

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

EXECUTIVE COMMITTEE

10TH OCTOBER 2011

1. **LOCAL GOVERNMENT RESOURCE REVIEW:
PROPOSALS FOR BUSINESS RATES RETENTION –
RESPONSE TO CONSULTATION**

Report of the Chief Fire Officer.

RECOMMENDED

THAT the Committee approve the draft response to the consultation exercise and that the Chair of the Authority, in conjunction with the Director of Finance and Procurement, amend the current wording, if appropriate, in order to align the response with any submission made by the Association of Metropolitan Fire and Rescue Authorities.

2. **PURPOSE OF REPORT**

This report is submitted to seek the Committee's approval to the draft consultation response to the Local Government Resource Review.

3. **BACKGROUND**

- 3.1 The Department for Communities and Local Government has issued consultation on proposals to allow local authorities to retain future growth in their business rate revenues. These proposals could mark fundamental change for local government funding and could impact on WMFRA, although the change for WMFRA might not occur until 2015/2016. The full consultation is available on the CLG website using the link below.

<http://www.communities.gov.uk/publications/localgovernment/resourceviewbusinessrates>

- 3.2 Under existing arrangements, non-domestic rates (or business rates) revenue collected by local authorities is pooled for redistribution to local authorities (including police and fire authorities) in England via

formula grant.

This means that local authorities have no direct incentive through the business rate system to attract companies to locate to their area (or grant planning permissions for new developments). The additional revenues are transferred to central government and redistributed nationally. The proposals are to change this system to allow local authorities to retain an element of their local business rate growth to incentivise the promotion of economic growth.

- 3.3 The Government also published on 22nd August eight technical papers to support the consultation and explain how the scheme is likely to operate in practice. There are a number of questions in the main consultation document and the eight technical papers, many of which are aimed at specific authorities such as those which currently collect business rates. There are also areas of uncertainty where further clarity may emerge during the consultation which does not close until 24th October. WMFRA officers are still involved in the consultation process, with meetings planned between representatives of other Metropolitan Fire Services and CLG staff.
- 3.4 The key section and question that relates to WMFRA and the proposed response is shown below:

Impact on non-billing authorities: county councils, police authorities and fire authorities

Currently formula grant distributes resources not only to the billing authorities that collect business rates, but also to non-billing authorities, namely police and fire authorities and county councils in two tier authority areas. Therefore, we need to consider how these authorities will be funded under a rates retention scheme.

County councils

County councils have strong levers for promoting economic growth across their local area. We propose that all of the proposed components of the scheme and options for balancing strong incentives for growth with protections to ensure needs can be met, discussed in this chapter, would apply to county councils. County councils will receive a share of the business rates collected by district councils in their area (for instance, based on current revenue share). The difference between its share of business rates and baseline level of funding will determine whether the county should

pay a tariff or receive a top up.

Subsequent business rates growth in the area would then also be shared between the district and county, so that both districts' and counties' budgets are dependent on the area's performance in driving business rates growth. This will provide a strong incentive for county and district councils to work together to promote local economic growth.

County councils and their districts will have a strong interest in the arrangements for sharing business rates across two tier areas. This will be the subject of a more detailed technical paper to be published in August in good time to inform consultation responses. A full list of technical papers to be issued is set out in chapter 6.

Police and fire authorities

Police and fire authorities have more limited levers for driving business growth and we therefore propose to treat them differently to billing authorities and county councils. Rather than having their funding affected by fluctuations in business rate income in 2013-14 and 2014-15, the police and fire sectors will receive guaranteed funding at the levels agreed in the 2010 Spending Review for these years. Damping policy for police authorities in these years will continue to be decided by the Home Secretary. The mechanics of how this will be achieved will be covered in a separate technical paper ('Establishing the baseline') to be published in August. A full list of the technical papers to be issued is set out in chapter 6.

The Government will fully review the way in which police and fire authorities are funded beyond this period in time to allow for changes to be implemented from the beginning of the next Spending Review period in 2015-16. This will include considering the potential for all government funding for the police to come from the Home Office.

This will be in parallel to considering more closely aligning local authority functions and responsibilities with business rates income (as set out in this chapter, paragraph 3.7).

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

In principle, the Fire Service has a key role in the maintenance of the

conditions for economic development and West Midlands Fire and Rescue Authority (WMFRA) is a key partner in providing services within the West Midlands conurbation. WMFRA therefore considers that it should in principle be funded from the local business rates that are raised by the City and Borough Councils.

This should be on the basis that WMFRA would receive a share of any future business rate growth. This would be in line with the proposals that County Fire Services should be funded locally.

4. **EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out.

5. **LEGAL IMPLICATIONS**

There are no legal implications arising from this report.

6. **FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this report but the funding of the Authority in future years will be determined by the final proposals from the outcome of the consultation process.

BACKGROUND PAPERS

Local Government Resource Review: Proposals for Business Rates Retention

VIJ RANDENIYA
CHIEF FIRE OFFICER