



## Summary Note – Meeting of System Design and Implementation Working Group

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Title: **System Design and Implementation Working Group**  
Date: **Wednesday 21<sup>st</sup> August 2019, 11:00 – 14:00**  
Venue: **LGA headquarters, 18 Smith Square, London, SW1P 3HZ**

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### 1. Attendance

- a. An attendance list is attached to this note. Please see Annex A.

### 2. Welcome and opening

- a. The meeting was chaired by Mike Heiser, who opened the meeting with introductions and welcomed attendees.

### 3. Minutes of previous meeting and matters arising

- a. Minutes of the previous meeting have not yet circulated. **See action (1).**

### 4. Changing the date of the draft rating list: implications for Local Government

- a. Nick Cooper presented a paper discussing the change in date for the draft lifts to be published. The group were asked to consider how this change would affect Local Government billing and budget setting.
- b. The Working Group expressed concern regarding the changed timing for the publication of the 1<sup>st</sup> draft rating list and the effect on software testing. Currently, the 1<sup>st</sup> draft of the list, issued in September, goes through software testing before the publication of the 2<sup>nd</sup> draft in December. If the latest date for publication of the 1<sup>st</sup> draft is moved to 31 December, as outlined in the paper, this would mean a limited timeframe to respond to any issues identified by testing. However, it was noted that bills could not in any case be prepared before the Budget so provided the list was available at Budget little time would in practice be lost. Concerns remained about testing and the group was asked to consider if the period between Budget and the end of December would provide sufficient time for testing.
- c. The Working Group also discussed whether it was possible for any data to be used before draft lists were published so the necessary software could be tested. It was decided that further consultation is needed with software providers and the VOA.

- d. Both the Working Group and MHCLG agreed that it is necessary that expectations of timetabling should be communicated to software providers in order for them to deliver this on time. **See action (2).**
- e. The group were concerned as in previous revaluations, incidents have occurred in which the VOA update one list but not the other. Constrained timing would mean that it would be more difficult to rectify this. MHCLG reassured the group that recent changes at the VOA should help avoid this.
- f. Billing authorities asked that the draft rating list be provided to them at the end of December as well as earlier. MHCLG agreed to check – [note – VOA project team have confirmed that the reval IT spec does include provision to provide an updated draft list for 31 December and this can be done.
- g. The GLA and MHCLG discussed how setting the Business Rates system post revaluation could be supported with a later draft list and agree to speak separately to explore what modelling can be done at the London level with the GLA ahead of publication to allow them to progress their decision making.

## **5. The relationship between growth and the Collection Fund**

- a. Mark Barnett presented a paper regarding the relationship between growth and collection fund balances under the alternative model. The group was invited to discuss the conclusions from the paper.
- b. MHCLG made clear that the methodology removes a large amount of the complexity with the current system.
- c. Following on from the presentation, the Working Group considered the issue of separate collection funds and overprovision for appeals. MHCLG expects that there will be a single collection fund balance, with the adjustment to tariffs and top-ups making it cost neutral.
- d. Concerns were expressed surrounding gaming by the Working Group. The group was reassured that as with the current system, MHCLG believes there is little opportunity for gaming. Further analysis is to be conducted to explicitly address this.
- e. The Working Group questioned the ability for the alternative model to guarantee both Baseline Funding Level (BFL) and growth. MHCLG stated that the Government's position is that the system is an incentive-based system not a reward-based system. Therefore, growth could be positive or negative.
- f. There was confirmation that Government will bear the risk regarding over/under estimation for appeals.
- g. The Working Group requested that spreadsheets on calculations to be circulated. **See action (5).**

## **6. Relationship between reliefs, Adjustment Factors and growth under the alternative arrangements**

- a. Sanna Jenkins presented a paper discussing the impact that reliefs could have on growth in the alternative model under different scenarios for the Adjustment Factors. Working Group members were encouraged to discuss the principles and

desired policy outcomes to guide the setting of Adjustment Factors, should a decision be made to implement the alternative arrangements using the rateable value data from the VOA.

- b. The group agreed that under the rateable value option for measuring growth it would be necessary to use Adjustment Factors to compare growth baselines derived from the VOA data against growth outcomes in local authorities' own NNDR forms.
- c. The group agreed that the starting point should be that Adjustment Factors are set nationally as this would promote certainty in budget planning as well as transparency. However, the group also acknowledged that local authorities that do not award many reliefs could see a national level Adjustment Factor as unfair and that therefore it is important to look at data to determine any potential outliers.
- d. Further discussions should also be had on whether in the setting of Adjustment Factors some mandatory and discretionary reliefs should not be taken into account. For example, if the small business rates relief or empty property relief were deducted from the calculation, that would lead to a higher Adjustment Factor and thereby higher growth coming through the system. The choice in including some but not other reliefs in the calculation would therefore encourage different types of policy outcomes.
- e. The group also cautiously agreed that an Adjustment Factor that was set for a fixed period of time, such as the revaluation cycle, would be simpler to administer. However, the group asked to see data and modelling before settling on any one choice. It was agreed that MHCLG would do further work to demonstrate how reliefs have varied at national level from one year to another, as well as how much variation there is in the take-up and eligibility for reliefs at individual local authority level. **See Action (6).**
- f. The group concluded that the NNDR data option would automatically imply that local level variation in the take-up and eligibility for reliefs, as well as over time, would impact the amount of growth they receive through the system.
- g. Finally, the group discussed if under the NNDR option for measuring growth it would be possible to deduct certain reliefs from the growth calculation. This question may need further exploration but would undoubtedly lead to more complexity in the NNDR form and software requirements.

## 7. AOB

- a. MHCLG proposed that the Working Group continue to meet. The group agreed.
- b. The date of the next meeting will be communicated to the group as soon as possible.
- c. LGA has sent a survey to LAs regarding avoidance and would like a higher response rate. The link to the survey was sent to CFOs.

## 8. Actions agreed

**Action 1:** MHCLG to circulate the minutes for the last meeting as soon as possible.

**Action 2:** MHCLG to bring up the issue of timetabling of the draft lifts with software providers at a future IWG meeting.

**Action 3:** MHCLG to co-ordinate with the VOA to ensure all parties are aware of the timing of the provisional list in December.

**Action 4:** MHCLG and VOA to provide high level analytical data to guide authorities through the draft list process, specifically surrounding what should be published and what machinery can be created before draft lists to help with checking.

**Action 5:** MHCLG to circulate spreadsheets on the calculations of the figures within the relationship between growth and collection fund paper.

**Action 6:** MHCLG to draft a follow-up paper on reliefs, demonstrating variation in reliefs at national level and local authority, as well as between years.

### Annex A – Attendance List

Attendee	Organisation	Attendance
Aimee Powell	MHCLG	Present
Andrew Moran	Oldham Metropolitan Borough Council	Dial-In
Andy Camp	SCT	Present
Beverley Sullivan (substituting for Michael Furness)	Birmingham City Council	Present
Cagdas Conbolat	CFN	Present
Carla-Maria Heath	IRRV	Present
Carol Billyard	SUT	Present
Caroline Newman	CIPFA	Present
David Semmens	Sheffield City Council	Present
Douglas Olley	London Councils	Present
Duncan Cook	MHCLG	Present
Gordon Heath	IRRV	Present
Indre Planciunaite	MHCLG	Present
James Caddick	MHCLG	Present
Joanne Wagstaffe (substituting for Mark Dickenson)	SDCT	Dial-In
Leon Clement	MHCLG	Present
Lucy Hume	DCN	Present
Mark Barnett	MHCLG	Present
Martin Mitchell	GLA	Present
Mike Heiser	LGA	Present
Nick Cooper	MHCLG	Present
Nicola Morton	LGA	Present
Sanna Jenkins	MHCLG	Present
Sharon Lay	VOA	Present
Simone Hines (substituting for Mark Dickenson)	Nuneaton and Bedworth Borough Council	Present

Stuart McKellar	SUT – ALATS	Dial-In
Thomas Fox	MHCLG	Present
Wayne Trayner	St. Helens Metropolitan Borough Council	Present
Alex Black	MHCLG	Apologies
Chris Blundell	Thanet District Council	Apologies
Cris Nicolae	MHCLG	Apologies
David Bull	MHCLG	Apologies
Henry Ogden	MHCLG	Apologies
James Rossell	SCT	Apologies
Jo Coleman	MHCLG	Apologies
Leigh Whitehouse	Surrey County Council	Apologies
Suzanne Clarke	MHCLG	Apologies
Tahmina Adan	MHCLG	Apologies

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