CCN
COUNTY COUNCILS NETWORK

your county matters

Introduction

1. The County Councils Network (CCN) represents the 37 English county council and unitary councils, who together serve over 25 million people across 86% of England. CCN develops policy, shares best practice and makes representations to government on behalf of this significant proportion of the country. CCN is a member-led organisation which works on an all-party basis. CCN welcomes the opportunity to respond to the second DCLG 100% business rate retention consultation.

2. CCN have been engaging closely with the LGA and DCLG business rates steering group and working groups. We strongly welcome the open and collaborative way in which Government have approached this crucial programme of work. CCN have also been working closely with our member councils, treasurer colleagues (ALATS) to progress the need-based review of funding, and the District Councils Network (DCN) to lead on issues which are of particular important to two-tier county areas.

3. To inform our response to the first DCLG business rates conclusion, and to aid discussions within the local government sector, CCN commissioned Pixel Financial Management (Pixel) to analyse the profile of business rates in counties.[1] Following on from this work CCN commissioned Pixel to model the full retention system. This model allows different assumptions to be programmed in, and covers different scenarios for resets, tier splits, redistribution formulae, new responsibilities transferred, and other important mechanisms.

4. CCN believe that it was important to undertake this modelling at this stage of system design to understand how decisions about different mechanisms might affect one another. We also believe that it was important to understand the impact of decisions on different local authority classes, and how this effects the balance and sustainability of the system as a whole.

5. Running numerous scenarios has helped us to consider the implications some of the unknowns about the new system, and the conditions it will operate within. It is important to note that the model is a work in progress and designed to begin testing the system – this can be refined over time, as assumptions become more accurate, and as central and local government make decisions about design. **We strongly urge the new government to prioritise resource to model and full stress test options for the new business rates system.**

6. The findings from this modelling underpin CCN's submission. It should be noted that in response to some issues we put forward policy proposals, and for other issues we put forward our evidence but highlight where we think further modelling, information and engagement may be needed.

7. Pixel's model and corresponding report are currently being finalised and will be shared with the department in the coming weeks. CCN have met with senior DCLG Officials to discuss the analysis and findings, and will be engaging Ministers across DCLG and other Government Departments following the General Election. **In particular we urge ministers to progress the needs-based review of funding as a priority following the**

[1] http://www.countycouncilsnetwork.org.uk/library/july-2013/file124/

election, to ensure any transition to a new funding system is properly linked to changing need and is sustainable over time.

Modelling and Assumptions

8. For a full explanation of the assumptions used in modelling, and a full exposition of the scenarios modelled, will be provided in the Pixel Report, shortly to be submitted to the DCLG.

9. A significant aspect of the modelling has been the consideration of the interaction between cost pressures and business rate resource over time, for different authority classes. To undertake this analysis and assumptions about changing need over time have been used, the below briefly explores these assumptions:

    - **Adult Social Care:** 2% growth in service pressures per annum is assumed for adult social care. This is underpinned by analysis undertaken by LG Futures on behalf of CCN which found that CCN members are likely to see this level of underlying growth in coming years. While this analysis found that other authority types are likely to have lower increases 2% has been applied to all for ease at this stage. Adult Social Care, including Learning Disability services are the most substantial cost pressure on local government budgets.

    - **Children's Social Care:** 3% growth in service pressures per annum have been applied for children's social care. This is informed by the average growth in expenditure which has taken place in children's services across all authority types in recent years. Expenditure on these services is volatile, but the general trend has been used.

    - **Other Services:** 0% growth has been applied to all other services. We acknowledge that this does not represent a sustainable position for local government, nor captures other important growing pressures. At this stage these broad assumptions have been made however to reflect the scale and pace of growth in social care services, and to illustrate a broad trajectory of need against funding for local government classes. These assumptions can be refined as the full business rate retention work programme progresses.

10. It is also important to note that when modelling resets and the baseline funding level the Relative Needs Formula (RNF) has been used. CCN have been clear that the RNF and regression based needs funding formulas are no longer appropriate and are leading to inequitable funding for different types of authority. The results of the business rates modelling would indicate that a new needs formula, which can take account of changing needs over time, could have an important impact on the functioning of resets and the system as a whole.

11. The full business rates retention model has been designed in such a way that the assumptions and scenarios can be updated and refined over time. In this way the effects of policy proposals by Central Government can be considered, and new information can be built in when it is available. In particular CCN will be engaging with treasurer colleagues (ALATS), who are spearheading needs review work on a cost-drivers based

approach to need. Refined assumptions about a needs formula and changing need over time can be factored into our business rates modelling.

Comparing Needs and Resources Over Time

Retention rates have little impact on the funding gap. For counties, there is an implied pressure on council tax to close the funding gap, and an expectation that the Fair Funding review can deliver additional funds. Additional retention is not going to solve counties' funding shortfall at the class level, although it might contribute significantly for some counties where there is higher growth.

~ Pixel Financial Management

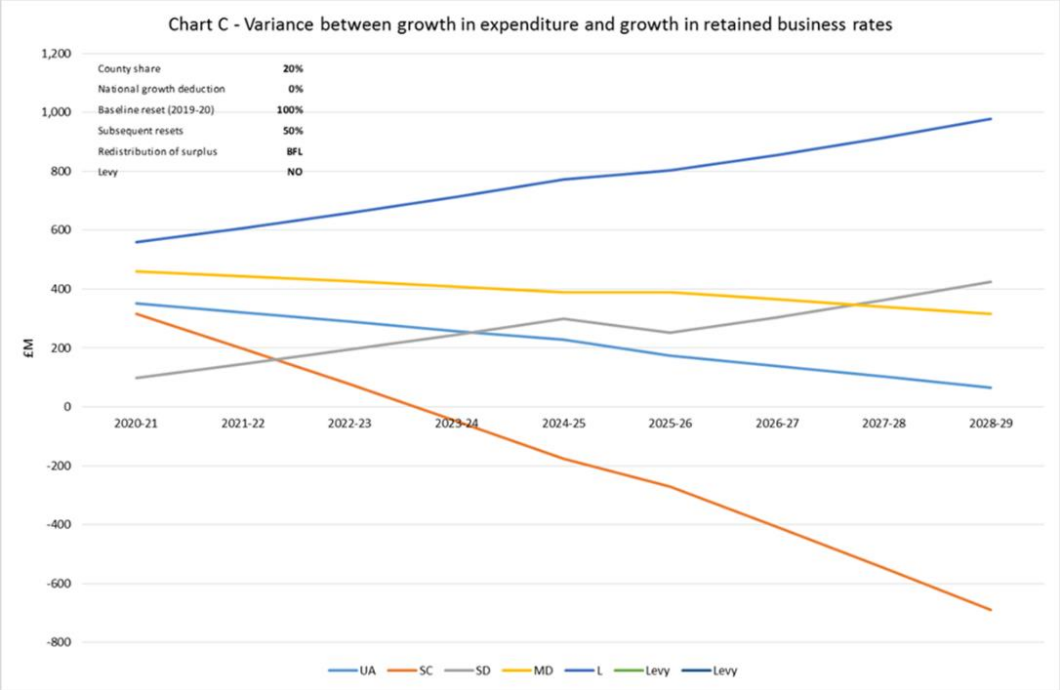
12. It has been widely acknowledged that funding the breadth of local government services through business rates creates a tension between ensuring needs are fully funded over time and incentivising growth. CCN believe that ensuring full funding for changing statutory pressures over time should be the top priority, as this will be the only means of ensuring a sustainable business rates system in the short and longer term. Equally this could help ensure that all areas have some capacity to invest in growth, and are able to engage with cycle of growth and reward set up in the new system.

13. It has become clear from the work of CCN, and others such as the National Audit Office[2] and the House of Commons Library,[3] that there is a risk of significant structural biases being built into the new business rates system. As the House of Commons Library note 'the [Business Rate Retention Scheme's] technical structure influences outcomes for councils', explaining that '… incentives vary between local authorities; the relationship between business rate revenue to local economic growth is tenuous; and structural effects of business rates cut across the financial incentives provided by the system.'

14. Work commissioned by CCN to model the full retention system has highlighted the risk of significant divergence between resources from business rates compared to need over time. This could see very different outcomes for different authority types, and individual authorities. The chart below illustrates potential business rate resource in the full retention system compared to growing cost pressures for different authority types. This applies 5 yearly 50% resets, and assumes tier split of 20% for county councils.

[2] https://www.nao.org.uk/wp-content/uploads/2017/03/Planning-for-100-local-retention-of-local-business-rates.pdf

[3] https://www.parliament.uk/documents/commons-committees/communities-and-local-government/Property-taxation-and-revenue-incentives.pdf



15. It can be seen that there is a steep downward trajectory and an increasing divergence between resource from business rates and cost pressures for some authority types, particularly CCN members. For others business rate resource is accumulating over time. This suggests that without careful design of the business rates system, and a consideration of how the broader suite of local government funding mechanisms work together there could be structural winners and losers.

16. Through modelling we have considered how different design solutions can address some of these structural challenges. The objective is to design a full retention system which provides growth incentive opportunities and sustainable levels of funding for all authority types. We have found that some design solutions can help create a fairer, more balanced business rates system, but it is unlikely that system design alone can overcome significant divergence between rates resource and needs for some authority types over time.

17. Considering the divergence between business rate resource and growing pressures for some authority types we believe that the modelling demonstrates the imperative for the fair funding review. A new cost-drivers based approach to the needs funding formula may help make the business rates system more responsive to changing pressures over time. We will need to analyse how far a new funding formula can help ensure the business rates system can keep pace with need and provide fairer outcomes for all authority types.

18. Council tax resource has not been included in the modelling. While council tax will provide an important revenue source alongside business rates under the new system, the modelling highlights concerns that the reliance on council tax could become increasingly disproportionate for CCN members over time.

19. CCN have highlighted that current imbalance in revenue support grant between authority types means that some areas have had to rely more heavily on council tax than others. The current funding formula sees counties receiving £261 for services per head, compared to £553 per head in London. Conversely 13 London boroughs were able to

freeze or lower council tax in 2016/17, and a resident in Westminster now pays £700 in council tax on average, where a county resident pays £1600 on average.

20. If CCN members see increasing divergence between resources and growing needs under the new business rates system, there will be an implied reliance on council tax or further government funding for crucial statutory services for this part of the sector. We will continue to engage with government to understand how the suite of local government funding sources can work together to provide fair and sustainable outcomes for counties and their tax payers.

Structural Differences for Different Authority Types

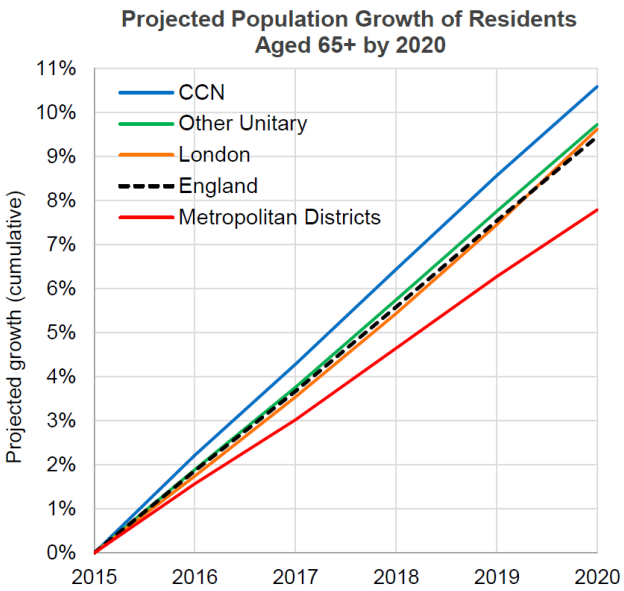
21. New analysis commissioned by CCN has shown that there is a risk the new system of full business rate retention could see significant divergence between resources and growing service pressures. The difference in business rate growth and service pressure growth between different areas, and parts of the sector means that the system may become very imbalanced and produce very different results for different parts of the sector within a relatively short period of time.

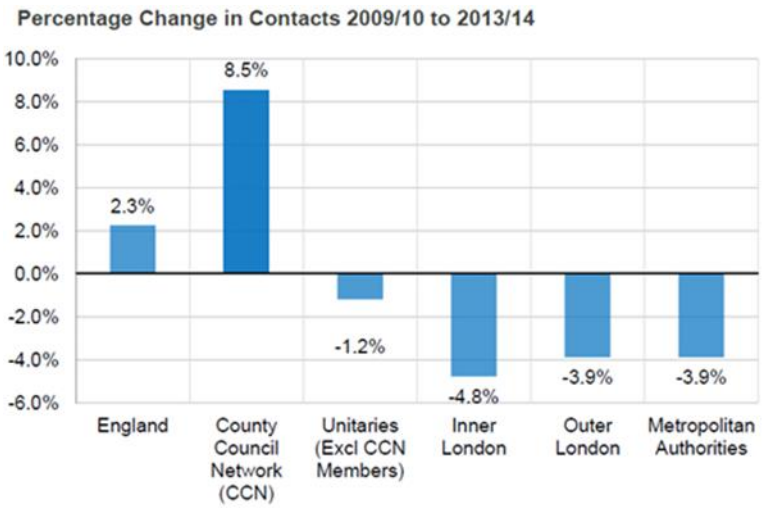
22. The broad implications for each type of authority are considered below. There are also likely to be different implications for individual authorities within these groups, particularly where there is variance in underlying need, demographic change and business rate growth.

CCN Members

23. The most significant factor in influencing the divergence between business rate resource and need in county councils and county unitary councils is the pace and scale growing demographic pressures. While business rate growth is healthy and above baseline for most counties, it is likely that this will be outstripped by the growth in social care costs. This will be apparent from the first few years of the new system, with divergence steadily growing over time. It is in CCN member authorities that the difference between structural growth and changing needs seems to be the most severe. The charts below are part an analysis of growing social care pressures (demographic and service contacts) in counties by LG Futures, commissioned by CCN.[4]

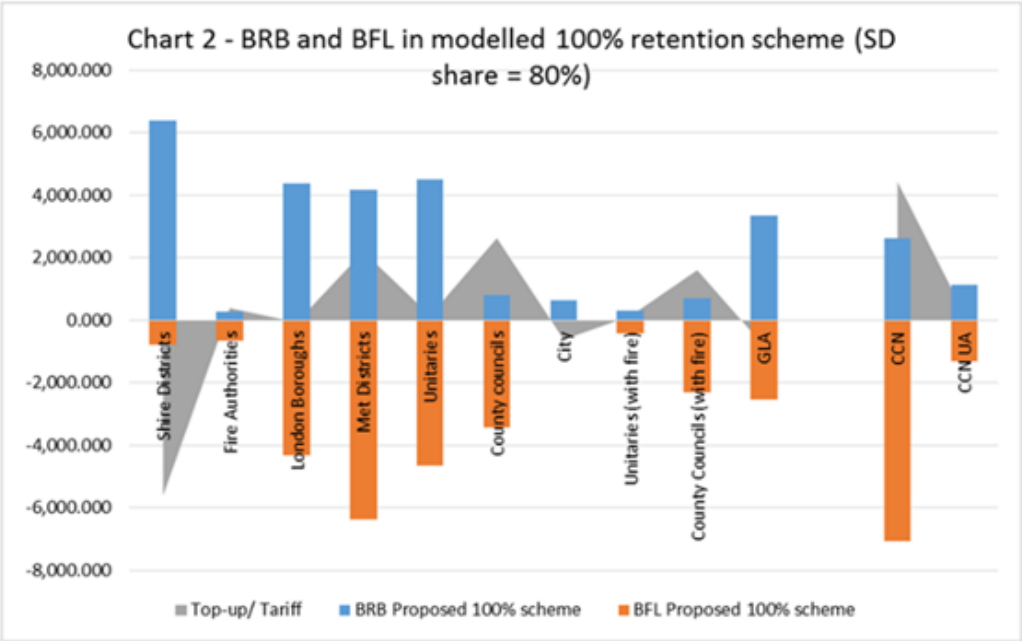
[4] http://www.countycouncilsnetwork.org.uk/assets/legacy/getasset?id=fAAzADQANgB8AHwAVAByAHUAZQB8AHwAMAB8AA2





District Councils

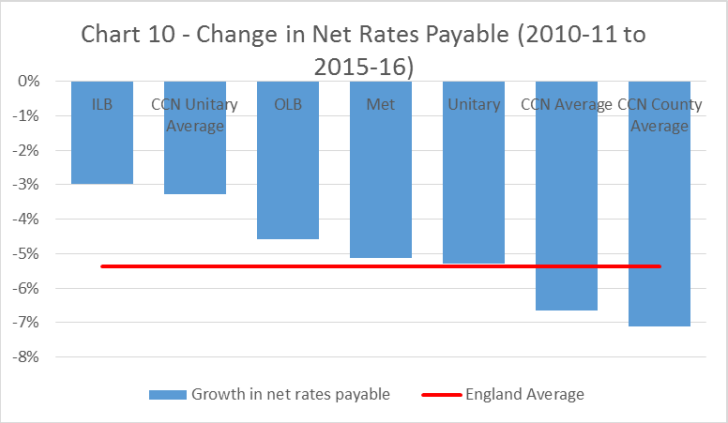
24. The trajectory for district councils seems to be most defined by the structural constitution of these authorities, and by their gearing in the business rates system. Districts do not oversee social care responsibilities, nor other volatile services such as waste disposal. Fewer demand-led pressures than other authority types, combined with partial retention through reset and removal of the levy on growth would mean capacity for significant retention and accumulation of resource for this authority type. This will be more substantial the larger the district share of the two tier split.

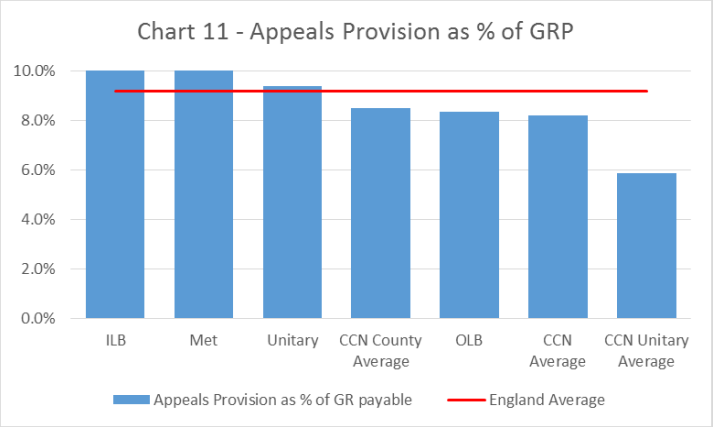


London

25. Previous work to understand the profile of business rates in counties and other authority types highlighted the fact that London has seen the lowest reduction in net rates payable

in recent years, while still seeing the highest levels of appeals.[5] This suggests that the capital represents the most significant underlying levels of business rate growth, particularly in the inner boroughs. With the possible centralisation of appeals, partial retention of growth through reset and the removal of the levy on growth, the trajectory of business rate resource against need for London is likely to be defined by their high levels of underlying growth.





Full Funding and an Effective Funding Formula

26. The difference in outcomes for different authority types under full business rate retention, and the limitations of system design solutions increase the imperative for a new cost-drivers based funding formula, and full funding for unfunded and underfunded pressures.

27. When the exposure to growth and decline built into full retention is coupled with the outdated Relative Needs Formula there is a real risk that needs and business rate resource becomes significantly out of sync. Our modelling shows that this could become progressively worse over time. A more responsive cost-drivers based approach to need could help ensure that there is a link between resource and need, at least at the point of reset.

28. CCN strongly argue that the new needs formula must therefore be in place before any new business rates retention system begins. We also believe that if the new government make any decisions to postpone or stop the full business rates retention scheme, the fair funding review must still be progressed as a priority. We note that the DCLG consultation makes the assumption that needs would be reviewed regularly, alongside business rate baselines, and we strongly welcome this. It will only be through regular relative needs reappraisal that a new fair funding formula can function properly.

29. CCN intent to undertake further analysis of the interaction between a new needs formula and the business rates system during our next stages of work. We wish to work with treasurer colleagues and DCLG to understand how far a cost-drivers based formula could ensure the new business rates system can keep reasonable pace with need, both at and through reset. If resets cannot keep pace with changing needs we will need to consider mechanisms to capture this, and ensure sustainably over time.

30. It is important to note that our modelling does not include the existing funding gap at the point of transfer to the new business rates system. The existing funding gap would need to be factored into year one, and further divergence between business rates and need would continue from that point. CCN and the LGA strongly argue that the first call on the

[5] http://www.countycouncilsnetwork.org.uk/library/july-2013/file124/

quantum should be unfunded and underfunded pressures, particularly social care costs. Full funding for unfunded pressures will be crucial for the sustainability to vital services, but will also underpin the functioning and sustainability of the full retention system.

31. Regarding the transfer of responsibilities in line with the additional 50% retention of business rates, it is not yet clear whether these will be reappraised under a new funding formula. We would flag that some of these functions may need a reappraisal of their funding formulas, and we will be engaging in more detail through the fair funding consultation and new responsibilities work streams.

Fair Funding Review

CCN are working closely with the Society of County Treasurers (SCT) and Association of Local Authority Treasurer Societies (ALATS) to develop and endorse a simple cost-drivers based approach to the fair funding formula review. This would start from the position of a small number of indicators which drive the majority of local government cost, and only add further indicators where this makes material difference to distribution. ALATS are building a consensus approach across local government.

CCN engaged with the Secretary of State on this issue and welcome the response, committing to including a simple cost-drivers based approach to need as an option for consultation with local government.

We urge the new administration to quickly progress the fair funding review and dedicate appropriate resource to designing and implementing this as a matter of priority.

Enabling and Incentivising Growth in all Areas

32. Research by CCN has shown that county economies have some important strengths and make significant contributions. Counties represent the largest proportion of the national economy, at 41% of GVA and on average are net contributors to HM Treasury. Counties also represent the largest proportion of businss start ups, and have high levels of business growth.

33. CCN have found however that there are significant challenges faced by county economies. Recent research by Oxford Economics for CCN (to be published shortly) has confirmed that counties have productivity levels that are below the national average, and have made slower productivity gains than other authority types in recent years. Similarly counties have lower workplace earnings than the national average, and face skills mismatches of a similar scale and nature to cities.

34. CCN are also considering some signs of social mobility challenges in counties, for example poorer attainment and employment outcomes for those who are eligible for free school meals.[6]

35. A central objective of full business rate retention is to encourage a virtuous cycle of local growth activity, to boost both local and national economies. It is clear that counties should have the opportunty to invest in growth, to address economic challenges, and to benefit from the business rates system. As discussed above however, the structure of

[6] https://www.gov.uk/government/statistics/widening-participation-in-higher-education-2016

business rates means that underlying demographic, geographical and economic trends are likely to have a significant impact on outcomes of full retention.

36. Due to this we argue that the capacity to invest in growth will be as important, if not more important than the 'growth incentive' of retained business rates. Without capapcity to invest in growth some areas may have no means of influencing business rates and recouping some reward. Counties for example are seeing diminishing resources to invest in growth, due to scale of growing social care pressures.

37. When considering local authority spend there has been a significant and worrying trend in counties. Between 2010/11 and 2015/16 CCN members have seen a 58% reduction in highways maintenance and transport budgets. Metropolitan areas have seen much smaller decreases over the same period at just over 22%. Bucking the national trend Greater London is the only area which has managed to increase its expenditure on highways maintenance and transport.

38. CCN have recently undertaken new analysis of the distribution of governmental infrastructure funding, through the National Infrastructure and Pipeline. We found that while Greater London covers less than 5% of the nation's road network it received over 55% of identifiable funds. This sees London receive almost 4½ times more funding per person than any other part of the country.

39. Additionally London and the city regions have seen significant commitments to infrastructure funding through devolution deals. City regions have been guaranteed almost £5bn in infrastructure funding via devolution deals over coming decades.[7] Metro mayors have also been granted a suite of fiscal powers. CCN have calculated that one such power, the 2p levy on business rates, will allow metro mayors to raise almost £64m to invest in growth in their first year in post.

40. Specific measures will help ensure that these areas can continue to invest in growth, and engage with the growth incentive afforded by business rate retention. If counties are to see the relevance and feel the benefit of full retention, they must have the ability to invest in growth. Measures which would help achieve this include:

    - Full funding for unfunded social care pressures as the first call of the quantum, and beyond this the transfer of strategic growth and transformational functions.

    - Devolution of strategic growth functions, infrastructure funding and fiscal powers to counties by default. This should encompass a more balanced approach to infrastructure funding levels across the country.

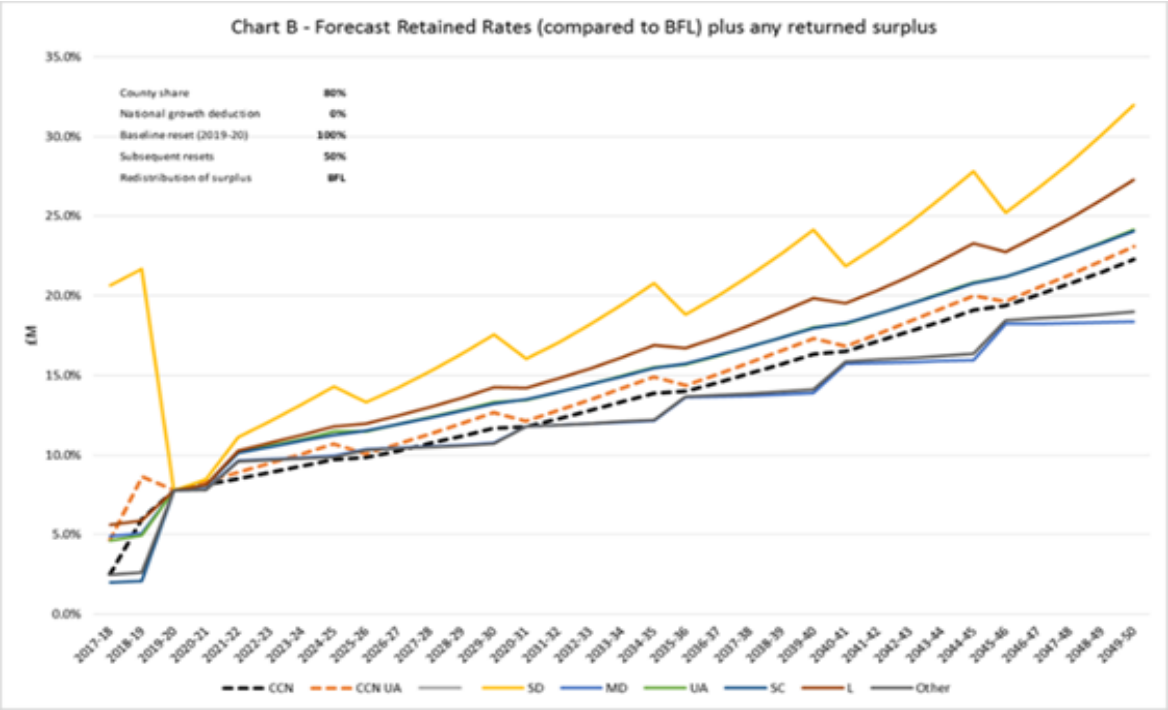
    - Prioritisation of a new fair funding formula creating a better link between funding and need in the new business rates system, and more balanced opportunities to invest in and the benefits of growth.

[7] https://www.gov.uk/government/policies/city-deals-and-growth-deals

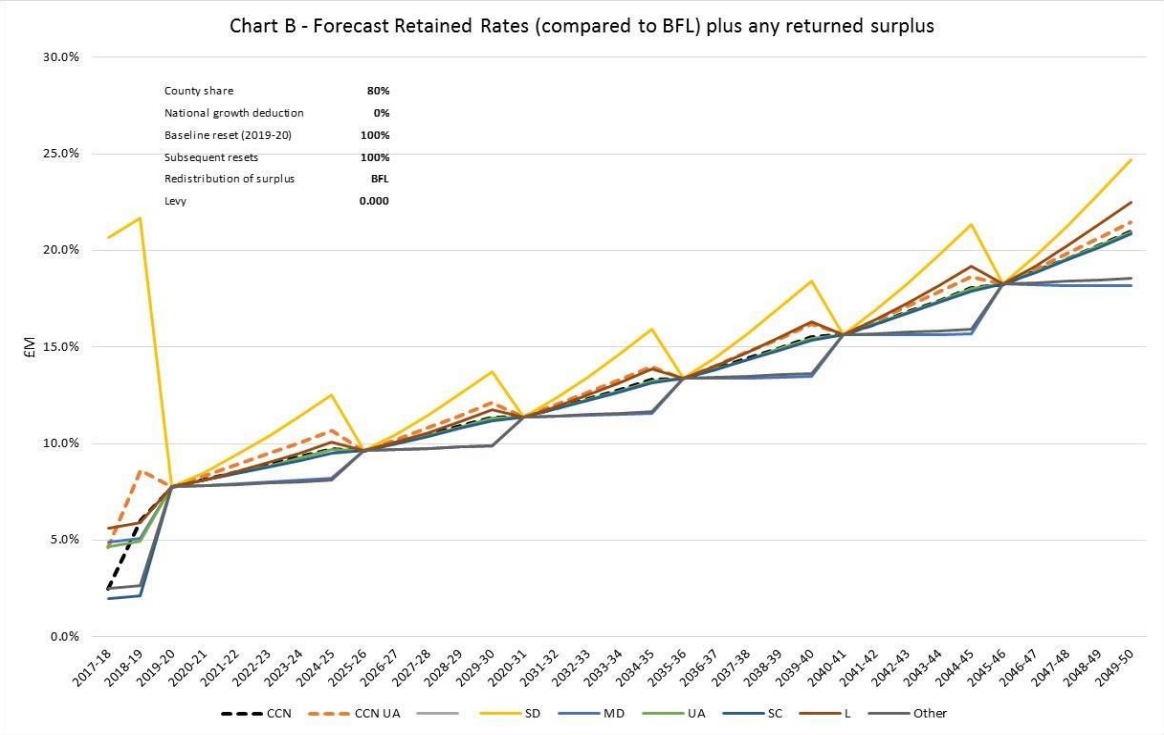
Design Option: Resets

41. CCN asked Pixel Financial Management to model a number of different reset options to understand the impact on different authority types over time. We agree that a regular reset of both business rates and relative needs, will be crucial to ensuring the new system is responsive to fast changing pressures. The reset will be the primary mechanism for linking the business rates system to need, if only partially and periodically. Regular resets could also help avoid big changes in income for individual authorities, which could occur if left to build up over a longer period of time.

42. A partial reset provides a link to growing or declining business rates, both at and through the point of reset. Our modelling in the below chart shows that 5 yearly 50% partial resets, which redistributes according to the baseline funding level will have an impact on balancing resources between different authority types. However, despite CCN members having relatively healthy business rate growth, it is unlikely that this level of reset alone would change the downward trajectory of business rate resources against need over time for counties.



43. The second chart below shows the impact of 5 yearly full resets. While we do not think this is likely to be a viable option, it was useful to understand the range of outcomes. It would seem that while regular high or full resets reduce divergence between growth in authority types, even this measure may not address the rates and needs divergence issue.



44. **We do not wish to make conclusions about the value of the reset at this stage however, as we would expect the impact of resets to become much more important if a new funding formula is put in place**. With a more responsive funding formula, and a regular reassessment of need along with the business rate base, resets could play an important role in ensuring the system can keep pace with need and remain sustainable over time. We now need to understand to what extent a new funding formula can achieve this.

45. We strongly suggest that decisions about resets are not taken until the interaction between reset and a cost-drivers approach to need are analysed. CCN intend progress this analysis with treasurer and DCLG colleagues in our next stage of work.

<u>Design Option: Pooling and Partnership Working</u>

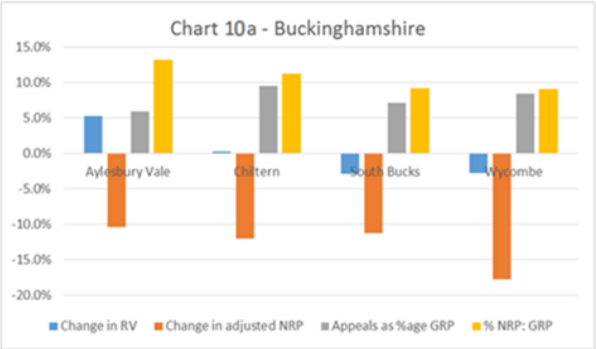
46. Government have said that they want to encourage councils to work together to reduce unnecessary risk and maximise the benefits of growth across a broader areas in the full retention system. The future of the *Local Government Finance Bill* is now uncertain, but we note that it was government's intention to allow the Secretary of State the power to set pooling areas.

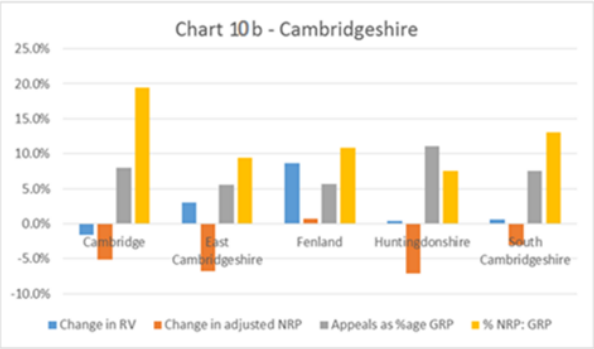
47. In anticipation of any future pooling policy, CCN want to consider which geographies for managing business rates would provide the best results for those involved, and for the system. Conversely we want to understand what geographies and incentives could be detrimental to the sustainability for the business rates system, and for funding and services in county areas.

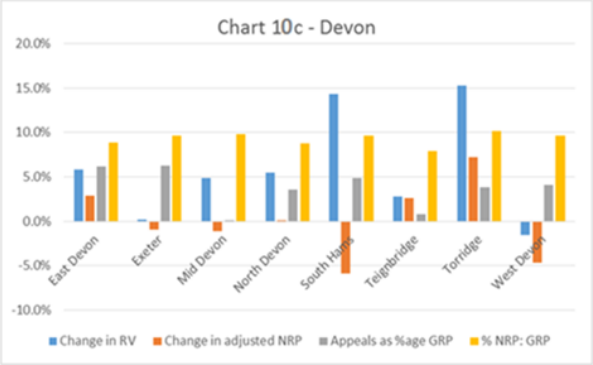
48. **While CCN, like the LGA, does not necessarily support the powers for the Secretary of State to impose a pooling geography, CCN believe that there are likely to be advantages for partners managing business rates together over a wider geography, particularly in two-tier areas.** This may be through the use of pools,

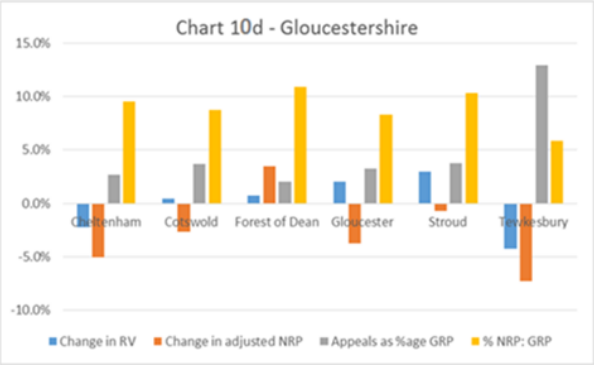
or through other partnership mechanisms. Pooling or partnership options should be designed to be beneficial and sustainable for all, and we believe that government should avoid incentives for small groups of high growth, low risk authorities to ‘club together’ to the exclusion and detriment to neighbours and the broader economic area.

49. Recent modelling and previous work by Pixel Financial Management for CCN has shown that the profile of business rates varies widely within a county geography, even between neighbouring district councils. Some districts and sub-county areas see very high growth, while others see low or declining growth. The urban or rural nature of the district is one factor contributing to this, as is any shock or change to substantial sites.

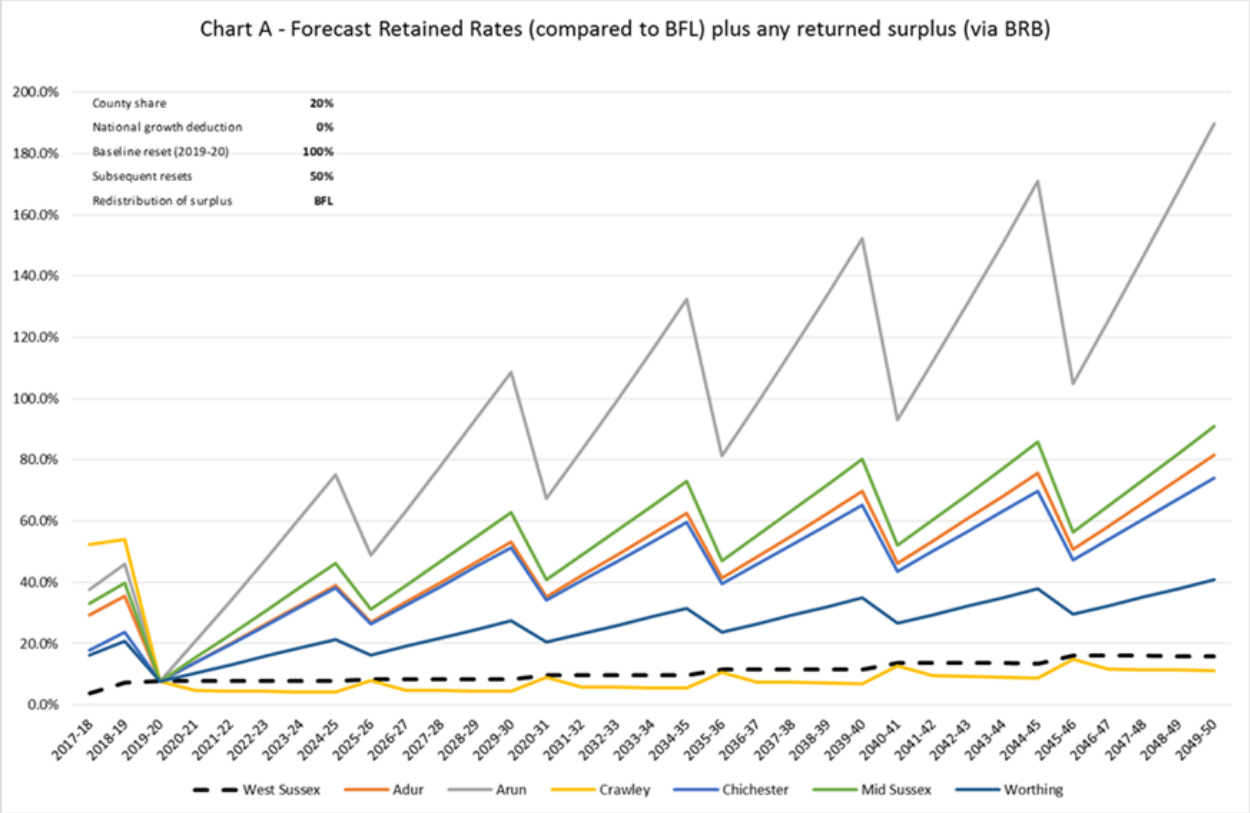




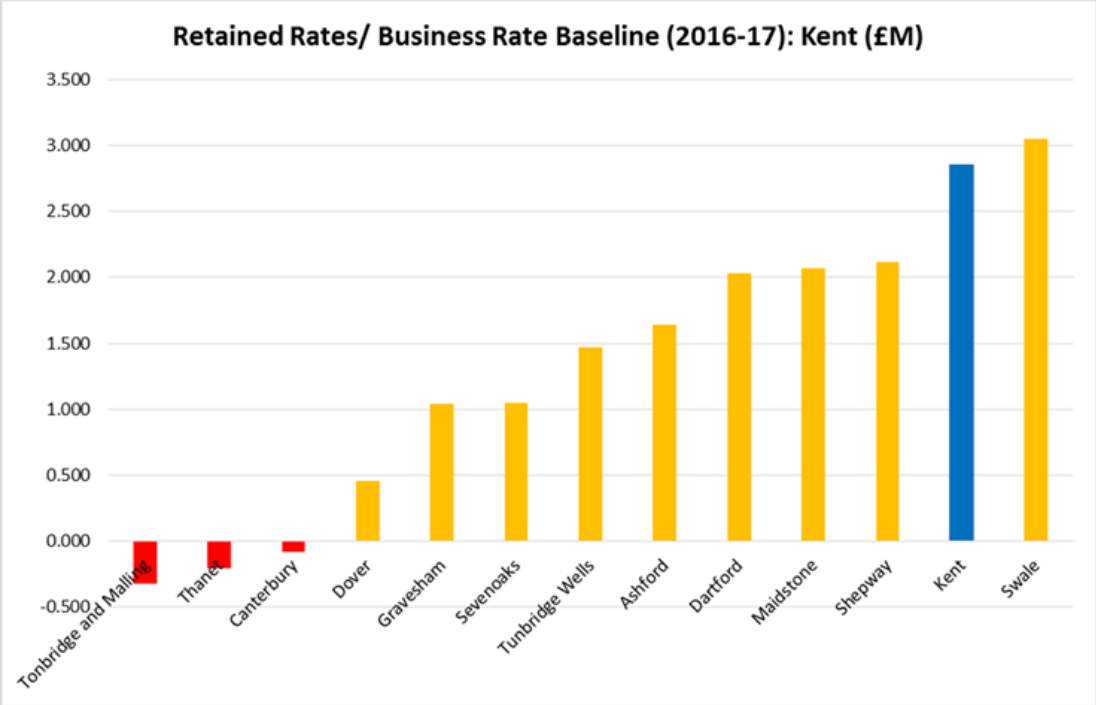


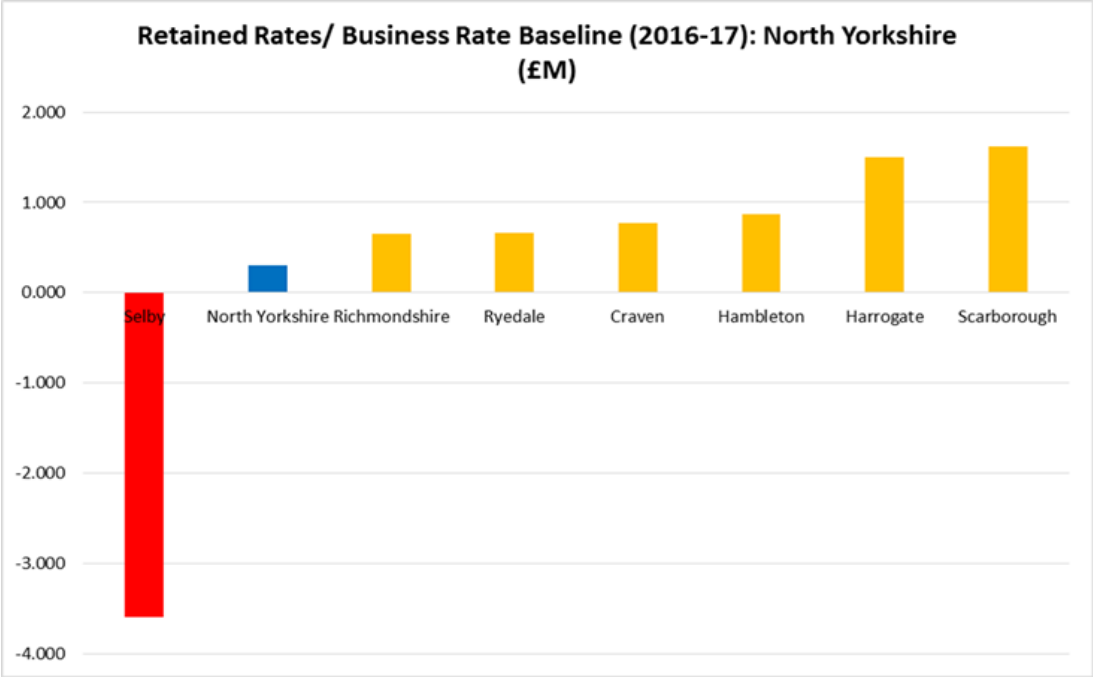


50. The move to full retention could deepen this divergence, as the structure of the new system could see many districts accumulating high levels of resource over time, but this would not be the case for all districts. As the House of Commons Library note ‘the range of outcomes [for district councils] is much wider than for the other types of authority’. The below chart for the example of West Sussex shows that with an 80% share of rates and 5 yearly 50% resets, districts councils could see increasing divergence in resource within their class.



51. Our modelling has found that partners managing business rates together across a whole-county area could help to reduce unnecessary risk for individual councils. When looking at whole-county scale, growth is healthy and in almost all cases above baseline. The diversity afforded by this scale levels out shocks or decline in individual districts. The charts below provide two examples; Kent and North Yorkshire.





52. Managing business rates across the county could provide partners the opportunity to invest in infrastructure and growth activity across the broader economic area, and to make strategic links which could be beneficial to all involved. This could also create the capacity to invest not only in economic growth, but crucially in economic inclusion and regeneration. This could help overcome some of the systemic disadvantage which could be faced by low growth districts under the new system, if they were to manage business rates alone.

53. A whole county approach could also provide the basis for a clear and cogent framework for tax and growth strategy for the broader area – in consultation with bodies such as LEPs. This could help overcome the potential fragmentation and different layers of reliefs, multipliers and levies within a two-tier county area.

54. Another potentially significant benefit of pooling or partnership across the whole-county area could be to better balance resource and need. Modelling suggests that the county council group are likely to see a downward trajectory of business rate resource against need in the new system, but for district councils the opposite is true. Therefore managing business rates across the whole-county area could better match available resource with need, alongside growth investment decisions. It is unlikely this would reverse the general trajectory for counties, but could contribute to a better balance of business rates, council tax and other resources between areas.

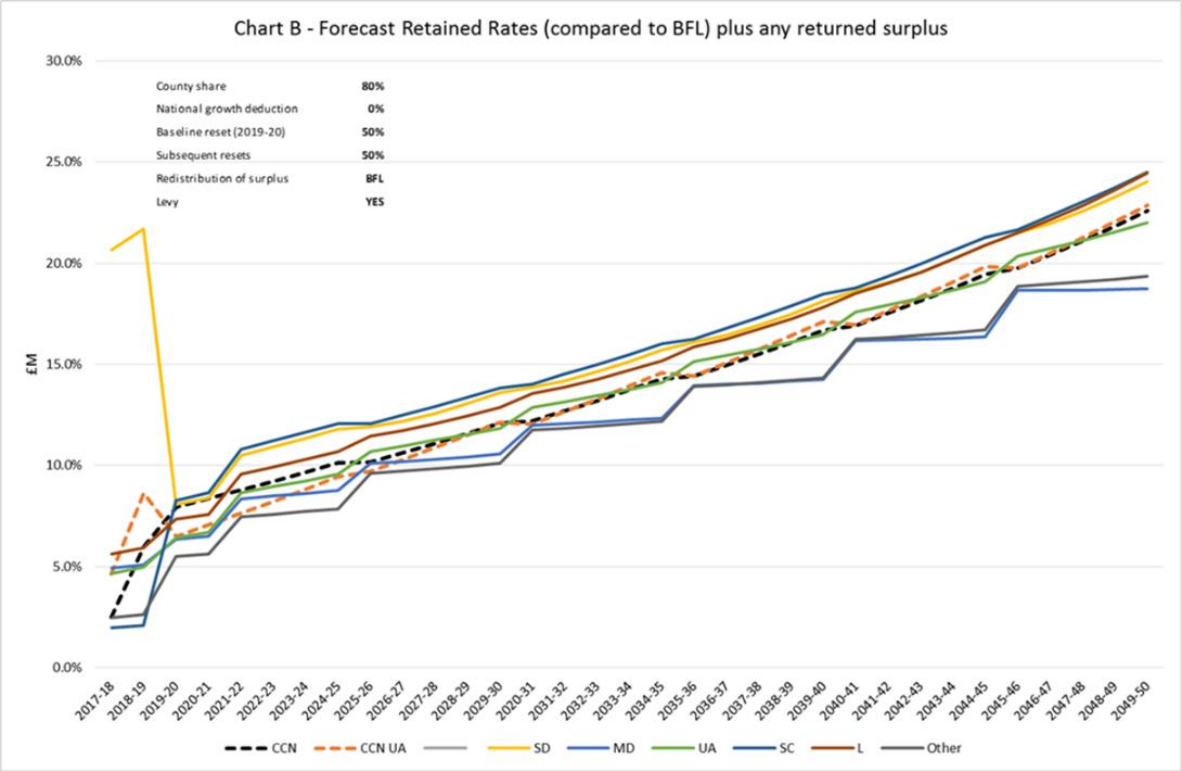
55. In terms of incentives to work together, we appreciate that government have recognised that a removal of the levy on growth would remove the main incentive and benefit of pooling in the current system. The safety net may also contribute to disincentives, as the group could find it harder to reach the net if their rates are considered together – we welcome government's commitment to consider this. Conversely the centralisation of appeals may help authorities accept the lower, shared risk of others.

Design Option: The Levy on Growth

56. The removal of the levy on growth was announced by the then Chancellor, shortly after the decision to move to full business rate retention. To date there has been no consultation with local government on this design aspect of the system, nor analysis of the impact or of alternative options.

57. Through modelling we have considered what the impact of keeping the levy and removing the levy would be likely to be under full retention. Considering the earlier charts presented in this response, it can be seen that the removal of the levy on growth would contribute to some parts of the sector gaining a structural advantage. Some types of authority, for example district councils, would be able to accumulate substantial resources over time, at and through resets, but the risks of loss would be much smaller due to the safety net.

58. Below the effect of retaining the levy on growth, with 50% partial resets, under the new system can be seen. This shows that the structural advantages for some authority types is reduced and there is more balanced risk and reward profiles between authority types.



59. Another approach which could be considered is a more responsive levy, which allows retention of growth up to a certain point, for example a percentage of the baseline funding level. This could better reflect the safety net mechanism, and provide local authority types with more similar incentives.

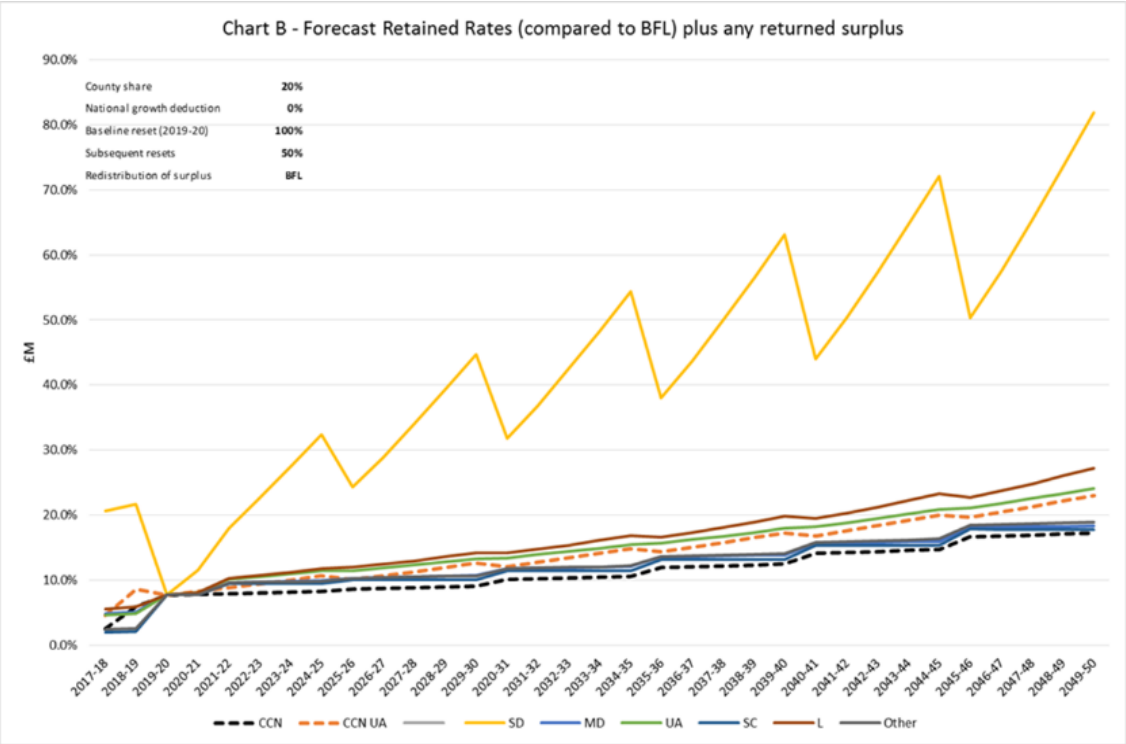
60. CCN suggest that further analysis of the impact of the removal of the levy on growth on different authority types is needed, as is a rigorous consideration of other options which incentivise growth but also underpin a fair and balances system.

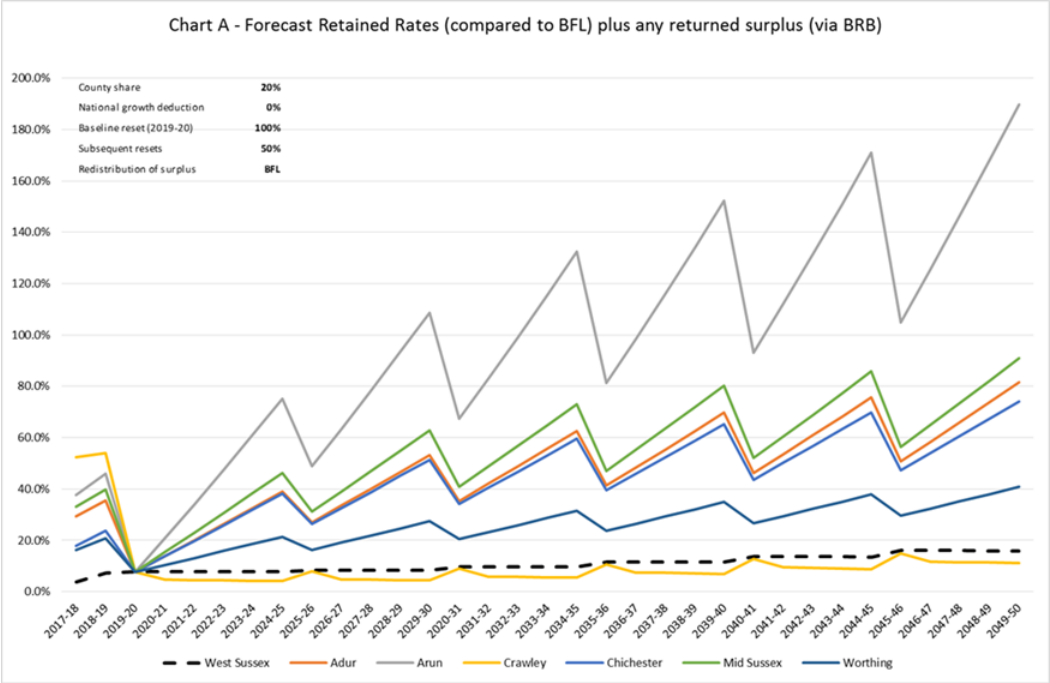
Design Option: Tier Splits

61. CCN have been undertaking a programme of engagement and work with the District Councils Network (DCN) and the Rural Services Network (RSN). We have agreed that while the networks will submit evidence to the DCLG consultation regarding two-tier splits we will not be proposing formal solutions until there has been further engagement between the networks.

62. Our modelling considers a number of different scenarios for the tier split including 20:80, 60:40 and 80:20 ratios, so that we can understand the different implications of each. This does not presuppose one option, but will help provide evidence for ongoing engagement and discussion between CCN, DCN, local and central government.

63. The below following charts show the contrast between a 20:80 and 80:20 split between county councils and district councils. The first chart shows the impact by local authority class, with counties retaining a 20% share. The second cart provides a local example, again West Sussex.

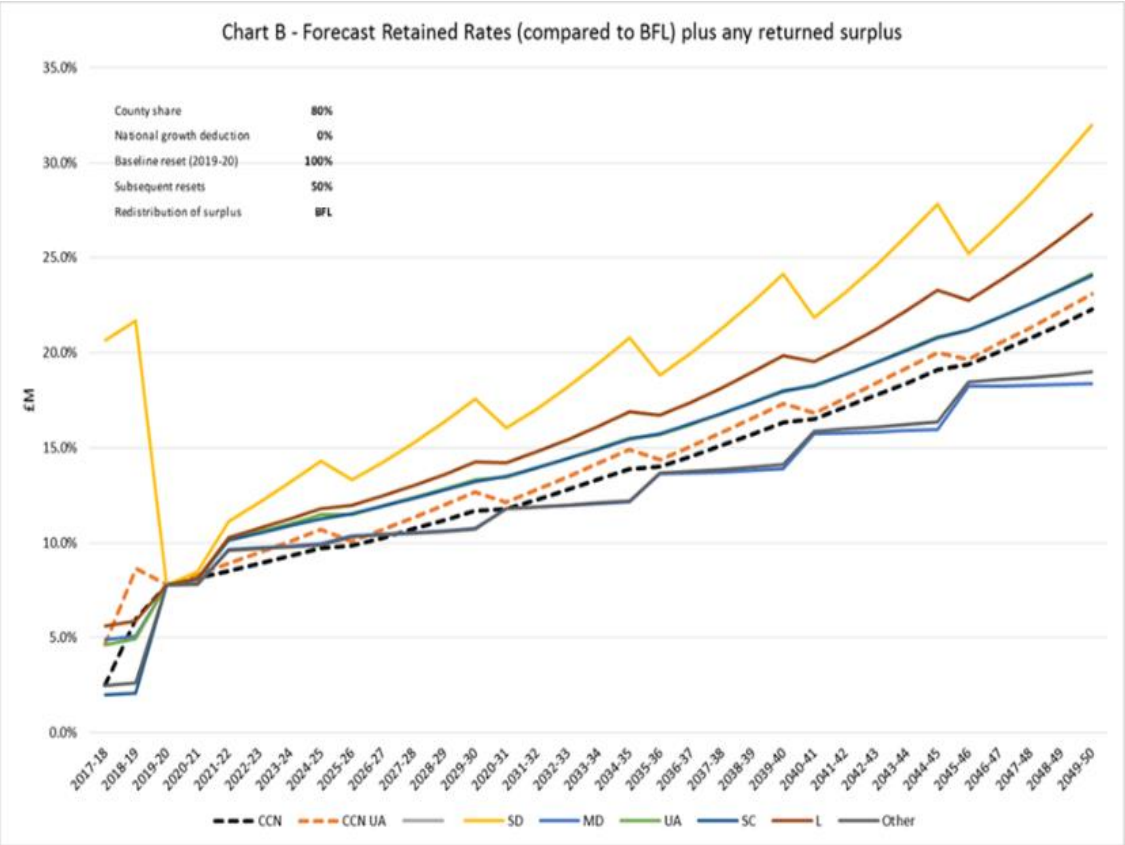


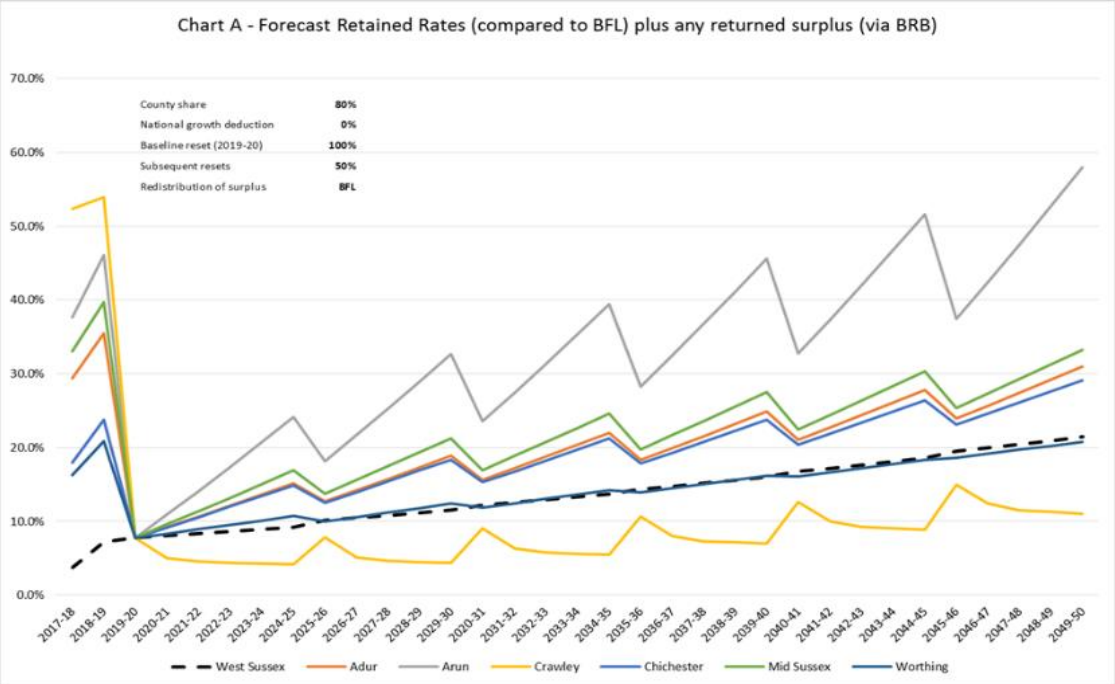


64. As mentioned earlier with an 80% share there are likely to be substantial and diverging differences in outcomes for individual district authorities. Importantly a high share for district councils creates a significant structural advantage for the class, above other authority types, which is likely to increase over time. This is due to business rate baseline levels which much larger than baseline funding levels, coupled with greater ability to retain rates through partial retention through resets and removal of the levy on growth.

65. This option also seems to create an imbalance between the opportunities of growth and the risks of loss for district councils – with a set safety net at 97%, loss is restricted but growth is not. This is likely to create a different risk and reward, and incentives profile for district councils compared to other authority types.

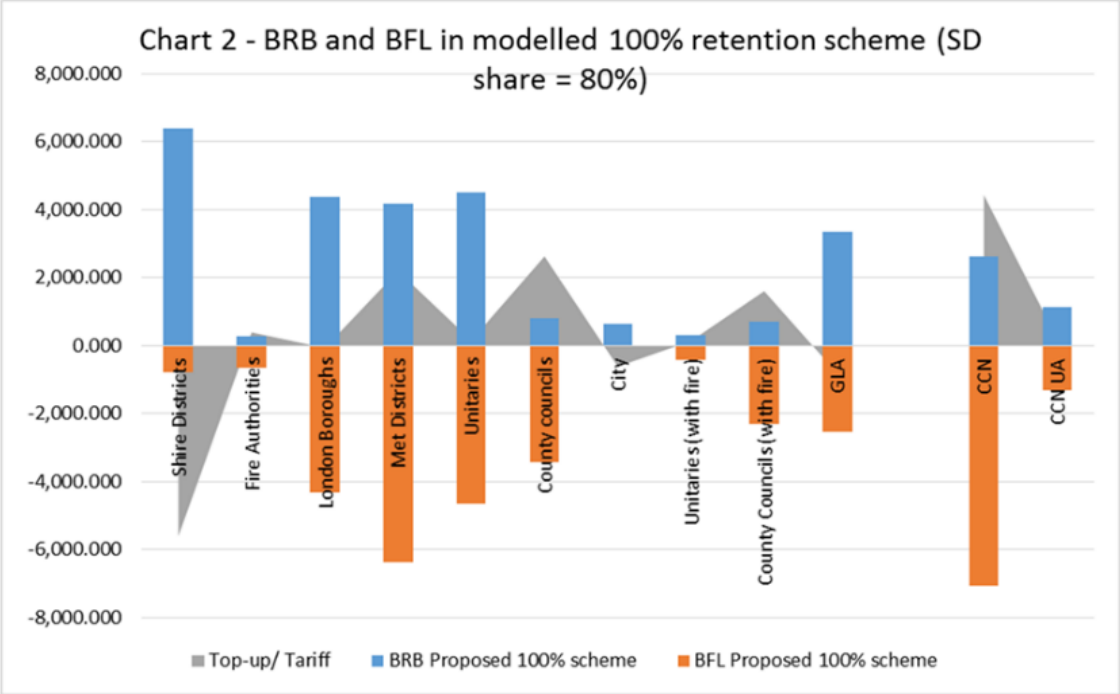
66. It can be seen in the charts below that conversely a 20% share for district councils brings the outcomes for this group more in line with other authority types, with less divergence over time. It is important to note however, that this share still retains some comparative advantage for the group.

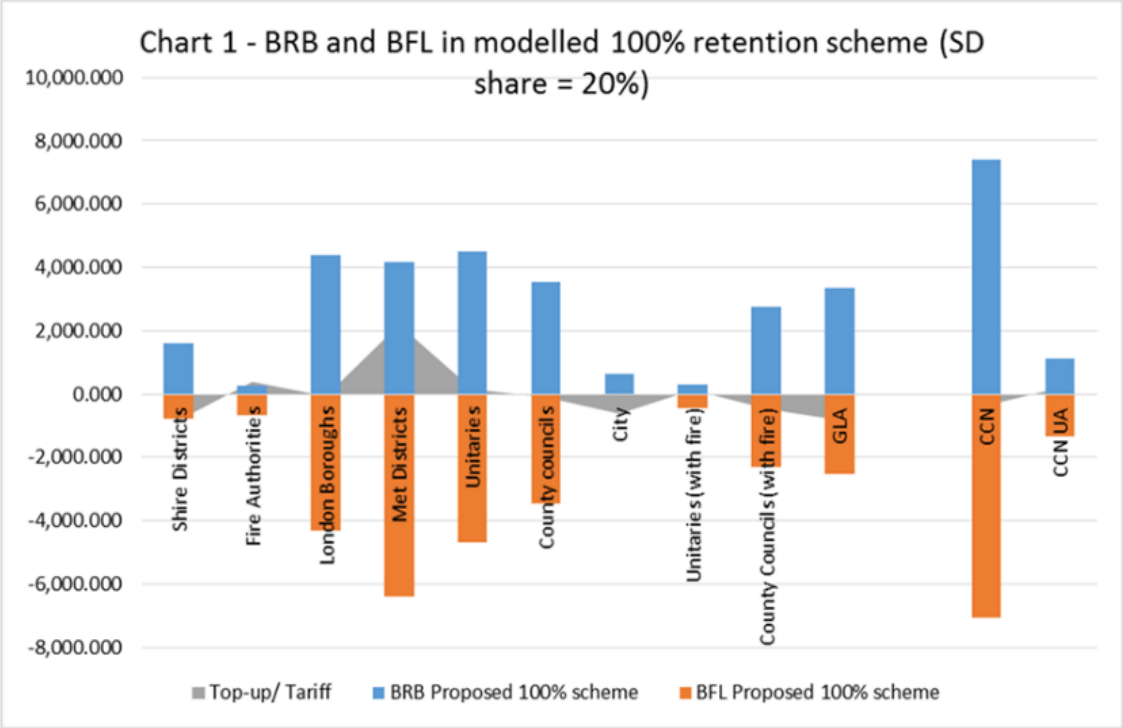




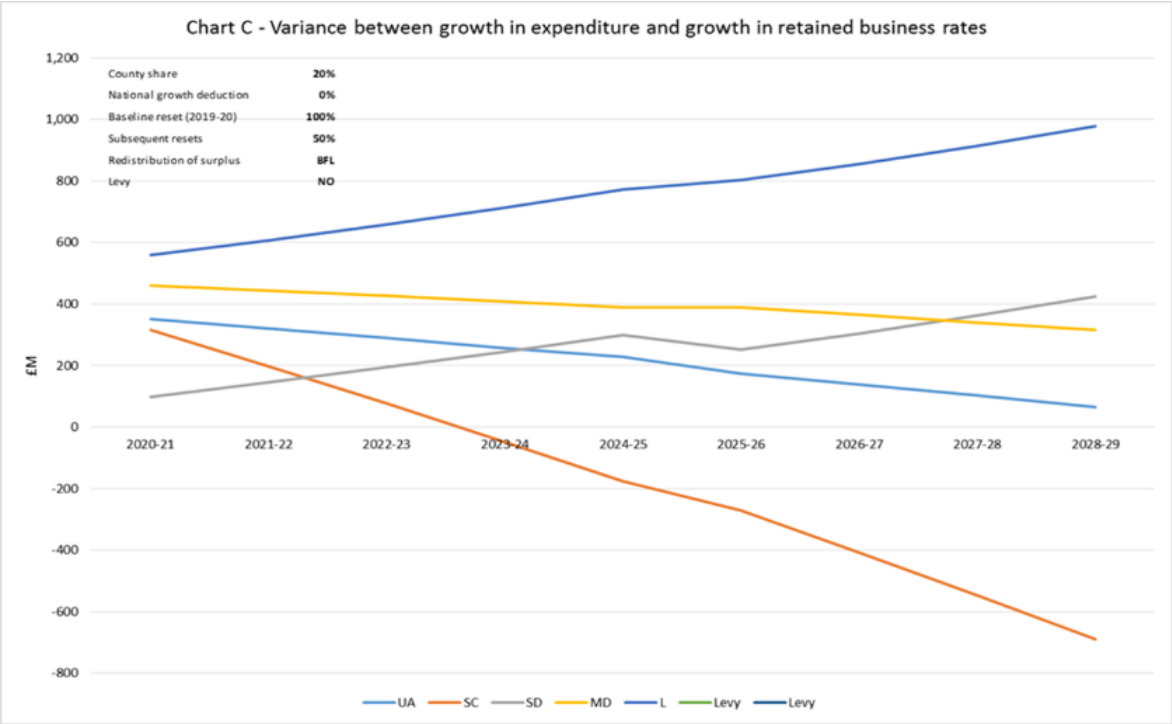
67. With a higher share for county councils less resources would need to be moved around the system by top-up and tariff (see below charts), as the share would better reflect the baseline funding level of the different authority types. Additionally there is an argument that greater exposure to risk and reward better reflects the strategic economic growth

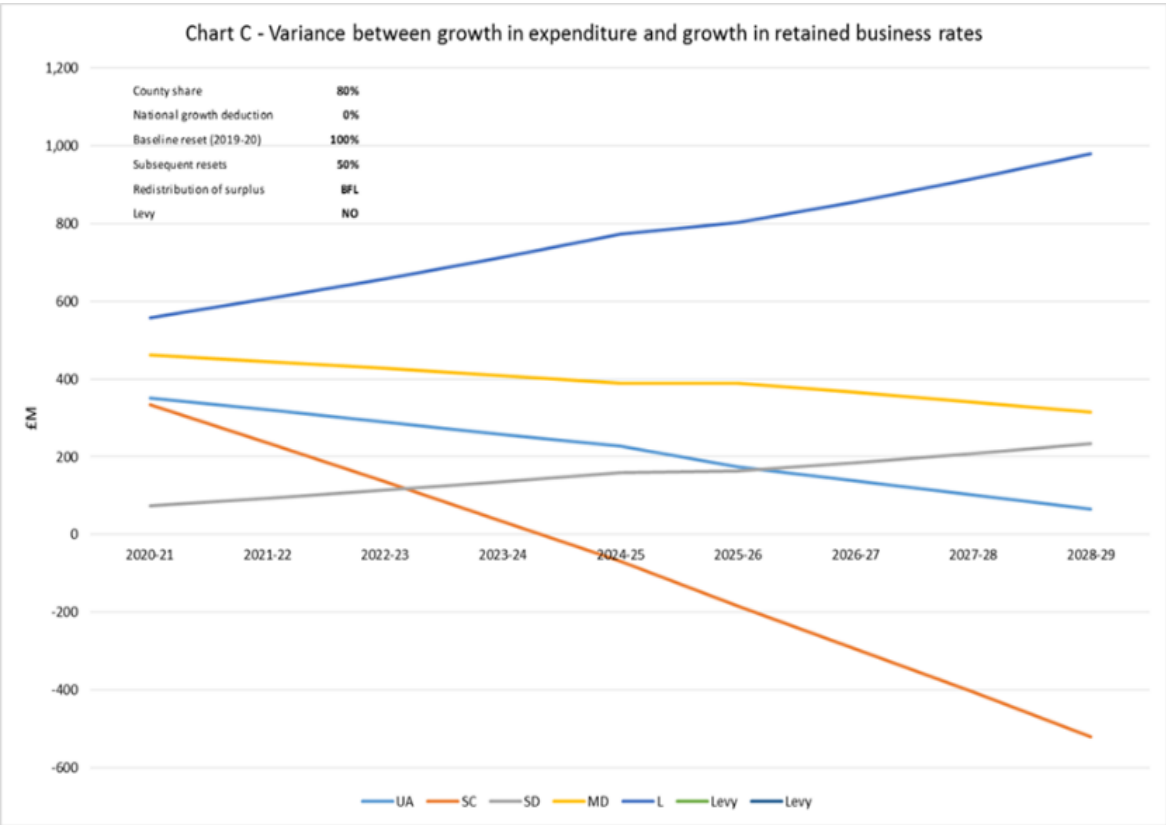
role of county councils, particularly if most functions transferred through full retention are upper tier.





68. It is important to note that no tier split option is likely to change the downward trajectory of business rate resource against need for counties. Although a higher split for counties may make some contribution to closing the divergence in resources and need between county councils and district councils. This is demonstrated by the following two graphs, where a higher retention share for counties does contribute towards reducing the funding gap.





69. CCN members would need to give further consideration to the risks of becoming tariff authorities associated with higher proportions of the tier split under full retention. Given that most counties show healthy business rate growth, and that the of risks from appeals may be centralised, it may be a risk profile which is acceptable to county councils. However other issues such as identifying which responsibilities are to be transferred, and

how sustainable the broader suite of local government funding will be in the new system will be important to evaluating risk.

Design Option: Inflation Indexation

70. The modelling put forward in this response has assumed the use of the Consumer Price Index (CPI). This was for the purposes of understanding the implications of moving to this index, following Government's stated preference for this measure and inclusion in *the Local Government Finance Bill*.

71. It is likely that there would be a significant impact of moving from Retail Price Index (RPI) to CPI. The latter tends to increase more slowly, and as such the amount of business rates collected by local government would also increase more slowly, making less resources available over time. It may be that this has a particular impact on those areas and authorities where business rate growth is already low, and where growing service pressures are increasing at a faster pace than rates.

72. CCN suggest that further analysis of the impacts of different indexation options on local government, different authority types and businesses is needed.

Design Options: Managing Appeals, Safety Net & Central List

Managing Appeals

73. CCN would welcome the centralisation of appeals, as this could represent more stability for local government and free up more resource for vital services. The removal of this unnecessary risk could also provide the opportunity for innovation and partnership working. We would want assurance that a central system would have the capacity to manage high levels of appeals in a timely and stable way.

74. London have the biggest business rate base and highest levels of business rate growth, but they also see the most substantial appeals, which currently act to level out much of their potential income. While welcoming the measure, we would just note that the centralisation of appeals is therefore likely to provide the greatest structural advantage to London.

Safety Net

75. CCN agree that the safety net mechanism must remain under full retention, and agree that 97% better reflects the risk which local government will bear.

76. We would point out that when the safety net is combined with the removal of the levy on growth this creates very different structural risk profiles for different authority types. District councils for example, which are currently geared very highly could see significant retention of resources over time, with a much smaller risks associated with loss.

77. We welcome the fact that Government recognise that safety net arrangements may need to be tailored to facilitate pooling and partnership working, where this is desired. CCN intend to consider how the safety net interacts with pooling incentives, particularly in two-tier areas, and continue engagement with DCLG on this issue.

Central List

78. CCN believe that the central list should only include property which is genuinely non-local, or those sites which are affected by Government decisions. It is also important that any moves between central and local lists should be done when the baseline is set so they do not have an impact on authorities either before or after further rates retention has been introduced.

79. We suggest that a clear and transparent criteria is set out between central and local government for the identification of sites which should sit on the central list, to provide certainty and rationale.

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