

Note of Business Rates Retention Steering Group meeting

Title: Business Rates Retention Steering Group

Date: Tuesday 16 October 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	Business Rates Retention Pilots – verbal update
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Colleagues from MHCLG gave a verbal update on the Business Rates Retention Pilots. 35 applications are being considered for 2019/20 and applications are being assessed on merits rather than their current pilot status. Officials have passed on their own scores to ministers, who will now have to apply the second criteria in the prospectus.

There will be an announcement in the provisional local government finance settlement, but expected to be smaller than last year.

An external contractor is evaluating this years' pilots and is looking for representative authorities to interview. A final report on interviews will be published in early 2019 and brought to the steering group.

It was clarified that unsuccessful applicants would continue to operate under the 50% system.

4	2019 Spending Review/Fiscal Events
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Colleagues from MHCLG introduced the tabled paper about the best ways to engage with the sector on the 2019 Spending Review.

Potential mechanisms to engage with the sector were discussed, such as thematic roundtables, sector-led reports, responses to commissions (e.g. DSG), council visits and meetings with other government departments. Themes for engagement were also discussed, including financial sustainability, capital and revenue interactions, efficiency

and transformation, adult social care, children's services, EU exit, prevention and early intervention, 'place' and homelessness.

Members of the steering group provided the following comments:

- Suggested the inclusion of additional themes, such as transport, growth and infrastructure, DSG and high needs block spending, the knock on effects of underfunding, welfare reform, the effect of EU exit on business rates, and link in with housing and homelessness.
- Suggested that the purpose/aim of the roundtables would need to be properly considered to ensure their effectiveness.
- Discussed the extreme pressure facing local government and the need for effective co-ordination. MHCLG are looking at 'live' new burdens to ensure that commitments are fulfilled. It was noted that some burdens go beyond the strict new burdens definition but still cause council's significant challenges.

5 Reform to the administration of the BRR system to tackle appeals (alternative reform)

Leon Clement, MHCLG, introduced the paper, which was a combination of two previous papers to the System Design Group; the simplified system paper by two local authorities and the MHCLG paper on incentives. The paper summarised the potential benefits of the reform and explained in detail how the potential reform will work.

Members of the steering group provided the following comments:

- Discussed how S.31 grants compensate the sector as a whole and considered how it would work in terms of overall quantum. MHCLG stated that they are looking into how it would work at macro level.
- Questioned if the relevant hard data to model this was available. MHCLG noted that Birmingham have provided data and that they are collecting data from other local authorities.
- Noted the importance of modelling different types of authorities. MHCLG agreed that they will want to talk to a wide range of local authorities and will take advice from steering group regarding other authorities to use.
- Discussed that the change would not be easy and the worries of district councils in particular. MHCLG agreed that the whole sector would need to be comfortable with the change and noted the need for improved communication.
- Questioned how the change in provisions in NNDR1s changes. MHCLG noted that differences are reconciled in projections and so usable business rates equals assessed needs.
- Questioned if the SFA level would change. MHCLG suggested that this would be determined by the Spending Review and it was noted that this would be done at the second stage.
- Questioned whether local authorities would get to see their SFA plus or minus their growth or decline. It was discussed that SFA levels are a matter for the Spending Review, and whilst Government is committed to 75% BRR, how that will look beyond the first year is a Spending Review discussion. It was noted that SFA was a distribution rather than a quantum issue. MHCLG stated that the objective was for the new system to deliver the same outcome, but were not able to say what the numbers will be as this is dependent on the Spending Review.

- Noted that within the architecture of SFA there should be a yearly multiplier increase if there was no baseline funding level set in the same way.
- Questioned whether the MHCLG model of growth and decline could be modelled under the new system. MHCLG noted that they would need granular data from authorities.
- Considered the positive aspects of the system, but noted that it needed to be better explained, modelled and transparent and reassurance was needed that there would not be a differential impact. It was agreed that it should be included in the consultation but it was necessary to understand what it would be the alternative to.

MHCLG were happy to reflect on comments made by the steering group and consider the specific wording before adding into the consultation paper. Steering group members suggested the inclusion of a technical annex with a simple explanation of the reform and how existing reliefs would be funded.

6 Note on the Technical papers

Aimee Powell introduced the paper, explaining that it was a draft note following initial discussions with ministers. The paper outlined a proposed summary of the policy proposals and narrative around them that might form the basis of a consultation document in December.

Members of the steering group provided the following comments:

- Agreed that partial and phased resets are the most viable options, as is funding the safety net through top-slice and levy. MHCLG noted that different levy rules for pools might be included.
- Noted the balance between a levy and a top-slice would need to be considered.
- Discussed how counties and districts will work together on tier splits but they may need a fall back.
- Pooling was looked upon favourably. Pools and pilots have been having discussions that were previously not possible and resources were being redistributed in groups of authorities as opposed to it being done centrally.
- There is a generally agreed criteria on volatility and on mechanisms for moving. MHCLG noted the consultation would include an invitation to identify criteria which could move.
- There will be a high level section included regarding timings around implementation.

7 Working Group updates

a. Fair Funding Review Working Group Update

Stuart Hoggan, MHCLG, introduced a paper which gave members an update on the Fair Funding Review Technical Working Group meeting on 21 September. At this meeting, the group discussed the additional service costs associated with rurality, the costs of concessionary travel and the use of population projections. Focus has now turned to the consultation.

The steering group questioned whether there should be a specific housing formula in the relative needs assessment specifically picking up the costs of homelessness. MHCLG noted that this was an issue still under consideration.

8 Forward Look

Anne Stuart, MHCLG, presented the paper, which outlined four forward steering group meetings. *The BRR and RRNR consultations (which are likely to be published around the time of the provisional local government finance settlement)*, pilots and avoidance are to be discussed at the beginning of 2019.

9 Media Lines

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

- Forthcoming consultations on both Business Rates Retention and the Fair Funding Review.
- In particular, they considered the timeline for implementation of the new system.
- They considered detailed proposals for an alternative model to deal with appeals, growth and needs over time. The discussion was wide-ranging and MHCLG noted points that will help to assist with further analysis.
- The upcoming Spending Review and how local government can work with MHCLG on preparations, including on discussions with other departments across Whitehall.

10 A.O.B.

The Steering Group noted the date of their next meeting, 29 January 2019.

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
Joanne Pitt	CIPFA
David Magor	IRRV
Leon Clement	MHCLG
Aimee Powell	MHCLG
Tony Kirkham	SOLACE
Sophie Broadfield	MHCLG
Joe Chesterton	Society of Unitary Treasurers
Graham Soulsby	District Councils Network
Stuart Hoggan	MHCLG
Jill Penn	Society of District Council Treasurers
Aivaras Statkevicius	LGA
Richard Flinton	SOLACE
Frances Foster	SIGOMA
Nicola Morton	LGA
Mike Curtis	