



Ministry of Housing,
Communities &
Local Government

Clive Betts MP
Chair, Communities and Local Government
Committee
House of Commons
London
SW1A 0AA

The Rt Hon Sajid Javid MP
*Secretary of State for Housing,
Communities and Local Government*

**Ministry of Housing, Communities and
Local Government**
4th Floor, Fry Building
2 Marsham Street
London SW1P 4DF

Tel: [REDACTED]
Fax: [REDACTED]
E-Mail:
sajid.javid@communities.gsi.gov.uk

5 February 2018

Dear Clive,

You will be aware that on 18 January we alerted local government to the fact that revised data had been published by the Valuation Office Agency (VOA) and, as a result, some numbers published in the provisional Settlement on 19 December would be amended in the Final Settlement. I thought it would be helpful to explain the circumstances leading to this decision and details of the impact of the changes.

My intention is always to provide local authorities with as much certainty as possible about their funding at the earliest opportunity. This is why we set out a four-year funding deal providing certainty for councils in return for publishing efficiency plans. As you know, we are now entering the third year of this four-year deal, which has been accepted by 97% of councils.

We published the Provisional Local Government Finance Settlement before Christmas to give councils notice of the figures they should use to plan their budgets. As you know, it is not uncommon for there to be changes to the figures between Provisional and Final Settlements. Indeed, part of the reason for having a Provisional Settlement is to consult authorities on the figures, thereby allowing for the possibility that they can be revised before they are finally presented to Parliament.

For example, such changes were made in the settlements for 2003-04, 2005-06, 2006-07, and 2008-09. By publishing the Provisional Settlement before Christmas we allow local authorities to work on budgets which are then finalised after the Final Settlement is approved by Parliament.

As part of every Settlement since 2013-14, we have set out the tariff and top-up payments to be made by, or to, each local authority in connection with the business rates retention scheme. Until 2017-18, the figures were simply indexed each year to reflect inflation. In 2017-18, we needed to make more substantial adjustments to take account of changes made by the business rates revaluation, which had the effect of altering, sometimes significantly, authorities' business rates tax bases. We were clear at the time that this would be a two-stage process with amendments made for the 2017-18 Settlement being adjusted in 2018-19 to reflect updated data.

Some of the data we rely on to make the necessary changes to tariffs and top-ups is published by the VOA. For the adjustments we needed to make in the 2018-19 Settlement, we used VOA data. A data set consistent with this was used to generate official statistics published by the VOA in October 2017.

Compliance with the Code of Practice for Official Statistics requires full assurance of the quality and consistency of the data used, and so while the VOA confirmed that there was an error in the published data due to a fault in the process used to extract data from their systems shortly beforehand, they were not able to publish revised statistics ahead of the publication of the Provisional Settlement on 19 December. At that time, whilst we knew the overall scale of the error in the VOA's published data, we could not assess its impact on tariffs and top-ups, because it was unclear how it was distributed across authorities; and could not therefore say what, if any, changes might have to be made to individual authorities' tariffs and top-ups. We therefore published the Provisional Settlement on 19 December on the basis of the VOA's official statistics.

As soon as the VOA published their revised data on 18 January, we alerted local authorities to the fact that, as a result, we would be further adjusting tariffs and top-ups in the final Settlement. Later the same day, we sent each authority a calculator showing its new 2017-18 tariff, or top-up, worked out on the basis of the revised data.

The impact of the changes to tariffs and top-ups is modest. Overall, local government will benefit to the tune of £2.6 million, either by paying less tariff to Government, or by receiving higher top-up payments. This compares with overall core spending power of almost £45 billion. At the local authority level, 189 authorities will benefit from the changes, whilst 194 will be worse off. Of the 194 who are worse off, the change in their tariffs and top-ups, compared to the numbers published in the Provisional Settlement, totals £4m. For all but three of those authorities, their new tariffs and top-ups are less than 1% different from the Provisional Settlement numbers and for no authority is the change more than 1.6%. And each of those three authorities – Manchester, Cheltenham and Kettering – is keeping growth from the business rates retention scheme in excess of the amounts they are losing from the changes to their tariffs, or top-ups.

Clearly, we would have preferred to avoid any changes between the Provisional and Final Settlements. But in the circumstances, we believe it is right to reflect the revised

data and hence the true impact of the revaluation on local authorities' business rates income. We acted as soon as the revised data was published to make local authorities aware of the changes and to give them as much notice as possible of the impact on their funding from Government.

A handwritten signature in black ink, appearing to be 'S. J.', with a small dot at the end.

THE RT HON SAJID JAVID MP