PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

NON-DOMESTIC RATING (LISTS) BILL

First Sitting

Tuesday 25 June 2019

(Morning)

CONTENTS

Programme motion agreed to.
Written evidence (Reporting to the House) motion agreed to.
Motion to sit in private agreed to.
Examination of witnesses.
Adjourned till this day at Two o'clock.

PBC (Bill 402) 2017 - 2019

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not later than

Saturday 29 June 2019

The Committee consisted of the following Members:

Chairs: † Geraint Davies, James Gray

† Elmore, Chris *(Ogmore)* (Lab)
† Fovargue, Yvonne *(Makerfield)* (Lab)
† Graham, Luke *(Ochil and South Perthshire)* (Con)
† Hall, Luke *(Thornbury and Yate)* (Con)
Hollinrake, Kevin *(Thirsk and Malton)* (Con)
† Jones, Graham P. *(Hyndburn)* (Lab)
† Jones, Ruth *(Newport West)* (Lab)
† Lewer, Andrew *(Northampton South)* (Con)
† Lopez, Julia *(Hornchurch and Upminster)* (Con)
† McMahon, Jim *(Oldham West and Royton)* (Lab/Co-op)
† Morgan, Stephen *(Portsmouth South)* (Lab)
† O'Brien, Neil *(Harborough)* (Con)
† Onn, Melanie *(Great Grimsby)* (Lab)
† Pursglove, Tom *(Corby)* (Con)
† Quin, Jeremy *(Lord Commissioner of Her Majesty's Treasury)*
Smeeth, Ruth *(Stoke-on-Trent North)* (Lab)
† Sunak, Rishi *(Parliamentary Under-Secretary of State for Housing, Communities and Local Government)*

Gail Bartlett, Jo Dodd, *Committee Clerks*

† attended the Committee

Witnesses

Edward Woodall, Head of Policy and Public Affairs, Association of Convenience Stores

Martin McTague, Policy & Advocacy Chairman, Federation of Small Businesses

Dominic Curran, Policy Adviser, Property, British Retail Consortium

Annie Gascoyne, Director of Economic Policy, CBI

Councillor Richard Watts, Chair of the LGA Resources Board (and Leader of the London Borough of Islington), Local Government Association

Adrian Blaylock, Lead Revenues Adviser, CIPFA Benefits & Revenues Service, CIPFA

Public Bill Committee

Tuesday 25 June 2019

(Morning)

[Geraint Davies *in the Chair*]

Non-Domestic Rating (Lists) Bill

9.26 am

The Chair: Before we begin, I have a few preliminary announcements. Please switch electronic devices to silent. Tea and coffee are not allowed during sittings.

We will first consider the programme motion on the amendment paper. We will then consider a motion to enable the reporting of written evidence for publication and a motion to allow us to deliberate in private about our questions before the oral evidence session. In view of the time available—I apologise for my slight lateness—I hope we can take those matters formally, without debate.

Ordered,

That—

(1) the Committee shall (in addition to its first meeting at 9.25 am on Tuesday 25 June) meet—

(a) at 2.00 pm on Tuesday 25 June;

(b) at 11.30 am and 2.00 pm on Thursday 27 June;

(c) at 9.25 am on Tuesday 2 July;

(2) the Committee shall hear oral evidence in accordance with the following Table:

TABLE

Date	*Time*	*Witness*
Tuesday 25 June	Until no later than 10.25 am	Association of Convenience Stores; Federation of Small Businesses; British Retail Consortium
Tuesday 25 June	Until no later than 11.25 am	Local Government Association; Confederation of British Industry; Chartered Institute of Public Finance and Accountancy

(3) the proceedings shall (so far as not previously concluded) be brought to a conclusion at 11.25 am on Tuesday 2 July.—*(Rishi Sunak.)*

Resolved,

That, subject to the discretion of the Chair, any written evidence received by the Committee shall be reported to the House for publication.—*(Rishi Sunak.)*

The Chair: Copies of written evidence the Committee receives will be made available in the Committee Room.

Resolved,

That, at this and any subsequent meeting at which oral evidence is to be heard, the Committee shall sit in private until the witnesses are admitted.—*(Rishi Sunak.)*

The Chair: We will now go into private session to discuss lines of questioning.

9.28 am

The Committee deliberated in private.

Examination of Witnesses

Edward Woodall, Martin McTague and Dominic Curran gave evidence.

9.29 am

The Chair: We will now resume our public sitting and hear evidence from the Association of Convenience Stores, the Federation of Small Businesses and the British Retail Consortium. Before calling the first Member to ask a question, I remind all Members that questions should be limited to matters within the scope of the Bill and that we must stick to the timings in the programme order the Committee has agreed. We have until 10.25 am for this panel. Panel members, would you be so kind as to introduce yourselves for the record?

Dominic Curran: Hello. I am Dominic Curran. I am the property policy adviser for the British Retail Consortium.

Martin McTague: Hello. I am Martin McTague. I am the chair of policy and advocacy at the Federation of Small Businesses.

Edward Woodall: Good morning. My name is Ed Woodall. I am head of policy and public affairs at the Association of Convenience Stores.

The Chair: Thank you. Does anyone want to ask a question? No. Would the Minister like to kick us off?

The Parliamentary Under-Secretary of State for Housing, Communities and Local Government (Rishi Sunak): I am happy to come in at the end. Perhaps the Opposition spokesperson would like to start.

The Chair: Okay. I call Jim McMahon.

Q1 Jim McMahon (Oldham West and Royton) (Lab/Co-op): Thank you. Welcome, Dominic. It is good to see you. What impact do your members consider that the current business rates system is having on our high streets and town centres?

Dominic Curran: An extremely adverse impact. The business rates level has risen 50% since its inception in 1990. It has risen by 10p in the pound, from 40p to just over 50p, in the last decade alone, at a time when there is, as you well know, an enormous retail transformation happening on the high street. That prohibitive level of business rates is hindering our members' ability to invest in their stores and in the retail experience for the future that we hear so much about and that our members want to be a part of.

Q2 Jim McMahon: Quite often when we hear about the decline of the high street and the pressures in town centres, it is framed as a challenge between the on-street and the online, when actually most of your members will trade in both ways. Do your members have a view on how best to balance the shift to a growing online presence with the cost of occupying high street locations?

Dominic Curran: Yes. We have put in a submission to the Treasury Committee, which, as you will know, is holding an inquiry on the impact of business rates at the moment. Fundamentally, we think the system is broken. It needs reform. Our overarching call is for a wide-ranging, fundamental reform of the entire suite of business taxation. The problem is that, in the past, there have been reviews just of the business rate system in isolation. Given its links to local government finance, and the wider impact of how different taxes affect the ways in which businesses operate—online and offline—we need a much more wide-ranging review.

That said, we recognise that that is quite a big, long-term ask, so we have called for some immediate reforms—most importantly and immediately, a freeze in the multiplier, and then a way of using the forecast increased revenue from corporation tax to offset business rates revenue, so that we can begin to, essentially, treat all business taxes with one coherent tax system, and use one element to help another element. An online tax, which is often prayed in aid, is not the best idea. If it is an online tax on goods, it would effectively be levied 100% on the retail sector. Retail pays 25% of business rates, so if you were to use the online tax to recycle the revenue from that to help retailers, they would essentially be paying 100% of the tax and getting 25% of the benefit.

The Chair: May I just interrupt for a moment? Questions and answers need to be within the scope of the Bill, which is specifically about the timing of bills and business rates, and we should try to constrain ourselves to that very narrow basis and avoid talking about wider issues. Was there a supplementary within scope, Mr McMahon?

Q3 Jim McMahon: The revaluation period is being brought forward, which is a subject of the Bill. Revaluations obviously have a direct cash impact on the members that each of you represent. With the revaluation that will now take place in 2021, and the subsequent revaluations every three years, should there be scope to review the treatment of direct-to-consumer warehousing—for instance, the Amazon warehouse delivering direct to the end consumer—and the amount of business rates that they pay per square metre compared with the high street department store?

Dominic Curran: I think—

The Chair: Again, I do not mean to be difficult, but I am advised that consumer warehousing is not strictly within the scope of the Bill, which is on the timing. Do you want to make a comment within the scope of the Bill?

Dominic Curran: I would only say that I think that all business properties should be valued every three years, as the Bill suggests.

The Chair: Do any other Members want to ask a question within the scope of the Bill? No. I call the Minister.

Q4 Rishi Sunak: Thank you, Chair, and thank you to all the panel members for joining us today. I appreciate that there is a lot of interest in the broader topic of business rates, the structure of business rates taxation, the current plight of the high street, the rise in online shopping and considerations of new taxation policy, none of which are the subject of our discussions today. I know that is disappointing to many, as those are subjects that many of us care passionately about and are keen to discuss, but our focus is narrowed today to the particular paragraphs of this Bill, which are around shortening the cycle between revaluations in the current business rates system. Starting with Edward, could you explain broadly why you think the principle of shorter revaluation periods is a good one? If you do not think it is a good one, could you explain why?

Edward Woodall: Broadly, we are very supportive of the move to shorter revaluation periods. There is overall agreement that the principle of making revaluations shorter to make property costs more closely aligned with what they are today should be the overall ambition. We have come to a three-year window on the basis that it balances the capacity of the VOA to deliver a revaluation in that time period and that it shortens the current five years. It is worth reflecting that, at one point in 2016, properties were valued based on 2008 data. We want to try to avoid that in future. The principle is very positive in the context of an evolving economy and the evolving way that we use property, and we should try to look more closely at how quickly we can revalue these things.

Martin McTague: In principle, yes, we support the move to the three-year revaluation period. We see it as a compromise, because we know it will put a lot of pressure on the VOA. We are concerned that, if pressure is put on the VOA, it might start to transfer to billing authorities. The person who usually ends up getting the bill to pay is the small business at the foot of that process. We are very disappointed in the way that check, challenge, appeal is working and that it is, effectively, creating a system that lacks transparency. The ratepayer cannot see the basis on which they are rated, which means that when they try to challenge any of these things, the delay can be enormous. We think that the fundamentals of the process are still wrong, but the move to three years is a good one.

Dominic Curran: At the risk of having an outbreak of agreement, we also fully support a move to three-year valuations. Five years was too long; I know many call for annual revaluations. There is a spectrum of views among our membership, but we have settled on three years as the right balance, taking into account two factors. First is the balance of stability: for every three years, you know exactly what your rates bill is. Even if that is not perfect, at least you can work on that basis. Second is the capacity of the Valuation Office Agency; as Martin said, we are not convinced that it would necessarily have the resource or capacity to undertake yearly or two-yearly valuations. That is an important area of resource that should be looked at carefully by the Treasury in the upcoming spending review.

Rishi Sunak: Thank you.

Q5 Jim McMahon: To follow up on that point, when the revaluation is brought forward, that will not dispense with the appeals already in the system—they are still there and need to be administered—and it will just create the opportunity for further appeals. Have your members expressed any concern about the capacity in

[Jim McMahon]

the valuation office? Do you have any concerns about what it might mean if no additional capacity is brought in and there is a more recent revaluation in 2021?

Martin McTague: I can certainly answer that. There is widespread concern about the lack of capacity in the VOA. It is bizarre that the solution seems to be that you impose a six-month cap on appeals. That is effectively saying, "It's so difficult to get these appeals through the process that we are going to cap the time required to do it." Yet the information is not available to the business rate payer to be able to challenge things easily. The point that you made at the beginning—that the VOA is fundamentally under-resourced to deal with this change—needs to be addressed quickly.

Edward Woodall: I agree with Martin. The feedback I get from my members is that there is a lack of capacity at the VOA to allow them to engage meaningfully in the process and talk to individuals. There is also a challenge, which we will probably come to, about the structure of the process it has developed—check, challenge, appeal—and people's ability to interact with that, which is causing difficulties.

Dominic Curran: Absolutely. Our members are enormously frustrated with the VOA on a day-to-day basis. The appeal system is clogged up at best. It needs better resourcing. There certainly should not be a cap on appeals, in terms of the time length. But more frequent revaluations would, to an extent, reduce the need for appeals, because valuations would be less out of date, although they would probably still be somewhat out of date.

Q6 Rishi Sunak: A final quick question, Mr Curran. One of the things that the VOA has to do at the moment is to deal with appeals. You just made the point that more frequent revaluations ought to reduce the volume of appeals. Will you elaborate on that point, because, obviously, less appeal work would be an offset to the increased work of more frequent revaluations?

Dominic Curran: The argument is strongest if we were to move to a system of annual revaluations. With an annual revaluation, it almost would not be worth appealing a valuation that you thought was wrong, because it would change in a year's time anyway. The other effect would be that the valuation probably would not be so wrong, because your annual changes would be on a much smoother line—looking at it on a graph—whereas if we revalue every seven years, as we have, you get quite a steep change. Obviously, somewhere between seven years and one year, the line gets smoother and smoother. It is a question of judgment which number we pick. Using that logic, three years should have fewer appeals than five or seven, but one year should have fewer than three. We will see how good the VOA is at dealing with three-yearly revaluations.

Rishi Sunak: Thank you.

The Chair: As there are no further questions from Members, I thank the panel for their evidence. Thank you so much for coming along.

We are running ahead of time, and the other panel has not arrived, so I propose that we suspend.

9.43 am

Sitting suspended.

Examination of Witnesses

Annie Gascoyne, Councillor Richard Watts and Adrian Blaylock gave evidence.

10.22 am

The Chair: Welcome. We will now hear oral evidence from the Local Government Association, the Confederation of British Industry and the Chartered Institute of Public Finance and Accountancy. We have until 11.25 am for this panel. I invite the panellists to introduce themselves for the record.

Annie Gascoyne: Hi, I am Annie Gascoyne. I am director of economic policy at the Confederation of British Industry.

Councillor Watts: I am Councillor Richard Watts. I chair the resources board at the LGA, and in my spare time I run Islington Council.

Adrian Blaylock: Good morning. My name is Adrian Blaylock. I am the lead revenues adviser for the Chartered Institute of Public Finance and Accountancy. I provide specialist technical advice to local government on council tax and non-domestic rates.

The Chair: Thank you. Who will be the first Member to ask a question? I call Jim McMahon.

Q7 Jim McMahon: Thank you, Chair. I thank the panel members for taking the time to come and give evidence. This is a question for each of you in your different guises. We heard in the previous evidence session that there is concern about the Valuation Office Agency's capacity to deal with the revaluations and the appeals that may follow. Have you got any views on that?

Annie Gascoyne: I am happy to go first. It is an issue that the VOA has struggled with the number of appeals in the past. There would be a challenge with VOA capacity if we moved to annual revaluations, which is what businesses would like to see in the longer term, because it would mean that the revaluations were more in sync with the economic cycle and what businesses are able to pay. However, we think that the three-year revaluations are a good stopgap, and are something that the VOA should have the capacity to deal with. That said, there have been issues with the check, challenge, appeal system and the VOA's IT systems, which were implemented too quickly without due thought to some of the more complex business relationships when it comes to property.

The VOA has some work to do to look at modernising its IT infrastructure, perhaps taking lessons learned from how making tax digital for VAT was implemented. We should see whether there are ways that the VOA can streamline the process so that, in the longer term, instead of three-yearly revaluations, which is what we are talking about today, we can move towards annual valuations, and potentially in the future self-assessment, which would simplify the process for everyone in the long term.

Councillor Watts: Thanks for the question, Jim. We have significant worries about the VOA's capacity. Clearly, if we are going to give it more work, which this Bill does, it will need to be properly resourced. It is worth adding, even at this early stage, that this is not just about the VOA's capacity to do extra work in the future. There is a very significant backlog of work stored up at the VOA and the appeals tribunal. It is a sad fact that there is more than £2.5 billion tied up in council reserves that could be spent on public services. That is currently being kept back to guard against the risk of appeals from the 2010 revaluation. Clearly, if that money is to be freed up to be used on public services, as we all want, we need to crack through the backlog of appeals rapidly, and we must recognise that more regular revaluations will lead to more work in the future. We think that more resource is needed at the VOA so it can get through what is already a pretty big mountain of work, and there will be more work if the Bill passes.

Adrian Blaylock: I agree with my colleague from the LGA. He is right that the VOA is struggling with its capacity, in terms of the backlog of appeals from the 2010 list. I do not think we have yet seen the impact of the 2017 list and the switch to the check, challenge, appeal system. Moving to three-yearly revaluations will certainly have an impact on the VOA's resources, which has an impact on local government because of the provisions it has to set aside for loss on appeals. It is really important that the VOA is resourced sufficiently under the new CCA system to deal with the revaluations and the appeals, or whatever we want to call them, coming out of the more frequent revaluation.

Q8 Jim McMahon: My next question is probably more for Richard and Adrian, in terms of your member authorities and your members. It is about the impact of rate retention. Are you confident that the floors and ceilings are sufficient to mitigate a potential shift in values away from many of your member areas? We know that the 2017 revaluation led to significant shifts away from many regions, towards London and the south-east in particular. In fact, only London saw an increase across all value types; many other areas saw declines. Do you have concerns about what that might mean for members who are part of rate retention pilots?

Adrian Blaylock: It depends where we go in terms of rates retention. The consultation that happened in December and the switch to the alternative model for rates retention give local authorities certainty, in terms of a guaranteed baseline funding level, regardless of what a revaluation does. If we go down that route, I do not think it will be an issue, but you are right that, if you look at the impact of any revaluation, there are winners and losers in the different regions across the country. It is important that there is a rebalance of funding across local government so that no single authority is overly adversely affected. The safety net built into the current rates retention system seems to be working adequately for 50% retention. It probably needs to be reviewed as part of the move to 75%, and ultimately—hopefully—100%. I guess that will have to be part of the consultations about how we move to that sort of system.

Councillor Watts: I agree with that. There is a wider point, which I will stray into only briefly because it is not precisely the topic of the Bill. The risk we face on business rates is that we represent a council area that has seen a very rapid rise in valuations, which has put enormous pressure on many of our small and medium-sized businesses, and we are seeing holes in our high street for the first time in a while as a result of rapid increases in rates and rents. There is a disparity between the amount being paid locally and the amount being received locally, which at some point stops adding up for people. There is a challenge relating to the wider business rates system. Some areas are seeing very rapid rises in the value of property. Most businesses do not own the property they operate from, and therefore do not feel the benefit of the rise in its capital value; they just get a high rent bill as well as a high rates bill.

Jim McMahon: I recognise from the outset that this is slightly expanding the scope, but I will try to be disciplined about it. Do your members have a view about the treatment of plant and machinery in the revaluation?

The Chair: I think we cannot go there, given the timeframe. You were right to give a warning. Do you have another question that is in scope? Stephen Morgan, you have one.

Q9 Stephen Morgan (Portsmouth South) (Lab): Do you have any concerns about the Bill as drafted? That question is for all panel members.

Annie Gascoyne: I will go first. I do not think we have any technical issues with the drafting of the Bill. One aspect of the Bill is that it effectively rolls over the current transitional arrangements from the last revaluation to the next.

One challenge with that is the point about fiscal neutrality; where to get upward transition, you must also have the downward transition. The challenge with that, of course, is that businesses that have seen their property value drop have had the asset base of their business affected and, effectively, their company value, and then they do not benefit from that. So, they are already in a difficult situation, where their asset base is reduced, and then you are saying that we need to keep the rates at the same level.

One challenge with the current Bill is that it requires those transitional arrangements to continue into the next revaluation cycle and those beyond that. That should be looked at to see whether it should continue. Those transitional arrangements were introduced because of the length of the last revaluation cycle and the fact that it spanned the recession. They were introduced for that reason and so we do need to ask whether they remain fit for purpose.

There is one point to make on the rates retention question. Although it is not directly about the impact on local authorities, there is one important point to note. Rates retention does mean that local authorities are less inclined because they have the option to give partially occupied relief. They are less inclined to do so because it obviously affects their income to pay for vital public services. A lot of businesses tell us that that does not really incentivise them, if they have got an empty building, to occupy or lease out part of it. There is an opportunity cost there in terms of economic potential.

Councillor Watts: The LGA is not opposed to the principle of the Bill. There are, though, a couple of points of detail on which we would welcome some further reflection. The first point is about resourcing the VOA. If you are going to do that, there has to be recognition that we need to resource the VOA effectively to do it.

Although we welcome proposals for businesses to inform the VOA more regularly about valuation changes to their properties that might inform more frequent valuations, we worry about the effectiveness of that without effectively having a duty on businesses to inform the VOA or without more powers for the VOA to ask for information about businesses, which is something we have called for previously.

We have a big concern that, if we are going to move the last date of the draft rating to 31 December from 30 September, once every three years, there are profound implications for the way in which local authorities set budgets for one year out of three. Local government was not consulted on that before it was announced, which is regrettable. Settlement timing has previously been based on the new rateable list and, if that is now not available until 31 December, that either pushes the state of the settlement into January, which would be incredibly problematic for local government, or the settlement is based on information not yet published, which is also less than ideal. That is something that needs to be resolved, though I am sure it is perfectly soluble.

We also think there are measures about business rates avoidance, looking at some of the successes of the new Welsh system, which has cut down on some sharp practice around empty property reliefs and a whole range of other stuff. There is an opportunity to look at that through this piece of legislation.

Adrian Blaylock: I agree completely with everything said there. The VOA needs to be resourced; we have already talked about that in the initial question. I have other concerns about moving the dates from the end of September to the end of December for the draft rating list. Local government have a return that must be submitted to central Government by 31 January. There are certain steps they have to take from receiving the draft rating list to be able to do that return. If we are not going to get it until, at best, early January, we are going to struggle for time to be able to do all the necessary work to get that return done.

I notice that it says in the regulations that it will be "by the end of", so that is the latest date and it would be nice if it could be moved to earlier than the end of December.

Q10 Stephen Morgan: Councillor Watts, you mentioned consultation with the local government sector on the Bill. What would you like to have seen?

Councillor Watts: The specific concern we have is about the shift in the date. It would have been helpful, I think, for the Local Government Association, on behalf of its member authorities, to have been consulted on it before the principle was announced. There are those arguing for that and we understand why the Government are proposing it—you can see that it makes some sense for businesses and others—but it has significant implications for how councils set budget, which, as we all know, is way in advance of the end of the financial year. My authority has finished budget setting by the end of November, because you have to run your statutory consultations from 1 January onwards. Therefore, this is a very late date indeed, and we would welcome any further dialogue with the Ministry of Housing, Communities and Local Government about ensuring that the date works for local government budget-setting cycles.

Q11 Melanie Onn (Great Grimsby) (Lab): I am interested, Councillor Watts, in the comment you made in one of your earlier responses about the level of reserves that local authorities have had to retain, pending the outcome of appeals dating back—is it nine years?

Councillor Watts: To the 2010 revaluation, so from 2013 onwards.

Q12 Melanie Onn: That seems an extraordinarily long time for anyone to be waiting and holding finance that, as was rightly mentioned, should be being spent in local communities. Do you anticipate that the potential change from every five to every three years will improve that situation for local authorities, or make it harder for them?

On the financial position of local authorities and the level of reserves, are local authorities across the country fully prepared to deal with the potentially increased rate of appeals? The Minister has mentioned that he expects there to be fewer because the rates will be altered more regularly and there will not be such great changes.

Councillor Watts: We do not have a view on whether shifting the revaluations from five to three years will increase or reduce appeals—we will have to wait to see. What we need is some resourcing of the Valuation Office Agency and the valuation tribunal just to get through the very significant backlog from the 2010 revaluation. There is no structural fix to that; the Valuation Office Agency and the appeals tribunal just need to get through that backlog, quite a lot of which, it has to be said, is stuck in the courts at the moment. Therefore, it is not an easily soluble problem.

What we have not yet got, partially because it is early days in the check, challenge, appeal system, is any real sense of the number of appeals from the 2017 revaluation, and they could come through relatively late. That is one of the reasons we support a six-month deadline for businesses to lodge appeals, after the new valuations have been published, to give us some sense of the level of risk. But it could be that one of the impacts of the CCA system is that people are sitting on potential appeals, which will come through in due course, creating another layer of risk for businesses, and we will have to see about that.

As I understand it, the deadline for appeals on the 2017 revaluation has not yet been announced. We would hope that it was in line with the precedent, which would mean it would be the end of 2021, but we would welcome an early announcement on that to give us some sense of the scale of risk. It could well lead to more money having to be kept in reserves to manage a second or third round of risk around those appeals as well.

We would welcome the extra resources going in to clear the backlog. Whether more regular cycles lead to fewer appeals—I hope so, but we have no evidence to be able to comment on that either way.

Q13 Melanie Onn: Do you have any idea of how much is held nationally in reserves for this purpose? Did you mention that?

Councillor Watts: Yes, it is £2.5 billion.

Adrian Blaylock: It was £2.5 billion at the end of March 2017. If you look at the returns that local government is submitting to central Government in terms of their estimates, roughly £1 billion a year is being added to the appeals provision for loss for that particular year. Obviously, as appeals are heard and settled, some of that provision is released, but roughly £1 billion a year is set aside to settle appeals.

In answer to your question, do councils have enough reserves to pay for it? The way it works is that they will reduce their income from non-domestic rates; when they submit that return to central Government, they assume a level of loss and therefore that they will get less income. In effect, it creates its own provision—if that makes sense. That is where the reserve comes from.

Q14 Graham P. Jones (Hyndburn) (Lab): Do you foresee any problems with the roll-out of the business rate retention scheme and this Bill? Do you think any anomalies or complexities will emerge from those two?

Adrian Blaylock: Nothing obvious occurs. There are a lot of unknowns about rates retention—we are talking about whether we carry on with a similar model to what we use now, just with the 75%, or whether we go for the alternative model, which was favoured in the December consultation—and what local government needs is certainty of funding, and understanding of when and how the money will come. So I do not think that the Bill particularly causes any issues, but it would be nice to get some early indication of where we are going with rates retention and how that will change.

Councillor Watts: I do not think there are any in-principle reasons why the Bill creates problems for business rates retention.

Annie Gascoyne: I agree.

Q15 Jim McMahon: Is there a call from your members for a more fundamental review of business taxation, rather than the silo approach of the review of business rates?

Annie Gascoyne: You mean beyond business rates? We would see a fundamental reform of business rates as being high on our priority list—

The Chair: May I just intervene? Sorry to interrupt. To be in scope, a question has to be about timing, so do you want to rephrase that question to be about the timing of change? Otherwise it is not in scope.

Jim McMahon: The question has been answered. I need no further response.

The Chair: Okay. We have time for more questions. I will ask the Minister if he has any questions, but if people suddenly, spontaneously, have questions, I will allow some more within the timeframe, if necessary.

Rishi Sunak: I am fine, thanks. Thank you for all coming, and thanks for your evidence and comments. Everything has been perfectly well answered.

The Chair: So you have no questions?

Rishi Sunak: No.

Q16 Jim McMahon: May I ask one question of Richard? Is the LGA making a specific request that the change of date from September to December be reviewed as part of this process?

Councillor Watts: We are, yes. In effect, our request is that we would welcome further conversations with the Government about getting a date. We understand the arguments for shifting it, because it is quite a long time and 30 September is quite early in the process. However, for one year out of three when that impacts on the potential local government announcement, we would like to understand more about how the Government would like to co-ordinate between this announcement in December and the local government spending announcement having to be earlier than it, because that is a change in precedent. We cannot push the local government spending announcement each year beyond 31 December—it is already too late where it is, given that local budget setting for any authority of size is effectively always concluded before the spending settlement on the basis of guesswork, then tweaked when the settlement is announced in the House.

The Chair: As there are no further questions, I thank all members of the panel for their evidence. I invite the Government Whip to move the adjournment.

Ordered, That further consideration be now adjourned. —*(Jeremy Quin.)*

10.44 am

Adjourned till this day at Two o'clock.