

## **LAAWG3-02: Note of Business Rates Retention Accounting and Accountability Working Group, 1 July 2016**

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<b>Title:</b>	Accounting and Accountability (Local Authorities) Working Group
<b>Date:</b>	Friday 1 July 2016
<b>Venue:</b>	Stoke on Trent City Council

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### **Attendance**

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

<b>Item</b>	<b>Decisions and actions</b>
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- 1. Welcome**
- 2. Actions from previous meeting**

### **Terms of Reference**

- An updated terms of reference was circulated with the meeting papers. Most of the amendments were minor and intended to improve clarity. These were agreed by the group, subject to the changes below.
- It was decided the reference to fiscal neutrality should remain as originally set out in the terms of reference for the first meeting.
- Steve Powell noted that he was attending as an officer of Birmingham City Council, rather than SOLACE. *[NB it has subsequently been confirmed that Steve will represent the Society of Municipal Treasurers on the group]*
- A final version of the terms of reference, reflecting the changes, will be circulated with the papers for the next meeting.

### **Treasury position on accountability**

- Gareth Caller outlined his initial discussions with HM Treasury (HMT) on accountability in a reformed system
- He confirmed that the 'Managing Public Money' guidance applied only to central government departments. This guidance, together with government departments' accountability system statements, sets out the high level principles for accountability of public money, with the Permanent Secretary, as accounting officer, responsible for the overall maintenance of each department's system.
- There are unlikely to be any significant changes under a reformed system, as Parliament will still expect accountability for central government departments.
- Local government attendees noted that, if the status quo was maintained, there was a risk that real devolution would not be implemented. A continuation of the current approach risked focussing on inputs rather than outputs.
- It was noted that the Office for National Statistics (ONS)/HMT were likely to continue to classify business rates as a central government tax, rather than a local tax (e.g. council tax), even after the changes. It was agreed that HMT

should be invited to submit a paper to a future meeting, to set out this thinking in this area in more detail.

#### **Actions**

- *Officers to include updated Terms of Reference in next set of meeting papers.*
- *Officers to invite HMT to present a paper to the group on the classification of business rates as central government tax.*

### **3. Implications of systems design decisions**

#### **System resets**

- The group discussed options for the frequency of needs resets under a new system and the accounting/accountability implications. There was a general view that a reset every three years would be too frequent and would not aid accountability.
- Certainty over a proportion of business rates income was discussed, given the implications for Tax increment Financing (TIF) projects and bond issues. Group members agreed it would be helpful if an element of business rates income could be protected from resets for a longer-term period e.g. fifteen years or permanently.

#### **Redistribution**

- Group members did not anticipate there being any additional implications for accounting and accountability if a new redistribution system is implemented, beyond those that exist under the current system.
- It was noted that the discussion about redistribution in combined authorities may be premature given there has been little appetite yet from existing combined authorities to take on a role of distribution at a sub-regional level.

#### **Funding the safety net**

- The safety net is currently funded by a topslice from the settlement funding assessment; this has been cut to the 'bare minimum' for 2016-17. It was noted new arrangements for the safety net had the potential to add complexity to accounting arrangements.
- Currently safety net/levy income and expenditure is disclosed by local authorities in the accounts if material, as is the case with any other income/expenditure.

#### **Settlement Process**

- There was agreement from the group that some sort of annual process setting out funding for local authorities would still be required, even if Revenue Support Grant will no longer be paid to LAs. The Group's strong view was that the outcomes of this process would need to be presented to Parliament (in some form) to aid accountability and transparency.
- In accountability terms, this would provide assurance by showing how the system is operating.
- An annual announcement would also provide transparency on the funding of new burdens by central government and decisions on new grants.

### **Appeals**

- Members of the group acknowledged that the difficulties with appeals were largely associated with the way the current system was structured, rather than the accounting arrangements.
- However, there was recognition by group members that the issue of provisions versus reserves could be looked at again at the start of a new valuation list and new system.
- It is important that the ability to account for appeals is maintained within the collection fund, to avoid adverse impacts on other elements of local authorities' budgeting and accounting processes.

## **4. Any Other Business**

### **Update on consultation**

- The consultation will be published shortly (NB consultation now published [here](#)); the document's questions on accounting and accountability cover the broad issues. A more detailed consultation on specific aspects of the new system may follow in the autumn.
- The Department's lawyers will advise on which elements of the accounting and accountability arrangements will be contained in primary legislation and secondary legislation. An update on this will be provided at the next meeting

### **Sector led design project**

- The systems design working group has discussed the creation of a small group of local authority officers to undertake work on modelling for a new system. It would be sensible for a small number of members of the accounting and accountability working group to be involved. More information will be circulated to the group when available.

### **Date of next meeting**

- So far the group has met twice, a month apart. Future meeting dates will need to be scheduled to follow systems design working groups, to enable the accounting and accountability working group to assess proposals that emerge from that group's discussions. Future meeting dates will be circulated to members soon.

### **Actions**

- *Officers to circulate more details of sector-led design project, when available.*
- *Officers to circulate dates for future meetings.*

### **Appendix A - Attendance**

<b>Name</b>	<b>Organisation</b>	<b>Attendance</b>
Gareth Caller	Department of Communities and Local Government (DCLG)	Present
Mark Johnson	Local Government Association (LGA)	Present
Steve Powell	Birmingham City Council	Present
Paul Boden	Chartered Institute of Public Finance and Accounting (CIPFA) Local Authority Accounting Panel/Stoke on Trent City Council	Present
Jonathan Bunt	Society of London Treasurers	Present
Laura Deery	CIPFA	Present (by phone)
Sarah Sheen	Chartered Institute of Public Finance and Accounting (CIPFA)	Present (by phone)
Joseph Holmes	Slough Borough Council	Present (by phone)
David Aldous	National Audit Office (NAO)	Present (by phone)
Richard Harbord	Institute of Revenues Rating and Valuation (IRRV)	Present (by phone)
Vince Green	Society of District Council Treasurers	Present (by phone)

### **Apologies**

Guy Ware, London Councils  
 Matthew Beals, Greater London Authority  
 Matthew Rowe, HM Treasury  
 Susan Mangles, HM Treasury