

**100% Business Rates Retention
Systems Design Working Group**

**Wednesday 2nd November 2016
10.30am –12.30pm**

MINUTES

1. Introductions

2. Previous and future meetings

The chair began the meeting by asking if anyone had any issues with the minutes from the meeting on 14th October. Issues raised included:

- A table on levy authorities was found to be missing from the paper on tier splits, gearing and safety nets that had been circulated with the minutes.
DCLG agreed to circulate the table to the group.
- The minutes were considered to be written in a way that did not accurately reflect the content and tone of the meeting. Local Government felt that there were times that the minutes portrayed attendees as ‘divided’ when there had been clear consensus in the room. DCLG highlighted the need to avoid suggesting that elements of design had been agreed ahead of Ministerial decisions.
- Local Government representatives said that they didn’t feel there had been sufficient recapping on the straw man paper they had presented at the meeting on 2nd September. DCLG responded that meetings since the beginning of September had addressed the issues raised in the straw man – including appeals and how a safety net could operate. DCLG was committed to modelling approaches and bringing them to the working group, on the understanding that preferences might change after viewing the data. It was also highlighted that the straw man didn’t address the key issue of tier splits. Local Government representatives agreed that the position paper may need to be updated and **agreed that they would review this and bring it to the next Working Group meeting.**
- Local Government also raised some specific concerns with the wording of the minutes from the last meeting. **DCLG agreed to adjust the minutes from the October 14th meeting to reflect comments made.**
- Local Government raised concerns about the VOA’s response at the 14 October meeting about the availability of data. **DCLG agreed to press for clear explanation on this issue.**

3. Verbal feedback from DCLG on 100% BRR consultation responses

DCLG stated that they had received responses and that due to the discursive nature of these responses analysis was still ongoing. Key themes and issues raised were discussed, including rewarding growth and sharing risk, local tax flexibilities, accounting and accountability and decolouration of responsibilities. Main areas under system design included tier splits, partial resets and lists.

DCLG stated that they expect to publish a formal government response ahead of the passage of the Bill through Parliament.

4. Legislation

DCLG outlined its plans for 100% Business Rates Retention legislation:

- It is likely that the Bill will make amendments to the Local Government Finance Act 2012 (Schedule 7B of 1988 Act).
- DCLG expect to continue the approach of using framework legislation so there is the opportunity to continue to design the detail, and so that the system could be more easily amended if issues arose.

Local government agreed that flexibility was very important in the legislation (along with proper transparency), to allow scope for changes in implementation in order to respond to specific local circumstances and to 'fix' problems.

The room discussed what the future of annual settlements would be, with no RSG in the future. The group agreed that Parliamentary scrutiny and consultation would continue to be needed, but that having certainty over budgets for more than one year was highly desirable. Concerns were raised on this issue about the overall quantum to be redistributed, with local government suggesting that central government would have to take responsibility for the amount being sufficient and distributed across the system so as to cover need. DCLG suggested that the introduction of 100% business rates retention didn't preclude additional funding being introduced to the system through the usual cycle of Spending Reviews, Autumn Statements and Budgets.

Local Government also questioned how appeals provision would be covered by the legislation, to which DCLG replied that **this would require an additional power to be added to the Bill.**

Local Government asked how additional responsibilities and funding could be rolled in after the introduction of the 100% rates retention system. DCLG suggested this would most likely occur at resets.

DCLG reiterated the government's intention to end the levy on growth and that **the sections pertaining to the levy would be removed from the legislation** whilst those **referencing the safety net would remain**.

DCLG therefore noted that the levy and safety net account would be abolished, with safety net payments going through the main account. In the instructions for the Bill it is suggested that credits and debits can be dealt with by Treasury direction, rather than legislation. Resets would also be set by the policy framework, rather than the primary legislation as is currently the case.

5. Discussion on the future of the working group

Local government suggested adopting a different approach to the session – with less frequent but longer workshop style sessions, with a longer period for local government to meet without DCLG. DCLG agreed to explore this option with the LGA for future meetings.

Local Government expressed a desire to understand more about Ministerial priorities, and likely Ministerial preferences on 100% business rates retention.

Local Government also suggested considering gearing and the straw man position paper as a matter of urgency. On gearing, District and County representatives were due to meet bilaterally shortly.

DCLG and the LGA will work together to produce a forward look for future meetings.

DCLG will set up a meeting for those authorities that volunteered to help develop the proposal on handling appeal risk.

6. Any other business