

Accounting and Accountability Working Group

Minutes of meeting: 1 Sep 2016

Welcome and introductions

1. MJ welcomed attendees to the meeting

Minutes of previous meeting

2. Minutes of the previous meeting were agreed

Initial feedback from Consultation Workshops

3. Three of the six planned Consultation workshops had been held. Feedback from attendees had not raised any new issues or suggestions. Specifically attendees were reassured that the accounting and accountability technical working group had sufficient expertise amongst its membership to consider the issues in detail.
4. There was feedback that:
 - Complexity was acceptable if it meant a fairer system for redistribution of business rates; and
 - LEP Board business representatives were not seen as the appropriate representative body of business to consult if authorities wanted to raise their multiplier.
5. DCLG confirmed that the detailed design options had not yet been tested with new ministers and that detailed system design choices would be the subject of a technical consultation later in the year.

Implications of Systems Design Working Group (SDWG) Proposals

6. The systems design group is currently considering three key issues:
 - Accounting implications for handling appeals risk at a central government level (LAAWG3/03)
 - Local tax flexibilities – key issues (LAAWG3/04)
 - Resets (no direct accounting and accountability crossover).

Provision for appeals

7. Government are considering whether it would be possible to transfer the responsibility for providing for certain types of appeals to central government.
8. Working group members stressed the importance of having a clear definition of what types of appeals would be the liability of central government and which would remain the liability of local government.
9. Working group members agreed that if a liability was going to be met by central government, statute needed to be framed in such a way to make it clear that local authorities were only acting as agents, not as the principals.
10. If a provision is no longer to be recognised by local authorities, it will need to be recognised in the England level accounts prepared by DCLG. There was a discussion about how DCLG could estimate the England level provision and whether this would have an impact on the timing and content of data collected from local authorities. The group concluded that it should be possible to get sufficient information from the VOA to make a reliable estimate.

Action: DCLG to discuss with their NAO audit team whether this may be possible.

11. The working group were informed that DCLG will need to make an annual estimate for parliamentary cover, which, if the fiscal neutrality target was going to be met, would have to be top-sliced from the pot of available BR funding.
12. The working group felt that if government top sliced BR, then they are not really taking the liability. The question of whether the overall pot of BR would be reduced by the amount of any top-slice before calculating the quantum of additional responsibilities to be devolved was raised.

13. The working group considered some of the technical problems to be resolved. Where there is a successful appeal central government would settle the claim, but the 'overpayment' would have been received by local government and would be sitting on their debtors ledger, requiring them to raise a credit balance to reflect this.

Changing the multiplier in two tier areas

14. The current proposal assumes that any authority in a two tier area will be able to unilaterally reduce its multiplier and that that authority will bear all the risks and rewards of that decision. This will significantly change the way that business rates work in the current Collection Fund Account, which assumes fixed shares. Whilst not an insoluble problem, the interactions need to be worked through.

Mayoral precepts

15. The group took the view that, as it was tax income, mayoral precepts should be non-ringfenced revenue expenditure

Update on central government discussions on accountability arrangements

16. DCLG summarised the work it was undertaking with HMT to develop a framework to provide guidance to central government accounting officers on the levels of assurance that could be expected depending on how policy areas delivered by local government were funded.

Future areas of work

17. Working group members wanted to see the results of the initial consultation before deciding on future priorities.

Other business

18. Local Government Away Day – Tuesday 6 September

19. Date of next meeting – TBC but second half of October at earliest.