

Note of Business Rates Retention Steering Group meeting

Title: Business Rates Retention Steering Group

Date: Monday 27 July 2018

Venue: 18 Smith Square, London SW1P 3HZ

Attendance

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

Item	Decisions and actions
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1	Welcome, Introductions and Apologies
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Members were welcomed to the meeting.

2	Minutes of the last meeting
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The minutes were agreed as an accurate summary of the discussion held at the previous meeting.

3	Resets, measuring growth and revaluation
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Colleagues from MHCLG gave a presentation on the Business Rates Model.

The model uses historic data from Local Authorities to produce possible scenarios over 20 years.

The Reset options modelled are:

- No resets
- Full 5 year
- Partial 5 year,
- Phased resets
- Rolling resets

Across each of the reset options, highly geared Local Authorities have the most growth potential but also have the most risk. Currently this applies to shire districts but the tier splits could change.

A phased reset is the smoothest and a rolling reset resets every year.

There are some big outliers - particularly in London.

The safety net is influenced by distribution of growth rather than total growth.

Members of the Steering Group made the following comments and observations:

- The model had no relation to what has happened in the past.

- There were questions on the impact of revaluations and the role of the safety net.
- There is nothing specific in the modelling about incentives to change behaviours
- The impact of geography and growth
- Baseline funding levels

MHCLG colleagues made it clear that the Government's policy was that the coming reset was a full reset. The discussion related to options for subsequent resets.

Members of the Steering Group agreed that more work be carried out on a phased reset model.

MHCLG colleagues confirmed that this presentation will go to Ministers before it is shared.

4 Pooling

MHCLG colleagues presented the paper, which detailed considerations for pooling in the new environment post 2020. The paper covered impact of pooling, incentives and requirements.

The System Design Working Group agreed that the main incentive for pooling was financial but it also led to better co-operation.

Incentivisation options available are local growth zones. Members expressed the view that the principle is desirable but there are a lot of operational considerations.

Flexibility of funding streams and non-ring fencing were considered the best incentives. Stable membership and longer time period were important to pooling authorities.

Steering Group Members made the following observations and comments:

- The impact of two tier areas pools and the geography of pooling
- The position of Combined Authorities and Constituent Authorities
- Concerns over gaming scope in pools
- Pools should not be concerned about fiscal neutrality if the aim is to promote growth incentives.
- Fixed yield revaluations are a problem
- There is no analysis that pools increase growth
- Pools have generated an understanding of the system particularly on appeals provisions.
- Pools have led to some districts being excluded due to risk issues. However it would be a shame to lose what has worked well - where the districts, county and LEP coincide.

MHCLG colleagues recognised that the aim was to have maximum stability.

The Steering Group discussed requirements that government could make in regard to enhanced pooling. Stable membership is an important factor here. There is also a need to collect data to track growth but members were clear it would depend how much data is required.

MHCLG confirmed that they would consider the comments of the Steering Group and will and bring forward proposals as part of systems design consultation.

5 Central Lists

The paper was provided to members of the Steering Group for information.

The Steering Group noted the paper.

6 Centralising Appeals

The paper was provided to members of the Steering Group for information.

The Steering Group noted the paper.

7 Pilots Update

MHCLG colleagues confirmed that the pilots prospectus will be published tomorrow. They will be 75% retention pilots in a programme that is smaller than the current cohort.

Authorities who ran pilots in 2018/19 will have to reapply this time around.

Devolution deal areas will have their 100% pilots continued and negotiations will be separate with London.

The deadline for pilot applications will be 25th September 2018.

The Technical consultation will also to be published tomorrow. The document will cover negative RSG.

Members of the Steering Group expressed concern over the lack of feedback provided to those whose applications had been unsuccessful.

8 Structure of Needs assessment

MHCLG presented the paper, which detailed current thinking on how the structure of the needs assessment will take shape, including its approach to the Foundation Formula and service specific formulas.

The simplified approach will be based on a Foundation Formula for upper and for lower tier authorities, each including a reduced set of proposed common cost drivers, with service specific formulas for upper and for lower tier services where these areas require a bespoke approach.

A bespoke approach has been identified for the following service areas due to scale, distribution or significance:

- Adult Social Care
- Children's Social Care
- Highways Maintenance
- Fire and Rescue Services
- Legacy Capital Finance
- Public Health
- Flood Defence

- Coastal Protection

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

- Fairness is as important as transparency.
- Waste collection was not mentioned, where would it be included?
- The need for a separate formula for non-HRA housing and homelessness
- Funding for unaccompanied asylum seeking children
- Is this an opportunity to move Children's SEN out of Dedicated Schools Grant?
- Treatment of Internal Drainage Board Levies
- Concessionary fares

MHCLG colleagues confirmed that they would consider these comments ahead of further consultation with the sector later this year on a proposed overall structure for the needs assessment.

9 Treatment of Relative Resources

MHCLG colleagues introduced the paper, which covered relative resources, specifically council tax and sales, fees and charges.

The Fair Funding Review will need to determine a treatment of all elements of council tax income, including both the tax base and tax levels. Once a measure of taxbase is agreed, the review will effectively multiply that by a council tax level which will result in the final value of the resources adjustment.

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

- The treatment of Council Tax freeze grant
- The need to take a view of the actual size of the resources adjustment.
- The impact of the Better Care Fund and any policy developments on social care, following the publication of the green paper.

MHCLG colleagues confirmed that, subject to ongoing discussion with Ministers, the review intends to consult on possible high level approaches to resources in its next consultation exercise.

10 Transition

MHCLG colleagues presented the paper which provided an update on the approach to transitional arrangements for the review of relative needs and resources.

The principles for the design of the transition are, stability, transparency, flexibility and time-limited.

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

- This is an important issue. The transition also needs to cover retention losses due to a reset.
- The need for more flexibility on referendum principles and links to resources adjustment
- The role of s.31 grants for the baseline

- Concern over no damping from previous system being carried over where there are both winners and losers.

MHCLG confirmed that they would consider the comments of the Steering Group and will bring forward proposals as part of the next consultation.

11 Media Lines

At their meeting today, the Business Rates Retention Steering Group:

- Had presentations on key components of Business Rates Retention ahead of the consultation planned for the autumn.
- Considered technical papers on pooling and resets with particular focus on the balance between economic development and income in pools and agreeing further work on phased resets.
- Received a brief update on Business Rates Retention Pilots. Publication of the pilots prospectus and technical consultation are imminent.
- Discussed three papers on the Fair Funding Review; Needs and the relationship between formulae; Resources and how Council Tax should be taken into account; and Transition. This feedback will be used by MHCLG as they work towards the publication of a consultation document in the autumn.

12 AOB

The Steering Group noted the date of their next meeting, 16 October 2018.

Appendix A - Attendance

Name	Organisation
Pete Moore	Society of County Treasurers
Guy Ware	London Councils
Duncan Savage	Fire and Rescue Authorities
Richard Paver	Greater Manchester Combined Authority
Mike Heiser	LGA
Alex Skinner	MHCLG Chair
Sarah Pickup	LGA Chair
Charlotte Sewell	VOA
Joanne Pitt	CIPFA
David Magor	IRRV
Leon Clement	MHCLG
Aimee Powell	MHCLG
Tony Kirkham	SOLACE
Sophie Broadfield	MHCLG
Nick Dorgu	MHCLG
Peter Lilford	HMT
Mark Barnett	MHCLG
Joe Chesterton	Society of Unitary Treasurers
Bevis Ingram	LGA
Mark Johnson	Greater London Authority
Graham Soulsby	District Councils Network
Stuart Hoggan	MHCLG
Jill Penn	Society of District Council Treasurers
Aivaras Statkevicius	LGA
Richard Flinton	SOLACE
Frances Foster	SIGOMA