Appendix 2

Title Local Government Resource Review Technical Papers on Business Rates retention

Date: 22 August 2011

Introduction

The government is currently consulting on proposals for a Business Rates retention scheme that will run from 2013-14 onwards.
The government consultation document is at
http://www.communities.gov.uk/publications/localgovernment/resourcereviewbusinessrates

The LGA Briefing on this document is at http://www.lga.gov.uk/lga/tio/19377920

On 19 August the government released eight Technical Papers covering detailed aspects of the Business Rates retention scheme. These Technical Papers can be accessed on the same website as the main consultation document.

This Briefing summarises the eight Technical Papers and provides some initial analysis and comment. The LGA will make further its analysis available to member authorities to assist with the preparation of consultation responses which are due back with CLG by **24 October 2011**.

Key points

- The Technical Papers are thoughtfully constructed documents that should assist authorities in gaining a proper understanding of the government's proposals for Business Rates retention.
- It is in particular helpful that the government has provided an Interactive Calculator to assist understanding of the trade offs that might be needed in the detailed design of the Business Rates retention scheme.
- The LGA has previously made clear that **fairness must be at the heart of any new system**. All local authorities need to be satisfied that the reforms will deliver a fair deal for their local communities. It is therefore disappointing that the Technical Papers envisage that the government might retain for itself both inflationary increases in business rates yield up to 2014-15 and an element of forecast growth above inflation. The LGA believes that, in order to deliver a fair outcome for local authorities, Business Rates retention needs to allow local government to retain the full proceeds of growth.
- In providing comprehensive coverage of the design of the new scheme, the Technical Papers necessarily touch on a number of points of complexity, such as the interaction between the proposed 'safety net' arrangements and the tariff, top-up and levy elements of the scheme. The design options discussed frequently assume that Ministerial intervention is the first or only option to resolve such issues, rather than exploring the use of automatic or local government-led mechanisms that could be both more localist and more effective.

Briefing

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Technical Paper 1: Establishing the baseline

1. Under the proposals for Business Rates retention, local authorities will from 2013-14 retain a share of business rates growth by either:
    a. retaining their Business Rates income, if that income is less than a baseline figure reflecting the current level of Formula Grant, and in addition receiving a top-up amount; or
    b. retaining their Business Rates income less a tariff, if the Business Rates income is more than a baseline figure reflecting the current level of Formula Grant.

2. The way in which the new scheme will work for individual local authorities is therefore critically dependent on the baseline figure that is set. Technical Paper 1 is about how the baseline is calculated.

3. The Technical Paper first of all confirms that the government intends that local authorities' funding from Business Rates should be managed within the totals set out in the 2010 Spending Review. These totals are £24.2bn for 2013-14 and £22.9bn for 2014-15, plus £0.5bn in each year to cover repayments to authorities arising from errors in forecasting Business Rates yield.

4. The government therefore proposes that the baseline will be set by reference to its calculation of *Forecast National Business Rates* for 2013-14 and 2014-15. Authorities will benefit only to the extent that Business Rates actually raised exceed the forecast level.

    LGA comment: The government's forecast will not be made until the autumn of 2012. In the meantime, local authorities have had to manage the substantial additional costs of higher than expected inflation. Furthermore, it is not clear what expectation of future real growth will be built into the government's forecast. A model of business rates retention in which the government retains all the yield attributable to higher than expected inflation, and quite possibly yield attributable to an initial estimate of real growth in business rates in 2013-14 and 2014-15, would operate to local government's disadvantage and give most of the benefit of incentives for growth to the Treasury, rather than to local people and local businesses. The proposals need to be amended to deliver a deal for local government that is demonstrably fair.

5. The government proposes that amounts of forecast national business rates for 2013-14 and 2014-15 above the Spending Review 2010 control totals will be *set aside*. The baseline figure for the Business Rates retention scheme will be based on the 2014-15 spending control total. The amounts of forecast business rates above this amount will be set aside and may be used to fund other grants to local government.

6. At individual billing authority level, the amount of *set aside* will be determined as a fixed proportion of the authority's forecast business rates income. Set aside money will have to be paid to the government.

7. For 2013-14, authorities will be retain amounts in addition to their individual baseline figures that, in total, equal the £1.3bn by which the Spending Control Total for that year exceeds the corresponding figure for 2014-15. At individual local authority level, it is proposed that this adjustment is calculated by reference to a notional formula grant calculation. The *set aside* for 2013-14 will then be calculated after making this adjustment.

8. The Technical Paper discusses in detail how individual baseline figures should be calculated. The broad approach that the government proposes to adopt is to:
    a. take the 2012-13 Formula Grant settlement (after applying damping) as the starting point; then
    b. make a calculation of 2013-14 Formula Grant equivalent, based on the 2012-13 numbers; and then
    c. make a calculation of the 2014-15 baseline figure using the 2013-14 Formula Grant equivalent as the starting point for the calculation.

9. Within that framework, the Technical Paper offers some choices about how the calculations are done:
    a. **Option 1** – adjust 2012-13 numbers by reference to the average year-on-year changes in the Spending Control totals (which would require the overall 2012-13 Formula Grant figure to be split between lower-tier, upper-tier, police and fire elements according to a standard methodology set out in detail in the Technical Paper); or
    b. **Option 2** – re-apply the 2012-13 Formula Grant methodology to arrive at revised numbers for 2013-14 and 2014-15.

    The Technical Paper points out that Option 2 would be likely to lead to greater changes to the current distribution than Option 1, and that in applying Option 2 there are a number of further choices to be made, including:
    - whether to update data (in particular, population data);
    - whether to review the formulae for around £2bn of funding currently included in Formula Grant via tailored distributions;
    - whether to review concessionary travel formulae; and
    - whether to amend the weightings in the grant formulae for needs and resources elements.

10. Finally, the Technical Paper explains how funding for New Burdens, adjustments for local authority boundary changes and provisions for periodic resets of the system might be managed.

Technical Paper 2: Measuring business rates

1. Under the proposed business rate retention scheme, individual local authorities' baselines will ultimately be set by reference to the government's calculation of *forecast national business rates* for 2013-14 and 2014-15. Technical Paper 2 explains how the Government proposes to calculate *forecast national business rates,* given that estimates from billing authorities will not be available in time. The paper then goes on to set out proposals for how the national baseline will be apportioned between individual authorities.

2. The Government proposes to establish the *forecast national business rates* using:

    - the actual national non-domestic multiplier for 2013-14;
    - an estimated non-domestic multiplier for 2014-15, based on the latest published Office for Budget Responsibility forecast of the retail prices index;
    - a mid-year estimate of the rateable value on local rating lists for 2013-14 and 2014-15.

3. The Government intends to publish the methodology for establishing *forecast national business rates* as part of the summer consultation on the local government finance settlement.

4. The resulting yield, adjusted for mandatory reliefs and other items, will form the national business rates baseline, from which individual billing authorities' baselines will be derived on the basis of *proportionate shares*. Once set, the proportionate shares would be fixed unless a reset of the rates retention system was undertaken.

5. A billing authority's *proportionate share* would be its individual business rates income expressed as a percentage of the aggregate of all billing authorities' rates income. For single tier authorities, this percentage multiplied by the national baseline would yield the figure for their individual baseline (depending on the treatment of single purpose police and fire authorities). However, in two-tier areas, there would be a further apportionment between billing authorities and county councils (discussed in more detail in Technical Paper 3).

6. The Government also proposes to use proportionate shares to determine how much a billing authority is required to contribute to the national *set aside* (discussed in Technical Paper 1) and other adjustments.

7. *Individual authority business rates* would be calculated using each authority's gross yield, adjusted for any additional income and allowable deductions such as mandatory and discretionary reliefs. Transitional relief is proposed to operate outside of the rate retention scheme.

8. The Government sets out two options for how individual authorities *proportionate shares* of business rates could be calculated:

    - **Option 1** – a spot assessment on a particular day of authorities' estimates of their 2012-13 business rates yield;
    - **Option 2** – an average of an authority's rates income over two or three years.

    The paper points out that whilst Option 1 could provide the most up-to-date

snapshot of authorities' business rates income, it would not necessarily take into account volatility and poses the risk of measuring rates yield at a particularly high or low point that may not result in a fair starting point. By contrast, Option 2 could have the effect of smoothing the effects of year-on-year volatility and provide an accurate reflection of what authorities had actually collected.

9. In addition to the existing relief schemes, the Government proposes to introduce a number of allowable deductions that would be factored into the calculation of an individual authority's business rates, including:

- Charges on property
- Costs of collection
- Interest payments
- Losses in collection
- The City of London offset
- Uplift in rates revenue within Enterprise Zones

LGA Comment:

Local authorities need assurance that, in addition to a fair starting point providing a proper incentive for growth, any new system ensures that their resources keep pace with spending needs. The fairness of individual baselines depends on both an accurate calculation of the forecast national business rates and the extent to which that calculation discounts growth that local authorities should be allowed to retain. As one of the factors in the methodology for establishing *forecast national business rates* relies on forecast inflation, local authorities need greater clarity on how the Government intends to address any discrepancies between estimates and the final totals, particularly if future inflation turns out to be lower than forecast. Greater clarity is also required on the basis on which rateable value is to be estimated for 2013-14 and 2014-15: it would not be appropriate for local authorities to be held to committing up-front to pass over to the government their forecast real growth in yield.

Technical paper 3: Non-billing authorities

Summary

1. The paper considers how non-billing authorities (county councils, police and single purpose fire and rescue authorities) would be funded within the Business Rates retention scheme.

Options

2. **County Councils –** The paper proposes that the incentive for growth should apply equally to counties and districts in two-tier areas to reflect levers for growth. To achieve this, a fixed percentage of all Business Rates income collected by districts in a two-tier area will be paid to the county.

3. The paper consults on whether this percentage should be calculated on the basis of:
   a) fixed national shares (each tier would be allocated a standard proportion of Business Rates based on average national spending).
   b) individually-tailored shares (based on each district council's Business Rates yield as a proportion of the county total, so for example if a district council's Business Rates yield was 20% of the county total it would retain 20% of the billing authority business rates baseline with the remainder going to the county).

4. **Police Authorities** – The paper argues that police authorities have more limited levers to influence growth and therefore proposes that they will receive a fixed sum of forecast national business rates for 2013-14 and 2014-15. The Home Secretary will decide how that funding is allocated to individual police authorities. The government will review police authority funding beyond this period and any resulting changes would be implemented from 2015-16.

5. **Fire and Rescue Authorities –** The paper proposes that county fire authorities should be funded in the same way as other county services, through a percentage share of retained business rates and any tariff or top-up. The paper asks for views on whether single purpose fire authorities should be funded in the same way as county fire authorities or through fixed funding allocations as for police authorities. It highlights that the government intends to fully review the way fire and rescue authorities are funded after 2014-15.

   LGA Comment
   Councils, police and fire and rescue authorities will respond to the options proposed taking into account local circumstances and it is likely that different authorities will have different views. The LGA invites views from its member authorities to ensure the issues and risks of each of the options to share Business Rates income are properly understood and that the rate retention system produces a fair outcome for all billing and non-billing authorities.

Technical paper 4: Business Rates Administration

1. Technical Paper 4 considers how payments and information flows to central government and between billing and non billing authorities will be administered.

2. **LGA comment:** It is essential that these proposals ensure a transparent and efficient system for both billing and non-billing authorities. Any additional process costs for authorities should be funded as a new burden.

Information requirements

3. This Technical Paper outlines the information the Government will provide to billing and non-billing authorities. This will include:
   - The authority's *tier-split share.* Billing authorities will also be notified of the *tier-split shares* of their non billing authorities.
   - For billing authorities; the payments that are due to central government as its share of the *set aside* and *adjustments* and any payments due to, or from central government by way of *transitional adjustments.* These will be expressed as a fixed sum. Non -billing authorities will also be notified of these payments.
   - The authority's *tariff* or *top up*.
   - *Levy* or *safety net* payments.

4. At the start of each year the government will provide all authorities with a statement of account itemising all direct transactions between authorities and central government and providing a schedule of payments. At the end of each year, central government will provide a final account that will be audited by the National Audit Office.

5. Billing authorities will be required to provide precepting authorities with a schedule of payments. Billing authorities will also be required to provide end-year outturns to central government and non billing authorities. These will be audited in line with current arrangements for NNDR3 returns.

6. The information requirements set out in the Technical Paper will be provided through the NNDR1, NNDR2 and NNDR3 returns.

Payments

7. In line with the current system, *tariffs, top ups*, *transitional adjustments* and any payments due to or from central government as its share of *set aside* and *adjustments* will be expressed as a fixed sum and should be paid in 24 fortnightly payments.

8. In the first year only, each non billing authority's *tier-split share of the billing authority business rate baseline* will determine both its *individual authority business rate baseline* and the gross payments due to it from billing authorities. The net payment from billing authorities to non billing authorities (gross payment due to it from billing authority +/- the non billing authority's share of any *transitional adjustment)* should both be paid in 24 fortnightly payments.

9. As explained in Technical Paper 5 any *levy* or *safety net* payments due from, or to, authorities will be determined at the end of that financial year and paid as a single payment. This will be calculated on the basis of an authority's *pre-levy income.*

10. *Year end reconciliation* will cover the provisional *transitional adjustment.* This will ensure that the provisional transitional adjustment (based on prior year forecasts) is reconciled with the amounts of transitional relief actually paid. This reconciliation would be carried out following receipt of audited outturn data. Any additional sums owed to the authority would be netted off payments due from the billing authority in the following year; any sums due would be added to the following years payments. The government propose that billing and non-billing authorities determine locally how any sums due from one to another are paid. Billing authorities' contributions to the *set aside* and *adjustments, tariffs* and *top ups* will not require reconciliation as these will be fixed sums.

11. A system whereby payments to non-billing authorities are set at the beginning of the year and only reconciled to actual collection rates at year end would place the entire risk of <u>in year</u> volatility on the shoulders of billing authorities. The government therefore proposes a means by which billing authorities can provide their non-billing authorities with amended payment schedules, reflecting in-year forecasts of the business rates they will collect. Key issues for local authorities will include the frequency of such changes and how such payment schedules are agreed – for example at fixed points during the financial year.

12. The arrangements outlined for year one in the Technical Paper would be expected to broadly continue in subsequent years. Billing authorities and their non-billing authorities would, in advance of the financial year need to agree a payments schedule. Following year one this would be based on a forecast of the business rates that the billing authority expected to collect.

<u>Enterprise zones and renewable energy projects</u>

13. The government propose that billing authorities exclude from their payments to non-billing authorities all yield in respect of renewable energy projects from 2013 and enterprise zones. Allocation of this funding would take place via the *year end reconciliation.*

14. Both growth in Enterprise Zones and business rates generated by new renewable energy projects coming into existence after April 2013 will be excluded from the levy calculation. Business rates collected in the area prior to the Enterprise Zone coming into existence and already generated by renewable energy projects prior to April 2013 will however be part of the business rate retention scheme. Baseline Enterprise Zones business rates will be determined for each Enterprise Zone by means of a spot assessment based on business rates yield on 31 December 2011.

Technical Paper 5: Tariff, top-up and levy options

1. Under the proposals for Business Rates retention, local authorities will from 2013-14 retain a share of business rates growth by either:
    a. retaining their Business Rates income, if that income is less than a baseline figure reflecting the current level of Formula Grant, and in addition receiving a top-up amount; or
    b. retaining their Business Rates income less a tariff, if the Business Rates income is more than a baseline figure reflecting the current level of Formula Grant.

2. Technical Paper 5 is about the design of the tariff and top-up arrangements. It also covers design options for a supplementary levy that might be applied in cases where an authority could be said to benefit disproportionately from Business Rates retention.

3. In order to illustrate the impact of the options in the Technical Paper, CLG have helpfully published an *Interactive Calculator* to enable users to explore the principal features of the proposed Business Rates retention scheme.

Tariffs and top-ups

4. The government proposes that the Business Rates retention scheme will operate for each local authority by reference to a baseline, calculated by reference to 2012-13 Formula Grant, that sets an initial funding level. Authorities entering the new arrangements with a level of Business Rates higher than the initial funding level will pay a *tariff* to the government. Authorities that enter the new arrangements with Business Rates that are lower than the initial funding level will receive a *top-up*. The authority's status as a tariff payer or top-up recipient will only be changed thereafter on a reset of the system.

5. The Technical Paper discusses two options for tariff and top-up amounts. Either:
    c. these amounts can remain fixed in cash terms; or
    d. the tariff and top-up amounts can be increased by reference to RPI inflation.

6. The Technical Paper illustrates that different authorities are likely to have different preferences, and seeks view on the options. A fixed tariff is likely to be preferred by authorities liable to pay it; by contrast, top-up authorities are likely to prefer indexation of the top-up amount.

7. The Technical Paper also illustrates how arrangements for top-ups and tariffs might work for authorities electing to be part of a pooling arrangement, and asks whether there is agreement that, in such an arrangement, the pool's tariff or top-up position should simply be the aggregate of its members' individual tariffs and top-ups.

LGA comment: As the Technical Paper notes and discusses in detail, decisions about top-up and tariff arrangements cannot be taken in isolation from other key decisions, in particular about how any *levy* on 'disproportionate benefit' should operate, and what arrangements should apply to provide a *safety net* for authorities experiencing significant dips in Business Rates income. The overall design of tariff, top-up, levy and safety net arrangements needs to represent a consistent package that is fair to all types of authority.

The levy and the safety net

8. The Technical Paper recognizes that some authorities could gain significantly more than others from the basic tariff and top-up arrangements. The government therefore proposes to recover 'disproportionate' benefit through a *levy*. The levy proceeds would be redistributed to local government, principally through a *safety net* to protect authorities whose Business Rates income falls, either temporarily or permanently.

9. The Technical Paper notes that the levy could be calculated by reference to year on year changes in Business Rates income, or by reference to change compared with the original funding baseline. A preference for the latter approach is stated, with the baseline either fixed in cash terms or indexed, to follow the decision taken on the tariff and top-up design.

10. The design of the levy could be either:
    e. a **flat rate percentage** of growth above the baseline; or
    f. **banded percentages** of growth above the baseline, with progressively higher levy rates; or
    g. a **proportional** levy that seeks to ensure that there is a fixed relationship between the percentage increase in an authority's Business Rates and the percentage increase in its retained income.

11. The Technical Paper seeks authorities' views on the design options, and also asks for views on whether pooling arrangements should be incentivized by being allowed a more favourable treatment for the purposes of the levy than would have applied had the authorities concerned not been members of a pool.

12. The Technical Paper offers various options for the design of the safety net:
    h. it could operate to protect authorities experiencing a significant year on year decline in Business Rates income;
    i. it could operate on declines in income by reference to the original baseline funding level (or by reference to the indexed baseline);
    j. safety net funding might need to be scaled back, if the proceeds of the levy proved insufficient, or recouped from future levy income.

Technical Paper 6: Dealing with volatility

1. The Business Rates income that local authorities collect from one year to another can be affected by changes, either in the rateable value of properties or because properties move between different authorities' rating lists. In practice, there can be significant negative volatility.

2. The main consultation paper proposed that a proportion of the levy pot should be used to help manage the impact of significant negative volatility, which may be increased where alterations – for example, appeals against valuations – have a retrospective effect back over, potentially, several years.

3. Technical Paper 6 considers how such income volatility could be handled and considers different ways in which authorities could be compensated:
    a. **Option 1:** to isolate the specific events giving rise to that volatility and provide authorities with compensation for those events;
    b. **Option 2:** to adopt an application-based approach, under which authorities would have to apply for support from the levy pot;
    c. **Option 3**: to put in place a *safety net* that provided support if local authorities' Business Rates income fell below pre-determined thresholds.

4. The Technical Paper points out that Option 1 would allow support to be focused on unforeseen changes to local rating lists, but in practice would rely on judgments within the Valuation Office Agency. Option 2 would depend on the decision of central government in response to specific applications. As it would provide no certainty to local authorities it might be of limited help therefore in planning for the impact of volatility.

5. The government is therefore minded to adopt **Option 3** which would provide a safety net to local authorities and provide them with financial support where their retained income fell below pre-determined thresholds, regardless of the reason for that fall. (Greater detail about how the safety net would work, and about the interaction between the thresholds that might be set are provided in greater detail in *Technical Paper 5: Tariff, Top Up and Levy Options.)*

6. The Technical Paper seeks authorities' views on whether or not some financial assistance should be provided to authorities for the effects of volatility. Authorities are asked which of the options they would prefer.

Technical Paper 7: Revaluation and transition

1. The proposed Business Rates retention scheme does not involve changes to revaluation or the scheme of transitional relief to ratepayers in order to phase in changes to their bills. Operating within the context of a new retention-based system, these aspects of Business Rates could result in significant turbulence in authorities' income if they are not managed carefully.

2. Technical Paper 7 sets out the government's proposals for managing the impacts of revaluation, including the transitional relief scheme. The next revaluation is expected to take place in 2015.

3. **Revaluations** are currently carried out to a constant national yield, and the government does not propose to change this approach. This means that as the business taxbase goes up, the nationally-set multiplier automatically falls. The impact of the lowering of the multiplier inevitably has a variable impact on local rates yield and historic evidence shows this could lead to considerable change in the local Business Rates income following a revaluation, even if the local taxbase has stayed constant or even grown.

4. To address this risk, the government proposes to adjust each authority's top up or tariff, following a revaluation, to ensure that their retained income is the same after revaluation as immediately before. There will be no further adjustments to deal with appeals: the provisions on volatility (Technical Paper 6) will cover this situation.

5. The issue of handling **transitional reliefs** in a more localised system is trickier. Currently, the transitional relief scheme is set up to be self-financing at a national level, such that the phasing in of increases to some ratepayers is essentially paid for by a similar phasing in of decreases to other ratepayers. However, this balance does not always hold at a local level, where an authority could well have more ratepayers on transitional relief than in downward transition, or vice versa. As a result, an authority could face losses or windfall gains in Business Rates income related entirely to the transitional relief scheme rather than changes to its local rates base.

6. Because of the potential volatility that might be attributable to transitional relief, and the risk that the growth incentive of the new scheme could be unintentionally obscured, the government proposes to take transitional relief out of the Business Rates retention scheme and deal with it by means of a separate series of *transitional adjustments*.

7. The *transitional adjustments* will be worked out by comparing the Business Rates income of a billing authority including transitional relief with the income excluding relief. If an authority's income including transitional relief is less than its income exclusive of transitional relief, the billing authority will receive an additional payment from central government. If the situation is the reverse, that authority would need to pay the balance to

central government. In both cases, the payments would be apportioned between billing and non-billing authorities.

8. Unlike most elements of the proposed scheme, transitional adjustments would be reviewed on an annual basis, based on forecasts and re-adjusted on outturn figures.

9. Even though the transitional relief scheme is designed to be self-financing, it can run on a deficit even at a national level in early years, unwinding in later years to come into balance. Currently, the cost of any deficit is managed within the national Business Rates pool. The government proposes that any deficit in the transitional relief scheme could be charged to the pot of funding derived from the proposed levy on disproportionate growth discussed in Technical Paper 5.

Technical Paper 8: Renewable Energy

1. The government is committed via the Coalition Programme to allow communities that host new renewable energy projects to keep the additional Business Rates that are generated. This Technical Paper seeks to clarify what kinds of projects are covered, who determines whether a project is covered and how the Business Rates from renewable energy projects should be apportioned between authorities in two-tier areas.

2. The Technical Paper first sets out the renewable energy technologies that the government proposes should be eligible as follows:
    a. onshore wind power
    b. offshore wind power – as applies to substation buildings and cables on land
    c. hydroelectric power
    d. biomass – using 100 per cent non-waste biomass fuel for combined heat and power only – which leaves out energy only, heat only generation and co-firing with fossil fuel
    e. biomass conversion from coal
    f. energy from waste including combustion for energy only and combined heat and power. This applies to the rateable value of the energy plant only and not any additional waste treatment plant (i.e. Materials Recycling Facility) on the same site
    g. anaerobic digestion, landfill and sewage gas
    h. advanced thermal conversion technologies – gasification and pyrolysis
    i. geothermal
    j. photovoltaics

    The government seeks comment on this list.

3. The Technical Paper proposes that 'new' projects are those that are entered onto the rating list from 1 April 2013

4. The Technical Paper sets out three categories that could be considered for Business Rates retention or part retention as new renewable energy projects:
    a. development of a new property whose primary purpose is the generation of a qualifying renewable energy ("new renewable power station") – the proposal is that all Business Rates income from such developments should be retained in full
    b. expansion of an existing property whose primary purpose is the generation of a qualifying renewable energy – the proposal is that above RPI increases in Business Rates income from such developments, other than increases directly attributable to five yearly revaluations, should be retained
    c. new renewable technologies on properties used primarily for other purposes – the proposal is that, where the technology has a

separately identifiable impact on the rateable value of the property, the Valuation Officer should certify the relevant proportion of the total RV attributable to this, and the Business Rates income arising would then be retained.

The government seeks comment on whether this approach, involving the creation of a baseline of business rates on all existing renewable energy projects with new growth considered in light of the baseline, is the most effective mechanism for capturing growth. Comment is also sought on whether the previous statutory definition of "renewable energy projects" remains appropriate.

5. The Technical Paper seeks feedback on who determines whether a property is a new renewable energy project and provides two options:
    a. The relevant billing authority while working closely with the Valuation Office Agency (the government's preferred option)
    b. The Valuation Office Agency

6. Finally, the Technical Paper seeks feedback on the allocation of revenues from business rate retention with two options offered:
    a. The local planning authority retains all of the Business Rates revenue generated by renewable energy projects (the government's preferred option).
    b. The alternative could be splitting revenue along the same lines as the New Homes Bonus where the lower tier receives 80 per cent with 20 per cent going to the upper tier.