

Business rates announcement a ‘big step in the right direction’ says Localis Chief Executive

In advance of today’s announcement by the government outlining their consultation on business rates reform, **Alex Thomson**, Chief Executive of local government think-tank **Localis**, said:

“We are pleased that the Government are moving forward with plans for the local retention of business rates – this is a big step in the right direction. In the current economic climate, we need to put real financial power in the hands of councils again to help them drive national economic growth.

A recent Localis [survey](#)¹ of 195 council leaders and chief executives found that financial incentives, including the local retention of business rate growth, would drive a wave of innovation in councils across the country, particularly in the North and Midlands, where 4 in 5 councils thought this would be the case.

We would particularly welcome the Government’s commitment to ensuring that all councils have the potential to benefit from growth in business rates.

But in achieving reform, much of the devil will be in the detail. Localis will be submitting its response to the consultation shortly, based upon our recent report [‘The Rate Escape’](#), which received broad cross party support²”

Some of the key principles that will underpin Localis’ response are:

- Every council should have the opportunity to benefit from growth, with minimal restrictions
- Measures need to be taken to minimise the impact of extreme economic shocks
- Councils should not be allowed to vary business rates in the short term
- Business rate reform should tie into other initiatives to support economic development eg LEPs, early intervention investment, TIF etc

[Click here to read our original report](#)

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Localis is an independent think-tank dedicated to issues related to local government and localism. We carry out innovative research, hold a calendar of events and facilitate an ever growing network of members to stimulate and challenge the current orthodoxy of the governance of the UK. Please visit www.localis.org.uk for more information

NOTES TO EDITORS

1. Responses to the launch of 'The Rate Escape':

Sir Michael Lyons, author of the last major review of local government finance said: "This Localis report is an interesting contribution to the debate and I urge anyone interested in finding a solution to the nagging issues of local government finance to consider its proposals."

Bob Neil MP, Parliamentary Under-Secretary of State, said: "Localis' report underlines the real importance of Government's drive to end councils' dependence on the whims of Whitehall grants. We've been absolutely clear in our Resource Review that we want to put elected local councils back in control, by letting them retain their local business rates and in doing so give them real a stake in their local economy, creating local jobs and supporting local firms."

Miles Templeman, Director General, Institute of Directors, said: "The Institute of Directors welcomes Localis' report, which sets out a powerful model for business rate reform. These proposals safeguard business certainty by rejecting local rate-setting powers, while ensuring that councils that foster business are rightly rewarded by retaining more of their rates. The existing business rate system hasn't delivered the local authority support for private sector growth that we so desperately need, so it's time for a change."

Dr Adam Marshall, Director of Policy at the British Chambers of Commerce, said: "Business rates are an emotive subject for companies and local authorities alike. Chambers of Commerce across the country agree that reform is needed, and are keen to explore new ways to link rates to economic growth and development. Proposals for business rate retention, like the model put forward by Localis in this interesting and thought-provoking report, could offer some areas a real and practical way to share in the benefits of growth, rather than see revenues sucked into the Exchequer the moment they are collected. We must remember, however, that further reform of business rates depends upon a fundamental improvement in levels of trust between local councils and local business communities. The time is emphatically not right for the re-localisation of rate-setting powers."

Cllr Stephen Alambritis, Labour Leader of the London Borough of Merton, said: "The redistribution of business rates has been vital because of the huge differences between the tax base of different local authorities. This does not mean we should not look at reform. However, it must be reform which maintains fairness and redistribution. Localis' report achieves this, whilst also offering a real incentive to councils to support economic growth in local areas"

Paul Carter, Conservative Leader of Kent County Council, said: "The Local Government Finance Review is a once-in-a-generation opportunity for change. We need a system of funding that's open, honest, transparent and needs-led - the current unfairness has to stop. Localis' "The Rate Escape" report offers Government a new way of looking at the Business Rate, incentivising councils to strive for greater autonomy and giving them greater choice. It ensures the Business Rate is a catalyst for local growth and change within wider finance reform in which we must get all the fundamentals right."

Cllr Richard Kemp, former Leader, LGA Liberal Democrat Group, said: "This Localis report shows us that we don't need any more reports on this issue. It is now a question of political will. This report makes suggestions about how to deal with a subject that does not appear to be politically difficult - the return of the business rate to local government. The winners and losers are obvious it's how we relate the two that could be contentious. The sooner the Government grasps this nettle the sooner we can then get on to more fundamental aspects of local government financial reform."

2. Full survey results

The survey was sent out to the Chief Executive and the Leader of every council in England, and 195 completed the survey. The results below are from all responses to the survey, although we also analysed the data for geographical and council type variations.

1. Should councils be given greater financial autonomy? (Yes - 99.5%, No - 0.5%).
2. If possible, would you like to see more taxes collected and spent locally? (Yes - 95.5%, No - 4.5%).
3. If it were possible to create a fair system for every council, would you like to be completely independent of central government funding? (Yes - 77.0%, No - 23.0%).
4. Would financial incentives make your council more innovative? (Yes - 76.0%, No - 24.0%).
5. What is more important for local government finance – central equalisation or local autonomy? (Local autonomy much more important - 35.1%, Local autonomy slightly more important - 26.7%, Both equally important - 29.2%, Equalisation slightly more important - 3.5%, Equalisation much more important - 5.4%).
6. To what extent can a council impact on the local economy? (A large amount - 42.6%, A moderate amount - 41.6%, A small amount - 15.3%, Not at all - 0.5%).
7. Would you like more control of business rates in some form? (Yes - 96%, No - 4%).

The North and Midlands is defined by the following regions: North West, North East, Yorkshire and Humber, East Midlands, West Midlands