

Note of Business Rates Retention Steering Group meeting

Title: Business Rates Retention Steering Group
Date: Wednesday 7 September 2016
Venue: Millbank Room, Local Government House, Smith Square, London, SW1P 3HZ

Attendance

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

Item Decisions and actions

1 Overall Project Timeline

Lorenzo Peri (DCLG) provided attendees with an update on the overall project timeline. Post Autumn, the timeline will be revisited and work will begin on the inclusion of delivery planning.

In the discussion that follow, members of the Steering Group raised the following points:

- There is a view that the work on needs should be moving faster.
- The link needs to be made between the work on Business Rates Retention and work around the Autumn Statement.
- The current spending review settlement has an impact upon the project timeline.
- The process of implementation has some ambiguity.

Actions

If there are issues on the project timeline that should be brought to this group, Steering Group members should let colleagues know.

2 Economic Growth and Responsibilities Workshop

Bevis Ingram (LGA) provided attendees with an update on the Economic Growth and Responsibilities Workshop that was held in August. The feedback from the session was extremely positive, it was felt that this is work that local government could lead on but that this would require system redesign rather than just picking up existing programmes.

In the discussion that followed, members of the Steering Group raised the following points:

- The LGA response to the consultation will pick up on the ideas generated at the workshop and on the need for looking at the skills system as a whole.
- It is important that we are specific about the responsibilities where local government can improve on the current system.
- It is important to work on the expectation of central government departments.

- The list in the consultation document was not exhaustive; but Ministers will want to understand how objectives will be met by new funding streams/system redesign if proposals do not directly relate to existing grants/programmes.
- If there are outriders who have further developed ideas, building on these can make conversations with government easier.
- The responsibilities working group was asked to work further on the ideas generated at the workshop on proposals for how the economic growth / skills responsibilities can be redesigned to improve outcomes in local areas

3 Progress Update on needs

Chris Megainey (DCLG) provided a verbal update to attendees on the needs workstream. Members of the Steering Group expressed concern about progress in this area and its interaction with other workstreams.

An initial call for evidence was issued in July with a deadline of 26 September. There are plans to consult on the principles of new formula by the end of the year.

There are monthly meetings of the technical working group on needs and a high level work plan has been adopted.

Much of the current work is focused on defining need and discussing approaches to measuring it. Data needs to be assembled, there are questions to be considered around what the key cost drivers are, how to account for deprivation how various factors should be weighted. Government departments are being invited to meetings of the group to discuss methodology. There are several approaches to this and they are being examined.

The members of the Group said they were keen to work quickly and model how a formula may look.

Actions

Members of the Steering Group agreed that the needs and redistribution technical working group should closely examine and, where possible, prioritise other methodologies than regression based on past expenditure.

4 Resets

Lucy Rigler (DCLG) presented the paper on resets. An agreed position is beginning to be reached.

Three broad options have been considered:

- a) Infrequent resets (20 years or never): under this scenario all authorities would retain any gains or losses in business rates income for 20 years (at least) until a full reset of the system.
- b) Frequent full resets (5 years): under this scenario the whole system would be reset every 5 years, so local authorities would have a growth incentive for the years between resets but would lose all growth in income every 5 years. On the other hand, authorities experiencing a decline in business rates income would

be brought back up to baseline funding levels every 5 years.

- c) Partial reset (5 years): under this scenario, a 'partial reset' takes place every 5 years and allows individual local authorities to retain 50% of the growth in business rates income that they have achieved during the previous reset period. At the other end of the scale, it aims to return all authorities that have seen 'negative growth' to 100% of their relative baseline funding level at each reset.

Partial resets are a way for local authorities to keep a proportion growth, but still aim to bring those authorities that have lost business rates income over a reset period back up to baseline and is the broadly preferred option.

The assumption is that a safety net would remain in place..

In the discussion that followed, members of the Steering Group raised the following points:

- There needs to be thinking on what proportion of growth to retain and what goes back into redistribution pot.
- There would need to be a full reset for needs every five years due to control totals changing, though some felt that five years between resets for need would be too long.
- The balance between incentives for growth and the assessment of need.
- The need for transition after any reset.
- The benefits of aligning revaluations and reset.

Action

The Systems Design Working Group and Needs and Resources Group will consider these issues further.

5 Working Group Updates

(a) Responsibilities Working Group

The workshop on the themes of economic growth and welfare was held on 4 August with good attendance from a range of sector experts. Due to issues of availability, the health and social care integration theme is being considered by a 'virtual workshop', the outputs of which will be considered by the working group and a subsequent Steering Group paper prepared for the October meeting.

(b) Systems Design Working Group

The Working Group met and discussed design basics, covering the 'system design basics' that members felt should be addressed through the group. They also discussed resets and growth, with some modelling to demonstrate illustrative impacts of different types of resets on the system.

(c) Needs and Redistribution Working Group

The discussions of the Working Group were covered by the needs update earlier in the meeting.

(d) Accounts and Accountability Working Group

The Working Group met and discussed achieving the mitigation of appeal risks at central government level, the implications of local tax flexibilities in two tier areas and accountability arrangements for services devolved to local government.

(e) Business Interest Group

The Working Group met and discussed devolution of responsibilities, system design and local tax flexibilities.

6 Summary of key press lines

The Steering Group agreed that the following lines will be used externally to describe the current meeting:

- *The Steering Group discussed the overall timeline for the Business Rates Retention Working Group.*
- *They also discussed the local authority role in economic growth, the approach to assessing need and how to strike the right balance between incentives and growth and the need for resets.*
- *Steering Group members noted the extensive range of consultation events that had taken place on this Business Rates Retention over the summer.*

Action

Officers to circulate lines for external use describing the current meeting.

7 Minutes of the last meeting

Members of the Steering Group agreed the minutes of the meeting held on 19 July 2016.

8 AOB

There were no items of any other business.

Appendix A - Attendance

Nominee	Organisation	Signature
Margaret Lee	County Councils' Network (CCN)	Present
Sandra Dineen	District Councils' Network (DCN)	Apologies
Frances Foster	Special Interest Group of Municipal Authorities (SIGOMA)	Apologies
Paul Martin	Society of Local Authority Chief Executives (SOLACE)	Apologies
Pat Ritchie	North East Combined Authority	Apologies
Alison Griffin	Society of London Treasurers (SLT) - ALATS	Apologies
Chris West	Society of Municipal Treasurers (SMT) - ALATS	Apologies
Sheila Little	Society of County Treasurers (SCT) - ALATS	Apologies
Norma Atlay	Society of District Council Treasurers (SDCT) - ALATS	Apologies
Tim Hannam	Society of Unitary Treasurers (SUT) - ALATS	Present
Sean Nolan	Chartered Institute of Public Finance and Accounting (CIPFA)	Present
Andrew Edwards	Valuation Office Agency (VOA)	Present
David Magor	Institute of Revenues Rating and Valuation (IRRV)	Apologies
Martin Clarke	Greater London Authority (GLA)	Apologies
Guy Ware	London Councils	Present
Duncan Savage	Chief Fire Officers Association Finance Network	Present
Richard Paver	Greater Manchester Combined Authority	Apologies
Richard Flinton	Society of Local Authority Chief Executives (SOLACE)	Present
Chris Jackson	HM Treasury	Present
Julie Sorensen	HM Treasury	Present

Rob Bridge	SDCT	Present
DCLG		
Matthew Style	Department for Communities and Local Government (DCLG)	Present
Stuart Hoggan	Department for Communities and Local Government (DCLG)	Apologies
Lorenzo Peri	Department for Communities and Local Government (DCLG)	Present
Vicky Jones	Department for Communities and Local Government (DCLG)	Present
Chris Megainey	Department for Communities and Local Government (DCLG)	Present
Lucy Rigler	Department for Communities and Local Government (DCLG)	Present
Katie Baldwin	Department for Communities and Local Government (DCLG)	Present
Suzie Clarke	Department for Communities and Local Government (DCLG)	Present
LGA		
Sarah Pickup	Local Government Association (LGA)	Present
Nicola Morton	Local Government Association (LGA)	Apologies
Bevis Ingram	Local Government Association (LGA)	Present
Aivaras Statkevicius	Local Government Association (LGA)	Present
Patrick McDermott	Local Government Association (LGA)	Present