

REPORT



**BETTER
RATES**

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**HOW TO ENSURE THE NEW BUSINESS RATES REGIME
PROMOTES GROWTH EVERYWHERE**

Alfie Stirling and
Spencer Thompson

June 2016
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NEW IDEAS
for CHANGE

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SUMMARY

The government has announced that it will allow the local government sector in England to keep all of the money it collectively raises through taxing businesses ('business rates'). The intention is to give local authorities a stronger incentive to support economic growth. This is very welcome.

The big question remaining is how the total pot of business rates collected nationally will be distributed between different local authorities. The government has not yet formally consulted on this question, but it has said two important things. First, the amount of funding that every local authority will get in the first year of the new scheme will be determined by its *need* for funding ('funding need'). Second, in subsequent years, every local authority will be able to keep every extra pound of business rates that it collects.

Our analysis shows that **this approach fails on its own terms. Richer¹ councils will have much stronger incentive to grow their economies than poorer councils.** Over time, this would also lead to greater concentrations of public investment and resources in richer areas of the country.

We propose an alternative system – the 'growth first' scheme – which gives all local authorities an equal incentive to increase their retained income, irrespective of whether they are rich or poor. Under 'growth first', the increase in an authority's funding would be calculated by multiplying its economic growth rate by its funding need, not by the amount of business rates it collects. **This would guarantee a strong economic growth incentive for the local authorities that most need it.**

KEY ARGUMENTS AND FINDINGS

The question of how to distribute the pot of overall business rates in a way that meets the government's objectives involves addressing a **fundamental trade-off: between ensuring sufficient funds for service provision while also providing financial incentives to grow the local economy.**

The government has said that the new scheme will retain the same basic framework as the current 50-per-cent retention scheme. This includes the use of a similar system of tariffs and top-ups to distribute revenue between councils, and a safety net (at an as-yet unspecified rate) to guard against some losses. **However, the government has indicated that the levy on disproportionate growth in the current system will be removed.** This means that after the first year of the new scheme, local authorities will receive 100 per cent of the growth in their business rates, irrespective of how much money they need to fund services.

¹ We describe what are classified as 'tariff' and 'top-up' authorities in the present 50 per cent retention scheme as 'richer' and 'poorer' councils respectively. This is on the basis that any top-up authority has been classified as such by government because its local business rates are insufficient to meet its funding need, hence the need for a top-up. These local authorities have low economic activity relative to their social liabilities and are therefore 'poor'. The inverse is true for tariff authorities, whose tax receipts from the value of local commercial assets exceed the value of their funding need, and are therefore 'rich'.

Taking these announcements together, our modelling has shown that such a scheme would likely fail on the government's own terms. Richer local authorities will receive strong incentives to grow their economies, but for many poorer authorities the rewards are dampened by the likely design of the system. As a result, geographical imbalances in economic growth and public service investment will be exacerbated.

To illustrate with an example, a poorer local authority such as Barnsley, with a funding need of around £120 million in 2019/20, and local business rates collection worth around £50 million, will receive their full funding need of £120 million in the first year of the scheme. Of this, £70 million will come from a 'top-up', which is then frozen in real terms annually. This means that **a 2 per cent increase in their business rates will yield a reward of just 0.8 per cent in additional retained income.** Conversely, for a richer authority like South Bucks in Buckinghamshire, with business rates worth around £30 million and a funding need worth around £1 million, **a 2 per cent increase in business rates would see retained income rise by more than 50 per cent** in a single year.

Moreover, **there is also increased risk of excessive losses for some local authorities.** Cancelling the levy on disproportionate growth could cost the government £170 million a year. If the equivalent amount of funds were also withdrawn from the safety net, the implication would be **a minimum funding floor of less than 70 per cent of funding need, rather than 92.5 per cent** in the current system.

In total, around 130 local authorities are likely to require a safety net payment under the government's implied plans. **However, we find that there may be scope for risk-pooling by local authorities at a sub-regional level.** Using LEP areas as a proxy, we find that aggregated local authorities at this level are unlikely to see their funding fall in real terms under the government's proposals.

RECOMMENDATIONS

We therefore recommend the 'growth first' system, which retains many of the design fundamentals of the current proposals but performs better against the government's own objectives. Under our scheme, the increase in a council's funding after the first year would be calculated by multiplying their business rates growth rate by their funding need. **This gives all local authorities an equal incentive to grow:** for example, both Barnsley and South Bucks would see a 2 per cent rise in business rates receipts translate into a 2 per cent rise in their retained income.

A further advantage of 'growth first' scheme is that it is more likely to provide funds for a safety net, without the need for an additional levy. This makes it much more likely that central government could provide adequate protection for key services in poor performing councils.

If the government does not adopt our preferred 'growth first' model, we recommend one of two alternative options.

- **Cap and collar:** An amendment to our preferred system would see limits on the potential gains for poorer councils (by capping increases in retained income to £2 for every £1 in increased business rates)

and give a minimum rate of return for the richest authorities (of 50p in every £1 in increased business rates). The balance of incentives would not be as good as our preferred system, but would still be better than those implied by the government's current proposals.

- **Retain the levy:** If the government adopts neither of our suggested alternative systems, we recommend that they do not abolish the levy. A levy on excessive growth for richer authorities, either at 50p or 80p in the pound, would not only mitigate extreme gains and losses but also provide funds for a more effective safety net.

Whether the government adopts on any of our above proposals or not, we recommend one further reform for the consultation

- **Risk-pooling across sub-regional geographies areas:** We recommend exploring innovations that allow for risk-pooling at the level of LEP areas or similar, whether inside or outside the retention scheme itself.

BEYOND BUSINESS RATES

Although further devolution of tax and spending power is to be welcomed, our analysis shows that a system of fiscal devolution based on business rates alone has significant limitations. This is not to say that it should not be done, but that it cannot be done in isolation. Retaining a higher proportion of tax revenues derived from a wide variety of different revenue streams builds in greater flexibility and resilience.

1. INTRODUCTION

At the 2015 Conservative party conference, the chancellor of the exchequer announced that, by the end of this parliament, local government in England would retain 100 per cent of receipts raised from business rates, a property tax paid by the occupants of non-domestic dwellings (Osborne 2015). This follows a similar reform of partial devolution in 2012, which saw local government retaining half of business rate receipts under the Business Rates Retention Scheme (BRRS). Before that, business rates receipts were part of general taxation, retained entirely by central government.

The continuing trend towards hypothecation of business rates can be seen as part of a general direction of travel towards greater devolution. To this point, policy on devolution has tended to focus on giving local government more powers over economic development and public services. The move to devolve business rates shifts this emphasis towards fiscal devolution, granting local government powers over revenue streams and therefore greater flexibility in managing public spending.

The move to 100-per-cent retention was confirmed in both the 2015 autumn statement and the March 2016 budget; we are now awaiting publication of the government's consultation to find out the exact nature of the reform and details of its implementation. What is clear is that many of the principles underlying the previous move to 50-per-cent retention will remain, with the government confirming the continuation of a system of redistributing receipts from authorities that collect more business rates than they need to those that collect less, similar to that which exists now.

This paper sets out an initial assessment of what a move from 50-per-cent to 100-per-cent retention could mean for local government. Under any new scheme of retention, the experience from one local council to the next will be driven by the specific circumstances in the local area and local economy. The results presented in this paper, therefore, do not represent a forecast for individual local authorities. Instead, using moderate assumptions and recent historical trends, our findings are designed to show outcomes at the whole-system level. This enables us to project the likely scale of distributional effects of 100-per-cent retention across the system as a whole and, in general terms, to describe the types of characteristics that indicate which local authorities may be winners and losers under the new scheme.

WHAT ARE BUSINESS RATES?

The current system of business rates in England, which came into being in 1988, is a property tax on the 'rateable value' of non-residential property. The rateable value of a property is assessed by the Valuation Office Agency (VOA), and is usually based on the amount of annual rent

the property could command on the open market. The rateable values of properties are revalued intermittently, usually every five years (although the last revaluation took place in 2010 and the next has been delayed until 2017). The last revaluation in 2010 was accompanied by transitional relief that capped any ratepayer's increase in liability.

The annual rates bill assigned to the property is calculated by applying a 'multiplier', expressed as pence in the pound, and set by the UK government for England.² Each year, the multiplier increases, usually by the rate of RPI inflation from the September prior to the start of a new financial year, although this will change under 100-per-cent retention (see below).

A variety of reliefs and exemptions from business rates exist. Some are mandatory, set by the UK government, while others are given at the discretion of the 'billing authority' – the local authority that collects business rates. These include relief for small businesses, extended in the March 2016 budget, which sees properties with a rateable value of less than £12,000 eligible for 100-per-cent relief; this total relief is then tapered away, with properties with a rateable value of between £15,000 and £51,000 being subject to a small business multiplier set at a slightly lower rate than the multiplier for larger businesses. Other reliefs exist for charities (between 80 and 100 per cent, at the discretion of the billing authority) and rural businesses, and temporary reliefs – relating for example to flooding or reoccupation – are also available (see Sandford 2015).

In 2016/17, the total value of business rates collected in England is expected to be £23.7 billion, after accounting for reliefs and exemptions. This is expected to increase to £30.5 billion by 2020/21 (OBR 2016). As figure 1.1 shows, however, there is considerable variation in the value of business rates collected by individual local authorities. In 2016/17, this variation is expected to range from around £11 million from Rutland Unitary Authority, West Devon and West Somerset, to £800 million from the City of London and almost £1.8 billion from Westminster (DCLG 2016a).

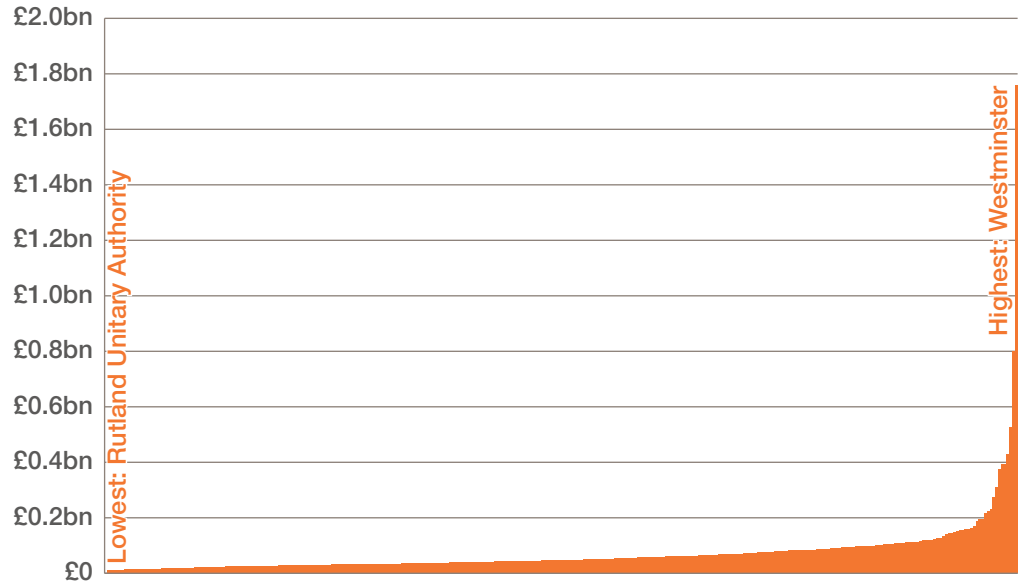
The March 2016 budget announced further significant changes to the business rates system (beyond reannouncing the move to 100-per-cent retention), including extending and making permanent small business rates relief, as set out above; and, from 2020/21, switching from RPI to CPI (which is generally lower) as the index underpinning the business rates multiplier (Sandford 2016). Together, these changes are expected to reduce business rates net receipts by almost £2 billion a year by 2020/21 (OBR 2016).

² Business rates are devolved to Scotland, Wales and Northern Ireland, and so our analysis of the UK government's plans for 100-per-cent retention are focused on the system in England.

FIGURE 1.1

There are large disparities in the amount of business rates collected by different local authorities

Value of business rates expected for individual local authorities, listed left to right from lowest to highest (2016/17)



Source: Department for Communities and Local Government, *NDR1 local authority data: 2016 to 2017* (DCLG 2016a)

2. UNDERSTANDING BUSINESS RATES RETENTION: THE BRRS AND 50-PER-CENT RETENTION

In April 2013, a new system of business rates retention among English local authorities was instituted. Prior to this, local government had been funded by a system of formula grants; since 2013, local government has been able to retain half of all collected business rates, taken in aggregate. In this scheme, total collected business rates across England make up the 'estimated business rates aggregate' (EBRA). The 50 per cent of EBRA that is retained by local authorities through the system is known as the 'local share', and is used to fund services and benefits previously financed through specific government grants. The remaining 50 per cent of the EBRA, the 'central share', is used to fund a revenue support grant (RSG), which operates on a similar basis to the previous formula grants. The justification for the 50-per-cent retention plan was to incentivise local areas to stimulate growth in their business rates bases by allowing them to retain some of the fiscal proceeds of such growth.

The current system is complex, but it provides a guide as to how 100-per-cent retention may operate in the future. There are two key aspects to the current scheme, as set out in the April 2013 reforms: a system of tariffs and top-ups assigned to local authorities by comparing their expected business rates receipts with their estimated funding need; and an annual levy and safety net to curb excessive rises or falls in business rates income. It is also important to understand the different categories of local authority that exist, and how these relate to the current scheme.

SETTING THE TERMS OF THE SCHEME: BASELINES, TARIFFS AND TOP-UPS

In the first year of the new scheme, the government calculated the funding need for each local authority, known as the 'start-up funding assessment'. While based on the previous system of formula grants, this calculation also incorporated the government's strategy for deficit reduction by reflecting the total figure made available for allocation to local government (DCLG 2013a). In all years other than in those where the scheme is being reset, the start-up funding assessment is known as the 'settlement funding assessment' (SFA).

The SFA for every local authority is met through a combination of two funding streams: retained business rates and the RSG. The ratio between these two respective streams was set at 10.1 to 15.2 (Keep and Berman 2013). The ratio was formulated to reflect two constraints that shape

the size of the overall spending envelope for local government: the total local share in collected business rates across England,³ and the amount of money to be allocated to authorities through the RSG during a time of austerity and under the ‘local government spending control’.⁴

The portion of the start-up funding assessment met by retained business rates is known as the ‘baseline funding level’. In the first year of the scheme, DCLG also estimated a ‘business rates baseline’ for every local authority, equal to the portion of the local share expected to be raised by that authority. To ensure that all local authorities are able to receive sufficient income from retained business rates irrespective of their contribution to the local share, a system of tariffs and top-ups is used to redistribute income among local authorities.

Tariffs and top-ups for individual local authorities are set by DCLG to reflect the difference between an authority’s expected business rates baseline and its baseline funding level. If a local authority’s expected business rates are worth more than its baseline funding level, they pay a tariff, equal to the difference. Conversely, an authority with a business rates baseline that is lower than its baseline funding level gets an equivalent top-up.

An important attribute of the scheme is that baseline funding levels, tariffs and top-ups are fixed for up to 10 years, and for a minimum of five. In the intervening years, the value of each is uprated in line with RPI inflation for September that year. This means that the system is largely unresponsive to change in the outside world, such as increased demand for local services or reduced business rates revenue. If a local authority’s business rates receipts fall, or rise more slowly than RPI, then they become net losers from the scheme, in cash terms. If the value of their liabilities (social securities and services) increase faster than inflation, then their resources will fall short of their funding need, unless business rates receipts increase at the same rate or more (subject to levy and safety net payments, see below). There are, therefore, powerful incentives for local authorities to expand their business rates revenue, or at the very least prevent it from declining.

DIFFERENT TYPES OF LOCAL GOVERNMENT: BILLING AUTHORITIES AND PRECEPT AUTHORITIES

All local authorities, and most major precept authorities (excluding police and crime commissioners), are funded through the BRRS. Authorities are treated either as ‘billing authorities’ (including London boroughs, metropolitan districts, shire districts and all-purpose authorities) or ‘precept authorities’. Billing authorities are responsible for business rates collection, while precept authorities are entitled to a share of one or more billing authorities’ retained business rates income.

The distinction between billing authorities and precept authorities largely only matters when calculating respective business rates baselines – thereafter, and in almost all other respects, they are treated the same under the BRRS. The business rates baseline for both precept and billing

3 Minus payments made to GLA transport funding and London bus service operators.

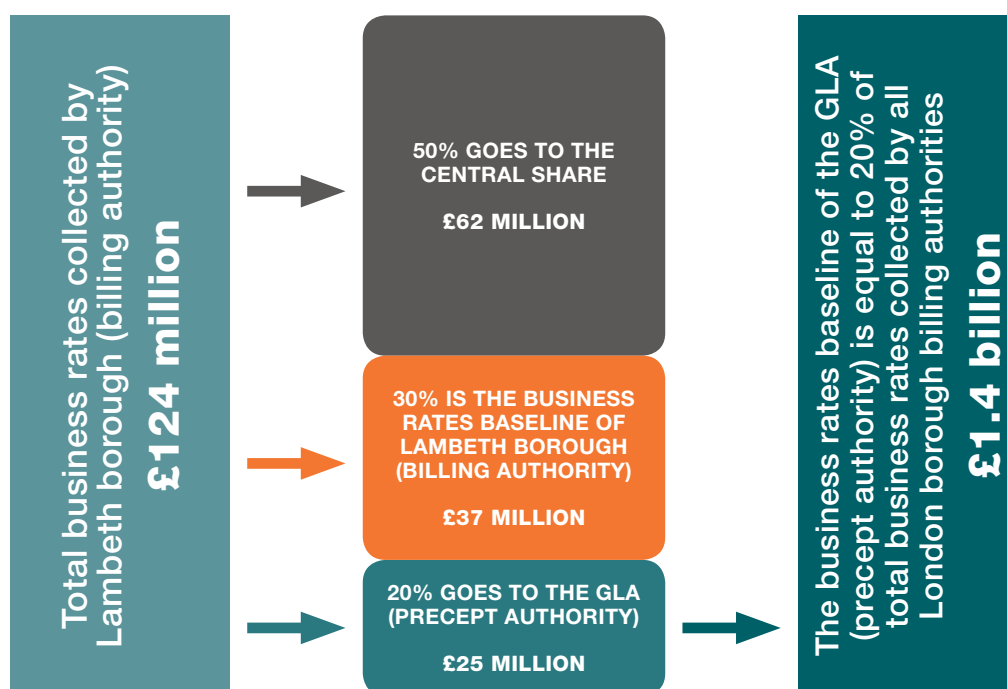
4 In this way, the scheme incorporated macro-level government plans for fiscal tightening.

authorities is taken from the half of business rates not given to government in the central share. For precept authorities, the baseline is calculated as the sum of a given percentage of one or more billing authorities' business rates income. The business rates baseline for billing authorities is then equal to the remainder of business rates income, after contributions have been made to the local share and any precept authorities.

For example, the business rates baseline for the Greater London Authority (GLA) is equal to the sum of 20 per cent of all business rates collection from London boroughs – effectively, 20 per cent of all business rates collected in London.⁵ In turn, the business rates baseline for London boroughs is equal to 80 per cent of their collected business rates, after 50 per cent has been allocated to the central share – or, in aggregate, 30 per cent of all business rates collected in London.

FIGURE 2.1

Calculating business rates baselines between a London borough (Lambeth), the GLA and central government



Source: IPPR

All local authorities, whether billing or precept, have their baseline funding level calculated in the same way. After business rates baselines have been calculated, all tariffs and top-ups also work exactly the same, irrespective of whether a body is a billing or precept authority.

⁵ The size of the precept is different for different types of precept authorities. While the GLA receives 20 per cent of total collected business rates, a shire county with fire responsibilities (for example), receives 10 per cent from each of its billing authorities.

MITIGATING WINNERS AND LOSERS: THE SAFETY NET AND LEVY

Two separate systems, involving a 'levy' and a 'safety net', are designed to mitigate the risk of excessive winners and excessive losers arising from the scheme of tariffs and top-ups.

A levy is charged to all local authorities that would otherwise receive 'disproportionate benefit' from business rates growth in their area (Keep and Berman 2013). According to the rules of the scheme, disproportionate growth in business rates is only possible when a 1 per cent increase in a local authority's business rates baseline is greater than a 1 per cent increase in its baseline funding level. In other words, only those authorities who collect large amounts of business rates but have relatively smaller service responsibilities – otherwise known as tariff authorities – can be subject to the levy.

The value of the levy is taken as a percentage of the growth in retained business rates income, after tariffs and precept authorities have been taken into account. This percentage, or levy rate, varies depending on the disproportionate benefit a local authority stands to gain, and is calculated as the product of the following formula:

$$1 - [\text{baseline funding level} / \text{business rates baseline}]$$

If the formula yields a negative number, such as in the case of top-up authorities, then no levy is applied. The levy is also capped at a maximum of 50 per cent. If the calculation returns a figure larger than 0.5 then the rate remains at 0.5. In this way, even those tariff authorities receiving disproportionate benefit will always keep at least half of any growth in their retained business rates income.

The safety net operates as a separate system designed to mitigate extreme loss from the system of tariffs and top-ups. The system prevents retained business rates income from falling below a minimum floor, set at 92.5 per cent of an authority's baseline funding level. If an authority's retained business rates fall below this threshold, they receive a payment such that their income is brought back to the threshold. Safety net payments are part-funded from the receipts brought in from the levy. Where total levy payments fall short of the aggregate cost of maintaining the safety net, levy income is supplemented from central government funds – this has been the case for the BRRS in all years since 2013/14.

3.

MODELLING THE CHANGES TO COME: METHODOLOGY AND TECHNICAL NOTE

The details of 100-per-cent retention are currently under discussion, and we await a consultation on implementation in summer 2016. The 2015 spending review did, however, give some details on the mechanics of the new scheme (HMT 2015), including:

- The entirety of business rates revenue, estimated at around £30 billion by the end of the parliament, will be under the control of local authorities by 2020/21.
- ‘The main local government grant [the RSG] will be phased out.’
- ‘The system of top-ups and tariffs which redistributes revenues between local authorities will be retained.’

In addition, we learned from the March 2016 budget and supporting documents that:

- The government has indicated its intention to abolish the levy on disproportionate growth (HMT 2016b), however this has yet to be finally confirmed (CLCG 2016)
- Manchester and Liverpool will get full business rates retention early, from April 2017 (HMT 2016a).
- London authorities will get a greater share of their business rates, in return for funding Transport for London capital projects, from April 2017 (ibid).
- The annual indexation of business rates will switch from RPI to CPI (ibid).

INTERPRETING 100-PER-CENT RETENTION: NEW GAME, SAME RULES

Other than the suggested abolition of the levy and the switch to CPI, all the indications are that the government is unlikely to depart significantly from the principles of the current BRRS. For this reason, in modelling future changes, our approach has been to follow the spirit, where possible, of the previous reforms that introduced 50-per-cent retention in 2013. This means that, as with 50-per-cent retention, 100-per-cent retention is defined at the aggregate level. The current system of tariffs and top-ups will continue to redistribute national business rates income across local authorities.

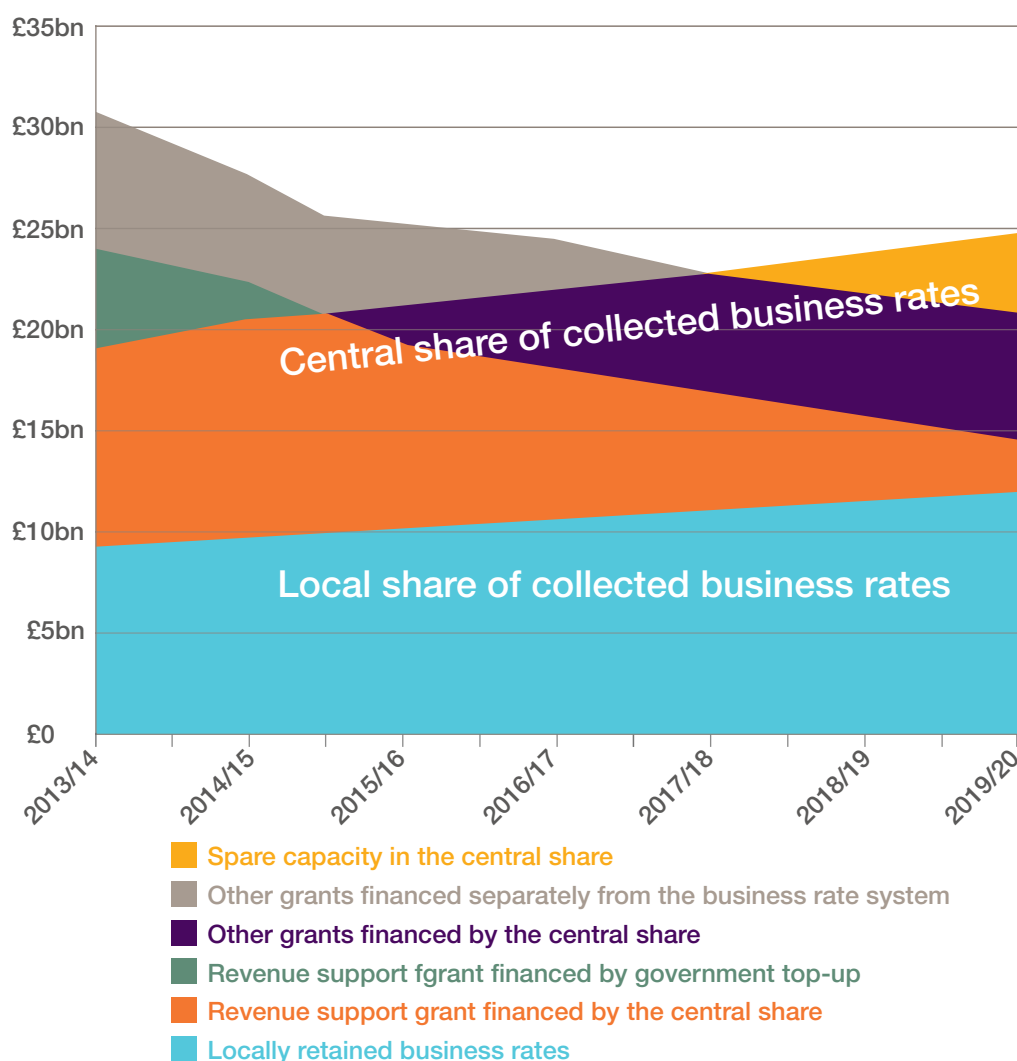
Under the current BRRS, the settlement funding assessment is met in its entirety through the local share and the RSG (see chapter 2). However, forecasts for business rates revenue over the current parliament show that total receipts will equal considerably more than both the local share

and the RSG combined by 2019/20 (see figure 3.1). This makes it highly likely that 100-per-cent retention will involve replacing other existing grants, aside from the RSG, from outside the current BRRS.

FIGURE 3.1

Total business rates collected are projected to surpass the sum of currently retained business rates plus grants current financed out of the central share

Local government funding streams, 2013/14 to 2019/20



Source: Local Government Association, *Business rate retention: the story continues* (LGA 2015)

MODELLING AND METHODOLOGY

To help assess the potential impact of 100-per-cent business rates retention under different assumptions, IPPR has built a working model of the BRRS. In line with present announcements (as described above), we assume that a new system of 100-per-cent retention is in place by 2020/21 across all local authorities in England.

Our results are not designed to be a forecast of the likely impact of 100-per-cent retention on individual regions or local authorities.

Under any new scheme of retention, the experience from one local council to the next will be driven by the specific circumstances in the local area and local economy. Rather, the objective of our model is to use realistic assumptions for regional variance in economic dynamics to capture the likely shape and spread of effects that 100-per-cent retention could have on the resources of local authorities at a system-wide level.

Current estimates for business rates revenue by local authority only exist out to 2016/17. To estimate a baseline for business rates collected in 2020/21, we apportion billing authorities with a share of the OBR forecast for total business rates across England, according to their average share during the seven years from 2010/11 to 2016/17.⁶

To calculate a new business rates baseline for each local authority under the new system, we no longer need to subtract 50 per cent for the central share. We therefore apply the present system of precepts to the full amount of collected business rates, to come up with a new business rates baseline for each authority in 2020/21.

To account for the fact that total business rates collected in 2020/21 are expected to be worth £10 billion more than the sum of all local authority SFAs for that year, we uprate the aggregate SFA to bring it into line with total collected business rates and in turn increase SFAs for each local authority proportionately. This should be interpreted as either other grants being cut, with responsibility for funding subsumed into the new 100-per-cent retention scheme, or else new responsibilities being granted to local authorities (as appears to have already been proposed for London, see above). Under this new system, given that the aggregate SFA is now entirely financed from business rates, the new baseline funding level for each local authority is now equal to that authority's SFA, allowing top-ups and tariffs to continue working as they do under the present system. The one exception to this is that we assume, in line with announcements made at the 2016 budget, that tariffs, top-ups and baseline funding levels are uprated in line with CPI, as opposed with RPI.

To simulate the range of economic growth rates across different local authorities during the first five years of the 100-per-cent retention scheme, we take the average annual growth in business rates⁷ collected by local authorities for the period 2013/14 to 2016/17,⁸ and apply it to the period 2020/21 to 2025/26.

In the absence of any concrete announcements on the implementation of a safety net, we model options with and without. We also model one further scenario in which retained income for a local authority grows or shrinks as a proportion of their funding need, rather than as a proportion of their business rates baseline (see chapter 5 for a further explanation of this scheme and the reasons for running it as a scenario).

6 Net of reliefs and other adjustments and revised downwards to take account of the switch from RPI to CPI in the business rates multiplier.

7 This includes actual out-turns data as well as official expected receipts for 2015/16 and 2016/17.

8 These years are selected on the grounds that they are the most recent years of relatively strong economic growth since the financial crisis for which data is available.

Finally, we also review the significance of 100-per-cent business retention in the context of wider local authority resources. To do this, we project local authority ‘core spending power’⁹ out to 2025/26, uprating council tax by 2 per cent a year and by a further 2 per cent for councils with social care responsibilities (in line with the respective maximum increases allowed under current central government policy without a referendum). Other grants included in core spending power are held constant in real terms.

We publish all results in 2016/17 prices.¹⁰

9 This is made up of the SFA, council tax, the Better Care Fund, the New Homes Bonus and the Rural Service Delivery Grant – by implication we have assumed that these latter grants have not been subsumed into the new 100-per-cent BRRS.

10 Using the GDP deflator series (HMT 2016c).

4. THE IMPACT OF 100-PER-CENT BUSINESS RATES RETENTION

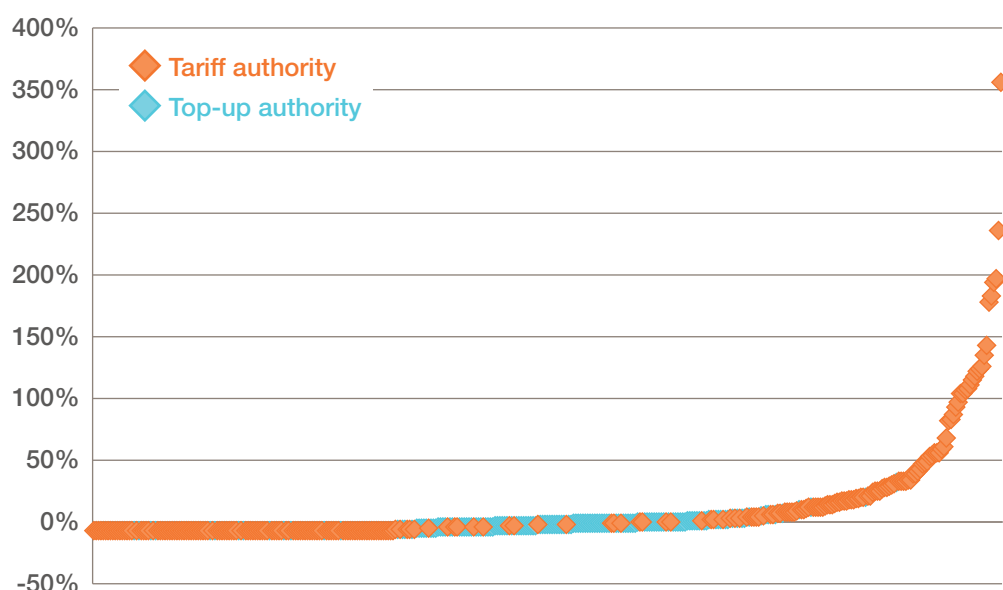
In the absence of further information pending the government summer consultation, our core assumption is that the new 100-per-cent retention scheme will reflect the current system as closely as possible, with a system of tariffs and top-ups based on the BRRS and a safety net set at 92.5 per cent of the baseline funding level. However, for our core projection we assume there will be no levy on disproportionate growth (in line with present government announcements).

OUR CORE PROJECTION: DISTRIBUTIONAL EFFECTS FOR LOCAL AUTHORITIES

Our model shows that the raw effects of 100-per-cent retention are likely to make local authorities highly responsive to local growth in business rates (as shown in figure 4.1; see the appendices for all underlying data in our core government scenario).

FIGURE 4.1

Tariff-paying authorities are likely to be disproportionately among the ‘biggest winners’ and the ‘biggest losers’ from the scheme
Distribution of cumulative effects (2019/20 to 2025/26) on real-terms retained income from business rates by local authorities, under our core projection



Source: IPPR model using BIS 2012; DCLG 2013b, 2013c, 2016a, 2016b, 2016c, 2016d, 2016e, 2016f; HMT 2016c; OBR 2016; ONS 2014

Taking forward the OBR's projections for inflation, a safety net set at the current rate would ensure that no local authority will lose out by more than around 7 per cent cumulatively between 2019/20 and 2025/26. If recent patterns in local growth continue, this could mean almost a quarter of councils requiring income from the safety net scheme across the period. Such a safety net would cost £290 million per year by 2025/26 (in 2016/17 prices).

At the other end of the spectrum, there are strong rewards for an expanding business rates base. Around 80 local authorities could see their retained income rise by 10 per cent or more in real terms, providing strong incentives to grow local business activity. Around 30 local authorities that are growing fastest and which have baseline funding levels much smaller than their business rates baselines, could see their retained income rise by between 50 and 400 per cent.

Top-up authorities

Top-up authorities – councils with business rate baselines that are lower than their baseline funding levels at the time the scheme is set – are far more resilient to deteriorating business rates collection than tariff authorities. The use of a top-up to reach the baseline funding level in the first year of the scheme acts as a guaranteed income, uprated with inflation, and reduces the potential for heavy gains or losses from retained income. The larger the top-up relative to the funding level baseline, the stronger this effect becomes – and therefore so too do the incentives for a local authority to grow their local economy.

As a consequence, more top-up authorities (compared with tariff) are clustered around the middle of the distribution, with retained income changing by between -5 per cent and 3 per cent across the period. This is because, in many cases, retained income from the scheme is dominated by the top-up rather than underlying changes in business rates collection. This makes top-up authorities less likely to see significant gains, or to require a safety net payment. In effect, this also significantly reduces the incentives for poorer councils to grow their business rates base.

Richer and poorer local authorities

In summarised the results, we describe what are classified as 'tariff' and 'top-up' authorities in the present 50 per cent retention scheme as 'richer' and 'poorer' councils respectively. This is on the basis that any top-up authority has been classified as such by government because its local business rates are insufficient to meet its funding need, hence the need for a top-up. These local authorities have low economic activity relative to their social liabilities and are therefore 'poor'. The inverse is true for tariff authorities, whose tax receipts from the value of local commercial assets exceed the value of their funding need, and are therefore 'rich'.

Tariff authorities

Conversely, tariff authorities feature disproportionately at both ends of the distribution. They not only stand to gain the most under the new scheme if their business rates collection grows, but they are also least shielded from a collapse in their business rates base. Of around 130 authorities that, under our assumptions, could require a safety net payment from central government in 2025/26, around 100 of these are tariff authorities. This comes as a result of the tariff rising in real terms each year, increasing an authority's liabilities under the scheme irrespective of their trend in local business rates collections (see chapter 2). The larger the tariff (relative to an authority's baseline funding level), the stronger this effect is, and the more vulnerable a tariff authority is to declining local economic growth.

Clearly, tariff authorities also stand to gain most under 100-per-cent retention. Without a levy on disproportionate growth, 82 of the 84 local authorities that could see their retained income grow by 10 per cent or more are tariff authorities. The result is that the built-in incentives of 100-per-cent retention, under assumptions based on the current BRRS, will be most keenly focused on tariff authorities – those local councils currently with the largest business rates collection (relative to their funding need) – not those with comparatively smaller business rates baselines and smaller local economies.

OUR CORE PROJECTION: EFFECTS ON SPENDING POWER AT THE LEP LEVEL

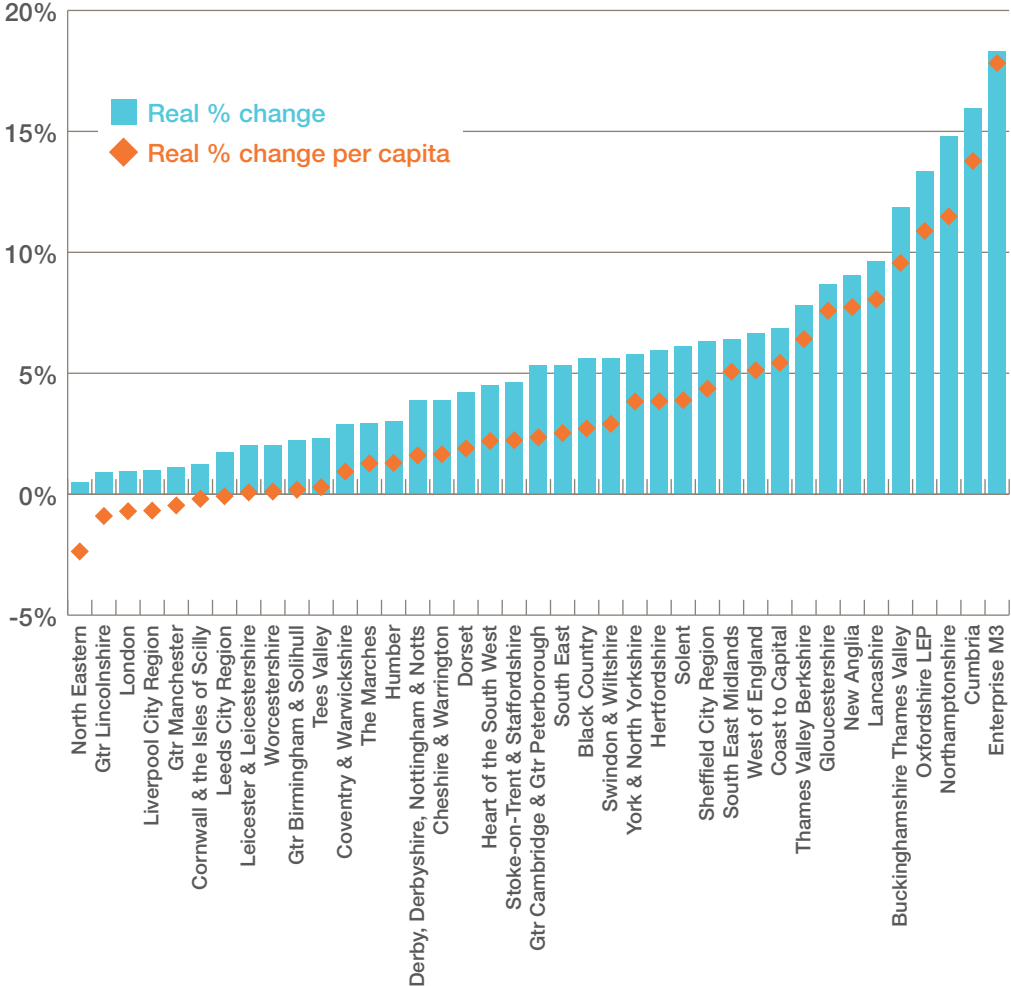
Another key area of interest concerns not only the effects within the new 100-per-cent retention scheme, but also its increased relative importance (compared to the BRRS) in the context of local authority 'core spending power' (see previous chapter for definition). Seen from this perspective, increased council tax and rising grant contributions (via specific grants from outside of business rates retention) from central government complement retained income from the new business rates retention scheme.

Because our model assumes that all elements of local authority funding outside of business rates are uprated in the same way, assessing the effects on core spending power at the level of individual authorities offers little further insight on top of that already presented above. Instead, we aggregate our results up to the level of local enterprise partnership (LEP) areas. This has the advantage of enabling us to begin to gauge the potential for risk-pooling at a sub-regional level using LEP areas as a proxy for a sub-regional area large enough for local authorities to pool resources effectively (we return to this briefly in chapter 5).

Despite the likelihood that there will be significant winners and losers within the scheme at the level of individual local authorities (as shown in figure 4.1), outside the scheme, and at the level of LEP areas, no partnership area would see a real-terms fall in their core spending power under our core assumptions (see figure 4.2 and appendix 2). Out of 39 LEP areas, 11 could see resources rise by around a cumulative 1 to 2 per cent in real terms across the five-year period, while another 11 areas could see their funding rise by 7 to 11 per cent cumulatively.

A caveat to this, however, is that changing demographics will also bring new increased demand for local government services. The UK’s growing population, with a significantly increasing proportion moving into retirement age throughout the 2020s, is likely to increase demand for local government services, such as old-age care, far faster than the rate of inflation (Roberts et al 2015). Our analysis shows that despite real-terms growth in aggregate core spending power at the LEP area level, a per-capita reading (which accounts only for population growth and not for its changing composition) shows that cumulative financial resources for services are likely to fall in some areas of England.

FIGURE 4.2
No LEP area need see core spending fall in real terms but it may decline on a per-capita basis
Cumulative (2019/20 to 2025/26) percentage increase in local authority spending power by LEP area, real-terms and real-terms per capita



Source: IPPR model using BIS 2012; DCLG 2013b, 2013c, 2016a, 2016b, 2016c, 2016d, 2016e, 2016f; HMT 2016c; OBR 2016; ONS 2014

FURTHER SCENARIO TESTING: LEVIES AND THE SAFETY NET

Pending the government’s consultation and aside from indications that the government plans to abolish the levy, there have been few further details or commitments on the future of the safety net in the new scheme. To cast further light on the implications for government policy decisions in this area, particularly with regards to the implications of discontinuing the levy, we model three further versions of 100-per-cent retention.

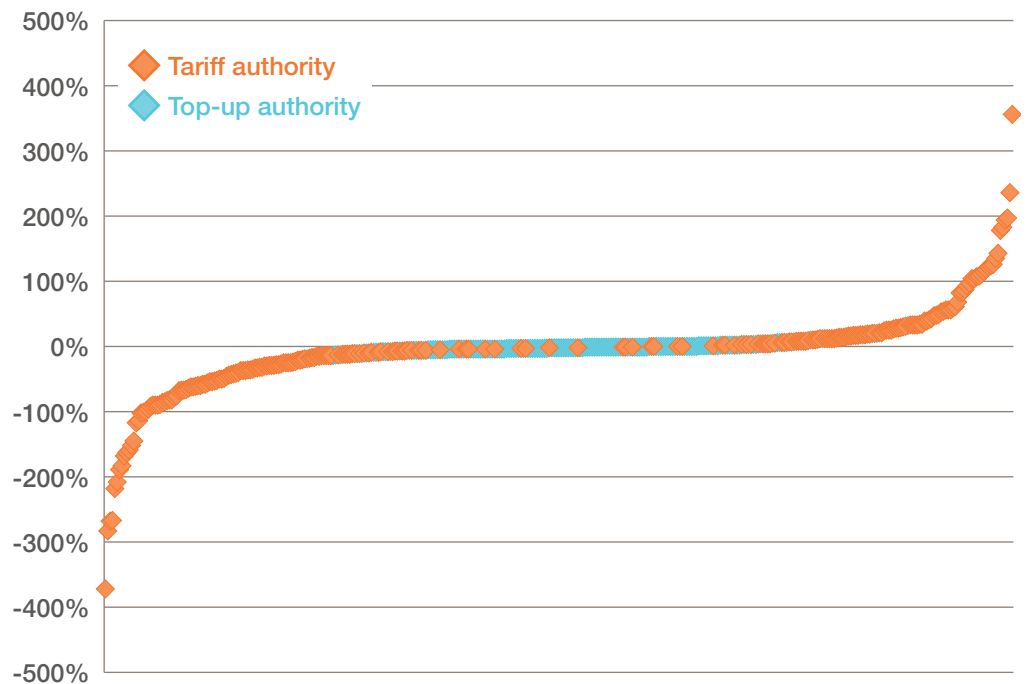
- without a levy or a safety net
- with a safety net and a levy set at a maximum rate of 50p in the pound (as in the current BRRS)
- with a safety net and a levy set at a maximum rate of 80p in the pound.

Our results show that with no safety net and no levy, the range of gains and losses within the scheme is likely to be extremely significant. The worst-affected authorities could lose out by 300 to 400 per cent cumulatively in real terms between 2019/20 and 2025/26, and around a quarter (just under 100) of all local authorities stand to lose out by 10 per cent or more (see figure 4.3). This demonstrates the imperative of having a safety net.

FIGURE 4.3

Without a safety net, the possible losses to retained income are potentially very significant for some local authorities

Distribution of cumulative effects (2019/20 to 2025/26) on real-terms retained income from business rates by local authorities, no safety net



Source: IPPR model using BIS 2012; DCLG 2013b, 2013c, 2016a, 2016b, 2016c, 2016d, 2016e, 2016f; HMT 2016c; OBR 2016; ONS 2014

Introducing a safety net to this scenario (but without a levy, as per our core government scenario) affects only the bottom end of the distribution. As discussed in our core projection above, around 130 local authorities will require an annual safety net payment during the next parliament to bring their retained income up to 92.5 per cent of their real-terms baseline funding level (see appendix 1).

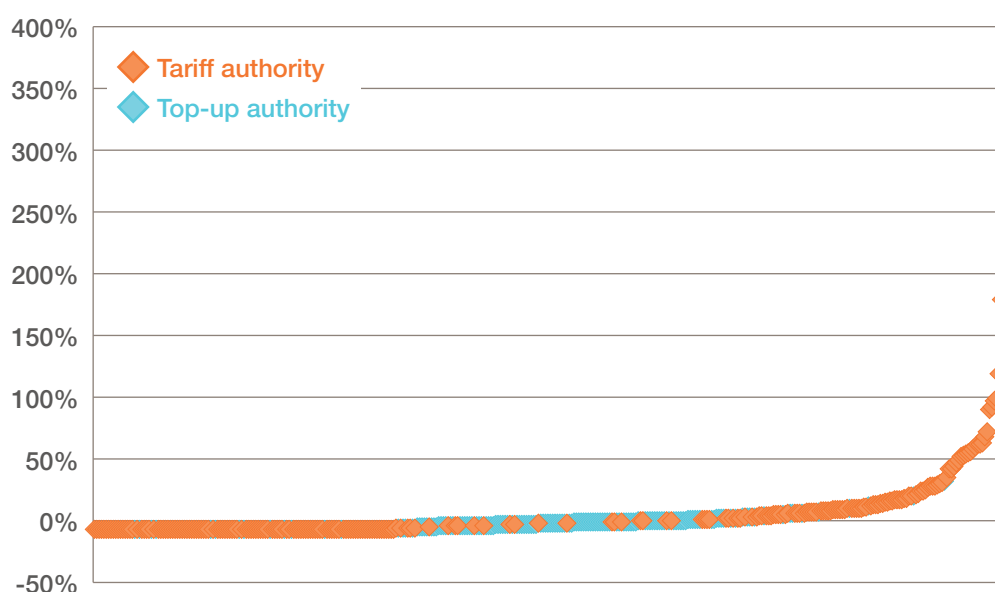
As one might expect, introducing a levy on disproportionate growth affects tariff authorities near the top end of the distribution (see figures 4.4 and 4.5). A levy set at a maximum rate of 50 pence in the pound would affect 105 tariff authorities. It would also raise £170 million a year by 2025/26 (in 2016/17 prices) and reduce the maximum observed cumulative growth in retained income across the period to just under 200 per cent (down from nearly 400 per cent). In the absence of a levy, if the equivalent £170 million were to be found from the costs of the safety net, this would imply a minimum funding floor of less than 70 per cent of funding need, rather than 92.5 per cent the system.

A maximum levy rate of 80 pence, on the other hand, could ensure that no local authority sees their retained income rise by more than 100 per cent. This would raise £250 million and would mean that those affected authorities would make a significant contribution to funding the annual cost of the safety net, which we estimate at £290 million a year by 2025/26 (see above).

FIGURE 4.4

A 50p levy on growth in retained incomes for tariff authorities could limit maximum gains to around 200 per cent

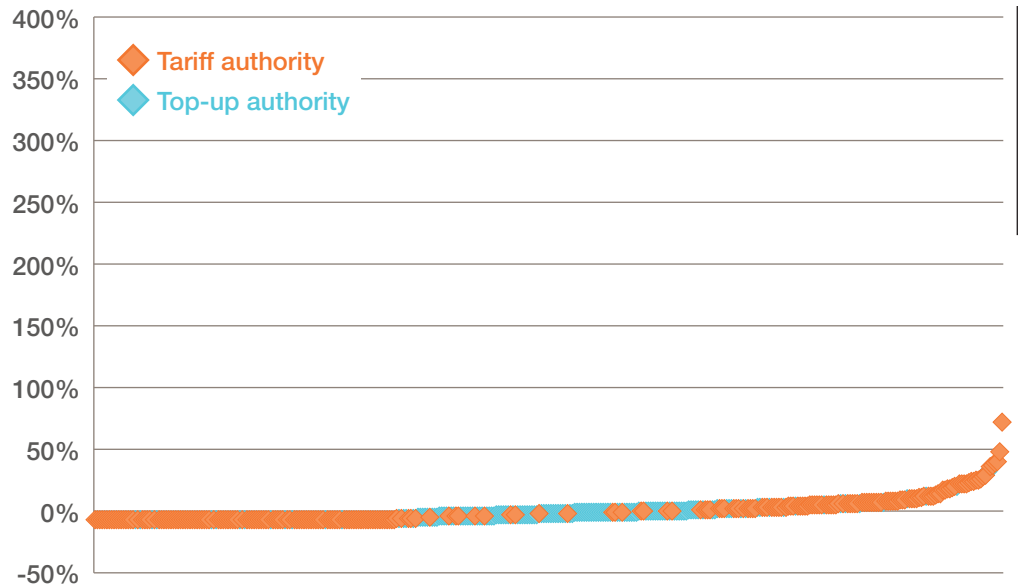
Distribution of cumulative effects (2019/20 to 2025/26) on real-terms retained income from business rates by local authorities, with safety net and 50p levy



Source: IPPR model using BIS 2012; DCLG 2013b, 2013c, 2016a, 2016b, 2016c, 2016d, 2016e, 2016f; HMT 2016c; OBR 2016; ONS 2014

FIGURE 4.5

An 80p levy on growth in retained incomes for tariff authorities could limit maximum gains to less than 100 per cent
Distribution of cumulative effects (2019/20 to 2025/26) on real-terms retained income from business rates by local authorities, with safety net and an 80p levy

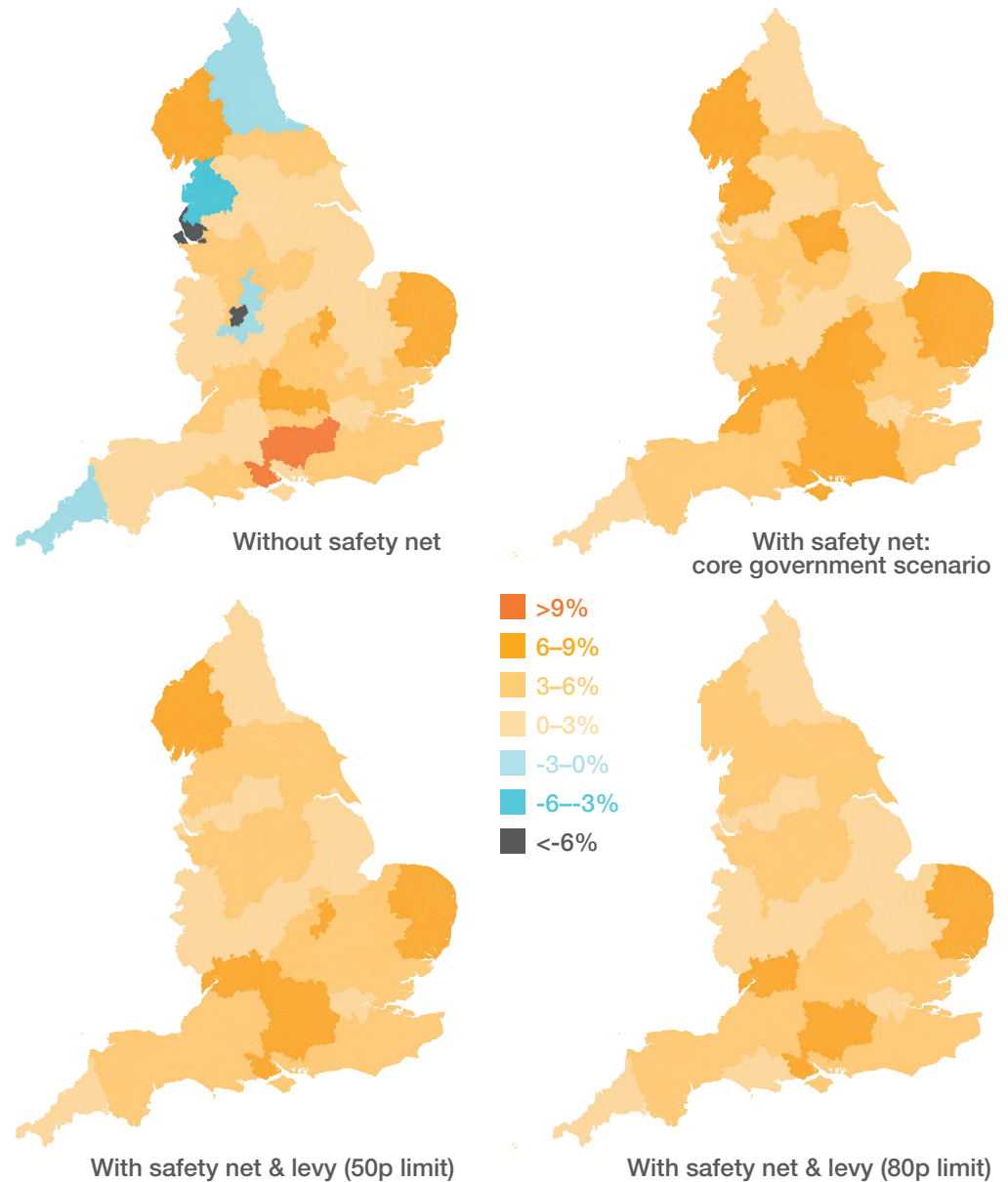


Source: IPPR model using BIS 2012; DCLG 2013b, 2013c, 2016a, 2016b, 2016c, 2016d, 2016e, 2016f; HMT 2016c; OBR 2016; ONS 2014

At the LEP-area level, it is likely that a no-safety-net scenario would make sub-regional risk-pooling impossible. For example, were patterns in local growth rates during the next parliament to follow those of the most recent four years (as per the assumptions of our model), a significant minority of LEP areas could see local authorities on average experiencing a real-terms fall in their spending power (see figure 4.6). The introduction of a levy to pay for a safety net would likely curb the gains made by those areas that see the largest benefit from 100-per-cent retention (reducing excessive gain by around one-third and two-thirds under a 50p and 80p levy respectively), but in most LEP areas the average effect is likely to be small.

FIGURE 4.6

Mapping the effects of local authority changes at the LEP-area level



Source: IPPR model using BIS 2012; DCLG 2013b, 2013c, 2016a, 2016b, 2016c, 2016d, 2016e, 2016f; HMT 2016c; OBR 2016; ONS 2014

THE IMPACT OF ADDITIONAL REFORMS AND OTHER PERVERSE INCENTIVES

There are also significant problems with rolling out 100-per-cent retention in combination with two other planned reforms, which risk creating perverse side-effects in the local tax system. Along with outlining its plans for 100-per-cent retention, the government also set out its intention to (all HMT 2016b):

- Give all local authorities ‘the power to reduce business rates to support business and jobs in their area’.
- Give full business rates relief to firms with rateable property values of £12,000 or less, and give tapered relief to firms with rateable value between £12,000 and £15,000. Government estimates that together this will benefit 650,000 businesses.
- Increase the threshold for the standard business rates multiplier to a rateable value of £51,000. This could take 250,000 commercial properties out of the higher rate and, in particular, reduce business rates for smaller businesses such as high-street shops.

The combined effect of these proposed measures will mean that the potential for reward for local authorities under 100-per-cent retention (in the form of higher retained income from business rates) will depend even more heavily on the composition of an area’s local economy. In particular, the proposed reforms to business rates incentivise the flow of public investment towards larger firms over smaller ones, as the latter will be contributing less to business rates receipts under the new system. In addition to the fact that incentives are likely to be felt most keenly by tariff authorities, this too could result in poor targeting of public investment.

A move to 100-per-cent retention is also likely to increase the trade-off between residential and commercial investment, with the former likely to lose out. The increased reliance on local business rates, relative to council tax and government grants, could see a reordering of priorities among local authority spending initiatives, which may adversely affect non-commercial projects, such as affordable housing and the development of residential and non-commercial amenities.

5. SPREADING THE INCENTIVES: AN IPPR ALTERNATIVE

A central message for all local authorities is that the question of whether they stand to win or lose from any future system is contingent on their local economic growth. In whatever way the government designs the scheme, any measures that a local authority can take to stimulate local growth are likely to be more significant than any fine-tuning of the new business rates scheme. The results presented in this paper, therefore, do not represent a forecast for any individual local authority or LEP area.

That said, there are weaknesses in the current BRRS that look likely to be brought forward into the new 100-per-cent retention scheme, and therefore risk undermining the potential of the government's proposed reforms.

GROWTH FIRST: AN ALTERNATIVE FORM OF 100-PER-CENT RETENTION

As has been shown, the mechanics of the BRRS produce incentives that are focused most intensely upon tariff authorities – as a result of standing both to gain and to lose the most through 100-per-cent retention. The application of a levy – even at 80p in the pound – does little to reverse this. It curbs excessive growth at the top, but it does not address the problem of structural diminished incentives for top-up authorities due to the design of the scheme (see chapter 4). The sharpest incentives to invest in local economic development are aimed, therefore, at those local authorities who by definition already have a lot of local business activity relative to their funding level baseline. The system is, in this sense, backing those who are already 'winning'.

If left unaddressed, this could represent poor targeting of resources and result in deadweight loss (or else a much lower return) on public investment in local economies than might otherwise be the case in other local authorities.

In effect, the existing architecture of the BRRS is likely to fail against the government's own stated objectives for the scheme, namely, to provide incentives for all local authorities to grow their local economies. Instead, the current design produces unbalanced incentives, with tariff authorities standing to win and lose to a disproportionate degree, while incentives for top-up authorities are limited by the extent to which their retained income is decoupled from local business rates collection.

However, our modelling has shown that an alternative system design – the ‘growth first’ scheme – which still follows all the principles of 100-per-cent retention as set out by government so far, could help to realign these incentives. The scheme would be similar to the government’s proposals in most respects. The processes of ‘setting’ the scheme would be identical to our core scenario for the government’s own proposals, with SFAs, tariffs and top-ups all calculated on the same basis as under the BRRS (see chapter 3). The difference, then, is that retained income after the first year of the scheme is calculated by applying the rate of growth (or contraction) in business rates collection to a local authority’s baseline funding level. This means that retained income for a local authority grows or shrinks as a proportion of their funding need, rather than by the cash change in their business rates baseline.

Under our core scenario, for example, a top-up authority with a business rates baseline of £5 million, and a baseline funding level of £50 million, can only ever gain or lose from a rise or fall in that £5 million in business rates. The significant majority of its retained income is made up of a top-up of £45 million, and this top-up remains unchanged in real terms irrespective of what happens to local business rates.

Under our alternative scenario, however, this changes. Instead, the percentage decline or increase in the £5 million in business rates is applied to the full baseline funding level of £50 million. For example, an increase in business rates collection of 2 per cent (in real terms) would mean that the top-up authority would increase its retained income by the same proportion of 2 per cent. This is far higher than under our core government proposal scenario, where the same local authority would see a 2 per cent rise in business rates yield an increase of just 0.2 per cent in their total retained income.

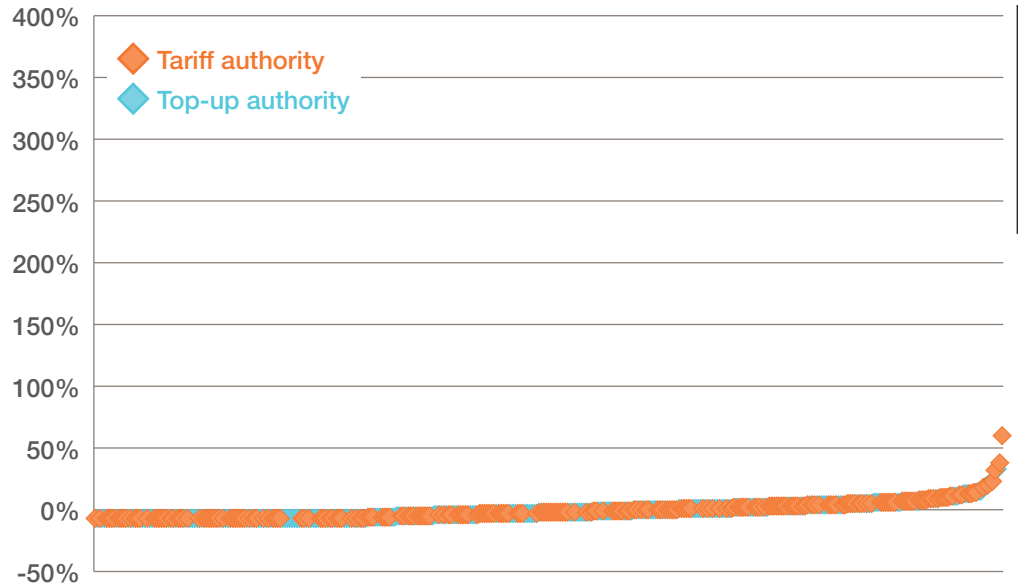
This scenario is made affordable by the opposite effect on tariff authorities. Their retained income also grows as a proportion of their baseline funding level, as opposed to their business rates baseline. As such, excessive gains are curbed. Under the present system, a local tariff authority – let’s assume the inverse of our top-up example above, with a baseline funding level of £5 million and a business rates baseline of £50 million – that saw its business rates grow by 2 per cent in real terms would see its retained income grow by 20 per cent in a single year. Under our alternative system – just as would be the case for top-up authorities – a real-terms increase of 2 per cent in collected business rates would lead to a 2 per cent rise in retained income.

This alternative system would rebalance incentives between tariff and top-up authorities. In effect, the opportunity to see meaningful growth in retained income is made equal for all. As figure 5.1 shows, assuming that historical patterns of growth remain constant, this would see a much more even distribution of winners and losers between top-up and tariff authorities under the scheme, compared with all the scenarios modelled above.

FIGURE 5.1

By ensuring that retained income always changes in line with business rates collection, a 'growth first' scheme will balance incentives equally between tariff and top-up authorities

Distribution of cumulative effects (2019/20 to 2025/26) on real-terms retained income from business rates by local authorities, IPPR alternative scenario



Source: IPPR model using BIS 2012; DCLG 2013b, 2013c, 2016a, 2016b, 2016c, 2016d, 2016e, 2016f; HMT 2016c; OBR 2016; ONS 2014

ASSESSING THE PROS AND CONS OF A DIFFERENT APPROACH

A further advantage of this alternative proposal is that funds saved through curbing excessive gains by tariff authorities are likely to exceed the costs associated with the increases in retained income of top-up authorities. Under the assumptions of normal growth patterns used to model the scenarios in this report, there would be credit in the system worth around £170 million a year in 2025/26.

At the same time, the improved gains for top-up authorities (and reduced losses for tariff authorities) would mean that a safety net set at 92.5 per cent of a local authority's baseline funding level is likely to be cheaper than under our core assumption for the government's proposal – costing around £210 million a year (in 2016/17 prices) by 2025/26, as opposed to £290 million (see chapter 4). This means that our alternative scheme would be likely to pay for most of the costs of a safety net itself, and without the need for a levy.

There is an amendment that could be made to this 'growth first' scheme in order to bring it closer to the core government proposal scenario, while retaining some, but not all, of the improvements in incentives. For tariff authorities with a business rates baseline more than twice as large as their baseline funding level, a guarantee of a 50p increase in retained income for every £1 of increased business rates collection would guarantee a

minimum reward for new business rates above what they would receive in the ‘growth first’ scheme. This could be paid for by building in a maximum increase for top-up authorities of £2 in retained income for every £1 in increased business rates collection. Under historical patterns of growth, the distributional effect would be similar to that of the 50p levy scenario presented above (see figure 4.4), but while the balance of incentives would not be as good as with the ‘growth first’ scheme, they would still be an improvement on the government scenarios presented in chapter 4.

TABLE 5.1
Pros and cons of different scenarios for 100-per-cent retention

	Core government		Core government plus levy		‘Growth first’ scheme		‘Growth first’ scheme with cap and collar	
	Pros	Cons	Pros	Cons	Pros	Cons	Pros	Cons
Incentives	There are strong incentives for some local authorities	Incentives felt more acutely by all tariff authorities over all top-up authorities	There are strong incentives for some local authorities	Incentives felt more acutely by all tariff authorities over all top-up authorities	Strong incentives for local authorities are equal for both tariff and top-up authorities		Strong incentives for local authorities are more balanced for both tariff and top-up authorities	Incentives felt more acutely by some tariff authorities over some top-up authorities
Excessive gains		The potential for excessive growth in retained income for some tariff authorities is left uncurbed	The potential for excessive growth in retained income for some tariff authorities is capped (at 50p in the pound or 80p in the pound respectively)		There are no excessive gains. Gains are always proportionate to a local authorities funding need		Excessive gains are capped at 50p in the pound	
Excessive losses	Safety net prevents excessive losses in retained income	Safety net is entirely unfunded	Safety net prevents excessive losses in retained income	The safety net is part funded by the levy (this becomes closer to being cost neutral with a levy of 80p in the pound)	Safety net prevents excessive losses in retained income	The safety net is partly or fully funded by the curbs on excessive gains for tariff authorities	Safety net prevents excessive losses in retained income	The safety net is partly funded by the curbs on excessive gains for tariff authorities
Costs to government	The system of tariffs and top-ups means that the retention scheme is necessarily cost neutral (prior to the application of a safety net)		The system of tariffs and top-ups means that the retention scheme is necessarily cost neutral (prior to the application of a safety net)		Assuming historical patterns of growth, the scheme costs less than expected aggregate business rates collection	The scheme is not necessarily cost neutral, and under different patterns of growth could cost more than aggregate business rates collection	Assuming historical patterns of growth, the scheme costs less than expected aggregate business rates collection	The scheme is not necessarily cost neutral, and under different patterns of growth could cost more than aggregate business rates collection

Source: IPPR

It needs to be noted that, unlike the present system of tariffs and top-ups, neither our 'growth first' scheme nor the cap-and-collar variation on it is a mathematical zero-sum game. Aggregate retained income does not necessarily have to equal aggregate business rates collection. In the years modelled for this report, the costs of the scheme fall below the total collected business rates – such that it could in fact pay for a 92.5 per cent safety net (unlike our core government proposal scenario, where this is not paid for). But this is sensitive to patterns of growth across the country, and thus could change – although the 'growth first' scheme is unlikely to cost more than aggregated business rates while there are far more tariff authorities than top-up authorities. If required, however, it would be easy to mitigate against such a change in growth patterns in advance by grossing down retained income for all local authorities at a universal rate, such that the system comes back into fiscal balance.

6.

CONCLUSIONS AND RECOMMENDATIONS: FOUR ALTERNATIVES, AND BEYOND

Although we still await the details of the government's plans for a new BRRS scheme, based on our best estimates of what a likely scheme might include, our modelling and analysis has demonstrated the following:

- **The new 100-per-cent retention scheme, combined with the abolition of a levy, could see excessive gains for some areas of local government.**
- **Approximately 130 local authorities could rely on safety net payments in this period.**
- **Removing the levy on excessive growth could cost central government around £170 million a year by 2025/26 (in 2016/17 prices).**
- **For the reasons set out above, the incentives of 100-per-cent retention are likely to be felt most keenly by richer authorities, relative to poorer authorities.**

This final point raises significant concerns about the extent to which the new BRRS will be 'backing the winners' rather than providing the desired incentives to all councils to stimulate local economic growth. Not only could this lead to significant amounts of deadweight cost to government, but it also stands to cost the government a significant amount of money to pay for the safety net. To the extent that many councils are left with weak incentives, the new system would appear to fail on its own terms.

For these reasons, IPPR would recommend that one of three alternative measures is adopted, ordered below in terms of their effectiveness at addressing the weaknesses of the government's implied scheme.

ALTERNATIVE MEASURE 1: THE 'GROWTH FIRST' SCHEME

IPPR recommends an alternative system whereby retained income always rises and falls at exactly the same rate as changes in local business rates collection. This means that retained income for a local authority grows or shrinks as a proportion of its funding need, rather than by the cash change in their business rates baseline. Compared to the implied system under the government's proposals, this system would provide much greater growth incentives for a larger number of top-up authorities, and it would pay for the costs of a safety net without the need for a levy.

ALTERNATIVE MEASURE 2: 'GROWTH FIRST' PLUS CAP-AND-COLLAR

An amendment to our preferred system would see limits on the potential gains for poorer councils (by capping increases in retained income to £2 for every £1 in increased business rates) and give a minimum rate of return for the richest authorities (of 50p in every £1 in increased business rates). The balance of incentives would not be as good as our preferred system, but would still be better than those implied by the government's current proposals.

ALTERNATIVE MEASURE 3: RETAINING A LEVY

IPPR recommends that government retains some form of levy on excessive growth, either at the 50p or 80p level, which would not only mitigate the extremes of any new BRRS but could also provide a means of paying for costs associated with the safety net.

Whether the government adopts any of our above proposals or not, we recommend one further reform for the consultation

ALTERNATIVE MEASURE 4: RISK-POOLING ACROSS LEP AREAS

IPPR recommends that an alternative redistributive mechanism could be considered by introducing risk-pooling at a sub-regional level. It is striking that the current reforms to business rates seek would represent 'radical devolution', yet occur within a centrally controlled and tightly defined system. Our analysis of the aggregated effects of 100-per-cent retention within LEP areas has shown that, under relatively modest assumptions, it is unlikely that any single LEP area will see a real-terms fall in core spending power among local authorities. This may open the door to exploring innovations that allow for risk-pooling at this geographic level, whether inside or outside the retention scheme itself. This might be a particularly attractive option for areas where combined authorities are in existence, and thus where a layer of governance already is in place spanning multiple local authorities.

BEYOND BUSINESS RATES

The UK has one of the most centralised and constrained systems of public finance in the developed world, and this is a key reason why it also has one of the most geographically imbalanced economies. There are clearly significant risks associated with pegging local authority spending capacity more closely to its local tax collection, as this could lock in and exacerbate existing disparities between London and the rest of England. Yet, as recent IPPR analysis has shown, current imbalances in public investment caused by centralised decision-making have tended to privilege the most economically prosperous regions of the country (Raikes 2015). Handing over the keys to local resources to local decision-makers could help to increase the fairness and effectiveness of public spending locally. For this reason, in principle, there are significant opportunities to further devolved taxation, including business rates.

But, as our analysis has shown, the ability to devise a system of fiscal devolution based on business rates alone has significant limitations. Balancing the importance of providing good incentives to drive local economic growth with the need for a system that is fair and transparent

is an enormous challenge when there is such a high level of local and regional inequality. More fundamentally, tying the provision of vital public services directly to local economic composition and performance is a strange and risky combination.

This is not to say that it should not be done, but that it cannot be done in isolation. In most developed nations, local and sub-national authorities raise and retain a much higher proportion of tax revenues derived from a wide variety of different revenue streams including property taxes, tourist taxes, other local 'sin' taxes, and even a share of income tax. This enables much greater local freedom and more appropriate hypothecation than when these funds are limited to a single revenue stream. The fact that these taxes are often levied and pooled over wider geographies than English local authority areas also facilitates more regional redistribution, taking pressure off a nationally redistributive system.

This paper is not the place to make a detailed case for other possibilities for fiscal devolution in England, but it does point to the need to see business rates retention as the first step towards a much broader and more long-term approach to fiscal devolution.

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APPENDIX 1: FULL DETAILS OF LOCAL AUTHORITY RETAINED INCOME ANALYSIS

TABLE A1.1

Cumulative effects (2019/20 to 2025/26) on real-terms retained income from business rates under our core government scenario, ranked by cumulative change high to low

Name	Rank	Cumulative change	Tariff or top-up
Suffolk Coastal	1	356.5%	Tariff
South Bucks	2	236.1%	Tariff
Mole Valley	3	197.4%	Tariff
Gosport	4	193.8%	Tariff
Winchester	5	182.6%	Tariff
South Staffordshire	6	178.4%	Tariff
Rugby	7	143.3%	Tariff
Hinckley & Bosworth	8	135.1%	Tariff
Woking	9	125.9%	Tariff
Crawley	10	123.8%	Tariff
Elmbridge	11	122.3%	Tariff
Copeland	12	118.4%	Tariff
Adur	13	114.8%	Tariff
New Forest	14	110.7%	Tariff
Daventry	15	108.3%	Tariff
Cherwell	16	106.9%	Tariff
Basildon	17	104.4%	Tariff
West Oxfordshire	18	103.9%	Tariff
Three Rivers	19	96.6%	Tariff
Rushmoor	20	93.2%	Tariff
Fareham	21	86.9%	Tariff
North West Leicestershire	22	82.8%	Tariff
Eastleigh	23	82.3%	Tariff
Chichester	24	68.2%	Tariff
Wycombe	25	61.3%	Tariff
North Kesteven	26	59.2%	Tariff
Dartford	27	56.4%	Tariff
South Ribble	28	55.8%	Tariff
Stroud	29	55.7%	Tariff
Kettering	30	54.3%	Tariff
Swale	31	53.2%	Tariff
Carlisle	32	49.3%	Tariff
City of London	33	47.6%	Tariff
Test Valley	34	46.8%	Tariff
Bracknell Forest UA	35	43.2%	Tariff
South Norfolk	36	41.0%	Tariff
Sedgemoor	37	38.7%	Tariff
North Warwickshire	38	38.6%	Tariff

Hertsmere	39	34.4%	Tariff
South Derbyshire	40	34.1%	Tariff
Windsor & Maidenhead UA	41	33.3%	Tariff
South Northamptonshire	42	33.0%	Tariff
Maldon	43	32.9%	Tariff
Allerdale	44	32.8%	Tariff
Brighton and Hove	45	32.4%	Top-up
Epping Forest	46	31.0%	Tariff
Guildford	47	30.3%	Tariff
Stafford	48	29.4%	Tariff
Westminster	49	28.1%	Tariff
Bolsover	50	27.6%	Tariff
Havant	51	26.6%	Tariff
Lewes	52	25.3%	Tariff
Blaby	53	25.0%	Tariff
Chorley	54	24.7%	Tariff
Maidstone	55	23.7%	Tariff
Broxbourne	56	21.5%	Tariff
Sevenoaks	57	21.0%	Tariff
Tower Hamlets	58	20.2%	Top-up
Colchester	59	20.1%	Tariff
Wokingham UA	60	20.1%	Tariff
Rossendale	61	19.3%	Tariff
Chesterfield	62	19.0%	Tariff
East Cambridgeshire	63	18.1%	Tariff
Gloucester	64	17.6%	Tariff
South Kesteven	65	17.5%	Tariff
Great Yarmouth	66	17.4%	Tariff
South Gloucestershire UA	67	17.1%	Tariff
Ashfield	68	17.1%	Tariff
Hillingdon	69	15.9%	Tariff
East Northamptonshire	70	15.8%	Tariff
Erewash	71	14.7%	Tariff
Warrington UA	72	14.5%	Tariff
Milton Keynes UA	73	14.4%	Tariff
Cannock Chase	74	13.5%	Tariff
Braintree	75	12.6%	Tariff
Christchurch	76	12.4%	Tariff
Trafford	77	12.2%	Tariff
South Lakeland	78	12.2%	Tariff
Mid Sussex	79	12.0%	Tariff
East Riding of Yorkshire UA	80	11.9%	Tariff
Derby UA	81	11.7%	Top-up
Breckland	82	11.6%	Tariff
Ipswich	83	10.7%	Tariff
Fenland	84	10.4%	Tariff
Hounslow	85	10.1%	Tariff
Southwark	86	9.5%	Top-up
Central Bedfordshire UA	87	8.8%	Tariff
Kings Lynn & West Norfolk	88	8.4%	Tariff
North Lincolnshire UA	89	8.4%	Tariff
Ribble Valley	90	8.3%	Tariff
Bassetlaw	91	8.2%	Tariff
Tunbridge Wells	92	7.8%	Tariff
Salford	93	7.5%	Top-up
Wealden	94	7.4%	Tariff
York UA	95	7.0%	Tariff
Hammersmith & Fulham	96	6.4%	Top-up
Forest of Dean	97	6.2%	Tariff
Gravesham	98	6.0%	Tariff

Stoke-on-Trent UA	99	5.8%	Top-up
Nottingham UA	100	5.7%	Top-up
Peterborough UA	101	5.3%	Tariff
Medway UA	102	5.0%	Top-up
Horsham	103	4.3%	Tariff
North Norfolk	104	4.0%	Tariff
Mid Suffolk	105	4.0%	Tariff
Bristol	106	4.0%	Tariff
Southend-on-Sea UA	107	3.8%	Top-up
North Somerset UA	108	3.6%	Tariff
Doncaster	109	3.4%	Top-up
Kingston upon Hull UA	110	3.1%	Top-up
Bath & North East Somerset	111	2.8%	Tariff
East Sussex CFA	112	2.7%	Top-up
GLA	113	2.7%	Tariff
Sheffield	114	2.5%	Top-up
Slough UA	115	2.5%	Tariff
Ealing	116	2.2%	Top-up
Hampshire	117	2.1%	Top-up
Derbyshire Dales	118	2.0%	Tariff
Royal Berkshire CFA	119	1.9%	Top-up
Greenwich	120	1.8%	Top-up
Buckinghamshire CFA	121	1.8%	Top-up
Kingston upon Thames	122	1.8%	Tariff
Reading UA	123	1.7%	Tariff
Lewisham	124	1.5%	Top-up
Gateshead	125	1.5%	Top-up
West Sussex	126	1.5%	Top-up
Leeds	127	1.4%	Tariff
Bolton	128	1.1%	Top-up
Leicester UA	129	1.1%	Top-up
Avon CFA	130	1.0%	Top-up
Derbyshire CFA	131	0.8%	Top-up
Coventry	132	0.8%	Top-up
Manchester	133	0.8%	Top-up
Brent	134	0.5%	Top-up
Leicestershire	135	0.5%	Top-up
Humberside CFA	136	0.4%	Top-up
Bradford	137	0.3%	Top-up
Suffolk	138	0.3%	Top-up
Plymouth UA	139	0.3%	Top-up
Tendring	140	0.2%	Tariff
Cumbria	141	0.2%	Top-up
Bedford UA	142	0.2%	Tariff
Buckinghamshire	143	0.2%	Top-up
Leicestershire CFA	144	0.2%	Top-up
Oxfordshire	145	0.0%	Top-up
Warwickshire	146	-0.1%	Top-up
Staffordshire CFA	147	-0.2%	Top-up
Wigan	148	-0.3%	Top-up
Bedfordshire CFA	149	-0.3%	Top-up
Lambeth	150	-0.3%	Top-up
Bexley	151	-0.3%	Top-up
Babergh	152	-0.4%	Tariff
Rother	153	-0.4%	Tariff
Tameside	154	-0.5%	Top-up
Greater Manchester Fire	155	-0.5%	Top-up
Derbyshire	156	-0.6%	Top-up
Sandwell	157	-0.6%	Top-up
South Yorkshire Fire & CD Authority	158	-0.6%	Top-up

Birmingham	159	-0.6%	Top-up
Hampshire CFA	160	-0.6%	Top-up
Tamworth	161	-0.8%	Tariff
Essex (new)	162	-0.9%	Top-up
Norfolk	163	-1.0%	Top-up
Worthing	164	-1.0%	Tariff
Bournemouth UA	165	-1.0%	Tariff
Nottinghamshire CFA	166	-1.0%	Top-up
Redbridge	167	-1.0%	Top-up
Lincolnshire	168	-1.0%	Top-up
Essex CFA	169	-1.1%	Top-up
Havering	170	-1.1%	Top-up
Staffordshire	171	-1.1%	Top-up
West Midlands Fire Authority	172	-1.2%	Top-up
West Yorkshire Fire & CD Authority	173	-1.2%	Top-up
Kent CFA	174	-1.2%	Top-up
Gloucestershire	175	-1.3%	Top-up
Lancashire (new)	176	-1.4%	Top-up
Somerset	177	-1.4%	Top-up
Northumberland UA	178	-1.5%	Top-up
Tyne and Wear Fire & CD Authority	179	-1.5%	Top-up
East Sussex	180	-1.5%	Top-up
Cambridgeshire CFA	181	-1.5%	Top-up
Kent (new)	182	-1.5%	Top-up
Haringey	183	-1.6%	Top-up
Oadby & Wigston	184	-1.7%	Tariff
Lancashire CFA	185	-1.8%	Top-up
Sunderland	186	-1.9%	Top-up
Wolverhampton	187	-2.0%	Top-up
Luton UA	188	-2.0%	Top-up
Northamptonshire	189	-2.0%	Top-up
Durham CFA	190	-2.1%	Top-up
Merseyside Fire & CD Authority	191	-2.2%	Top-up
Nottinghamshire (new)	192	-2.3%	Top-up
Devon and Somerset CFA	193	-2.3%	Top-up
Merton	194	-2.4%	Top-up
Darlington UA	195	-2.4%	Top-up
Stockport	196	-2.4%	Tariff
Cleveland CFA	197	-2.5%	Top-up
Wandsworth	198	-2.6%	Top-up
Wakefield	199	-2.7%	Top-up
Cambridgeshire (new)	200	-2.7%	Top-up
Surrey	201	-2.8%	Top-up
Wirral	202	-2.8%	Top-up
Shropshire CFA	203	-2.8%	Top-up
Knowsley	204	-2.9%	Top-up
South Tyneside	205	-2.9%	Top-up
Rutland UA	206	-2.9%	Tariff
Cheshire CFA	207	-2.9%	Top-up
Boston	208	-3.0%	Tariff
Middlesbrough UA	209	-3.0%	Top-up
Devon (new)	210	-3.1%	Top-up
Isle of Wight UA	211	-3.1%	Top-up
Telford & Wrekin UA	212	-3.3%	Top-up
Blackburn with Darwen UA	213	-3.4%	Top-up
Waltham Forest	214	-3.5%	Top-up
Calderdale	215	-3.6%	Top-up
Oldham	216	-3.6%	Top-up
North Yorkshire CFA	217	-3.6%	Top-up
Newham	218	-3.6%	Top-up

Burnley	219	-3.7%	Tariff
Dorest and wiltshire	220	-3.7%	Top-up
Dorset	221	-3.7%	Top-up
Walsall	222	-3.7%	Top-up
Arun	223	-3.7%	Tariff
Barnsley	224	-3.7%	Top-up
Newcastle upon Tyne	225	-3.7%	Top-up
Isles of Scilly	226	-3.8%	Top-up
Hertfordshire	227	-4.0%	Top-up
Rochdale	228	-4.0%	Top-up
Worcestershire	229	-4.1%	Top-up
Cheltenham	230	-4.1%	Tariff
Stockton-on-Tees UA	231	-4.1%	Tariff
Hackney	232	-4.2%	Top-up
Islington	233	-4.3%	Top-up
Wyre	234	-4.3%	Tariff
Enfield	235	-4.3%	Top-up
St Helens	236	-4.4%	Top-up
Hereford & Worcester CFA	237	-4.4%	Top-up
Durham UA	238	-4.4%	Top-up
North Tyneside	239	-4.8%	Top-up
North Yorkshire (new)	240	-4.8%	Top-up
Halton UA	241	-4.9%	Top-up
Richmond upon Thames	242	-5.0%	Tariff
Sutton	243	-5.1%	Top-up
Liverpool	244	-5.2%	Top-up
Barking & Dagenham	245	-5.3%	Top-up
Dudley	246	-5.4%	Top-up
North East Lincolnshire UA	247	-5.5%	Top-up
Pendle	248	-5.5%	Tariff
Sefton	249	-5.7%	Top-up
Stratford-on-Avon	250	-5.9%	Tariff
Camden	251	-6.1%	Tariff
Blackpool UA	252	-6.1%	Top-up
Rotherham	253	-6.3%	Top-up
Torridge	254	-6.3%	Tariff
Torbay UA	255	-6.4%	Top-up
Solihull	256	-6.4%	Tariff
Shepway	257	-6.6%	Tariff
Hambleton	258	-6.6%	Tariff
Harborough	259	-6.6%	Tariff
Cambridge	260	-6.6%	Tariff
Chiltern	261	-6.6%	Tariff
Harlow	262	-6.6%	Tariff
Vale of White Horse	263	-6.6%	Tariff
Weymouth & Portland	264	-6.6%	Tariff
Aylesbury Vale	265	-6.6%	Tariff
Barnet	266	-6.6%	Top-up
Basingstoke & Deane	267	-6.6%	Tariff
East Lindsey	268	-6.6%	Tariff
Eastbourne	269	-6.6%	Tariff
Eden	270	-6.6%	Tariff
Hastings	271	-6.6%	Tariff
Newcastle-under-Lyme	272	-6.6%	Tariff
Redcar & Cleveland UA	273	-6.6%	Top-up
Reigate & Banstead	274	-6.6%	Tariff
Selby	275	-6.6%	Tariff
South Hams	276	-6.6%	Tariff
South Somerset	277	-6.6%	Tariff
Spelthorne	278	-6.6%	Tariff

St Albans	279	-6.6%	Tariff
Staffordshire Moorlands	280	-6.6%	Tariff
Taunton Deane	281	-6.6%	Tariff
Thurrock UA	282	-6.6%	Tariff
Welwyn Hatfield	283	-6.6%	Tariff
West Somerset	284	-6.6%	Tariff
Worcester	285	-6.6%	Tariff
Wychavon	286	-6.6%	Tariff
Wyre Forest	287	-6.6%	Tariff
Ashford	288	-6.6%	Tariff
Brentwood	289	-6.6%	Tariff
Bromley	290	-6.6%	Top-up
Bromsgrove	291	-6.6%	Tariff
Bury	292	-6.6%	Top-up
Canterbury	293	-6.6%	Tariff
Chelmsford	294	-6.6%	Tariff
Cheshire East UA	295	-6.6%	Tariff
Cotswold	296	-6.6%	Tariff
Dover	297	-6.6%	Tariff
East Devon	298	-6.6%	Tariff
Exeter	299	-6.6%	Tariff
Fylde	300	-6.6%	Tariff
Gedling	301	-6.6%	Tariff
Herefordshire UA	302	-6.6%	Top-up
Hyndburn	303	-6.6%	Tariff
Kirklees	304	-6.6%	Top-up
Lichfield	305	-6.6%	Tariff
Lincoln	306	-6.6%	Tariff
Malvern Hills	307	-6.6%	Tariff
Mansfield	308	-6.6%	Tariff
Mendip	309	-6.6%	Tariff
Mid Devon	310	-6.6%	Tariff
Newark & Sherwood	311	-6.6%	Tariff
North Devon	312	-6.6%	Tariff
North Dorset	313	-6.6%	Tariff
Nuneaton & Bedworth	314	-6.6%	Tariff
Portsmouth UA	315	-6.6%	Top-up
Redditch	316	-6.6%	Tariff
Rochford	317	-6.6%	Tariff
Rushcliffe	318	-6.6%	Tariff
Ryedale	319	-6.6%	Tariff
Scarborough	320	-6.6%	Tariff
Shropshire UA	321	-6.6%	Top-up
South Cambridgeshire	322	-6.6%	Tariff
South Oxfordshire	323	-6.6%	Tariff
Southampton UA	324	-6.6%	Top-up
St Edmundsbury	325	-6.6%	Tariff
Surrey Heath	326	-6.6%	Tariff
Teignbridge	327	-6.6%	Tariff
Uttlesford	328	-6.6%	Tariff
Warwick	329	-6.6%	Tariff
Watford	330	-6.6%	Tariff
Waveney	331	-6.6%	Tariff
Waverley	332	-6.6%	Tariff
Wellingborough	333	-6.6%	Tariff
West Dorset	334	-6.6%	Tariff
West Lancashire	335	-6.6%	Tariff
Wiltshire UA	336	-6.6%	Tariff
Amber Valley	337	-6.6%	Tariff
Barrow-in-Furness	338	-6.6%	Tariff

Broxtowe	339	-6.6%	Tariff
Castle Point	340	-6.6%	Tariff
Charnwood	341	-6.6%	Tariff
Cheshire West and Chester UA	342	-6.6%	Tariff
Corby	343	-6.6%	Tariff
Cornwall UA	344	-6.6%	Top-up
Craven	345	-6.6%	Tariff
Croydon	346	-6.6%	Top-up
East Hertfordshire	347	-6.6%	Tariff
Epsom and Ewell	348	-6.6%	Tariff
Forest Heath	349	-6.6%	Tariff
Harrogate	350	-6.6%	Tariff
Harrow	351	-6.6%	Top-up
Hart	352	-6.6%	Tariff
Hartlepool UA	353	-6.6%	Top-up
High Peak	354	-6.6%	Tariff
Kensington & Chelsea	355	-6.6%	Tariff
Lancaster	356	-6.6%	Tariff
Melton	357	-6.6%	Tariff
North East Derbyshire	358	-6.6%	Tariff
Northampton	359	-6.6%	Tariff
Norwich	360	-6.6%	Tariff
Poole UA	361	-6.6%	Tariff
Preston	362	-6.6%	Tariff
Purbeck	363	-6.6%	Tariff
Richmondshire	364	-6.6%	Tariff
Runnymede	365	-6.6%	Tariff
South Holland	366	-6.6%	Tariff
Stevenage	367	-6.6%	Tariff
Swindon UA	368	-6.6%	Tariff
Tandridge	369	-6.6%	Tariff
Thanet	370	-6.6%	Tariff
Tonbridge & Malling	371	-6.6%	Tariff
West Berkshire UA	372	-6.6%	Tariff
West Devon	373	-6.6%	Tariff
Broadland	374	-6.6%	Tariff
Dacorum	375	-6.6%	Tariff
East Hampshire	376	-6.6%	Tariff
Huntingdonshire	377	-6.6%	Tariff
North Hertfordshire	378	-6.6%	Tariff
Oxford	379	-6.6%	Tariff
Tewkesbury	380	-6.6%	Tariff
West Lindsey	381	-6.6%	Tariff
East Staffordshire	382	-6.6%	Tariff
East Dorset	383	-6.6%	Tariff

Source: IPPR model using BIS 2012; DCLG 2013b, 2013c, 2016a, 2016b, 2016c, 2016d, 2016e, 2016f; HMT 2016c; OBR 2016; ONS 2014

Note: Our results are not designed to be a forecast of the likely impact of 100-per-cent retention on individual regions or local authorities. Under any new scheme of retention, the experience from one local council to the next will be driven by the specific circumstances in the local area and local economy. Rather, the objective of our model is to use realistic assumptions for regional variance in economic dynamics to capture the likely shape and spread of effects that 100-per-cent retention could have on the resources of local authorities at a system-wide level. See chapter 3 for further details.

TABLE A1.2

Cumulative effects (2019/20 to 2025/26) on real-terms retained income from business rates under our core government scenario, ordered alphabetically

Name	Rank	Cumulative change	Tariff or top-up
Adur	13	114.8%	Tariff
Allerdale	44	32.8%	Tariff
Amber Valley	337	-6.6%	Tariff
Arun	223	-3.7%	Tariff
Ashfield	68	17.1%	Tariff
Ashford	288	-6.6%	Tariff
Avon CFA	130	1.0%	Top-up
Aylesbury Vale	265	-6.6%	Tariff
Babergh	152	-0.4%	Tariff
Barking & Dagenham	245	-5.3%	Top-up
Barnet	266	-6.6%	Top-up
Barnsley	224	-3.7%	Top-up
Barrow-in-Furness	338	-6.6%	Tariff
Basildon	17	104.4%	Tariff
Basingstoke & Deane	267	-6.6%	Tariff
Bassetlaw	91	8.2%	Tariff
Bath & North East Somerset	111	2.8%	Tariff
Bedford UA	142	0.2%	Tariff
Bedfordshire CFA	149	-0.3%	Top-up
Bexley	151	-0.3%	Top-up
Birmingham	159	-0.6%	Top-up
Blaby	53	25.0%	Tariff
Blackburn with Darwen UA	213	-3.4%	Top-up
Blackpool UA	252	-6.1%	Top-up
Bolsover	50	27.6%	Tariff
Bolton	128	1.1%	Top-up
Boston	208	-3.0%	Tariff
Bournemouth UA	165	-1.0%	Tariff
Bracknell Forest UA	35	43.2%	Tariff
Bradford	137	0.3%	Top-up
Braintree	75	12.6%	Tariff
Breckland	82	11.6%	Tariff
Brent	134	0.5%	Top-up
Brentwood	289	-6.6%	Tariff
Brighton and Hove	45	32.4%	Top-up
Bristol	106	4.0%	Tariff
Broadland	374	-6.6%	Tariff
Bromley	290	-6.6%	Top-up
Bromsgrove	291	-6.6%	Tariff
Broxbourne	56	21.5%	Tariff
Broxtowe	339	-6.6%	Tariff
Buckinghamshire	143	0.2%	Top-up
Buckinghamshire CFA	121	1.8%	Top-up
Burnley	219	-3.7%	Tariff
Bury	292	-6.6%	Top-up
Calderdale	215	-3.6%	Top-up
Cambridge	260	-6.6%	Tariff
Cambridgeshire (new)	200	-2.7%	Top-up
Cambridgeshire CFA	181	-1.5%	Top-up
Camden	251	-6.1%	Tariff
Cannock Chase	74	13.5%	Tariff

Canterbury	293	-6.6%	Tariff
Carlisle	32	49.3%	Tariff
Castle Point	340	-6.6%	Tariff
Central Bedfordshire UA	87	8.8%	Tariff
Charnwood	341	-6.6%	Tariff
Chelmsford	294	-6.6%	Tariff
Cheltenham	230	-4.1%	Tariff
Cherwell	16	106.9%	Tariff
Cheshire CFA	207	-2.9%	Top-up
Cheshire East UA	295	-6.6%	Tariff
Cheshire West and Chester UA	342	-6.6%	Tariff
Chesterfield	62	19.0%	Tariff
Chichester	24	68.2%	Tariff
Chiltern	261	-6.6%	Tariff
Chorley	54	24.7%	Tariff
Christchurch	76	12.4%	Tariff
City of London	33	47.6%	Tariff
Cleveland CFA	197	-2.5%	Top-up
Colchester	59	20.1%	Tariff
Copeland	12	118.4%	Tariff
Corby	343	-6.6%	Tariff
Cornwall UA	344	-6.6%	Top-up
Cotswold	296	-6.6%	Tariff
Coventry	132	0.8%	Top-up
Craven	345	-6.6%	Tariff
Crawley	10	123.8%	Tariff
Croydon	346	-6.6%	Top-up
Cumbria	141	0.2%	Top-up
Dacorum	375	-6.6%	Tariff
Darlington UA	195	-2.4%	Top-up
Dartford	27	56.4%	Tariff
Daventry	15	108.3%	Tariff
Derby UA	81	11.7%	Top-up
Derbyshire	156	-0.6%	Top-up
Derbyshire CFA	131	0.8%	Top-up
Derbyshire Dales	118	2.0%	Tariff
Devon (new)	210	-3.1%	Top-up
Devon and Somerset CFA	193	-2.3%	Top-up
Doncaster	109	3.4%	Top-up
Dorest and wiltshire	220	-3.7%	Top-up
Dorset	221	-3.7%	Top-up
Dover	297	-6.6%	Tariff
Dudley	246	-5.4%	Top-up
Durham CFA	190	-2.1%	Top-up
Durham UA	238	-4.4%	Top-up
Ealing	116	2.2%	Top-up
East Cambridgeshire	63	18.1%	Tariff
East Devon	298	-6.6%	Tariff
East Dorset	383	-6.6%	Tariff
East Hampshire	376	-6.6%	Tariff
East Hertfordshire	347	-6.6%	Tariff
East Lindsey	268	-6.6%	Tariff
East Northamptonshire	70	15.8%	Tariff
East Riding of Yorkshire UA	80	11.9%	Tariff
East Staffordshire	382	-6.6%	Tariff
East Sussex	180	-1.5%	Top-up
East Sussex CFA	112	2.7%	Top-up
Eastbourne	269	-6.6%	Tariff
Eastleigh	23	82.3%	Tariff
Eden	270	-6.6%	Tariff

Elmbridge	11	122.3%	Tariff
Enfield	235	-4.3%	Top-up
Epping Forest	46	31.0%	Tariff
Epsom and Ewell	348	-6.6%	Tariff
Erewash	71	14.7%	Tariff
Essex (new)	162	-0.9%	Top-up
Essex CFA	169	-1.1%	Top-up
Exeter	299	-6.6%	Tariff
Fareham	21	86.9%	Tariff
Fenland	84	10.4%	Tariff
Forest Heath	349	-6.6%	Tariff
Forest of Dean	97	6.2%	Tariff
Fylde	300	-6.6%	Tariff
Gateshead	125	1.5%	Top-up
Gedling	301	-6.6%	Tariff
GLA	113	2.7%	Tariff
Gloucester	64	17.6%	Tariff
Gloucestershire	175	-1.3%	Top-up
Gosport	4	193.8%	Tariff
Gravesham	98	6.0%	Tariff
Great Yarmouth	66	17.4%	Tariff
Greater Manchester Fire	155	-0.5%	Top-up
Greenwich	120	1.8%	Top-up
Guildford	47	30.3%	Tariff
Hackney	232	-4.2%	Top-up
Halton UA	241	-4.9%	Top-up
Hambleton	258	-6.6%	Tariff
Hammersmith & Fulham	96	6.4%	Top-up
Hampshire	117	2.1%	Top-up
Hampshire CFA	160	-0.6%	Top-up
Harborough	259	-6.6%	Tariff
Haringey	183	-1.6%	Top-up
Harlow	262	-6.6%	Tariff
Harrogate	350	-6.6%	Tariff
Harrow	351	-6.6%	Top-up
Hart	352	-6.6%	Tariff
Hartlepool UA	353	-6.6%	Top-up
Hastings	271	-6.6%	Tariff
Havant	51	26.6%	Tariff
Havering	170	-1.1%	Top-up
Hereford & Worcester CFA	237	-4.4%	Top-up
Herefordshire UA	302	-6.6%	Top-up
Hertfordshire	227	-4.0%	Top-up
Hertsmere	39	34.4%	Tariff
High Peak	354	-6.6%	Tariff
Hillingdon	69	15.9%	Tariff
Hinckley & Bosworth	8	135.1%	Tariff
Horsham	103	4.3%	Tariff
Hounslow	85	10.1%	Tariff
Humberside CFA	136	0.4%	Top-up
Huntingdonshire	377	-6.6%	Tariff
Hyndburn	303	-6.6%	Tariff
Ipswich	83	10.7%	Tariff
Isle of Wight UA	211	-3.1%	Top-up
Isles of Scilly	226	-3.8%	Top-up
Islington	233	-4.3%	Top-up
Kensington & Chelsea	355	-6.6%	Tariff
Kent (new)	182	-1.5%	Top-up
Kent CFA	174	-1.2%	Top-up
Kettering	30	54.3%	Tariff

Kings Lynn & West Norfolk	88	8.4%	Tariff
Kingston upon Hull UA	110	3.1%	Top-up
Kingston upon Thames	122	1.8%	Tariff
Kirklees	304	-6.6%	Top-up
Knowsley	204	-2.9%	Top-up
Lambeth	150	-0.3%	Top-up
Lancashire (new)	176	-1.4%	Top-up
Lancashire CFA	185	-1.8%	Top-up
Lancaster	356	-6.6%	Tariff
Leeds	127	1.4%	Tariff
Leicester UA	129	1.1%	Top-up
Leicestershire	135	0.5%	Top-up
Leicestershire CFA	144	0.2%	Top-up
Lewes	52	25.3%	Tariff
Lewisham	124	1.5%	Top-up
Lichfield	305	-6.6%	Tariff
Lincoln	306	-6.6%	Tariff
Lincolnshire	168	-1.0%	Top-up
Liverpool	244	-5.2%	Top-up
Luton UA	188	-2.0%	Top-up
Maidstone	55	23.7%	Tariff
Maldon	43	32.9%	Tariff
Malvern Hills	307	-6.6%	Tariff
Manchester	133	0.8%	Top-up
Mansfield	308	-6.6%	Tariff
Medway UA	102	5.0%	Top-up
Melton	357	-6.6%	Tariff
Mendip	309	-6.6%	Tariff
Merseyside Fire & CD Authority	191	-2.2%	Top-up
Merton	194	-2.4%	Top-up
Mid Devon	310	-6.6%	Tariff
Mid Suffolk	105	4.0%	Tariff
Mid Sussex	79	12.0%	Tariff
Middlesbrough UA	209	-3.0%	Top-up
Milton Keynes UA	73	14.4%	Tariff
Mole Valley	3	197.4%	Tariff
New Forest	14	110.7%	Tariff
Newark & Sherwood	311	-6.6%	Tariff
Newcastle upon Tyne	225	-3.7%	Top-up
Newcastle-under-Lyme	272	-6.6%	Tariff
Newham	218	-3.6%	Top-up
Norfolk	163	-1.0%	Top-up
North Devon	312	-6.6%	Tariff
North Dorset	313	-6.6%	Tariff
North East Derbyshire	358	-6.6%	Tariff
North East Lincolnshire UA	247	-5.5%	Top-up
North Hertfordshire	378	-6.6%	Tariff
North Kesteven	26	59.2%	Tariff
North Lincolnshire UA	89	8.4%	Tariff
North Norfolk	104	4.0%	Tariff
North Somerset UA	108	3.6%	Tariff
North Tyneside	239	-4.8%	Top-up
North Warwickshire	38	38.6%	Tariff
North West Leicestershire	22	82.8%	Tariff
North Yorkshire (new)	240	-4.8%	Top-up
North Yorkshire CFA	217	-3.6%	Top-up
Northampton	359	-6.6%	Tariff
Northamptonshire	189	-2.0%	Top-up
Northumberland UA	178	-1.5%	Top-up
Norwich	360	-6.6%	Tariff

Nottingham UA	100	5.7%	Top-up
Nottinghamshire (new)	192	-2.3%	Top-up
Nottinghamshire CFA	166	-1.0%	Top-up
Nuneaton & Bedworth	314	-6.6%	Tariff
Oadby & Wigston	184	-1.7%	Tariff
Oldham	216	-3.6%	Top-up
Oxford	379	-6.6%	Tariff
Oxfordshire	145	0.0%	Top-up
Pendle	248	-5.5%	Tariff
Peterborough UA	101	5.3%	Tariff
Plymouth UA	139	0.3%	Top-up
Poole UA	361	-6.6%	Tariff
Portsmouth UA	315	-6.6%	Top-up
Preston	362	-6.6%	Tariff
Purbeck	363	-6.6%	Tariff
Reading UA	123	1.7%	Tariff
Redbridge	167	-1.0%	Top-up
Redcar & Cleveland UA	273	-6.6%	Top-up
Redditch	316	-6.6%	Tariff
Reigate & Banstead	274	-6.6%	Tariff
Ribble Valley	90	8.3%	Tariff
Richmond upon Thames	242	-5.0%	Tariff
Richmondshire	364	-6.6%	Tariff
Rochdale	228	-4.0%	Top-up
Rochford	317	-6.6%	Tariff
Rossendale	61	19.3%	Tariff
Rother	153	-0.4%	Tariff
Rotherham	253	-6.3%	Top-up
Royal Berkshire CFA	119	1.9%	Top-up
Rugby	7	143.3%	Tariff
Runnymede	365	-6.6%	Tariff
Rushcliffe	318	-6.6%	Tariff
Rushmoor	20	93.2%	Tariff
Rutland UA	206	-2.9%	Tariff
Ryedale	319	-6.6%	Tariff
Salford	93	7.5%	Top-up
Sandwell	157	-0.6%	Top-up
Scarborough	320	-6.6%	Tariff
Sedgemoor	37	38.7%	Tariff
Sefton	249	-5.7%	Top-up
Selby	275	-6.6%	Tariff
Sevenoaks	57	21.0%	Tariff
Sheffield	114	2.5%	Top-up
Shepway	257	-6.6%	Tariff
Shropshire CFA	203	-2.8%	Top-up
Shropshire UA	321	-6.6%	Top-up
Slough UA	115	2.5%	Tariff
Solihull	256	-6.4%	Tariff
Somerset	177	-1.4%	Top-up
South Bucks	2	236.1%	Tariff
South Cambridgeshire	322	-6.6%	Tariff
South Derbyshire	40	34.1%	Tariff
South Gloucestershire UA	67	17.1%	Tariff
South Hams	276	-6.6%	Tariff
South Holland	366	-6.6%	Tariff
South Kesteven	65	17.5%	Tariff
South Lakeland	78	12.2%	Tariff
South Norfolk	36	41.0%	Tariff
South Northamptonshire	42	33.0%	Tariff
South Oxfordshire	323	-6.6%	Tariff

South Ribble	28	55.8%	Tariff
South Somerset	277	-6.6%	Tariff
South Staffordshire	6	178.4%	Tariff
South Tyneside	205	-2.9%	Top-up
South Yorkshire Fire & CD Authority	158	-0.6%	Top-up
Southampton UA	324	-6.6%	Top-up
Southend-on-Sea UA	107	3.8%	Top-up
Southwark	86	9.5%	Top-up
Spelthorne	278	-6.6%	Tariff
St Albans	279	-6.6%	Tariff
St Edmundsbury	325	-6.6%	Tariff
St Helens	236	-4.4%	Top-up
Stafford	48	29.4%	Tariff
Staffordshire	171	-1.1%	Top-up
Staffordshire CFA	147	-0.2%	Top-up
Staffordshire Moorlands	280	-6.6%	Tariff
Stevenage	367	-6.6%	Tariff
Stockport	196	-2.4%	Tariff
Stockton-on-Tees UA	231	-4.1%	Tariff
Stoke-on-Trent UA	99	5.8%	Top-up
Stratford-on-Avon	250	-5.9%	Tariff
Stroud	29	55.7%	Tariff
Suffolk	138	0.3%	Top-up
Suffolk Coastal	1	356.5%	Tariff
Sunderland	186	-1.9%	Top-up
Surrey	201	-2.8%	Top-up
Surrey Heath	326	-6.6%	Tariff
Sutton	243	-5.1%	Top-up
Swale	31	53.2%	Tariff
Swindon UA	368	-6.6%	Tariff
Tameside	154	-0.5%	Top-up
Tamworth	161	-0.8%	Tariff
Tandridge	369	-6.6%	Tariff
Taunton Deane	281	-6.6%	Tariff
Teignbridge	327	-6.6%	Tariff
Telford & Wrekin UA	212	-3.3%	Top-up
Tendring	140	0.2%	Tariff
Test Valley	34	46.8%	Tariff
Tewkesbury	380	-6.6%	Tariff
Thanet	370	-6.6%	Tariff
Three Rivers	19	96.6%	Tariff
Thurrock UA	282	-6.6%	Tariff
Tonbridge & Malling	371	-6.6%	Tariff
Torbay UA	255	-6.4%	Top-up
Torridge	254	-6.3%	Tariff
Tower Hamlets	58	20.2%	Top-up
Trafford	77	12.2%	Tariff
Tunbridge Wells	92	7.8%	Tariff
Tyne and Wear Fire & CD Authority	179	-1.5%	Top-up
Uttlesford	328	-6.6%	Tariff
Vale of White Horse	263	-6.6%	Tariff
Wakefield	199	-2.7%	Top-up
Walsall	222	-3.7%	Top-up
Waltham Forest	214	-3.5%	Top-up
Wandsworth	198	-2.6%	Top-up
Warrington UA	72	14.5%	Tariff
Warwick	329	-6.6%	Tariff
Warwickshire	146	-0.1%	Top-up
Watford	330	-6.6%	Tariff
Waveney	331	-6.6%	Tariff

Waverley	332	-6.6%	Tariff
Wealden	94	7.4%	Tariff
Wellingborough	333	-6.6%	Tariff
Welwyn Hatfield	283	-6.6%	Tariff
West Berkshire UA	372	-6.6%	Tariff
West Devon	373	-6.6%	Tariff
West Dorset	334	-6.6%	Tariff
West Lancashire	335	-6.6%	Tariff
West Lindsey	381	-6.6%	Tariff
West Midlands Fire Authority	172	-1.2%	Top-up
West Oxfordshire	18	103.9%	Tariff
West Somerset	284	-6.6%	Tariff
West Sussex	126	1.5%	Top-up
West Yorkshire Fire & CD Authority	173	-1.2%	Top-up
Westminster	49	28.1%	Tariff
Weymouth & Portland	264	-6.6%	Tariff
Wigan	148	-0.3%	Top-up
Wiltshire UA	336	-6.6%	Tariff
Winchester	5	182.6%	Tariff
Windsor & Maidenhead UA	41	33.3%	Tariff
Wirral	202	-2.8%	Top-up
Woking	9	125.9%	Tariff
Wokingham UA	60	20.1%	Tariff
Wolverhampton	187	-2.0%	Top-up
Worcester	285	-6.6%	Tariff
Worcestershire	229	-4.1%	Top-up
Worthing	164	-1.0%	Tariff
Wychavon	286	-6.6%	Tariff
Wycombe	25	61.3%	Tariff
Wyre	234	-4.3%	Tariff
Wyre Forest	287	-6.6%	Tariff
York UA	95	7.0%	Tariff

Source: IPPR model using BIS 2012; DCLG 2013b, 2013c, 2016a, 2016b, 2016c, 2016d, 2016e, 2016f; HMT 2016c; OBR 2016; ONS 2014

Note: Our results are not designed to be a forecast of the likely impact of 100-per-cent retention on individual regions or local authorities. Under any new scheme of retention, the experience from one local council to the next will be driven by the specific circumstances in the local area and local economy. Rather, the objective of our model is to use realistic assumptions for regional variance in economic dynamics to capture the likely shape and spread of effects that 100-per-cent retention could have on the resources of local authorities at a system-wide level. See chapter 3 for further details.

APPENDIX 2: FULL DETAILS OF LEP-LEVEL SPENDING POWER ANALYSIS

TABLE A2.1

Change in core spending power for LEP areas, 2019/20 to 2025/26 (in 2016/17 prices)

	Without safety-net	With safety-net	With safety net and levy (50p limit)	With safety net and levy (80p limit)
Enterprise M3	16.8%	18.3%	10.6%	6.2%
Cumbria	8.6%	16.0%	8.7%	4.3%
Northamptonshire	7.2%	14.8%	8.6%	4.9%
Oxfordshire LEP	8.4%	13.3%	7.8%	4.8%
Buckinghamshire Thames Valley	7.7%	11.9%	6.9%	3.9%
Lancashire	-5.3%	9.6%	5.7%	3.3%
New Anglia	7.6%	9.1%	8.0%	7.4%
Gloucestershire	5.8%	8.7%	7.3%	6.5%
Thames Valley Berkshire	6.0%	7.8%	7.3%	7.1%
Coast to Capital	6.8%	6.8%	5.2%	4.6%
West of England	5.0%	6.6%	5.0%	4.5%
South East Midlands	5.7%	6.4%	5.2%	4.4%
Sheffield City Region	0.0%	6.3%	4.2%	3.0%
Solent	2.6%	6.1%	5.5%	5.5%
Hertfordshire	5.9%	5.9%	5.2%	5.1%
York and North Yorkshire	5.8%	5.8%	5.4%	5.4%
Swindon and Wiltshire	2.3%	5.6%	4.5%	3.8%
Black Country	-16.3%	5.6%	3.8%	2.7%
South East	4.8%	5.3%	4.5%	3.9%
Greater Cambridge & Greater Peterborough	2.8%	5.3%	3.2%	1.9%
Stoke-on-Trent and Staffordshire	4.4%	4.6%	4.1%	3.8%
Heart of the South West	0.7%	4.5%	4.0%	3.9%
Dorset	3.5%	4.2%	3.3%	3.0%
Cheshire and Warrington	3.9%	3.9%	3.7%	3.7%
Derby, Derbyshire, Nottingham and Nottinghamshire	3.8%	3.9%	3.7%	3.7%
Humber	2.2%	3.0%	3.0%	3.0%
The Marches	0.4%	2.9%	2.4%	2.3%
Coventry and Warwickshire	2.1%	2.9%	2.8%	2.8%
Tees Valley	-1.3%	2.3%	2.3%	2.3%
Greater Birmingham and Solihull	-1.3%	2.2%	2.0%	1.9%
Worcestershire	2.0%	2.0%	2.0%	2.0%
Leicester and Leicestershire	2.0%	2.0%	2.0%	2.0%

Leeds City Region	0.2%	1.7%	1.3%	1.1%
Cornwall and the Isles of Scilly	-0.3%	1.2%	1.2%	1.2%
Greater Manchester	0.1%	1.1%	1.1%	1.1%
Liverpool City Region	-19.1%	1.0%	1.0%	1.0%
London	0.7%	0.9%	0.9%	0.9%
Greater Lincolnshire	0.9%	0.9%	0.9%	0.9%
North Eastern	-1.3%	0.5%	0.5%	0.5%

Source: IPPR model using BIS 2012; DCLG 2013b, 2013c, 2016a, 2016b, 2016c, 2016d, 2016e, 2016f; HMT 2016c; OBR 2016; ONS 2014

Note: Our results are not designed to be a forecast of the likely impact of 100-per-cent retention on individual regions or local authorities. Under any new scheme of retention, the experience from one local council to the next will be driven by the specific circumstances in the local area and local economy. Rather, the objective of our model is to use realistic assumptions for regional variance in economic dynamics to capture the likely shape and spread of effects that 100-per-cent retention could have on the resources of local authorities at a system-wide level. See chapter 3 for further details.

TABLE A2.2

Change in core spending power per capita for LEP areas, 2019/20 to 2025/26 (in 2016/17 prices)

	Without safety-net	With safety-net	With safety net and levy (50p limit)	With safety net and levy (80p limit)
Cumbria	15.9%	17.8%	10.3%	5.9%
Oxfordshire LEP	6.9%	13.8%	6.4%	1.9%
Buckinghamshire Thames Valley	7.5%	11.5%	5.2%	1.4%
Enterprise M3	1.8%	10.9%	5.2%	1.8%
New Anglia	4.6%	9.6%	4.5%	1.7%
Stoke-on-Trent and Staffordshire	3.7%	8.1%	5.8%	4.5%
Northamptonshire	-3.3%	7.7%	3.0%	0.2%
Coast to Capital	5.2%	7.6%	5.2%	3.8%
Leicester and Leicestershire	5.1%	6.4%	3.7%	2.1%
Solent	3.4%	5.4%	2.2%	0.2%
London	4.9%	5.1%	2.0%	0.1%
Derby, Derbyshire, Nottingham and Nottinghamshire	1.8%	5.1%	4.1%	3.6%
Cornwall and the Isles of Scilly	4.0%	4.4%	4.4%	4.4%
Coventry and Warwickshire	2.9%	3.9%	1.6%	0.2%
Humber	3.8%	3.8%	3.5%	3.5%
Thames Valley Berkshire	3.8%	3.8%	2.0%	1.4%
South East Midlands	0.7%	2.9%	0.8%	-0.1%
Gloucestershire	-4.4%	2.7%	0.9%	-0.1%
York and North Yorkshire	-6.0%	2.5%	2.1%	2.0%
West of England	2.4%	2.4%	1.6%	1.5%
Greater Lincolnshire	1.1%	2.2%	1.3%	0.9%
Sheffield City Region	2.2%	2.2%	1.7%	1.5%
Hertfordshire	-19.0%	1.9%	-0.2%	-1.5%
Cheshire and Warrington	-0.5%	1.7%	0.9%	0.8%
South East	-2.4%	1.6%	0.4%	-0.3%
Greater Manchester	1.2%	1.3%	1.1%	1.1%
Lancashire	-1.0%	1.3%	0.8%	0.5%
North Eastern	0.9%	0.9%	0.9%	0.9%
Greater Cambridge & Greater Peterborough	-3.1%	0.3%	-0.1%	-0.3%

Liverpool City Region	0.2%	0.2%	0.2%	0.2%
Greater Birmingham and Solihull	-3.8%	0.1%	0.0%	-0.1%
Leeds City Region	-2.5%	0.1%	0.0%	-0.1%
Tees Valley	-1.2%	-0.1%	-0.1%	-0.1%
Black Country	-0.2%	-0.2%	-0.2%	-0.2%
Heart of the South West	-5.6%	-0.5%	-0.7%	-0.9%
Dorset	-6.5%	-0.7%	-0.7%	-0.8%
Worcestershire	-20.1%	-0.7%	-0.7%	-0.7%
The Marches	-1.1%	-0.9%	-0.9%	-0.9%
Swindon and Wiltshire	-3.9%	-2.4%	-2.4%	-2.4%

Source: IPPR model using BIS 2012; DCLG 2013b, 2013c, 2016a, 2016b, 2016c, 2016d, 2016e, 2016f; HMT 2016c; OBR 2016; ONS 2014

Note: Our results are not designed to be a forecast of the likely impact of 100-per-cent retention on individual regions or local authorities. Under any new scheme of retention, the experience from one local council to the next will be driven by the specific circumstances in the local area and local economy. Rather, the objective of our model is to use realistic assumptions for regional variance in economic dynamics to capture the likely shape and spread of effects that 100-per-cent retention could have on the resources of local authorities at a system-wide level. See chapter 3 for further details.