

# Note of Business Rates Retention Steering Group meeting

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**Title:** Business Rates Retention Steering Group  
**Date:** Monday 3 October 2016, 2pm  
**Venue:** Smith Square 1&2, Local Government House, Smith Square, London, SW1P 3HZ

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## Attendance

An attendance list is attached as **Appendix A** to this note.

## Item Decisions and actions

### 1 Introduction

At the start of the meeting, Matthew Style (DCLG) provided a brief update on responses to the Business Rates Retention Consultation and the Fair Funding Review. 454 responses were received to the Business Rates Retention consultation. 328 of these were from Local Authorities. There have been 209 responses to the Fair Funding Review. DCLG colleagues are now analysing responses.

2.

### Risk

Stuart Hoggan (DCLG) introduced the paper which provided an update on the work on risk in the 100% retention system.

DCLG have been working with local government and others to consider four key ways of managing risk:

1. Providing for appeals
  - There is currently a mismatch in the system in the use of resources to compensate authorities for appeals losses.
  - The Working Group have discussed the use of an adjustment account and the proposal will be included in the upcoming consultation on technical matters.
2. Gearing
  - The more highly geared an authority, the greater level of risk and reward achieved from changes in business rates income. The lower geared an authority, the more difficult it is to achieve significant reward in their business rates income.
  - Modelling of gearing is required to explore the splits between two-tier authorities.
3. Ratings lists
  - There has been little enthusiasm for area lists.
  - There is a need to balance incentive and risk with the use of central and local lists.

#### 4. Safety net

- A simpler, more generous safety net would be welcomed.
- There is a question as to whether the safety net should incentivise growth.

Steering Group members discussed:

- The impact of tier splits and Combined Authorities on Ratings lists and risk.
- Low geared authorities that have a large base and the risk that this can pose.
- The need to close loopholes in new legislation.

The Steering Group acknowledged the combined impact of these risk factors.

### **Actions**

Officers to progress modelling on risk as identified, based on the steer from this Group.

## 33 **Fair Funding Review**

Ian Rose (DCLG) introduced the paper, which provided an update on the work of the needs and distribution working group and included a work plan.

Initial work has included setting up the call for evidence.

The working group have identified core questions to focus on, these are:

1. Defining Need
  - The discussion on need focused on exploring different cost drivers.
  - Work with ALATS on new statistical approaches to need shows promise.
  - Officers discussed outcome measures versus cost measures.
  - There was a discussion about the use of outcome measures and if outcomes should be incentivised.
2. Features of the system
  - Officers discussed the pattern of partial resets to achieve the balance between the incentive for growth and distributing on the basis of relative need.
3. Treatment of resources
  - Officers discussed the need for the capacity of authorities to raise council tax to be taken into consideration.
4. Incentives
  - Officers discussed the use of other incentives including housing supply.

### **Actions**

Officers will continue to analyse consultation responses, identifying key cost drivers and exploring alternative methodologies.

#### 44 **DCLG Update on Business Rates Pilots**

Stuart Hoggan (DCLG) introduced the paper, which provided an update on the planned business rates retention pilots.

London, Manchester, Liverpool, Cornwall, the West Midlands, Sheffield and the West of England are under consideration as pilot areas from 2017.

There will be related work on appeals risk and the safety net.

In the discussion that followed, Steering Group members raised the following points:

- It will be important to gather the learning from pilots as they go along.
- Officers raised the need for a two-tier pilot.
- Officers asked if all the areas to be piloted were top up areas. It was confirmed that this was the case.
- Officers said that the pilots need to be well resourced.
- Officers asked if the pilot process would delay the Local Government Finance Settlement. This will not be the case.

It was confirmed that pilots would not impact on position of other authorities.

#### **Actions**

Officers will keep the Steering Group up to date with the progress of these pilots.

#### 55 **Health and social care deep dive virtual workshop – recommendations from Responsibilities Working Group**

Richard Enderby (DCLG) updated the Steering Group on the health and social care deep dive virtual workshop and the recommendations of the responsibilities working group.

The response to the virtual workshop had been disappointing. A summary of the views expressed is detailed below:

- The need to consider future demand and the growth of ASC responsibilities
- Concern over the inclusion of attendance allowance in future responsibilities.
- The problematic nature of the BCF implementation arrangements
- The focus of responsibilities needs to be on skills and growth.

The responsibilities working group recommended that skills and growth responsibilities should be the focus for business rates retention, rather than health and social care.

### **Action**

Officers' work will focus on the development of a package of skills and growth responsibilities.

## **6/7 Regional Events on Business Rates Retention Consultation: Summary of Comments & Local Government 'Away Day': Summary of Comments**

Items 5 and 6 on the Agenda were taken together.

Nicola Morton (LGA) provided a verbal update on the regional events on business rates retention and the local government away day.

Comments shared at the regional events, which had 250 attendees, and the away day were similar to those shared in consultation responses. System design sessions were the most engaged sessions.

A summary of comments and discussion points is listed below:

- Responsibilities and differential devolution across the country is an important issue.
- It was felt that existing pressures should be funded first.
- There was much discussion on system design, resets, revaluations and the appeals process.
- Officers identified multiplier reductions as unaffordable.
- Officers were concerned that past expenditure does not always reflect current or future need.
- There is a need for transition funded by the central list.
- The timing of partial resets.

### **Action**

Steering Group members were asked to identify any further groups that colleagues should be engaging with.

## **8 Working Group Updates**

### **(a) Responsibilities Working Group**

The update of the Responsibilities Working Group was covered at item 4 above.

## **9 Summary of key press lines**

The Steering Group agreed that the following lines will be used externally to describe the current meeting:

- There was a good discussion on the components and management of risk in new system; including gearing, safety nets and the links to revaluation.
- Following an update on pilot areas, there will be a future report to the Steering Group covering more detail about pilots.
- In an update from the Responsibilities Working Group, it is clear that local authorities take the view that health and social care are not the place for additional responsibilities – as has been reflected in other conversations with the sector.
- The Steering Group received an update on responses to the consultation and call for evidence on relative needs.
- The Group had a discussion about fair funding and factors that impact it.
- Further modelling on needs and distribution is required and work needs to progress at pace.

### **Action**

Officers to circulate lines for external use describing the current meeting.

### **10 Minutes of the last meeting**

Members of the Steering Group agreed the minutes of the meeting held on 7 September 2016.

### **11 AOB**

## Appendix A - Attendance

<b>Nominee</b>	<b>Organisation</b>	<b>Signature</b>
Pete Moore	County Councils' Network (CCN)	Present
Sandra Dinneen	District Councils' Network (DCN)	Present
Frances Foster	Special Interest Group of Municipal Authorities (SIGOMA)	Present
Paul Martin	Society of Local Authority Chief Executives (SOLACE)	Apologies
Pat Ritchie	North East Combined Authority	Apologies
Alison Griffin	Society of London Treasurers (SLT) - ALATS	Present
Chris West	Society of Municipal Treasurers (SMT) - ALATS	Apologies
Sheila Little	Society of County Treasurers (SCT) - ALATS	Apologies
Norma Atlay	Society of District Council Treasurers (SDCT) - ALATS	Apologies
Tim Hannam	Society of Unitary Treasurers (SUT) - ALATS	Apologies
Jill Penn	Society of District Council Treasurers (SDCT)	Present
Sean Nolan	Chartered Institute of Public Finance and Accounting (CIPFA)	Apologies
Jo Pitt (sub)	Chartered Institute of Public Finance and Accounting (CIPFA)	Present
Andrew Edwards	Valuation Office Agency (VOA)	Apologies
David Magor	Institute of Revenues Rating and Valuation (IRRV)	Apologies
Martin Clarke	Greater London Authority (GLA)	Present
Guy Ware	London Councils	Present
Duncan Savage	Chief Fire Officers Association Finance Network	Apologies
Richard Paver	Greater Manchester Combined Authority	Present
Richard Flinton	Society of Local Authority Chief Executives (SOLACE)	Present

Chris Jackson	HM Treasury	Apologies
Julie Sorensen	HM Treasury	Apologies
<b>DCLG</b>		
Matthew Style	Department for Communities and Local Government (DCLG)	Present
Stuart Hoggan	Department for Communities and Local Government (DCLG)	Present
Ian Rose	Department for Communities and Local Government (DCLG)	Present
Richard Enderby	Department for Communities and Local Government (DCLG)	Present
Suzie Clarke	Department for Communities and Local Government (DCLG)	Present
<b>LGA</b>		
Sarah Pickup	Local Government Association (LGA)	Present
Nicola Morton	Local Government Association (LGA)	Present
Bevis Ingram	Local Government Association (LGA)	Present
Aivaras Statkevicius	Local Government Association (LGA)	Present
Patrick McDermott	Local Government Association (LGA)	Present