future demand pressures that would come from an increasing population. (by 2030 current population projection indicate that there will be a 42.4% growth in residents aged over 85, and 18.3% growth in those aged over 65 within the 3SC area).

The list on pages 18 and 19 of the consultation are all grants that already go (or will go) to local authorities. Transferring these grants will result in local authorities having no more or less control over services; instead the stability and predictability of the funding will be dependent on the health of the local economy, with the risks being fully place upon the Local Authorities.

We feel that the Government need to ensure that any responsibilities devolved under the Business Rate retention proposal need to be fully funded in the short term and future proofed against know changes in demand, i.e. population increase; and should prioritise only current responsibilities. New responsibilities should continue to be funded through the New Burdens Doctrine.

We were surprised that the list of grants being considered did not include reference to New Homes Bonus, as this directly support local authorities and incentivise them to drive for economic and housing growth and would be a funding stream that we would expect to see retained into the future.

Other grants that we believe meets the criteria set out on pages 16 and 17 of the consultation paper and directly supports economic growth, but is not included within the list are

- Regional Infrastructure Fund.
- Education Services Grant
- Adult & Community Learning (from SFA)
- Sixth Form funding (from EFA)

we would therefore urge the Government to reconsider whether these should be included.

The value of the £12.5 billion financial quantum available was felt to be insufficient to full meet the cost of the responsibilities proposed to be transferred. The 3SC local authorities would suggest that the Government may wish, as part of the transfer to provide the Local Authorities with the freedoms to re-align the current framework and levels of reliefs and exemptions to better match local business needs. This may provide more flexibility in the overall amount of business rates that could be generated.

Having more direct control over the operation of the application of reliefs and exemptions will enable the Local Authorities to develop a stronger working relationship with their business community and ensure that they are effectively applied to minimise unnecessary payments.

In formulating the consultation we would ask Government whether any consideration has been given to the changing environment within which business operates. The development of digital infrastructure and the internet has seen a rise in the volume of small micro businesses that operate without the need for a physical base of operations and therefore do not make any contributions to business rates. The recent OBR statistical report indicates that business rates will only grow by approx. 0.1% over the next 20 years with this being a factor in that trend. If this was the case then the Government would be transferring the financial risks associated with the lack of growth to Local Government. Has the Government factored this change into its deliberations?

When making the new assessment of the area's need to determine the new mechanisms for "Top-Ups and Tariffs" this should not be just done on only demographic factors but should also include local differences in cost bases and reflect the impact of the activities being transferred.

3. **Do you have any views on the range of associated budgets that could be pooled at the Combined Authority level?**
4. **Do you have views on whether some or all of the commitments in existing and future deals could be funded through retained business rates?**

In terms of devolution of specific budgets to a Combined Authority the priority should be to budgets that directly support economic growth, such as education, skills, transport, infrastructure and digital development. Please see answer to questions 1 and 2.

We feel that pooling of budgets, is a decision that should be left to the discretion of the individual areas developing their devolution proposals to reflect the diversity in the different social and environment factors that impact of service delivery.

We feel that any specific mix of devolved service arrangements arranged within existing devolution deals should not impact on the quantum available to the rest of local government and should be funded separately to the what is being proposed through this consultation; unless there is uniformity to the responsibilities being transferred across the whole of local government areas. The opportunity to improve the services offered to your residents should not be determined by an authority's governance arrangements.

5. **Do you agree that we should continue with the new burdens doctrine post- 2020?**

Yes

6. **Do you agree that we should fix reset periods for the system?**

We recognise the objectives that using resets are trying to address, but and mechanism needs to acknowledge and balance out that Local Authorities are adequate incentivised to commit to the significant investment of resource and money into securing economics growth, whilst providing adequate protection to individual authorities that because of historic geographic and democratic factors have limited opportunity to growth their own financial resources.

A further incentive to Local Authority to make the commitment would be for them to be given more direct involvement in the frequency and process of periodic revaluations of rateable values.

It would also be prudent to link 'Resets' to future reviews of the Needs Assessments, has will be provide more stability for Local Authority's medium term financial planning.

Inevitably the answer to this question will depend not just on the type of reset but also the type of devolved services, confidence in the need assessment, the expectation of demand and the protection provided by the new safety net arrangements.

7. What is the right balance in the system between rewarding growth and redistributing to meet changing need?

There are a number of factors, none of which are known currently, which will impact on being able to respond to this question, these factors would include:

- Knowing what a reset looks like and how much, if any, previous growth can be retained
- What new services will be devolved
- What the needs assessment and new burdens' assessment will look like as well as assurances about how funding and needs will be aligned in years 2 and onwards
- Whether the services that local authorities already provide and which are under increasing pressure will be adequately funded in the future – in other words there is confidence that the demand projections are manageable
- What protection will be offered by the safety net
- How frequent revaluations will be after 2017; and
- Whether appeals will continue to be a local issue of whether a national solution can be found.

9. Is the current system of tariffs and top-ups the right one for redistribution between local authorities?

Under the current system authorities providing social care in two-tier areas are protected through the tariff and top-up system. That need for protection still exists, especially in areas like 3SC where there is a significant trend of migration of older people into the area.

Ideally the 3SC area would like to see authorities exposed to risk (and therefore, reward) in proportion to the demand led pressure on their budgets as well as their potential influence over business rates growth. The exact mechanics on how this would work will need more clarification over the responsibilities being devolved and the associated funding formulae.

Any new arrangements for the determination of tariffs and top-ups should be designed to be simple and transparent so that the businesses community understand where their money is going.

10. Should we continue to adjust retained incomes for individual local authorities to cancel out the effect of future revaluations?

Yes

We recognises the risk that property valuation can go down as well as up, particularly in the short term, but over the long term, property valuation trends are upwards. Not recognising any change in the longer term economic value of the tax base does not incentivise authorities to drive economic growth. At present local authorities receive additional business rate revenue through changes in RPI, the multiplier or the tax base, but not form changes in the value of the taxbase.

The current policy of adjusting means that if a Council did drive economic growth and regeneration in their area and, as a result, general property values in that area increased, then that Council would not see any economic benefit in terms of business rates income, due to the general rise in property values being wiped out by reducing the multiplier as a result of a revaluation exercise. We believe that the policy of making a revaluation revenue neutral is a fundamental flaw in the system and seems to contradict the objective of incentivising and rewarding those Councils that pursue policies that drive economic growth in their areas.

We understand that Government may wish to protect businesses from significant increases in business rates due to revaluations and that the aim of a revaluation is to insert fairness between categories of property assets and across the country. We do not wish to see a system whereby one area experience increases in economic benefits at the expense of another. However, we do think that there is a case for local authorities sharing in the national uplift on property values (which is a reflective measure of economic growth), through the business rates system as part of a revaluation. We would therefore proposes a compromise approach whereby the benefits of general increases in economic value of the tax base is shared between the public and private sector by only partially changing the multiplier..

A secondary option, is that if Government view that business rates is not the tax whereby increases in the value of properties are recognised, then the recognition should be through the Stamp Duty Land Tax (SDLT). Then in order to incentivise local authorities to drive economic growth in their areas, it would make sense for a local authority to benefit in some way from a share in the additional SDLT generated.

11. Should Mayoral Combined Authority areas have the opportunity to be given additional powers and incentives, as set out above?

Based on a principle of equality and that this is a national scheme then all areas should be treated equally irrespective of their framework for democratic accountability.

12. What has your experience been of the tier splits under the current 50% rates retention scheme? What changes would you want to see under 100% rates retention system?
14. What are your views on how we could further incentivise growth under a 100% retention scheme? Are there additional incentives for growth that we should consider?
19. Would pooling risk, including a pool-area safety net, be attractive to local authorities?
22. What are your views on the interaction between the power to reduce the multiplier and the local discount powers?
23. What are your views on increasing the multiplier after a reduction?
24. Do you have views on the above issues or on any other aspects of the power to reduce the multiplier?
25. What are your views on what flexibility levying authorities should have to set a rateable value threshold for the levy?
26. What are your views on how the infrastructure levy should interact with existing BRS powers?

Our combined answer to all the above questions is:

The three separate county areas all have experience of operating a 'Pooling' arrangement within their area. Those experiences have been positive and therefore the three county areas under the 3SC area banner are happy to, subject to a better understanding of the technical implication, consider the establishment of a single area based arrangement to cover all the authorities.

It is felt that a single pool arrangement will provide the following benefits.

- Enable the area to determine its only distribution arrangement for the additional resources arising from moving to the 100% retention, linked to both 'Needs' and economic development.
- Use the economy of scale that the area will bring to better manage the valuation and appeal risks.
- Provide a single voice to work more effectively with the Valuation Office to more efficiently manage business rates within the area.
- Provide a single voice for engagement with the business community over investment issues.

Through the 3SC devolution deal the area is seeking to stimulate and increase economic activity and growth, with the growth in retained Business Rate income being a key element of the funding required delivering the growth. The area would be interested through this consultation exercise to open discussion on securing additional freedoms and flexibilities over the following to help further facilitate the growth.

- Control over setting the rate multiplier
- Freedoms to set local levels of discounts for both mandatory and discretionary reliefs to improve their alignment with the actual needs of local business.
- Direct involvement in the timing and process for rate revaluations.

Though there would be a number of issues and risks which would need to be worked through before any positive consideration should be given to establishing a potential area based pooling arrangement. These include:

- Property valuations changing, without prior consultation on impact.
- Appeals being determined at a national level without any consideration of impact on local finances.

- Lack of incentives to growth business rate yield and retain to finance local economic investment, via the "reset" mechanism.
- Increased local flexibility in currently nationally determined element of the business rate system to match increased local accountability. (i.e. application of discounts and reliefs, determination of equalisation at a local level).

15. Would it be helpful to move some of the 'riskier' hereditaments off local lists? If so, what type of hereditaments should be moved?
16. Would you support the idea of introducing area level lists in Combined Authority areas? If so, what type of properties could sit on these lists, and how should income be used? Could this approach work for other authorities?

The 3SC area would welcome the introduction of an area based list, as this would support the concept and management of an area based approach.

The area sees the merit of standardising and consolidation strategic national infrastructure assets such as Power Stations and Airports to be administration under a national list, given their importance to the development of the whole nation's economy, but in centralising the income there should also be a centralising of the associated risks, especially with the funding of any additional infrastructure that would arise from the expansion of those assets, or compensation for loss of income through the consumption of assets on local lists into a expanded national asset. Specific example could include

- any strategic rail and road improvements arising from the expansion of Heathrow or Gatwick airports should be funded by the Government and not the surrounding Local Authorities.
- expansion of either airport will result in the potential loss of assets on 'local' list and therefore impact directly on the income due to those surrounding Authorities.

17. At what level should risk associated with successful business rates appeals be managed? Do you have a preference for local, area (including Combined Authority), or national level (across all local authorities) management as set out in the options above?
18. What would help your local authority better manage risks associated with successful business rates appeals?

The management of appeals should be at the appropriate level which is best situated to effectively manage both the cost of the appeal process and making the relevant financial provisions to cover the impacts of the Appeals.

Given that the Valuation Office determines all the key attributes that impact on the Appeal process, it would be logical to manage the appeals at a national level. Though the 3SC area would welcome further discussions with the Government as to whether that should be at a more local level, but this would need to be considered with the appropriate transfer of control over the processes to mitigate any financial risks that the area would be exposing itself to.

Generally greater information and intelligence sharing between the Valuation Office and local government would help manage the likelihood of successful appeals.

21. What are your views on which authority should be able to reduce the multiplier and how the costs should be met?

In Unitary authority areas the decision is simple as the costs fall to the decision making authority. However, in two tier areas where the decision will affect more than the billing authority this decision must be made jointly. This joint decision making is already in operation with the Council Tax Support Schemes.

27. **What are your views on the process for obtaining approval for a levy from the LEP?**

The 3SC geographic area falls within the operation of 3 different LEP's. Each of the LEP's is partners to the area Devolution Deal and would therefore be directly involved in any discussion regarding the implementation of any Levy. The LEP's are recognised as the key channel to seeking the views of the business community so would be a seen as a key consultee in any proposal which impacted on the business community.

28. What are your views on arrangements for the duration and review of levies?

If the Levy is a key financial element to the delivery of infrastructure improvements then it is felt that the duration of the levy should be left to the determination of the Combined Authority to match their financial requirement. Especially as the improvement would be subject to the development of an appropriate business case that accord with the Treasury's Green Book.

29. What are your views on how infrastructure should be defined for the purposes of the levy?

The 3SC area welcome the use of the CIL definition as a proxy for the definition of infrastructure but would like to see "Digital" related activity incorporated into the definition to reflect the importance of this to both businesses and the general economy.

30. What are your views on charging multiple levies, or using a single levy to fund multiple infrastructure projects?
31. Do you have views on the above issues or on any other aspects of the power to introduce an infrastructure levy?

This should be left to the discretion of the local area as to how best to align it with local development needs.

32. Do you have any views on how to increase certainty and strengthen local accountability for councils in setting their budgets?
33. Do you have views on where the balance between national and local accountability should fall, and how best to minimise any overlaps in accountability?
34. Do you have views on whether the requirement to prepare a Collection Fund Account should remain in the new system?
35. Do you have views on how the calculation of a balanced budget may be altered to be better aligned with the way local authorities run their business?
36. Do you have views on how the Business Rates data collection activities may be altered to collect and record information in a more timely and transparent manner?

We would welcomed any opportunity to look at simplifying financial reporting and data collection activities and making them more transparent, but felt that these are complex technical issues which are too detailed to cover at this point in the consultation purpose. Though, in principal, the need to balance the budget on an annual basis was supported.