

Note of Business Rates Retention Steering Group meeting

Title: Business Rates Retention Steering Group
Date: Tuesday 29 January 2019
Venue: Eaton-Cockell Room, 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.

Apologies were noted for Jill Penn (SDCT), Richard Flinton (SOLACE), Sarah Pickup (LGA) and Martin Clarke (GLA).

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	Forward Plan
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Anne Stuart, MHCLG, introduced the paper, which provided a timeline and key milestones for ongoing work. It was noted that due to lack of knowledge about the Spending Review, there was a difficulty in suggesting concrete timelines and the Forward Plan was therefore high level and subject to change.

Members of the steering group provided the following comments:

- Noted the need for future meeting dates to be scheduled as soon as possible.
- A number of members said that authorities would require earlier clarity in order to effectively plan ahead. If changes were being implemented in Spring 2020, budgets might have to be set at Christmas without knowing the impact of reforms. MHCLG noted that certain things would not be known until further down the line (e.g. Spending Review quantum), but agreed that where more detail was possible, this should be shared.
- Nicola Morton, LGA, noted that to exemplify the impact of methodology changes through using 'current control totals' to show the scale of impact on individual authorities would be helpful.

4	Consultation: Review of local authorities' relative needs and resources
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Stuart Hoggan and Trefor Henman, MHCLG, did a presentation on the content of the consultation.

Members of the steering group provided the following comments:

- Mike Curtis, SLT, asked about the use of notional council tax and whether this would redistribute actual council tax around the country.
- It was noted notional council tax is used in the current system and has been historically.
- Guy Ware, London Councils, made the point that the size of resources adjustment has an impact.
- MHCLG responded that, as a point of principle, the resources adjustment for council tax available locally will not result in redistribution of council tax resources, so any redistribution will be on retained business rates only. Actual council tax collected would stay with local authorities.
- MHCLG stated that authorities do not systematically win or lose based on notional council tax levels, as it depends on the size of the tax base and needs share. It was acknowledged that this is not immediately obvious and MHCLG agreed to produce a note on this. It was also agreed that it would be useful to come back to the steering group at a later date to discuss in more detail.
- Richard Paver, Greater Manchester Combined Authority, queried how the system would deal with combined authorities (which may have different functions) including any transition from pilot arrangements. It was questioned if they would receive a future share of business rates growth. MHCLG encouraged combined authorities to respond to the consultation.
- Frances Foster, SIGOMA, understood the reasons for notional council tax and was comfortable with its use. Noted the proposal for using population projections and asked, given the differences in tax bases, in future what assumptions would there be about growth in council tax? Asked for clarity around the New Homes Bonus and how this would fit in. MHCLG noted that population projections would take into account changes in need. The consultation suggests a fixed council tax adjustment for a period of time, but MHCLG are seeking views. Regarding the New Homes Bonus, the fair funding review is making no assumptions on this.
- Graham Soulsby, DCN, noted that the New Homes Bonus was not part of this, but part of the Spending Review, but for some authorities it is a significant proportion of their income. He noted issues around transition over time and complex conversations around this. 'Simplicity' is fine, but it cannot be done at the expense of getting it wrong.
- Tony Kirkham, SOLACE, noted that the NHB has an impact because it is topsliced and if you don't make assumptions about growth in the council taxbase authorities are getting additional council tax income and the New Homes Bonus and are getting the reward twice.
- It was queried what would happen if there was a bad year for the economy, reducing business rates revenue, and how the system would deal with no growth. MHCLG noted the existence of the safety net to protect authorities against the maximum level of loss. It was noted that the Spending Review is still the process that sets spending limits for local government and will continue to do so.
- Guy Ware, London Councils, noted that, regarding the needs side of things, there was a trade-off between simplicity and sophistication. Some services have been deemed to need specific formulae whilst others do not and members asked for clarification around how that judgement had been made/recommended including for concessionary fares and homelessness. MHCLG noted that complexity, scale, 'lumpiness' had been considered and that some issues were linked such as concessionary fares and home to school transport. They agreed that certain service areas affect authorities most significantly and they would consider responses from the consultation.

- Nicola Morton summarised the LGA response to the consultation which was developed with the Task and Finish group on Business Rates Retention and the Fair Funding Review, a cross party, cross tier and cross region group and then cleared by Leadership Board and Executive. The LGA pointed to the need to meet the funding gap, for additional resources to ensure a smooth transition of the Fair Funding Review, to push for exemplification and transparency sooner rather than later, that deprivation should be included in the foundation formula, that homelessness should be a separate formula, agreement on using notional council tax, and adjusting for mandatory discounts and Council Tax Support.

5 Consultation: Business Rates Retention reform

Leon Clement, MHCLG, covered the presentation slides for the regional consultation events including risk and reward, the central list and the alternative administration model.

Members of the steering group provided the following comments:

- Richard Paver, Greater Manchester Combined Authority, questioned how the floating top-up and tariff would work in future years and if it would claw back from a fixed pot. Leon Clement noted that the model strips out provisions and there would still be a national assumption relating to backdated appeals in the multiplier calculation. Alex Skinner, MHCLG, noted that top-ups and tariffs might be recalibrated in year 2 if there was a year 1 deficit.
- Guy Ware, London Councils, noted the risk around appeal provisions being overstated, resulting in a reduction nationally. MHCLG colleagues noted that the next phase would be how to transition from the current system and that they have modelled macro flows and it looks as though it flows through. Alex Skinner suggested that central government would look into any overstatement of provisions, and level of provisions was subject to audit.
- Simone Hines, Society of District Council Treasurers, noted it would be useful to know the starting point for transition – the business rates baseline, whether it would include retained income, and the cancelling of negative RSG. MHCLG agreed there were choices over how to construct the baseline and encouraged members to respond to the consultation on this.
- Martin Mitchell, Greater London Authority, asked questions about budgeting for growth and the timing under the alternative administration model. Leon Clement noted there was additional lag in the system and that this query fed into the transition question. It was noted that MHCLG was doing this work at the moment.
- Guy Ware queried whether the incentives for pooling, if they had to be fiscally neutral could be freedoms and flexibilities such as greater discretion over business rates reliefs. This was considered unlikely.
- Nicola Morton, LGA, summarised the LGA response: looking into phased resets; agree with the need for a safety net and this should be funded from the central list; no view on the level of the levy; and explore alternative administration model further. She noted the LGA have commissioned LG Futures to produce a model of the alternative administration system.
- Alex Skinner noted that MHCLG were looking forward to consultation responses but it was currently the only way to compensate for appeals.

6 2019 Spending Review – verbal update

Joanna Antoniadis, MHCLG, provided a verbal update on the 2019 Spending Review. She said there is no information on when the Spending Review will be but noted that MHCLG were preparing so they will be ready for whenever the Spending Review is. A sector roundtable has taken place on DSG and SEND and more are planned on other topics.

MHCLG encouraged Steering Group members to inform them of any freedoms and flexibilities that would be helpful, or burdens to relieve regarding wider Spending Review thinking. The importance of providing evidence and analysis was highlighted.

Members of the steering group provided the following comments:

- Richard Paver, Greater Manchester Combined Authority, pointed to the importance of preventative work.
- Pete Moore, SCT, pointed to the importance of different layers of funding in adult social care including through health, the BCF, the adult social care precept. He queried when the Adult Social Green Paper would be published.
- Frances Foster, SIGOMA, queried whether the round table on place based services would cover services in the foundation formula. MHCLG noted that there is overlap, especially regarding waste collection and recycling services.
- The number of years the Spending Review would cover was queried. It was noted that the hope was for a multi-year Spending Review that is announced early.
- Aivaras Statkevicius, LGA, referred to the interactions between government departments and local government and demands being passed on from one part of the public sector to another. It was suggested that this could be discussed at upcoming roundtables.

7 Media Lines

At their meeting today, members of the Steering Group discussed:

- The milestones for the programme over the next year and the programme of steering group meetings to address these.
- Preparations for the upcoming Spending Review and ways MHCLG will be working with local government, including through a variety of roundtables on key topics.
- The consultation document on relative needs and resources, touching on the potential impact of redistribution and a number of formula issues, including home to school transport, concessionary fares and the foundation formula.
- The consultation document on Business Rates Retention reform, touching on issues around transition and pooling and on the proposed alternative model for dealing with impact of appeals.

8 A.O.B.

Stuart Hoggan, MHCLG, noted that the final settlement had been laid before parliament that morning. It was identical to the provisional settlement apart from an added 2%

council tax flexibility for Northamptonshire County Council, and amendments to NHB allocations to reflect data changes.

Nicola Morton, LGA, noted that the Spring Statement would take place on Wednesday 13 March.

Appendix A – Attendance

Name	Organisation
Alex Skinner	MHCLG Chair
Leon Clement	MHCLG
Aimee Powell	MHCLG
Suzanne Clarke	MHCLG
Stuart Hoggan	MHCLG
Anne Stuart	MHCLG
Trefor Henman	MHCLG
Jo Antoniadis	MHCLG
Tahmina Adan	MHCLG
Nicola Morton	LGA
Aivaras Statkevicius	LGA
Bevis Ingram	LGA
Mike Heiser	LGA
Pete Moore	Society of County Treasurers (SCT)
Guy Ware	London Councils
Duncan Savage	Fire and Rescue Authorities
Richard Paver	Greater Manchester Combined Authority
Joanne Pitt	CIPFA
David Magor	IRRV
Tony Kirkham	SOLACE
Graham Soulsby	DCN
Frances Foster	SIGOMA
Mike Curtis	Society of London Treasurers (SLT)
Martin Mitchell	Greater London Authority (GLA)
Jonathan Bochenski	Valuation Office Agency (VOA)
Joe Chesterton	Society of Unitary Treasurers (SUT)
Simone Hines	Society of District Council Treasurers (SDCT)