Business Rates Retention: Accounting and Accountability Working Group

Update for Steering Group

Introduction

1. The Accounting and Accountability Working Group (AAWG) met for the fourth time on 21 November. The meeting was chaired by Gareth Caller, Department for Communities and Local Government (DCLG). The meeting discussed the three main areas outlined below.

Summary of Consultation Responses

2. There were fewer responses to the summer consultation on accounting and accountability issues than other areas of the consultation. Nevertheless 60 per cent of respondents provided a response to at least one of the questions in this area and a summary of the main points made in response to each of the five questions was outlined in paper considered by the group. In light of the consultation responses, the Government will consider the issues raised as proposals for the new system continue to be developed.

Interaction between central and local government accounting and accountability: Implications for resets

3. The group considered a paper on the way in which accounting and budgeting arrangements would work within central government. In particular, members considered how any topslice to fund protections built into the system would operate. Timing differences would mean that the amount required to fund protections would not necessarily be known in advance of the financial year. Therefore the reconciling amount could be treated as an adjusting item to the following year's available 'pot' of business rates, by altering top-up and tariff amounts each year. Alternatively, the difference could be carried forward year-on-year and reconciled to the total amount of funding in the system at each reset period. Members stated that it was important that retained growth was not affected by these arrangements.

4. Overall, the preference of the group was for as much certainty as possible in the new system; as a result, the adjustment at reset, rather than every year, was generally favoured. However, it was recognised that this was dependent on resets being relatively regular (e.g. every five years). In addition, the overall level of protection will clearly influence views on the arrangements and no firm announcement on this has yet been made. Members asked DCLG to undertake modelling showing how the two proposed options would have operated in the first three years of the existing rates retention system.

Interaction between central government protections and power to reduce multiplier

5. The group also considered a paper on the accounting implications of the proposal to allow all authorities to lower the multiplier. For authorities where the multiplier is lowered, the difference between the actual and 'national' multiplier will need to be considered, in order, for example, for deficits and surpluses to be apportioned in accordance with the effective split in each year.
6. In two-tier areas the multiplier would effectively be split into a county and district element, based on the split of business rates between the two tiers in the overall system. This would enable each council in an area to takes its own decision about the level of multiplier and ensure that the relevant authority bears the costs of lowering the multiplier. It was noted that if there were two multipliers it would follow that non-billing authorities could make their own decisions on discretionary reliefs in the new system.

7. There would also be implications for appeals and consequently for any compensation paid to local government by central government for appeal losses. It was recognised that these arrangements would add an additional layer of complexity, both for data collection and for accounting, particularly in two-tier areas. The group agreed that the best way to understand the implications would be for the group to consider detailed examples for a number of different scenarios.

8. The group agreed to commission a joint Accounting & Accountability/Systems Design subgroup comprised of practitioners, DCLG and CIPFA representatives to prepare those examples.

Next Steps

9. The date of the next meeting has not yet been confirmed. It was agreed that papers on the detailed implication of systems design work should be circulated by email and if they required significant discussion, this should take place at face-to-face meetings.