



Ministry of Housing,
Communities &
Local Government

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House of Commons
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Dear Bob,

Housing, Communities and Local Government hearing on business rates retention

Thank you for inviting me to give evidence to the Select Committee's hearing on 5 March 2018 on business rates retention. I said I would write to clarify some matters which arose during the session.

You referred to the draft Local Government Finance Bill which fell in the run up to the General Election in 2017 and asked whether the Government would still have the means to introduce a compensation scheme for local authorities that lost money under the appeals process. In my response I explained that there is an idea around a centrally managed risk sharing system, which would allow local authorities to pool their provisions and that the pooled resources could be used to compensate local authorities for appeals losses.

As Part 1 of the draft Local Government Finance Bill provided, the Secretary of State would have been given the power to make provision for the making of loss payments to a relevant authority by regulations. The Government is aware of local government's overwhelming support for a centrally managed appeals risk system, which is why we are looking at ways in which to emulate the effect of the Bill's clause through other means. As part of this process, the Department is preparing a technical paper on mitigating the risk of appeals losses and will present the paper to the joint LGA/MHCLG Working Group this April. Collaboration with the sector has been central to the development of greater business rates retention and the reform of the local government finance system more widely, and we are committed to continuing our collaboration with the sector in an effort to bring reform in the area of appeals as soon as possible.

Moving on to another question, I outlined to the Committee that in order for 75% business rates retention to be reached in a fiscally neutral manner, the Government intends to devolve the following grants to local government upon introduction of the new system in 2020: Revenue Support Grant, Rural Services Delivery Grant, the Greater London Authority Transport Grant and the Public Health Grant. I would like to clarify the Government's position on the future of the Public Health Grant ring-fence.

The Government has been clear that it intends to use the intervening period between now and April 2020 to develop a set of measures that support a smooth transition of funding for public health services from a ring-fenced grant to retained business rates. Ending the ring-fenced grant will be a major change to the public health system – this is a change that presents real opportunities, but we must make sure that essential services are not disrupted by the transition. Therefore my Department is working with both the Department of Health and Social Care and Public Health England towards having measures in place in time for 2020 that minimise the risks and maximise the benefits of this change, with our expectation being that once such measures are in place the ring-fenced Public Health Grant will end upon the introduction of 75% business rates retention.

The Committee asked for feedback on the first 12 months of the new system for business rate appeals. The Valuation Office Agency (VOA) published statistics on the first 9 months of the system on 15 February. These showed that as of 31 December 2017 there had been 12,840 Checks and 1,210 Challenges. By 31 December 8,720 of these Checks had been resolved and 420 of the Challenges resolved. I have since met with the Chief Executive of the VOA, and I will shortly write to the Committee separately with regard to that meeting and future plans for delivering the system.



RISHI SUNAK MP