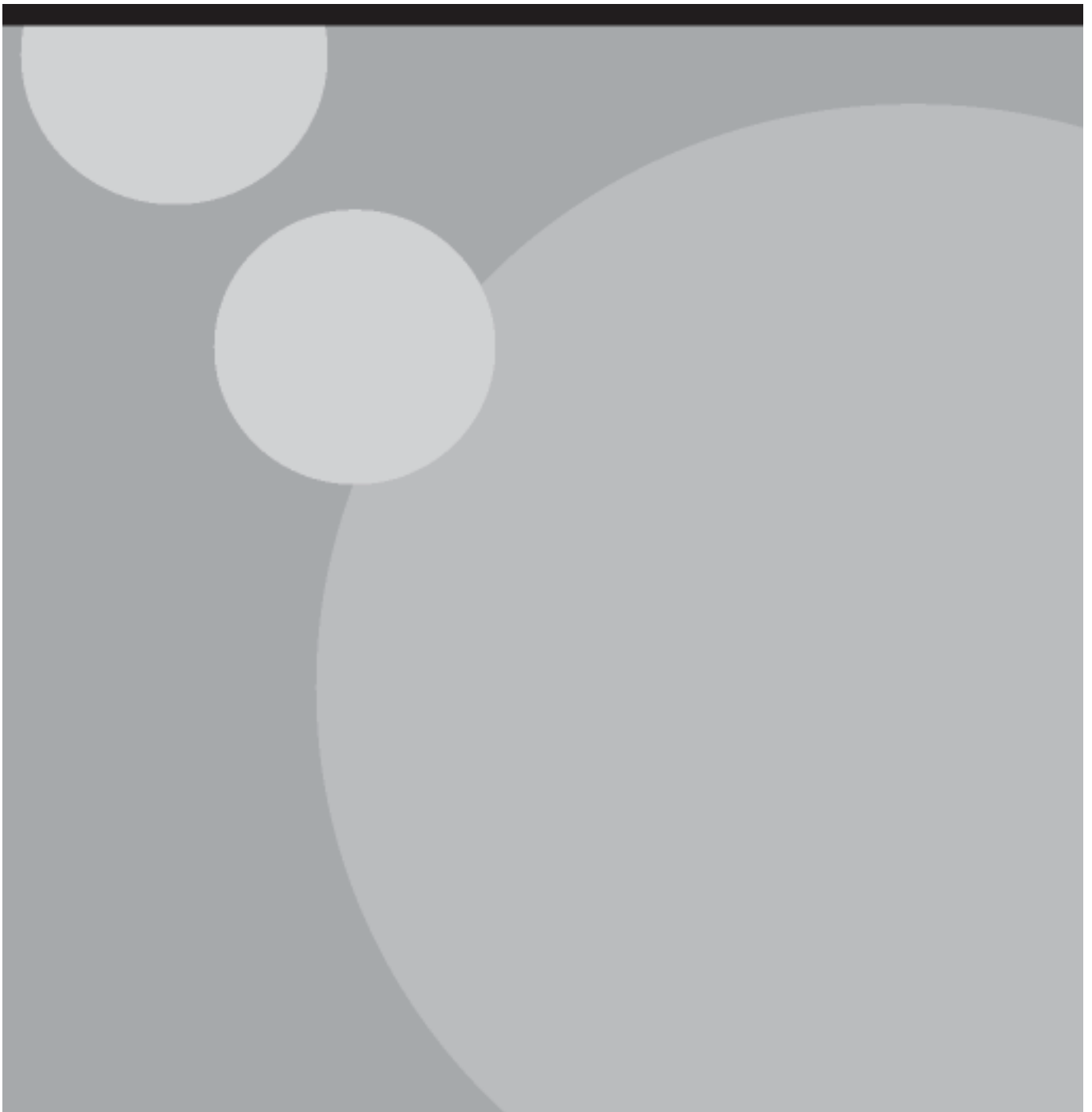




# Local Government Finance Bill

## Summary impact assessment



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<b>Title: Local Government Finance Bill</b>  <b>IA No:</b>  <b>Lead department or agency:</b> Department for Communities and Local Government  <b>Other departments or agencies:</b>	<b>Impact Assessment (IA)</b>
	<b>Date:</b> 15/11/2011
	<b>Stage:</b> Final
	<b>Source of intervention:</b> Domestic
	<b>Type of measure:</b> Primary legislation
	<b>Contact for enquiries:</b>

<b>Summary: Intervention and Options</b>	<b>RPC Opinion:</b> RPC Opinion Status
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Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Measure qualifies as One-Out?
£m	£m	£m	No   OUT

**What is the problem under consideration? Why is government intervention necessary?**

Tackling Britain's record deficit is Government's top priority. The consequences of not acting could be serious: higher interest rates, business failures and rising unemployment.

The Spending Review was underpinned by a radical programme of public service reform, to change the way services are delivered by redistributing power away from central government and encourage economic growth. This programme is built on the Coalition principles of increasing freedom and sharing responsibility by localising power and funding, including by removing ring-fencing around resources.

**What are the policy objectives and the intended effects?**

Tackling Britain's record deficit is Government's top priority. The consequences of not acting could be serious: higher interest rates, business failures and rising unemployment.

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**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**

The changes outlined above have an existing basis in Primary Legislation, making it necessary to introduce further legislation in order to bring forward the Government's aims. Details on the options considered for each individual policy contained in this Bill are set out in their individual Impact Assessments.

The following Impact Assessments can be found at:  
<http://www.communities.gov.uk/corporate/publications/impact-assessments/>  
 Local Government Finance Bill: Business rates retention  
 Local Government Finance Bill: Localising support for council tax  
 Local Government Finance Bill: Technical reforms to council tax

**Will the policy be reviewed? It will not be reviewed. If applicable, set review date: Month/Year**

Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	<b>Micro</b> Yes/No	<b>&lt; 20</b> Yes/No	<b>Small</b> Yes/No	<b>Medium</b> Yes/No	<b>Large</b> Yes/No
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)			<b>Traded:</b>		<b>Non-traded:</b>

***I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.***

Signed by the responsible SELECT SIGNATORY: \_\_\_\_\_ **Bob Neill MP** \_\_\_\_\_ Date: \_\_\_\_\_ **15/11/11** \_\_\_\_\_

# Evidence Base (for summary sheets)

## The Local Government Finance Bill – Summary Impact Assessment

Tackling Britain's record deficit is Government's top priority. The consequences of not acting could be serious: higher interest rates, business failures and rising unemployment.

The measures in this Bill build on the radical changes this Government has already begun to give local authorities greater influence over their local area through the Localism Bill. Increasing local control over public finances is one of the underpinning elements of the Government's Decentralisation agenda. The Government is committed to creating the conditions for communities to invest in their own success by giving them more power over spending as well as control over the tax they raise and keep.

The Spending Review<sup>1</sup> last year set the path for public spending over the next four years in line with the Government's deficit reduction plan. The Budget 2011<sup>2</sup> described how the Government intends to create the right conditions that will help the private sector grow and remove unnecessary barriers that can stifle economic growth. The 'Plan for Growth'<sup>3</sup>, published by HM Treasury and the Department for Business, Innovation and Skills alongside the Budget this year, outlined the results of the Government's Growth Review and is an urgent call for action to help Britain regain its lost ground in the world economy

The Spending Review was underpinned by a radical programme of public service reform, to change the way services are delivered by redistributing power away from central government. This programme is built on the Coalition principles of increasing freedom and sharing responsibility by localising power and funding, including by removing ring-fencing around resources.

The Government is introducing specific measures to support this programme of giving greater financial freedom to local authorities and their communities. These measures have been announced in the Spending Review and in the Local Government Resource Review and require legislative changes. These legislative changes will be made in the Local Government Finance Bill 2012.

Annex A summarises the impacts of individual policies in the Local Government Finance Bill (attached separately)

Annex B summarises the Bill's regulatory Ins and Outs.

Annex C covers specific impact tests.

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<sup>1</sup> [http://www.hm-treasury.gov.uk/spend\\_index.htm](http://www.hm-treasury.gov.uk/spend_index.htm)

<sup>2</sup> <http://www.hm-treasury.gov.uk/2011budget.htm>

<sup>3</sup> [http://cdn.hm-treasury.gov.uk/2011budget\\_growth.pdf](http://cdn.hm-treasury.gov.uk/2011budget_growth.pdf)

## Annex A - Summary of impacts to individual policies

Policy	Annual Cost (best estimate)	Costs (10 year present value)	Description	Annual Savings (best estimate)	Savings (10 year present value)	Description
<b>Business rates retention scheme</b>			<p>We do not anticipate any additional costs for business. The Government has made clear that there will be no change in the way business rates bills are calculated, or in the current system of business rates relief.</p> <p>In accordance with the policy on new burdens, we will assess and fund the net additional costs to local government as a whole with implementing these changes.</p> <p>The Government's business rates retention scheme include a rebalancing of resources through a system of 'tariffs' and 'top ups', so that no council is worse off as a result of its business rates base at the outset of the scheme. Thereafter, changes in funding will depend on local business rates growth</p>			<p>Analysis will be published in the new year which will estimate the aggregate economic impact of the introduction of the business rates retention scheme.</p> <ul style="list-style-type: none"> <li>Local authorities – will have the power to influence their financial position within a scheme incorporating business rates retention. Local government will benefit from growth in business rates income. In the first two years, the Government has committed to manage the scheme within the expenditure control totals published for local government in the Spending Review, in line with its deficit reduction commitments. Local government will keep any business rates growth above forecast levels.</li> <li>Society – may benefit from additional economic growth due to increased economic activity as a result of the business rates incentive.</li> <li>Business – may benefit from local authorities being more willing to encourage business development</li> </ul>

<b>Policy</b>	<b>Annual Cost (best estimate)</b>	<b>Costs (10 year present value)</b>	<b>Description</b>	<b>Annual Savings (best estimate)</b>	<b>Savings (10 year present value)</b>	<b>Description</b>
<b>Localised council tax support schemes</b>	£420m		The main affected groups will be working age council tax benefit recipients, on the basis that local authorities will be able to choose – through the design of their scheme – whether some awards should be reduced. Decisions to absorb the saving through reduced spending on other areas, or increased revenue from council tax could affect groups other than current recipients. The distribution of the £420m costs across these groups will depend on the decisions of individual local authorities.	£420m		Central Government will make a saving of £420 m in England, contributing to Government's budget deficit reduction plan.
<b>Technical reforms to Council Tax</b>	£ 0- 420m		The main affected groups are council taxpayers. The tax impact will only fall on owners of second homes and empty dwellings, and mortgagees in possession. The extra tax they pay will depend on the extent to which local authorities exercise these flexibilities. If authorities exercise the flexibilities to maximize revenue, the extra revenue generated would relieve pressure on council tax to the equivalent of approximately £20 per Band D equivalent in England	£0 - 420m		The main affected groups benefiting from this change are the local authorities who will be able to raise revenue to help meet tight financial settlements. The additional council tax raised will be in the range of zero to about £420 million pa.

## **Annex B – Summary of the Bills regulatory Ins and Outs**

All the legislative changes proposed have no impacts on business and therefore are not subject to the One In One Out process.

## **Annex C - Specific Impact Tests**

### *Statutory Equality Duties*

Equalities screens have been completed for all the policies in the Bill. The results are outlined in the relevant individual impact assessment. The following policies identified a potential equalities impact and therefore completed a full Equalities Impact Assessment:

- Localising Council Tax support
- Technical changes to Council Tax

### *Economic Impacts (Competition, Small Firms)*

The impacts of these individual policies are outlined in the relevant impact assessment.

### *Environmental impacts and carbon assessment*

The policies in the Bill cover the areas of Local Government Finance only. There are no direct impacts on the environment as a result of these policies.

### *Social Impacts*

The impacts of these individual policies are outlined in the relevant impact assessment.

### *Sustainable Development*

The impacts of these individual policies are outlined in the relevant impact assessment.