CCN
COUNTY COUNCILS NETWORK

Consultation Response
Business Rates Review

June 2015

Our Plan for Government 2015-20
www.countycouncilsnetwork.org.uk

Introduction

The County Councils Network (CCN) represents 37 English local councils that serve counties. CCN membership includes both upper tier and unitary councils who together serve over 23 million people across 86% of England. CCN develops policy, shares best practice and makes representations to central government on behalf of this significant proportion of the country. CCN is a member-led organisation which works on an inclusive and all party basis and seeks to make representations which can be supported by all member councils.

Counties are the largest contributors to the country's economy and to HM Treasury, including accounting for 39% of the nation's business rates. In 2013/14 the Government collected £21.8bn in business rates across the UK, with the areas that make up the CCN membership contributing £8.4bn. This compares to £6.6bn in London and £1.9bn from the Core Cities.

CCN welcomes the opportunity to submit evidence and proposals to the business rates review, and would also direct the Department to the responses submitted by our individual member authorities and by the Society of County Treasurers and the Local Government Association.

CCN and our members wish to work with central government to unlock the true potential of county areas, driving economic growth and prosperity for our local communities and for the nation as a whole. We believe that greater local retention of business rate revenue and the ability to set the business rate multiplier locally are vital to achieving these shared goals. Below we have addressed the discussion paper questions which bear the most relevance to these issues.

Question 6: How can government use business rates to improve the incentive for local authorities to drive local growth?

Question 7: What impact would increased local retention of business rates revenue have on business growth? What would the impacts be on local authorities?

1. CCN's analysis shows that counties continue to be the drivers of growth outside of London and are net contributors in employment and tax revenues. Counties contribute the largest proportion of GVA, at 41% of the national total, and represent 36% of GVA growth since 2007. They account for 43% of total employment and more than 50% of employment in key sectors such as manufacturing, motor trades and construction. Their businesses and residents contribute the most, including 49% of all income tax in England, 41% of stamp duty and 39% of business rates.

2. However, within the context of reducing core budget and increasing pressures, counties are beginning to reach the limit of what they can achieve. Greater devolved powers, budgets and fiscal freedoms are needed to allow our local areas to take an integrated and long term approach to services and growth. Signs of this can already be seen through low employment growth in county areas and poor productivity rates which on average are lower in county areas than in the core cities.

3. The measures outlined below would help enable counties to further develop their competitive and attractive offer to business, fostering sustainable growth, employment, productivity and living standards. The benefits of this would extend to businesses, communities, local and central government, through increased growth and competitiveness, but also though reduced demand for public services and welfare.

Business rate multiplier and business rates relief

4. **CCN believe that local areas should be given the power to set the business rate multiplier for their area.** This power should sit with the upper tier authority or partnership body such as a combined authority, in close liaison with the rest of the public sector and the LEP. This would allow rates to be set across functional economic areas, in line with local economic and public service plans.

5. **CCN believes that local authorities should be enabled, where possible, to reduce the burdens on local businesses.** Within the current system it is difficult for local areas to utilise reliefs and discounts, as they cannot take strategic decisions concerning the whole system. Costs cannot be balanced across the whole functional economic area, and as much of the proceeds of the growth would not be felt locally there is little incentive to invest in this way.

6. Ability to set the multiplier would have the added benefit of allowing county areas to make much greater use of reliefs, as a strategic approach could be taken to the whole business rates system. In this way rates and reliefs could be nuanced to take account of growth industries, specialisations, hubs/corridors and the type and size of business, to achieve a healthy economic mix and meet ambitions.

Supplementary business rate levies

7. **CCN believe that local areas should be given greater flexibility over setting supplementary levies, to fund specific programmes and projects.** The powers currently available to local areas to increase business rate income are not practical or effective for county areas.

8. Business Improvement Districts are small scale and so do not enable ambitious plans which cover one or multiple functional economic areas. Alternatively Business Rates Supplements have not proven attractive outside of the Greater London Authority, as the process surrounding them is restrictive, particularly the need to hold a ballot. Greater flexibilities in setting levies could enable ambitious and much needed investment in major county infrastructure projects. Effective levying powers should be seen as part of a broader package of business rate powers for the local area, to put in place a dynamic and competitive system.

Retention of business rates

9. **CCN believe that local areas should retain a greater percentage of business rate revenue.** We welcome the reforms taken in April 2013 to allow local areas to retain 50% of total business rates and the recognition by central government that local retention is a crucial incentive for growth. We also welcome recent pilots to allow local areas to retain 100% of business rate growth. However, we believe that the amount retained locally must be substantially extended if the incentive is to have real impact.

10. We recognise that an element of equalisation must remain as support to provide key services such as social care cannot be directly linked to economic conditions. Beyond this we believe that greater local retention of the total business rates take would be a compelling incentive to work closely with partners and business to further prioritise growth measures and reinvest in successful initiatives.

11. Equally, fiscal freedoms to set and retain more business rates locally will mean that local areas will have more capacity to become sustainable and self-sufficient. Within the landscape of increasing pressures and decreasing funds this will become ever more vital.

Such fiscal freedoms would support economic plans, but would also enable greater reform and longer term planning of services.

12. **CCN also believe that the allocation of business rate retention between county and district councils should be reviewed, to ensure growth is being properly incentivised.** Despite key county services supporting local businesses to generate £8.4bn in business rates during 2013/14, CCN's 27 county councils only retain 9-10% locally, with districts retaining 40%.

13. The county council is responsible for strategic infrastructure across its area, they are the main liaison with the LEP and strategic economic plans and are core building blocks of functional economic areas. It therefore makes sense that the county council, or partnership organisation such as a combined authority, should be incentivised to drive economic growth and be enabled to take a strategic view across the functional economic area.

Question 8: What other local incentives should the government consider to further incentivise business growth?

14. CCN welcome the introduction of *the Cities and Local Government Devolution Bill*, and believe that this presents substantial opportunities for our areas to agree ambitious deals between local partners and central government. We do believe that fiscal freedoms will need to constitute an important aspect of devolution, to ensure that local government can become more self-sufficient and services remain sustainable over time.

15. Through CCN's *Our Plan for Government 2015-20* and recent *County Devolution Reports* we have outlined a comprehensive set of economic powers and budgets and fiscal freedoms which would allow county areas to drive and incentivise business growth:

16. **CCN believe that, through appropriate governance, a package of fiscal freedoms should be devolved to local areas**. Beyond setting and retention of business rates these should cover long term funding settlements, greater powers to direct EU funding, council tax freedoms and ambitious earn-back and payment by results schemes.

17. **CCN believe that skills budgets and powers should be devolved to allow local areas to align provision with the current and future needs of the labour market.** The ability to set and retain business rates locally could complement this, as reinvestment and reliefs could be used to encourage business to invest in high quality training and apprenticeships.

18. **CCN believe that transport and infrastructure powers and budgets should be devolved** to allow local areas to oversee an integrated transport system which meets local needs, and to prioritise and deliver major infrastructure which is much needed in counties. **We also believe that strategic planning should be consolidated at the county level, through rigorous partnership governance,** to ensure decisions are taken across the functional economic area to support appropriate house building and growth. The ability to set business rates and greater flexibilities over supplementary levies for specific infrastructure projects would complement this, and allow local areas to drive high impact schemes.

CCN contact

19. If you would like any more information or would like to discuss the County Council Network's position on business rates and business rate devolution, please contact Elizabeth Hunter-Gray, Senior Policy Officer for Devolution, Economic Growth and Public Sector Reform, Elizabeth.hunter-gray@local.gov.uk, 02076643006.

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Founded in 1997, the County Councils Network (CCN) is a network of 37 County Councils and Unitary authorities that serve county areas. We are a cross-party organisation, expressing the views of member councils to the wider local government association and to Central Government departments.

To discuss any of our proposals in greater detail, please contact:

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If you would like further information on CCN, including the latest policy briefings, publications, news and events, please visit our website at www.countycouncilsnetwork.org.uk

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