



Ministry of Housing,  
Communities &  
Local Government

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**The Rt Hon Sajid Javid MP**  
*Secretary of State for Housing,  
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20<sup>th</sup> March 2018

Dear Melanie,

**Local Government Overpayment**

Thank you for your minute of today.

Having carefully considered your concerns about my proposal not to claw back the overpayment in 2017-18 to 100% business rates retention pilots, in particular with respect to Managing Public Money, I have decided that the department should not seek repayment. I would be grateful if you could make the necessary arrangements to ensure this occurs.

In coming to this decision, I have taken into account the impact of the scale and the timing of a repayment on the affected local authorities' ability to deliver their objectives.

Clawing back the overpayment would see these local authorities lose 17.1% of the additional growth in business rates retained due to being a 100% business rates retention pilot, with eight areas losing over 25%. In Cornwall, the change would result in the local authority being worse off than a local authority retaining 50% of their business rates, requiring the department to compensate them through the no detriment clause.

This change will also come at the very end of the financial year when local authorities are likely to have already spent this money to deliver stretching objectives as part of their respective devolution deals. My judgement is that the impact of seeking repayment is likely to have a significant negative impact.

To avoid the need for the department to seek such a repayment at this stage in the future, I have decided that the department should reduce the pilot local authorities' 'on account' payments for 2018-19. More broadly, I know we both agree that we now need an independent review of the internal processes and procedures that underpin the department's oversight of business rates and related systems. On this basis, I am satisfied that this direction will be exceptional.

You should therefore take this note as a formal direction not to claw back the overpayments in 2017-18. I judge this action to be in the best interests of the local authorities concerned.

A handwritten signature in black ink, appearing to read 'S. Javid', with a small comma at the end.

**RT HON SAJID JAVID MP**