# Spatial Economics Research Centre

Monday, 19 December 2011

## Business Rate Retention Proposals (the X factor)

The government has published its response to the consultation on allowing Local Authorities to retain some of their business rate growth. CLG's websi provides both mind numbing details and a plain English guide. Unless you have a very specific interest in the details of local government finance, I'd recommend a quick read through the latter.

As I wrote in July last year, the key tension here is the tradeoff of equity versus growth: the scheme will give incentives for growth at the cost of some equality in funding across councils. Some aspects of the announcement today (10 year fixed terms for resets, no cap on the amounts that can be retained) favour growth incentives, others (the system of tariffs and top-ups, uprating of baseline by RPI, levys for highly 'geared' councils) favour equit

Of course, the final balance in terms of the strength of the growth incentive will depend crucially on the share of business rates growth that local authorities are allowed to retain. According to CLG "In addition to retaining the local share of their business rates baseline, councils will also be able to keep the local share (x percent) of all their business rates growth. This means that the more an authority grows its business rates base the better off it will become."

What is X? To be determined in Spring 2012 we are told. So a little longer till we get to figure out how exactly where the balance lies.

Posted by Prof Henry G. Overman on Monday, December 19, 2011 G+1 Recommend this on Google

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