

Response ID ANON-6CNQ-YJ1Q-W

Submitted to Local authority funding reform - Resetting the business rates retention system
Submitted on 2025-06-02 17:16:01

Introduction

a. What is your name?

Name:
Kerry Booth

b. In what capacity are you responding to this consultation?

Local authority association or special interest group

Name of your organisation (if applicable):
Rural Services Network

Your position (if applicable):
Chief Executive

c. What is your email address?

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Question 1

Are there matters related to the reset that you believe should be covered in the reset delivery plan which are not mentioned in this consultation?

Yes

If you have views, please share these and any supporting explanation or evidence.:

Our main concern is that there is no discussion about how the surplus generated from the reset will be redistributed within local government. It is encouraging that the department is committed to keeping the resources within the sector, and we understand that more will be announced in the spending review. But the way these funds are distributed will be very important for rural authorities.

At the very least, they should be distributed via an established measure of "needs", e.g. the Baseline Funding Level (BFL). However, we would also be interested in seeing options that take account of the current levels of business rates growth. This would help to soften the impact of the reset, as well as recognising the role that individual authorities have played in generating that growth in the first place.

We would like to see more about the arrangements for strategic authorities, and for LGR. We understand that they will be dealt with in a future consultation, but these are important issues that will take time to consider, and should not be rushed at the end of the year. Many rural authorities will want to ensure that business rates growth generated in rural areas remains in those areas, and is used for the benefit of rural residents. We are concerned that giving strategic authorities a large share of local growth will result in business rates resources being siphoned-off into urban areas.

Question 2

Do you agree that provision should be built into the reset delivery process in year 2 to retrospectively adjust baselines to improve accuracy via a bespoke data collection in the summer of 2026?

Agree

Please provide any additional information, including any explanation or evidence for your response.:

We support the proposals to set a provisional baseline for 2026-27 and to update this baseline in the following year. Given the uncertainty about the data and the impact of the revaluation and new multipliers on business rates income, this seems to be the only viable approach. The alternative would have been to rely on estimates. We support the Department's prioritisation of accuracy, even though it will lead to a degree of uncertainty for local authorities going into 2027-28. It will also add to the complexity of the BRRS, but this is a reasonable price to pay.

Given that complexity, it is essential that the Department provides authorities with as much data as possible, and does so in good time, so that authorities can set robust budgets for both 2026-27 and 2027-28. There will need to be transparency about the data that is being used, and the detailed methodology for calculating baselines.

Question 3

Do you agree with the government's proposal to determine GRP using draft VOA list data and SCat codes in 2026-27 and to update this measure for local authority data in 2027-28?

Agree

Please provide any additional information, including any explanation or evidence for your response.:

SCat codes have serious limitations, and we agree that they can only be used to determine provisional baselines. Final baselines should be determined using actual data from authorities. We would recommend further work on the SCat codes so that the provisional baselines are as close as possible to the actual data. This will reduce the variances between the provisional and final baselines to a minimum.

Our preference would be for the NNDR1s for 2026-27 to be used to refresh the data that is used to calculate baselines. If that is the case, then authorities would be aware of any movements at the earliest possible opportunity.

Question 4

Do you agree that the government should not make a deduction for reliefs when setting new baselines, instead compensating for reliefs separately via s.31 grant? Do you see any issues with this approach?

Agree

Please provide any additional information, including any explanation or evidence for your response.:

We agree with the proposal to set baselines on GRP rather than net rates, as is currently the case. Of course, this is a very significant change in the way that the baselines are set and does have other implications which will need to be managed. We recognise that this is a necessary change given the difficulty of estimating the impact of the revaluation and new multipliers on reliefs. It is important that the sector is given more information about the baselines and what they would look like so that authorities can be sure that the net impact of the change in methodology does not have a financial impact on their overall resources.

For many rural authorities, providing full funding for charitable relief, in particular, will be very helpful. Many authorities in rural areas were losing business rates income as a result of ongoing increases in the number of businesses claiming charitable relief. This has become particularly acute on many rural high streets.

One implication that needs to be fully considered is that it will result in very many authorities becoming tariff authorities or having a higher tariff. This could be particularly acute in rural areas. We would not want this change in the way that the baselines are calculated to lead to higher levy payments from rural authorities. Whilst we realise that this is something that will be consulted on later this year, this issue is fundamentally important and really should have been considered at the same time as the proposals to move to a baseline using GRP.

Question 5

Do you agree that the government should use the estimate of future losses on the list used to set business rates multipliers at revaluations, as the sector aggregate quantum, for provisions for appeals?

Disagree

Please provide any additional information, including any explanation or evidence for your response.:

No, we do not agree that a top-down central estimation for the deduction from the baseline for provision for appeals is the best approach. This does not reflect local circumstances or challenges. The number of appeals going forward is likely to increase with the revaluation and the multipliers which is why we do not agree with a % based on historic level of appeals, this will not provide a realistic appeals adjustment.

Appeals present a real challenge for local authorities and a risk to their income that they have no way of controlling or influencing. Would the Government consider managing them centrally to reduce this risk for Councils?

Question 6

Do you prefer a bottom-up approach using LA-specific data or a top-down approach using a LA-average fixed percentage to account for bad debt?

Top-down approach

Please provide any additional information, including any explanation or evidence for your response.:

RSN would support a top-down adjustment to baselines to reflect non-collection and bad debts. There are very significant variations between the level of bad debts, and these can also change from year to year, and even between NNDR1 and NNDR3. Using the 3-year average will smooth-out the level of bad debts to some degree but will still leave some variation that is the result of local policy and/ or timing of writing off bad debt.

A simple, average deduction is a much more defensible approach. If the Department is considering taking local circumstances into account, then this should be supported by independent, external research.

Question 7

Do you have any comments on the approach to the cost of collection allowance in setting new BRBs?

Yes

If you have views, please share these and any supporting explanation or evidence.:

Our preference would be for the cost of collection to be funded by section 31 grants. This will simplify the operation of the BRRS.

There is clearly a need to update the estimate of the total cost, and £84m is likely to be a very significant understatement of the actual cost of collection. If insufficient data is forthcoming on a voluntary basis from local authorities, then we would urge MHCLG to undertake more rigorous research with authorities.

Question 8

Do you agree with the government's proposal to deduct an amount from collectible rates for designated areas?

Agree

Please provide any additional information, including any explanation or evidence for your response.:

This is a very technically complicated adjustment and we welcome the Department's diligence in working on determining an accurate deduction. We would urge the Department to work closely with those authorities with DAs to ensure that the deductions represent an accurate reflection of the income in these areas.

Question 9

Do you agree with the government's proposal to deduct an amount from collectible rates for amounts retained in respect of renewable energy projects?

Agree

Please provide any additional information, including any explanation or evidence for your response.:

We welcome the proposal to continue with a deduction for renewable energy projects.

Question 10

Do you have any views on the potential impacts of the proposals in this consultation on persons who share a protected characteristic?

No view

If you have views, please share these and any supporting explanation or evidence.: