Minute of meeting

100% Business Rates Retention
Systems Design Working Group (6th meeting)

Friday 2 September 2016
10.30 – 12.30
DCLG, 2 Marsham Street

1. The chair began the meeting by requesting comments on the minutes for the previous meeting:
   - At paragraph 3, DCLG confirmed that sufficient legislative power does currently exist to adjust the multiplier year on year.
   - At paragraph 7, the group clarified that while they were strongly in favour of the partial reset option presented, they were not necessary strongly in favour of the illustrative 50% retained growth figure within that modelling – this would depend on future work.
   - At paragraph 8, it was confirmed that the VOA's online platform for Check, Challenge, Appeal would be ready for April 2017.
   - The update paper for the Steering Group (scheduled for 7 September) would include an update on the group's views on the VOA's performance.

2. The first paper, a **read out from the local authority away-day on 17 August**, was introduced. Topics with significant discussion included:
   - The desire for better performance and better information from the VOA, particularly on appeals backdated to the beginning of the rating list, and it was suggested that areas could pilot alternative arrangements.
     The VOA explained that Check, Challenge, Appeal, to be introduced in 2017, was designed to address the volume of appeals, with the aim of resolving these earlier. In part this would be through requiring more information from agents at the beginning of the process, which, it was hoped, would reduce speculative appeals.
     The VOA did not have data to hand on the number of appeals outstanding against the 2010 list from hereditaments in London, and so could not substantiate the discussion in the paper.
     <u>ACTION: The VOA were to explore whether data could be shared that substantiated the paper.</u>
     DCLG stated that the performance of the VOA was not in the remit of the Systems Design Working Group, and that piloting arrangements were not within DCLG's power, as HMRC (through the VOA) were responsible for the valuation function. The group were encouraged to look at the Check, Challenge, Appeal regulatory package as a whole.
   - The paper argued that, in hindsight, the business rates multiplier had been set too low, as seen by the number of subsequent appeals, and that local

government would advise taking this into account when setting the new multiplier, or building in recompense from central government.
DCLG confirmed that ministers would be advised of the losses against the previous list when setting the new multiplier. The Government would publish a note on the decision in due course.
ACTION: The VOA would look into aggregated appeals data and what might be able to be shared.

- The paper was in favour of partial resets and some form of damping arrangement. It also favoured harmonising resets with revaluations.
  DCLG stressed that the practical implications of the proposed harmonisation would need to be explored.
- Other topics raised in the paper included: the safety net and the possibility of an insurance style scheme (to be discussed at a future meeting), local government discretion on reliefs (where it was suggested that the group raise this issues in their responses to the current consultation on 100% business rates retention).
- Finally, members of the group noted that paragraph 'u' of the summarised 'key asks', which discusses revaluation growth, should in fact state that the group had not reached agreement. Paragraphs 83-5 represent the agreed position.

3. The second paper on **Resets** was introduced. The group discussed:
   - Full growth resets should not be built into the new system, but that a mechanism to run a 'full reset' of the system should exist should significant outliers become apparent.
   - While a growth incentive was desirable, it was of primary importance that local authorities had the certainty of funding for service delivery.
   - The group was split on whether the growth retained within a 5 year reset period would constitute an acceptable growth incentive. It was also suggested that the scheme have built in growth incentives beyond redistributive policies.
   - The group were not in favour of any significant cliff edges in local authorities' income at any reset of growth or need, but were also cautious of any transitional or damping measures. Modelling of any scheme was desired, but concerns were that this would add a significant level of complexity and potentially introduce perverse incentives.

4. The third paper on **Local tax flexibilities** was introduced, and it was noted that this has separately been discussed by the Accounting & Accountability workstream. Points raised included:
   - The complexity around any prior year adjustments that might need to be made by individual local authorities and the ability to track these against a baseline, where it was envisaged that a 'base' or 'core' multiplier would have to be established.
   - Regarding the infrastructure levy (and the question at paragraph 11 in the paper), there was collective concern about the query about whether proposals for an infrastructure could not be taken forward until all relevant planning

permissions had been granted for the project to which the levy related. It was felt that this would not be feasible for many large, complicated projects, such as those related to HS2.

- The group were also sceptical of the paper's proposal (at paragraph 12) that, in cases where multiple LEPs whose jurisdictions overlap but are not coterminous with the Combined Authority, the approval of each LEP should be required. It was noted that often a significant proportion of a LEP could be in a separate geographical (and local authority) area than the area (and local authority) in which the planning permission was being sought.
- There was no strong view as to what definition of infrastructure might be preferable.

5. The local government paper on **Tier splits** (including experiences under the 50% Business Rates Retention System and issues for the new system) was introduced. This paper was the result of ongoing work between representative organisations of country and district authorities.
    - It was noted that the 80:20 (upper:lower) tier split under the current system was partly designed to ensure income stability for upper tier authorities that provide adult social care.
    - The group discussed the prospect of the sector determining how to set the tier split in each county level area, and thus how to share growth and risk. It was suggested that if areas could not agree, then no growth would be retained by the authorities. Or, if areas could not agree, then a fall back position would be activated (though it was noted that this might undermine the negotiating process).
    - DCLG welcomed the discussions, and noted that any firm proposal may need to be substantiated in time to be included in the planned autumn technical consultation on the 100% business rates retention system.

6. The final paper on the Central List was discussed briefly, though discussion would continue at a future meeting.
    - The paper outlined an approach that would ensure the Central List remained an administrative tool to deal with the billing of hereditaments that did not naturally sit on a local ratings list.
    - It was suggested that, in the light of the current work on the Central List, ministers could consider a moratorium adjudicating on Central List requests.
    - The group were encouraged to continue the discussion by email.