*Draft Regulations laid before Parliament under section 143(9D) of the Local Government Finance Act 1988 for approval by resolution of each House of Parliament.*

DRAFT STATUTORY INSTRUMENTS

# 2017 No.

# RATING AND VALUATION, ENGLAND

## The Non-Domestic Rating (Rates Retention) and (Levy and Safety Net) (Amendment) Regulations 2017

*Made - - - -* ***

*Coming into force in accordance with regulation 1*

The Secretary of State for Communities and Local Government makes the following Regulations in exercise of the powers conferred by sections 97(2A) and (2B)(**a**), 99 and 143(1) and (2) of, and paragraphs 6, 7, 8, 9, 10, 11, 22, 25 and 37 of Schedule 7B to, the Local Government Finance Act 1988(**b**) ("the 1988 Act").

In accordance with section 143(9D)(**c**) of the 1988 Act, a draft of this instrument was laid before Parliament and approved by resolution of each House of Parliament.

These Regulations are made with the consent of the Treasury in accordance with paragraph 8(3) of Schedule 7B to the 1988 Act.

## PART 1

### Preliminary

**Citation and commencement**

**1.**—(1) These Regulations may be cited as the Non-Domestic Rating (Rates Retention) and (Levy and Safety Net) (Amendment) Regulations 2017.

(2) These Regulations come into force on the day after the day on which they are made.

(**a**) Subsections (2A) and (2B) were inserted by the Local Government Finance Act 2012 (c. 17), section 5(1) and (2)(b) and Schedule 3, Part 2, paragraphs 23 and 25(1) and (2).

(**b**) 1988 c. 41. Schedule 7B was inserted by section 1 of, and Schedule 1 to, the Local Government Finance Act 2012. Section 97 was substituted by paragraph 22 of Schedule 10 to the Local Government Finance Act 1992 (c. 14) and subsection (2A) was inserted by paragraph 25(2) of Schedule 3 to the Local Government Finance Act 2012.

(**c**) Section 143(9D) was inserted by section 1 of the Local Government Finance Act 2012.

# PART 2

## Rates retention

### Amendment of the Non-Domestic Rating (Rates Retention) Regulations 2013

**2.** The Non-Domestic Rating (Rates Retention) Regulations 2013(**a**) are amended as follows.

### Amendment of regulation 3

**3.** In regulation 3 (calculation and notification of non-domestic rating income and other amounts)—

(a) after paragraph (1)(d) insert—

"(da) for a billing authority listed in Parts 2 to 6 of Schedule 5, the amount that is its estimate of the amount (if any) specified by paragraph 2 of Schedule 2 for that year;

(db) for a billing authority listed in Parts 2 to 6 of Schedule 5, the amount that is its estimate of the amount (if any) specified by paragraph 3 of Schedule 2 for that year;"; and

(b) after paragraph (2) insert—

"(2A) In relation to the relevant year commencing on 1st April 2017, a billing authority listed in Parts 2 to 6 of Schedule 5 must on or before 30th April 2017 notify the Secretary of State and any relevant precepting authority of the amounts it has calculated under paragraph (1)(da) and (db) for that relevant year.".

### Amendment of regulation 4

**4.** In regulation 4 (payment to the Secretary of State in respect of the central share), after paragraph (2) insert—

"(3) In relation to a relevant year commencing on or after 1st April 2017, this regulation does not apply to a billing authority listed in Parts 2 to 6 of Schedule 5.".

### Amendment of regulation 5

**5.** In regulation 5 (payments by billing authorities to major precepting authorities in respect of share of income)—

(a) in paragraph (3), for "The" substitute "Unless paragraph (3A) applies, the"; and

(b) after paragraph (3) insert—

"(3A) For a relevant year commencing on or after 1st April 2017, the relevant precepting authority shares are—

(a) 37% where the relevant precepting authority is the Greater London Authority;

(b) 5% where the relevant precepting authority is the West of England Combined Authority(**b**).".

### Amendment of regulation 6

**6.** In regulation 6 (payments to major precepting authorities in respect of deductions from central share payments)—

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(**a**) S.I. 2013/452; amended by S.I. 2014/96, 2015/628 and 2016/1268.

(**b**) The West of England Combined Authority was established under article 3 of the West of England Combined Authority Order 2017 (S.I. 2017/126).

(a) in paragraph (1), for "of qualifying relief specified by paragraph 3 of Schedule 2 (case B hereditaments)" substitute "specified by paragraph 3 of Schedule 2 (case B hereditaments) or paragraph 2(1) of Schedule 2A (special provision for deduction from the central share payment)"; and

(b) in paragraph (2) for "the specified" substitute "each specified".

**Amendment of regulation 11**

**7.** In regulation 11 (reconciliation of amount deducted from central share payment)—

(a) before paragraph (1) insert—

"(A1) This regulation applies in relation to a relevant year if a billing authority deducts an amount under regulation 4(1) from its central share payment for that year.";

(b) in paragraph (3), for "For" substitute "Unless paragraph (4) applies, for"; and

(c) after paragraph (3) insert—

"(4) In relation to a relevant year commencing on or after 1st April 2017, the percentage shares are—

(a) 44.8% where the billing authority is listed in Part 1 of Schedule 5; and

(b) 55.2% where the relevant precepting authority is the Greater London Authority.".

**Amendment of Schedule 2A**

**8.** In paragraph 1 of Schedule 2A (special provision for deduction from the central share payment)(**a**)—

(a) in sub-paragraph (1), for "This" substitute "Subject to sub-paragraph (1A), this"; and

(b) after sub-paragraph (1) insert—

"(1A) This Schedule does not apply to a billing authority listed in Part 2 of Schedule 5 for a relevant year beginning on or after 1st April 2017.".

**Amendment of Schedule 3**

**9.** In the definition of "Q" in Schedule 3 (transfer from collection fund to general fund)—

(a) in paragraph (a), for "50%" substitute "unless paragraph (e) applies, 50%";

(b) in paragraph (b), for "49%" substitute "unless paragraph (e) applies, 49%";

(c) in paragraph (c), for "40%" substitute "unless paragraph (e) applies, 40%";

(d) in paragraph (d), for "30%" substitute "unless paragraph (e) applies, 30%"; and

(e) after paragraph (d) insert—

"(e) for a relevant year beginning on or after 1st April 2017—

(i) for a billing authority listed in Parts 2 to 4 of Schedule 5, 99%;

(ii) for a billing authority listed in Part 5 of Schedule 5, 94%;

(iii) for a billing authority listed in Part 6 of Schedule 5, 100%;".

**Amendment of Schedule 4**

**10.**—(1) In Schedule 4 (rules for estimation and apportionment of surplus and deficit), paragraph 2 is amended as follows.

(2) In sub-paragraph (1), for "The" substitute "Unless sub-paragraph (1A), (1B), (1C) or (1D) applies, the".

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(**a**) Schedule 2A was inserted by S.I. 2016/1268.

(3) After sub-paragraph (1) insert—

"(1A) For the relevant year beginning on 1st April 2018, the Secretary of State's share of any surplus or of any deficit estimated for that year under paragraph 1 by a billing authority listed in Part 1 of Schedule 5 is calculated in accordance with the formula—

$$(A-(B+C-D-E))\times 33\%+((B+C-D-E)\times 50\%)$$

(1B) For the relevant year beginning on 1st April 2018, the Secretary of State's share of any surplus or of any deficit estimated for that year under paragraph 1 by a billing authority listed in Parts 2 to 6 of Schedule 5 is calculated in accordance with the formula—

$$(B+C-D-E)\times 50\%$$

(1C) For a relevant year beginning on or after 1st April 2019, the Secretary of State's share of any surplus or of any deficit estimated for that year under paragraph 1 by a billing authority listed in Part 1 of Schedule 5 is 33%.

(1D) For a relevant year beginning on or after 1st April 2019, the Secretary of State's share of any surplus or of any deficit estimated for that year under paragraph 1 by a billing authority listed in Parts 2 to 6 of Schedule 5 is zero.".

(4) In sub-paragraph (2)—

(a) for "A relevant" substitute "Unless sub-paragraph (2A) or (2B) applies, a relevant"; and

(b) after "regulation 5(3)" insert "or (3A)".

(5) After sub-paragraph (2) insert—

"(2A) Where the relevant precepting authority is the Greater London Authority, its share of any surplus or of any deficit—

(a) for the relevant year beginning on 1st April 2017, is 20%;

(b) for the relevant year beginning on 1st April 2018, is calculated in accordance with the formula—

$$(A-(B+C-D-E))\times 37\%+((B+C-D-E)\times 20\%)$$

(2B) Where the relevant precepting authority is the West of England Combined Authority, its share of any surplus or of any deficit—

(a) for the relevant year beginning on 1st April 2017, is zero;

(b) for the relevant year beginning on 1st April 2018, is calculated in accordance with the formula—

$$(A-(B+C-D-E))\times 5\%$$"

(6) In sub-paragraph (3), for "The" substitute "Unless any of the following sub-paragraphs applies, the".

(7) After sub-paragraph (3) insert—

"(4) For the relevant year beginning on 1st April 2018, for a billing authority listed in Parts 2 to 4 of Schedule 5, the billing authority's share of any surplus or of any deficit for that year is calculated in accordance with the formula—

$$(A-(B+C-D-E))\times 99\%+((B+C-D-E)\times 49\%)$$

(5) For the relevant year beginning on 1st April 2018, for a billing authority listed in Part 5 of Schedule 5, the billing authority's share of any surplus or of any deficit for that year is calculated in accordance with the formula—

$$(A-(B+C-D-E))\times 94\%+((B+C-D-E)\times 49\%)$$

(6) For the relevant year beginning on 1st April 2018, for a billing authority listed in Part 6 of Schedule 5, the billing authority's share of any surplus or of any deficit for that year is calculated in accordance with the formula—

$$(A-(B+C-D-E))\times 100\% + ((B+C-D-E)\times 50\%)$$

(7) For a relevant year beginning on or after 1st April 2019, the billing authority's share of any surplus or of any deficit for that year is—

(a) for a billing authority listed in Parts 2 to 4 of Schedule 5, 99%;

(b) for a billing authority listed in Part 5 of Schedule 5, 94%;

(c) for a billing authority listed in Part 6 of Schedule 5, 100%.

(8) In this paragraph—

A is the surplus or deficit estimated for the relevant year beginning on 1st April 2018;

B is the amount mentioned in paragraph 1(3)(a);

C is the amount mentioned in paragraph 1(3)(e);

D is the amount mentioned in paragraph 1(4)(a);

E is the amount mentioned in paragraph 1(4)(g).".

**Insertion of Schedule 5**

**11.** After Schedule 4 insert Schedule 5 which is set out in Schedule 1 to these Regulations.

# PART 3

## Levy and safety net

**Amendment of the Non-Domestic Rating (Levy and Safety Net) Regulations 2013**

**12.** The Non-Domestic Rating (Levy and Safety Net) Regulations 2013(**a**) are amended as follows.

**Amendment of regulation 5**

**13.** In regulation 5 (business rates baseline and baseline funding level)—

(a) in paragraph (3), for "a year commencing on or after 1st April 2014" substitute "the years commencing on 1st April 2014, 1st April 2015 and 1st April 2016 and for the years commencing on or after 1st April 2018";

(b) after paragraph (3) insert—

"(3A) The baseline funding level for an authority for the year commencing on 1st April 2017 is the amount calculated in accordance with the formula—

$$A\times\frac{264.9}{259.6}$$

where—

A has the meaning given in paragraph (3).".

**Amendment of regulation 6**

**14.**—(1) Regulation 6 (individual levy rates and safety net thresholds) is amended as follows.

(2) In paragraph (1), for "An" substitute "For the relevant years commencing on 1st April 2013, 1st April 2014, 1st April 2015 and 1st April 2016, an".

(3) After paragraph (2) insert—

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(**a**) S.I. 2013/737; amended by S.I. 2014/822, 2015/617 and 2015/2039.

"(2A) Unless paragraph (2C) applies, for a relevant year commencing on or after 1st April 2017 an authority's individual levy rate is 0.5 or the figure calculated in accordance with the formula in paragraph (2B), whichever is less.

(2B) The formula is—

$$1-\frac{E}{E-P+Q}$$

where—

E is the authority's baseline funding level for the year commencing on 1st April 2017; and

P and Q have the meaning given in paragraph 1(1) of Schedule 1, as determined for the year commencing on 1st April 2017.

(2C) For an authority listed in Part 1, 3, 5, 7 or 8 of Schedule 3, the individual levy rate for a relevant year beginning on or after 1st April 2017 is zero.".

**Amendment of Schedule 1**

**15.**—(1) In Schedule 1 (calculation of retained rates income), paragraph 1 is amended as follows.

(2) In sub-paragraph (1), for the definitions of P and Q substitute—

"P is—

(a) unless paragraph (b) of this definition applies, the amount paid to the authority by the Secretary of State for the relevant year in accordance with Part 5 of Schedule 7B to the 1988 Act (principal payments in connection with local retention of non-domestic rates);

(b) in respect of the billing authorities listed in Parts 2 to 8 of Schedule 3—

(i) for the relevant year beginning on 1st April 2017, the amount specified for that authority in column 2 of Schedule 3;

(ii) for a relevant year beginning on or after 1st April 2018, the amount calculated in accordance with the formula—

$$A\times\frac{B}{C}$$

Q is—

(a) unless paragraph (b) of this definition applies, the amount paid by the authority to the Secretary of State for the relevant year in accordance with Part 5 of Schedule 7B to the 1988 Act;

(b) in respect of the billing authorities listed in Parts 2 to 8 of Schedule 3—

(i) for the relevant year beginning on 1st April 2017, the amount specified for that authority in column 3 of Schedule 3;

(ii) for a relevant year beginning on or after 1st April 2018, the amount calculated in accordance with the formula—

$$A\times\frac{B}{C}$$"

(3) After sub-paragraph (1) insert—

"(1A) For the purpose of the definitions of P and Q in sub-paragraph (1)—

A is the value for P or Q for the previous year;

B is the small business rates multiplier for the relevant year;

C is the small business rating multiplier for the preceding year.”.

**Insertion of Schedule 3**

**16.** After Schedule 2, insert Schedule 3 which is set out in Schedule 2 to these Regulations.

Signed by authority of the Secretary of State for Communities and Local Government

*Name*
Parliamentary Under Secretary of State
Date Department for Communities and Local Government

We consent

*Name*
*Name*
Date Two of the Lords Commissioners of Her Majesty’s Treasury

# SCHEDULE 1

Regulation 11

“

# SCHEDULE 5

Regulations 3, 4 and 11 and Schedules 2A, 3 and 4

## List of billing authorities

## PART 1

**Greater London Authority**

| *The councils for the following local government areas—* |
|---|
| Barking and Dagenham |
| Barnet |
| Bexley |
| Brent |
| Bromley |
| Camden |
| City of London |
| Croydon |
| Ealing |
| Enfield |
| Greenwich |
| Hackney |
| Hammersmith and Fulham |
| Haringey |
| Harrow |
| Havering |
| Hillingdon |
| Hounslow |
| Islington |
| Kensington and Chelsea |
| Kingston upon Thames |
| Lambeth |

Lewisham
Merton
Newham
Redbridge
Richmond upon Thames
Southwark
Sutton
Tower Hamlets
Waltham Forest
Wandsworth
Westminster

## PART 2

**Greater Manchester Combined Authority(a)**

| *The councils for the following local government areas—* |
|---|
| Bolton |
| Bury |
| Manchester |
| Oldham |
| Rochdale |
| Salford |
| Stockport |
| Tameside |
| Trafford |
| Wigan |

## PART 3

**Liverpool City Region(b)**

| *The councils for the following local government areas—* |
|---|
| Halton |
| Knowsley |
| Liverpool |
| Sefton |
| St Helens |
| Wirral |

## PART 4

**West Midlands Combined Authority(c)**

| *The councils for the following local government areas—* |
|---|
| Birmingham |
| Coventry |
| Dudley |

(**a**) The Greater Manchester Combined Authority was established under article 3 of the Greater Manchester Combined Authority Order 2011 (S.I. 2011/908).
(**b**) The Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral Combined Authority was established under article 3 of the Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral Combined Authority Order 2014 (S.I. 2014/865).
(**c**) The West Midlands Combined Authority was established under article 3 of the West Midlands Combined Authority Order 2016 (S.I. 2016/653).

| |
|---|
| Sandwell |
| Solihull |
| Walsall |
| Wolverhampton |

## PART 5

**West of England Combined Authority**

| *The councils for the following local government areas—* |
|---|
| Bath and North East Somerset |
| Bristol |
| South Gloucestershire |

## PART 6

**Cornwall**

| *The council for the following local government area—* |
|---|
| Cornwall” |

# SCHEDULE 2

Regulation 16

# “SCHEDULE 3

Regulation 6

## List of authorities

## PART 1

**Combined Authorities**

| *The following combined authorities—* |
|---|
| The Greater Manchester Combined Authority |
| The West of England Combined Authority |

## PART 2

**Greater Manchester Combined Authority**

| *The councils for the following local government areas—* | *P*<br>£ | *Q*<br>£ |
|---|---|---|
| Bolton | 24,698,834 | 0 |
| Bury | 10,150,518 | 0 |
| Manchester | 13,635,980 | 0 |
| Oldham | 34,014,593 | 0 |
| Rochdale | 30,134,540 | 0 |
| Salford | 31,849,026 | 0 |
| Stockport | 5,388,538 | 0 |
| Tameside | 27,975,535 | 0 |
| Trafford | 0 | 34,987,985 |
| Wigan | 30,281,543 | 0 |

## PART 3

**Liverpool City Region**

| *The councils for the following local government areas—* | *P*<br>£ | *Q*<br>£ |
|---|---|---|
| Knowsley | 38,006,039 | 0 |
| Liverpool | 72,819,118 | 0 |
| Sefton | 27,410,103 | 0 |
| Wirral | 45,086,845 | 0 |

## PART 4

**Liverpool City Region**

| *The councils for the following local government areas—* | *P*<br>£ | *Q*<br>£ |
|---|---|---|
| Halton | 12,127,723 | 0 |
| St Helens | 21,346,809 | 0 |

## PART 5

**West Midlands Combined Authority**

| *The councils for the following local government areas—* | *P*<br>£ | *Q*<br>£ |
|---|---|---|
| Dudley | 21,775,178 | 0 |
| Sandwell | 51,651,894 | 0 |
| Walsall | 34,673,782 | 0 |
| Wolverhampton | 39,416,458 | 0 |

## PART 6

**West Midlands Combined Authority**

| *The councils for the following local government areas—* | *P*<br>£ | *Q*<br>£ |
|---|---|---|
| Birmingham | 142,080,547 | 0 |
| Coventry | 20,626,485 | 0 |
| Solihull | 0 | 19,180,129 |

## PART 7

**West of England Combined Authority**

| *The councils for the following local government areas—* | *P*<br>£ | *Q*<br>£ |
|---|---|---|
| Bath and North East Somerset | 0 | 8,904,369 |
| Bristol | 0 | 4,077,368 |
| South Gloucestershire | 0 | 25,067,486 |

## PART 8

**Cornwall**

| *The council for the following local government area—* | *P*<br>£ | *Q*<br>£ |
|---|---|---|
| Cornwall | 25,570,226 | 0” |

**EXPLANATORY NOTE**

*(This note is not part of the Regulations)*

These Regulations amend the Non-Domestic Rating (Rates Retention) Regulations 2013 (S.I. 2013/452) (“the Rates Retention Regulations”) and the Non-Domestic Rating (Levy and Safety Net) Regulations 2013 (S.I. 2013/737) (“the Levy and Safety Net Regulations) to provide for—

(a) changes to the calculation of the individual levy rate for all local authorities to reflect the non-domestic rating revaluation which has effect on 1 April 2017; and

(b) changes to the administration of the rates retention scheme, including the calculation of levy and safety net payments, to give effect to the Government’s decision to create, from 1st April 2017, pilot areas in which authorities will retain 100% of locally raised non-domestic rates.

The pilot areas in which authorities retain 100% of locally raised non-domestic rates are Greater Manchester, Liverpool City Region, West Midlands, the West of England and Cornwall (“100% pilot areas”). The amendments also increase the Greater London Authority’s (GLA) share of non-domestic rating income; and make a corresponding reduction in the central share.

*Amendments to the Rates Retention Regulations*

Regulation 3 amends regulation 3 of the Rates Retention Regulations to require billing authorities in 100% pilot areas to estimate amounts specified in Schedule 2 and to notify the Secretary of State and any relevant precepting authority of those amounts.

Regulation 4 amends regulation 4 of those Regulations to provide that billing authorities in 100% pilot areas are not required to make a central share payment to the Secretary of State.

Regulation 5 amends regulation 5 of those Regulations to change the relevant precepting authority shares for the Greater London Authority and the West of England Combined Authority.

Regulation 6 consequentially amends regulation 6 of those Regulations to reflect the insertion of Schedule 2A by S.I. 2016/1268.

Regulation 7 amends regulation 11 of those Regulations to change the percentage shares for Greater London.

Regulation 8 amends Schedule 2A to those Regulations to provide that it does not apply to billing authorities in Greater Manchester from 1st April 2017 when that becomes a 100% pilot area.

Regulation 9 consequentially amends Schedule 3 to those Regulations to reflect the changes in percentage shares for billing authorities in 100% pilot areas.

Regulation 10 consequentially amends Schedule 4 to those Regulations to provide that the distribution of surpluses and deficits in the Collection Fund reflects the changes to the central and local shares in Greater London and in the 100% pilot areas.

Regulation 11 inserts Schedule 5 to those Regulations.

*Amendments to the Levy and Safety Net Regulations*

Regulation 13 amends regulation 5 of the Levy and Safety Net Regulations to change the calculation of the baseline funding level for all local authorities in England.

Regulation 14 amends regulation 6 of those Regulations to change the individual levy rate for all local authorities in England. The amendments provide that some authorities in pilot areas have an individual levy rate of zero (as agreed with the authorities as part of their pilot agreements).

Regulation 15 amends Schedule 1 to those Regulations to change the calculation of "retained rates income" for billing authorities in 100% pilot areas, with the effect that safety net payments for such authorities continue to be calculated as if the authorities were still operating under the 50% rates retention scheme (as agreed with the authorities as part of their pilot agreements).

Regulation 16 inserts Schedule 3 to those Regulations.

An impact assessment has not been produced for this instrument because it amends an existing local tax regime. Publication of a full impact assessment is not necessary for such legislation.

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