

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

Title: **System Design Working Group**

Date: **Wednesday 22nd May 2019, 13:30 – 17:00**

Venue**: LGA headquarters, 18 Smith Square, London, SW1P 3HZ**

1. **Attendance**
2. An attendance list is attached to this note. Please see **Annex A.**
3. **Welcome and opening**
4. The meeting was chaired by Leon Clement, who opened the meeting with introductions and welcomed attendees.
5. **Brief summary of the BRR consultation responses: (SG summary attached (22-5) 1-01)**
6. Tahmina Adan presented the paper.
7. A request was made that in any Government response to the consultation, further detail be provided as to differences in answers provided by different types of local authority (tier etc).
8. The following questions were received:
9. **Does MHCLG have an update on potential changes to the central list, as this was something that was discussed at the last SG meeting?** We are considering the responses from the consultation.
10. **Can MHCLG provide any more detail on how they are considering provisions to prevent gaming?**  It is an aim for potential reforms to limit any gaming in the BRR system. We plan to discuss this further with the WG when we discuss transitioning between the current and reformed systems.
11. **Is the Government still aiming to implementing reforms in 2020?** Yes, this remains an aim and is something we continue to discuss this with Ministers.
12. **Did you receive the consultation responses you expected?** Yes, most responses were in line with views expressed in WGs and SGs. There was greater support from local authorities in two tier areas in setting tier splits locally than was expressed at previous SG and WG meetings.
13. **Building on the work of the Steering Group Technical Paper from the 9th of April 2019**
14. Leon Clement presented the paper that was presented to the SG and explained that there are two options to calculate growth that are being developed and which we wish to test further with the WG .
15. Nicola Morton explained that the SG was content for the WG to explore the more technical elements of the paper.
16. Leon Clement explained that the two papers at the WG meeting will build on the SG paper in more detail.
17. **Options on measuring growth in the alternative model: (Paper: WG (22-5) 1-03)**
18. James Caddick presented the paper, which covered a proposal for how the alternative model would deal with appeals, resets and revaluations.
19. The WG expressed that they would like to understand further the implication of the alternative model on collection fund balances and the timing of growth coming through the system
20. MHCLG responded that the above has been scoped as a possible paper for a future working group meeting. *See* **action 1**.
21. There was then some confusion over timings on one of the papers’ diagrams in relation to reconciling the lag from basing growth measurement on NNDR data (e.g. having to reconcile year 1 in year 3). This was explained, but MHCLG were asked to make this clear on the diagram in question. *See* **action 2.**
22. There was consensus that the alternative model protects block 1 funding effectively, although money from growth (block 2) remains unpredictable due to appeals.
23. The WG expressed that a potential issue to explore further was whether LAs could over-estimate growth in the first year, and whether this would be a way of ‘gaming’ the system. It was agreed that the system in place needs to encourage ‘prudent’ forecasting.
24. The consensus from the WF was that there’s a trade-off between simplicity and absolute accuracy or fairness, and that focusing on simplicity may be to get sector support for the alternative model.
25. Comprehension is also key in terms of securing sector support. It was suggested that a good way to increase this would be the addition of some simple calculations to compare funding under the current and alternative model. The response from MHCLG was that they are cautious of comparing like to like given the benefits of the alternative model that could not be shown in these simple calculations, increased certainty being the most notable.
26. The conclusion was that MHCLG would take away this feedback and work on their presentation of the alternative model. *See* **action 3**.
27. **Options on measuring growth in the alternative model: (Paper: WG (22-5) 1-03)**
28. Leon Clement presented the paper and provided an overview of the two main options for measuring growth under the AM. These are:
29. Use of NNDR data
30. Use of RV data provided by VOA
31. Given that the use of RV data would involve the VOA, there was some discussion and concern expressed at the accessibility of this information:
    * 1. The VOA have previously not been forthcoming in providing access to information.
      2. Can the different LA data software capture the information required.
32. In light of the above point, it was suggested that a piece of work is commissioned to investigate:
33. What software are LA’s using?
34. Can the main players (Northgate and Capita) capture the information required? *See* **action 4**.
35. It was mentioned that if the government are pushing for 2020 implementation, and the RV method is chosen, these discussions with software companies need to happen very soon..
36. The discussion then moved on to adjustment factors, and the fact that these would need to be applied if the RV method was chosen (adjustment factors eare explained in more detail in the paper). The consensus was that although an adjustment factor would be required, the RV method was still the simpler of the two. Other points raised included the fact that discretionary and mandatory reliefs need to be considered, as does collection rates.
37. The discussion returned to adjustment factors, from an MHCLG perspective, modelling is ongoing regarding adjustment factor options based on past LA data, looking at different scaling factors and different years.
38. There was some conversation over lag in the context of NNDR vs RV, and how this works in the context of transition to a new system. MHCLG’s response was that a consultation would have to take place in order to establish what transitional arrangements would look like.
39. The final point of conversation was whether there could be other outcomes that the BRR system could ‘reward’ other than growth in business rates. This could be specific measures such as an increase in business rates collection rate or wider economic growth. MHCLG’s response was that at the moment the way that growth is rewarded is working and there were no plans to overhaul what is rewarded through the BRR system.
40. **Actions**
41. The following actions were agreed:
42. Scope out the possibility of a joint paper on system surplus between MHCLG and CIPFA (**1)**
43. Relabel the chart in the second paper which caused confusion with regards to NNDR lag. **(2)**
44. For MHCLG to continue making ease of comprehension the primary aim of their presentation material. **(3)**
45. Continue further investigation into the data gathering capabilities of the Northgate and Capita software, with the additional aim of working out which LA’s are using bespoke systems. **(4)**
46. **Next meeting**
47. The next working group will be held on the 20th of June at the LGA headquarters. The agenda, and any papers will be circulated nearer the time.

**Annex A – Attendance List**

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| **Attendee** | **Organisation** | **Attendance** |
| Adrian Blaylock | CIPFA | Present |
| Aimee Powell | MHCLG | Present |
| Alan Peach | Arun | Present |
| Alex Black | MHCLG | Present |
| Andy Camp | Somerset | Present |
| Carla-Maria Heath | City of London | Present |
| Caroline White | CIPFA | Present |
| Cris Nicolae | MHCLG | Present |
| Danny Fellowes | MHCLG | Present |
| David Bull | MHCLG | Present |
| David Semmens | Sheffield | Present |
| Duncan Cook | MHCLG | Present |
| Geoff Winterbottom | Barnsley | Present |
| Gordon Heath | IRRV | Present |
| Indre Planciunaite | MHCLG | Present |
| James Caddick | MHCLG | Present |
| Joe Murray | MHCLG | Dialled In |
| Leon Clement | MHCLG | Present |
| Martin Hinckley | Westminster | Present |
| Martin Hinkley | Westminster | Present |
| Martin Mitchell | London Council | Present |
| Matthew Davis | Reading | Present |
| Michael Furness | Birmingham | Present |
| Mike Heiser | LGA | Present |
| Nicola Morton | LGA | Present |
| Paul Honeyben | London Council | Present |
| Sanna Jenkins | MHCLG | Present |
| Stuart McKellar | Bracknell Forest | Present |
| Tahmina Adan | MHCLG | Dialled In |
| Tom Kennett | MHCLG | Present |
| Tracey Woods | Suffolk | Present |
| Valerie Viloria | MHCLG | Present |
| Wayne Traynor | St Helens | Present |
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| Mark Barnett | MHCLG | Apologies |
| Chris Blundell | Thanet | Apologies |
| Sharon Lay | VOA | Apologies |
| Carolyn Williamson | SCT - ALATS | Apologies |
| James Rossell | Leicestershire (SCT) | Apologies |