

Note of Business Rates Retention Accounting and Accountability Technical Group meeting

Title: Business Rates Retention Accounting and Accountability Working Group meeting
Date: Friday 31 May 2016
Venue: 2 Marsham Street, SW1P 4DF

Attendance

An attendance list is attached as **Appendix A** to this note.

Item	Decisions and actions
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1	Terms of Reference
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The Chair, Gareth Caller (Financial Accountant & Lead on LA Capital Borrowing and Reserves, DCLG) welcomed attendees to the first meeting of the Business Rates Retention Accounting and Accountability Group and asked for their comments on the Terms of Reference. The Group raised the following points:

- It is necessary to define what the terms accounting and accountability before discussing the terms of reference. While it is clear what it means by accounting, there should be more clarity on accountability.
- Gareth Caller (DCLG) highlighted that there are two distinct areas that the group must consider in terms of accountability;
 1. Central Government accountability - with specific reference to Parliament insisting that Government Departments are ultimately responsible for certain areas of which local government spends on their behalf.
 2. The Local Accountability framework and whether it is necessary for this to be modified or revised as a consequence of Business Rate reform.
- The Group considered whether Government Departments should be represented on the Group. Gareth Caller highlighted that there was a separate group with government department representatives also considering the issues. In future the Groups would combine to consider the issues together.
- Business Rates Retention needs to be more than fiscal devolution; it must focus on outcomes also.
- Mark Johnson (LGA) felt that the Terms should more closely reflect that of the Steering Group.

Recommendation

- Attendees **agreed** to make several alterations to the Terms of Reference as specified in the discussion.

Actions

- Officers to provide an update of initial central government discussion on potential implications for accountability.
- Officers to update the Terms of Reference as specified in the discussion.

2 Collection Fund Accounting and Implications for balanced budget calculation

Gareth Caller (DCLG) provided attendees with a paper which discussed how the use of the collection fund may change as a result of the reforms. Additionally he made the group aware of the legislative opportunity that they have through the Local Growth and Jobs Bill and given the Parliament's rules around scope, it may be some time until a future opportunity arises. The conversation initially focussed around establishing what the problem was that the paper discussion should aim to solve.

In the discussion that followed, the Group raised the following points:

- There was a short discussion on whether the collection fund was easy to understand in local authority accounts and whether it was the place of the Group to help to simplify these.
- There was consensus among attendees that any purely accounting changes were outside the remit of the working group and instead were for CIPFA.
- Attendees agreed that the use of the Collection Fund in management of appeals was crucial. If the Collection Fund were abolished it could make local authorities even more risk averse and lead to further growth in reserves.
- Attendees all agreed that any new system should not exacerbate the impact of volatility on LA budgeting.
- Attendees agreed there was still a great deal that could be done around sharing of good practise and therefore legislation may not be required to get the results needed in terms of simplification.
- How business rates compensation is paid needs to be looked at. Currently it is paid via section 31 which is held in the General Fund. Business rates revenue lies in the Collection Fund which means there is a mismatch between funding and cost.
- The Group discussed issues with NNDR1 and NNDR3 returns. While they serve slightly different purposes, attendees suggested that they should map as closely as possible. The group wondered if this approach would improve efficiency and therefore free up some funding for other areas of spend.
- Balanced budget calculation is still determined by council tax being the balancing figure in the accounts. With the council tax referendum threshold in place, in practise council tax is no longer the balancing item. Attendees agreed that it may be a better idea to look at all items in the round and instead look to adjust accounting practices so that all items must equal zero.
- It will be necessary to keep the CLIP(F) group informed about potential changes to the way that BR is accounted for and the way that the balanced budget requirement is calculated so that they can consider the implications for central government data collection activities.

Actions

- Officials to clarify which elements of the Collection Fund are required by statute and which by the Code of Local Authority Accounting.
- Officials to explore what would need to be done to revise the way that the balanced budget requirement is calculated.

3 AOB

The following additional items of business were raised:

- The Group asked the Steering Group to consider whether it would be appropriate for individual technical groups to consider early drafts of the July consultation document.
- Guy Ware (London Councils) asked whether the consultation document was still on course to be published in July, it was confirmed that it was.

Actions

Appendix A - Attendance

Nominee	Organisation	Attendance
1. Gareth Caller	Department of Communities and Local Government (DCLG)	Present
2. Lorenzo Peri	Department of Communities and Local Government (DCLG)	Present
3. Mark Johnson	Local Government Association (LGA)	Present
4. Steve Powell	Birmingham City Council	Present
5. Guy Ware	London Councils	Present
6. Conrad Hall	CIPFA/LASSAC Code Board	Present
7. Paul Boden	CIPFA Local Authority Accounting Panel	Present
8. Mel Creighton	Society of Unitary Treasurers	Present
9. Nicole Wood	Society of County Treasurers	Present
10. Paul Mayers	National Audit Office (NAO)	Present (by phone)
11. Gary Watson	Institute of Revenues Rating and Valuation (IRRV)	Present (by phone)
12. Sarah Sheen	Chartered Institute of Public Finance and Accounting (CIPFA)	Present (by phone)

Apologies:

Michael Ning - DCLG

Matthew Rowe – HMT

Susan Mangles – HMT

Joseph Holmes – Slough

Jonathan Bunt – Society of London Treasurers

Vince Green – Society of District Treasurers