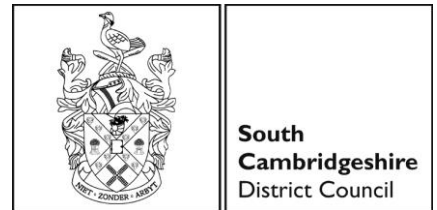


South Cambridgeshire Hall
Cambourne Business Park
Cambourne
Cambridge
CB23 6EA

t: 03450 450 500

f: 01954 713149

www.scambs.gov.uk



21 September 2018

To: The Leader – Councillor Bridget Smith
Deputy Leader – Councillor Aidan Van de Weyer
Members of the Cabinet – Councillors Neil Gough, Philippa Hart,
Dr. Tumi Hawkins, Hazel Smith and John Williams
Quorum: Majority of the Cabinet including the Leader or Deputy Leader

Dear Councillor

You are invited to attend an Extraordinary meeting of **CABINET**, which will be held in the **COUNCIL CHAMBER - SOUTH CAMBS HALL** on **MONDAY, 24 SEPTEMBER 2018** at **10.00 a.m** or at the conclusion of the first Extraordinary meeting (which commences at 9.30am) whichever is the later.

Yours faithfully
Beverly Agass
Chief Executive

The Council is committed to improving, for all members of the community, access to its agendas and minutes. We try to take all circumstances into account but, if you have any specific needs, please let us know, and we will do what we can to help you.

AGENDA

PAGES

- | | | |
|----|--|--------|
| 1. | Apologies for Absence
To receive Apologies for Absence from Cabinet members. | |
| 2. | Declarations of Interest | |
| 3. | Constituent Council Consent for Business Rates Pilot Scheme Submission 2019/20
To seek consent to the submission of the one year business rates retention pilot to the Ministry of Housing, Communities & Local Government by 25 th September 2018. | 1 - 52 |

GUIDANCE NOTES FOR VISITORS TO SOUTH CAMBRIDGESHIRE HALL

Notes to help those people visiting the South Cambridgeshire District Council offices

While we try to make sure that you stay safe when visiting South Cambridgeshire Hall, you also have a responsibility for your own safety, and that of others.

Security

When attending meetings in non-public areas of the Council offices you must report to Reception, sign in, and at all times wear the Visitor badge issued. Before leaving the building, please sign out and return the Visitor badge to Reception.

Public seating in meeting rooms is limited. For further details contact Democratic Services on 03450 450 500 or e-mail democratic.services@scambs.gov.uk

Emergency and Evacuation

In the event of a fire, a continuous alarm will sound. Leave the building using the nearest escape route; from the Council Chamber or Mezzanine viewing gallery this would be via the staircase just outside the door. Go to the assembly point at the far side of the staff car park opposite the staff entrance

- **Do not** use the lifts to leave the building. If you are unable to use stairs by yourself, the emergency staircase landings have fire refuge areas, which give protection for a minimum of 1.5 hours. Press the alarm button and wait for help from Council fire wardens or the fire brigade.
- **Do not** re-enter the building until the officer in charge or the fire brigade confirms that it is safe to do so.

First Aid

If you feel unwell or need first aid, please alert a member of staff.

Access for People with Disabilities

We are committed to improving, for all members of the community, access to our agendas and minutes. We try to take all circumstances into account but, if you have any specific needs, please let us know, and we will do what we can to help you. All meeting rooms are accessible to wheelchair users. There are disabled toilet facilities on each floor of the building. Infra-red hearing assistance systems are available in the Council Chamber and viewing gallery. To use these, you must sit in sight of the infra-red transmitter and wear a 'neck loop', which can be used with a hearing aid switched to the 'T' position. If your hearing aid does not have the 'T' position facility then earphones are also available and can be used independently. You can get both neck loops and earphones from Reception.

Toilets

Public toilets are available on each floor of the building next to the lifts.

Recording of Business and Use of Mobile Phones

We are open and transparent about how we make decisions. We allow recording, filming and photography at Council, Cabinet and other meetings, which members of the public can attend, so long as proceedings at the meeting are not disrupted. We also allow the use of social media during meetings to bring Council issues to the attention of a wider audience. To minimise disturbance to others attending the meeting, please switch your phone or other mobile device to silent / vibrate mode.

Banners, Placards and similar items

You are not allowed to bring into, or display at, any public meeting any banner, placard, poster or other similar item. Failure to do so, will result in the Chairman suspending the meeting until such items are removed.

Disturbance by Public

If a member of the public interrupts proceedings at a meeting, the Chairman will warn the person concerned. If they continue to interrupt, the Chairman will order their removal from the meeting room. If there is a general disturbance in any part of the meeting room open to the public, the Chairman may call for that part to be cleared. The meeting will be suspended until order has been restored.

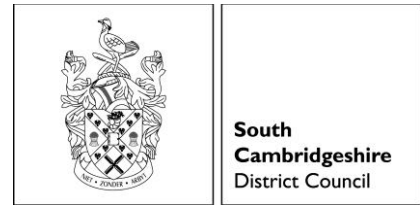
Smoking

Since 1 July 2008, South Cambridgeshire District Council has operated a Smoke Free Policy. No one is allowed to smoke at any time within the Council offices, or in the car park or other grounds forming part of those offices.

Food and Drink

Vending machines and a water dispenser are available on the ground floor near the lifts at the front of the building. You are not allowed to bring food or drink into the meeting room.

Agenda Item 3



REPORT TO: Cabinet
LEAD OFFICER: Executive Director

24 September 2018

Constituent Council Consent for Business Rates Pilot Scheme Submission 2019/20

1. Purpose

- 1.1 The report seeks consent to the submission of the 1 year business rates retention pilot to be submitted to the Ministry of Housing, Communities and Local Government (MHCLG) by 25th September 2018 in the form as outlined in this report.
- 1.2 This is a key decision because it is significant in terms of its effects on communities living or working in an area comprising two or more wards or electoral divisions in the area of the local authority.
- 1.3 The Cambridgeshire and Peterborough Combined Authority (CPCA) report and relevant prospectus documents produced by MHCLG are attached at **Appendices 1 to 4**.

2. Recommendation(s):

- 2.1 That Cabinet consent to the submission of the Bid as outlined in this report with the additional funds to be apportioned as per paragraph 3.16 of the report, including acceptance to any minor changes by the S151 Officer which do not alter the substantial meaning.

Reasons for Recommendations

- 2.2 A successful bid could see significant additional resources becoming available for the Cambridgeshire and Peterborough area for investment in high priority areas and in supporting economic development.

3. Background

- 3.1 In July 2018 the Government published an invitation to local authorities to pilot 75% business rates retention in 2019 to 2020.
- 3.2 Proposals have to be submitted by 25th September 2018 and the s.151 officer of each authority will need to sign off the proposal before its submission.
- 3.3 Due to the timeframes set out by MHCLG the Cambridgeshire and Peterborough bid needs to be submitted before the CPCA Board can meet to give its approval and if the Board does not agree to ratify the submitted bid it will be withdrawn.

- 3.4 Over the last two years, the Government launched 15 pilots of 100% business rates retention. The first wave were granted to five areas with ratified devolution deals, the second wave were awarded to 10 groups of local authorities (and the Greater London area) and were awarded based on a competitive process.
- 3.5 These pilots retain 100% of business rates income and forego some existing grants. Over the pilot period they will retain all of their growth in business rates income.
- 3.6 The Government is now looking to create a third wave of pilot schemes, this time with 75% local growth retention to reflect the level of local growth retention in the planned national reform of the business rates system in 2020-21. The Government sees an opportunity for local authorities to work together as pools covering functional economic areas to make coherent strategic decisions about the wider area and to jointly manage risk and reward.
- 3.7 These pilots are also expected to test authorities' administration, technical planning for implementation, and to look at how the accounting, data collection and IT systems will work. The Government expects to learn from the pilots' experiences to inform the design of the national system of business rates retention.
- 3.8 Arrangements would also need to reflect the position of precepting authorities, such as Fire and Rescue authorities.
- 3.9 The Government has asked for pooled areas to propose a split for sharing additional growth and to see additional growth being used to either boost further growth, promote the financial stability of the pooled area or a combination of both.
- 3.10 Unlike the previous two waves the Government has not agreed a 'no detriment' clause for the 2019/20 pilots. While this presents the possibility of a Constituent Council being worse off, for this to occur in practice Business Rates income would have to be c. £55m lower than forecast: this would represent a drop of over 20% of the total rates income across the Combined Authority area and thus is considered a minimal risk; it is nonetheless dealt with in the proposal.
- 3.11 Authorities selected as pilots for 2019/20 will be expected to forego Revenue Support Grant (RSG) and Rural Services Grant. The value of the grant foregone will be taken into account in setting revised tariffs and top-ups, which will be used to ensure that the changes are cost neutral, except for the value of any growth retained and the removal of the levy on growth.
- 3.12 It is expected that successful applications will be announced before or alongside the publication of the draft local government finance settlement.
- 3.13 The 2019/20 pilot programmes will last for one year only at which point they will be replaced with the new national scheme.
- 3.14 Independent modelling of the financial benefits, carried out by Pixel, predict that the benefits of a pilot to the Combined Authority area would be an additional £20m being retained locally.
- 3.15 The Cambridgeshire and Peterborough area submission includes the seven constituent councils to the CPCA with Cambridgeshire County Council being the lead authority. The Lead Authority would be responsible for administering the scheme.
- 3.16 The principles set out in the pilot submission are that additional funds retained by the local area will be apportioned as follows:

- If any local authority is worse off as a result of being in the pilot, they will receive funding to put them back to the level they would have been in had they not participated in the pilot (an internal no-detriment clause) underwritten by the Combined Authority.
- Pre-approved costs related to the running of the pool/pilot will be retained by the lead authority.
- 10% (c. £2m) of the remaining funds will create a Business Growth Fund, held by the Combined Authority to promote further growth across the area.
- 10% (c. £2m) will be split between the two Social Care Authorities (Cambridgeshire County Council and Peterborough City Council) in recognition that the costs of growth fall disproportionately on these authorities.
- The remaining 80% (c. £16m) will be distributed per capita across all constituent authorities (Peterborough's population is counted twice to take account of its upper and lower tier responsibilities).

3.17 Given the strategic role of the Combined Authority, which covers the whole of the pilot geography, and the close alignment between the Business Growth Fund's aims and those of the Combined Authority and its Business Board this fund will be held and administered by the Combined Authority with projects seeking funding following the assurance and governance frameworks already in place within the Combined Authority.

3.18 As part of the bid it is required to set out what, if any, pooling arrangements are desired were a pilot not awarded. Based on modelling of the area's business rates top-ups and tariffs there is no benefit to creating a whole area business rates pool thus there will be no business rates pool created if the bid is not successful in securing a pilot.

4. Considerations

4.1. Appended to this report is the report to be considered by the CPCA on 26 September 2018 (Appendix 1). The constituent councils are individually required to give consent in respect of the submission of the Bid.

4.2 An alternative proposal was tabled by the Leader of South Cambridgeshire District Council on Friday 14th September 2018 to the Mayor and other board members of the CPCA to address inconsistencies and unfairness in the current proposal. The proposal was that 90% of the Business rates be allocated to each of the constituent councils to the CPCA on a per capita basis (population). The remaining 10% to be shared on the same basis between Cambridgeshire County Council and Peterborough City Council.

4.3 The Leader gave the reasons for the alternative proposal as follows:

- It was unclear why the CPCA should benefit from the bid.
- Districts which collect the Business Rates are entirely responsible for delivering the growth which is responsible for this pot of money increasing.
- By investing in District Councils to deliver high quality growth and exemplar place making we are actually investing in preventive work which will greatly reduce the burden on the crisis, demand driven County Council and Peterborough Council.

4.4. The Leader's proposal was not supported by the majority of board members and requires the unanimous support of all constituent authorities to proceed.

- 4.5 The CPCA, to try and reach consensus, has offered to underwrite a “no detriment” clause to the constituent authorities, prior to any distribution if the bid as outlined in 3.16 is supported by all constituent authorities.

5. Options

- 5.1. There are very tight timescales for the achievement of consent for this Bid with the application to be submitted to MHCLG by Tuesday 25th September.
- 5.2 The Council could decide not to support the bid in its current format.

6. Implications

- 6.1. There are no direct impacts to the Council in respect of granting this consent. The Bid requires evidence “that each local authority in the proposed pool fully supports the application and the proposed pooling arrangements.” Therefore if the Cabinet and all constituent councils do not consent to the bid application as per the terms set out in 3.16 of the report, the bid will not be submitted.

7. Timetable

- 7.1 Constituent Councils have to give consent for the Bid so it can be submitted by Tuesday 25th September.
- 7.2 It is expected that successful applications will be announced before or alongside the publication of the provisional Local Government Finance Settlement.

8. Call in and Urgency

- 8.1 Scrutiny and Overview Procedure Rule 12.19 provides that the call-in procedure shall not apply where the decision being taken by the executive decision taker is urgent. A decision will be urgent if any delay likely to be caused by the call-in process would seriously prejudice the Council’s or the public’s interests. The record of the decision, and notice by which it is made public, shall state whether in the opinion of the decision-making person or body, the decision is an urgent one, and therefore not subject to call-in.
- 8.2 The Chairman of the Council and Chairman of the Scrutiny and Overview Committee are required to agree both that the decision proposed is reasonable in all the circumstances and to it being treated as a matter of urgency. As Cabinet is required to give its authority to submit a bid by the deadline of 25th September, the decision is manifestly urgent and the consent of the Chairman of the Council and the Chairman of the Scrutiny and Overview Committee to an exemption from call in on the grounds of urgency will be sought.

9. Legal Implications

- 9.1 Paragraph 35(1) of Schedule 7B to the Local Government Finance Act 1988 allows the department to attach conditions to the designation;
- a) requiring the authorities to which it relates to appoint a lead authority to exercise the functions specified in the conditions, and
 - b) requiring the authorities, if the designation is revoked, to take the steps specified in the conditions before the revocation takes effect.

It also permits the department to attach such other conditions as it sees fit.

9.2. The decision is an executive function and is therefore before Cabinet.

10. Resource Implications

10.1 There are no direct resource implications arising from this report.

List of Appendices

•	Appendix 1: CPCA Business Rate Pilot Report.
•	Appendix 2: Business rates retention pilots 2019 to 2020: invitation to apply
•	Appendix 3: Supplementary Information on Pooling.
•	Appendix 4: Frequently asked questions produced by MHCLG and dated 29 th August 2018.

Background Papers

Where [the Local Authorities \(Executive Arrangements\) \(Meetings and Access to Information\) \(England\) Regulations 2012](#) require documents to be open to inspection by members of the public, they must be available for inspection: -

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

None

Report Authors: Alex Colyer – Executive Director
Telephone: (01954) 713023

This page is left blank intentionally.



CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY BOARD	AGENDA ITEM No: 2.5
26 SEPTEMBER 2018	PUBLIC REPORT

BUSINESS RATE PILOT

1.0 PURPOSE

- 1.1 This report seeks ratification of the one year business rates retention pilot bid submitted to the Ministry of Housing, Communities and Local Government (MHCLG) on 25 September 2018.
- 1.2 It confirms the position that all councils will be compensated for their expected business rates for the year i.e. no council will suffer detriment as a result of this pilot and how any additionally retained growth above this level will be distributed.

<u>DECISION REQUIRED</u>	
Lead Member:	James Palmer - Mayor
Lead Officer:	Karl Fenlon, Interim Chief Finance Director
Forward Plan Ref: 2018/031	Key Decision: Yes
<p>The Combined Authority Board is recommended to:</p> <p>(a) Ratify the Cambridgeshire and Peterborough 2019-20 Business Rates pilot bid submitted to MHCLG on the 25th September 2018.</p>	<p>Voting arrangements</p> <p>Simple majority of all Members</p>

2.0 BACKGROUND

- 2.1. In July 2018, the Government published an invitation to local authorities to pilot 75% business rates retention in 2019 to 2020.
- 2.2. Proposals have to be submitted by 25th September 2018. It is expected that the announcement of successful pilots will be made at the time of the local government finance settlement.
- 2.3. Due to the timeframes set out by MHCLG the Cambridgeshire and Peterborough bid has been submitted prior to Board approval, if the Board does not agree to ratify the submitted bid it will be withdrawn.

The 75% Business Rates Retention Pilots

- 2.4. Over the last two years, the Government launched 15 pilots of 100% business rates retention. The first wave were granted to five areas with ratified devolution deals, the second wave were awarded to 10 groups of local authorities (and the greater london area) and were awarded based on a competitive process.
- 2.5. These pilots retain 100% of business rates income and forego some existing grants. Over the pilot period they will retain all of their growth in business rates income.
- 2.6. The Government is now looking to create a third wave of pilot schemes, this time with 75% local growth retention to reflect the level of local growth retention in the planned national reform of the business rates system in 2020-21. The Government sees an opportunity for local authorities to work together as pools covering functional economic areas to make coherent strategic decisions about the wider area and to jointly manage risk and reward.
- 2.7. The pilots are also expected to test authorities' administration, technical planning for implementation, and to look at how the accounting, data collection and IT systems will work. The Government expects to learn from the pilots' experiences to inform the design of the national system of business rates retention.
- 2.8. Arrangements would also need to reflect the position of precepting authorities, such as Fire and Rescue authorities.
- 2.9. The Government has asked for pooled areas to propose a split for sharing additional growth and to see additional growth being used to either boost

further growth, promote the financial stability of the pooled area or a combination of both.

- 2.10. Unlike the previous two waves the Government has not agreed a 'no detriment' clause for the 2019/20 pilots. While this presents the possibility of a Constituent Council being worse off, for this to occur in practice Business Rates income would have to be c. £55m lower than forecast: this would represent a drop of over 20% of the total rates income across the Combined Authority area and thus is considered a minimal risk; it is nonetheless dealt with in the proposal.
- 2.11. Authorities selected as pilots for 2019/20 will be expected to forego Revenue Support Grant (RSG) and Rural Services Grant. The value of the grant foregone will be taken into account in setting revised tariffs and top-ups, which will be used to ensure that the changes are cost neutral, except for the value of any additional growth retained and the removal of the levy on growth.
- 2.12. It is expected that successful applications will be announced before or alongside the publication of the draft local government finance settlement.
- 2.13. The 2019/20 pilot programmes will last for one year only at which point they will be replaced with the new national scheme

Additional Business rates share calculations

- 2.14. Independent modelling of the financial benefits, carried out by Pixel, predict that the benefits of a pilot to the Combined Authority area would be an additional £20m being retained locally.

The Cambridgeshire and Peterborough area submission

- 2.15. The submission for our area included the seven constituent councils to the Cambridgeshire and Peterborough Combined Authority (CPCA) with Cambridgeshire County Council being the lead authority. The Lead Authority would be responsible for administering the scheme
- 2.16. The principles already set out in the pilot submission are that additional funds retained by the local area will be apportioned as follows:
 - If any individual authority is worse off as a result of being in the pilot, they will receive funding to put them back to the level they would have been in had they not participated in the pilot including any forgone grant from central government (an internal no-detriment clause) underwritten by the Combined Authority.
 - Costs related to the running of the pilot will be retained by the lead authority.
 - 10% (c. £2m) of the remaining funds will be ringfenced to create a Business Growth Fund, held by the Combined Authority to promote further growth across the area.

- 10% (c. £2m) will be split between the two Social Care Authorities (Cambridgeshire County Council and Peterborough City Council) in recognition that the costs of growth fall disproportionately on these authorities.
- The remaining 80% will be distributed per capita across all constituent authorities as set out below, using a 50:50 split between Districts and County in Cambridgeshire:

80% of additionally retained growth	£15.989m
Total population of CA area	849,035
Retained growth per capita	£18.83
50% of per capita for 2 tier areas	£9.42

Local Authority	Population	Lower Tier Allocation to Authority (£'000)	Upper Tier Allocation# (£'000)
Cambridge City	131,799	1,241	1,241
East Cambridgeshire	87,825	827	827
Fenland	100,182	943	943
Huntingdonshire	175,666	1,654	1,654
South Cambridgeshire	156,468	1,473	1,473
Peterborough City*	197,095	3,712	

* Peterborough CC uses the full per capita allocation as it is a unitary

For the 5 Cambridgeshire Districts the upper tier allocation is paid to Cambridgeshire County, totalling £6.14m

- 2.17. Given the strategic role of the Combined Authority, which covers the whole of the pilot geography, and the close alignment between the Business Growth Fund's aims and those of the Combined Authority and its Business Board this fund will be held and administered by the Combined Authority with projects seeking funding following the assurance and governance frameworks already in place within the Combined Authority.
- 2.18. As part of the bid it is required to set out what, if any, pooling arrangements are desired were a pilot not awarded. Based on modelling of the area's business rates top-ups and tariffs there is no benefit to creating a whole area business rates pool thus there will be no business rates pool created if the bid is not successful in securing a pilot.

3.0 FINANCIAL IMPLICATIONS

- 3.1. There are no matters to bring to the Board's attention other than those highlighted in the report.

4.0 LEGAL IMPLICATIONS

- 4.1. In designating a pool for 2019/20, the Ministry for Housing, Communities and Local Government (MHCLG) will attach conditions to the designation in accordance with paragraph 35(1) of Schedule 7B to the Local Government Finance Act 1988 by appointing a lead authority and requiring the authority to take the steps set out in its application in the event that the pool is dissolved.
- 4.2. MHCLG also reserves the right to attach such other conditions as it sees fit, in accordance with paragraph 35(2) of Schedule 7B.

5.0 SIGNIFICATE IMPLICATIONS

- 5.1. There are no other significant implications.

6.0 APPENDICES

- 6.1. Appendix 1 – The Cambridgeshire and Peterborough 75% business rates pilot bid.

<u>Source Documents</u>	<u>Location</u>
List background papers:	
MHCLG invitation to bid	https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf
Cambridgeshire and Peterborough 75% Business Rates Pilot Bid	To Follow



Ministry of Housing,
Communities &
Local Government

Business Rates Pilot Scheme 2019/20

Application Form

This application form will be used to assess your application to pilot 75% business rates retention in 2019/20. Where relevant, further evidence to support points raised in this form may be included as an annex. Please note that authorities cannot apply to pilot 75% business rates retention as part of more than one application.

Information provided in response to this application may be published or disclosed in accordance with the access to information regimes – these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018 (DPA), the EU General Data Protection Regulation, and the Environmental Information Regulations 2004).

The personal data you provide as part of this application will be held on a secure government system in line with the department's [personal data charter](#). Contact details will only be used for contacting you about your application or to update you on our work relating to local government finance reforms.

For any questions relating to the application process, please email:
Businessratespilots@communities.gsi.gov.uk.

FAQs relating to applications will be published on the Government publications website at <https://www.gov.uk/government/publications/75-business-rates-retention-pilots-2019-to-2020-prospectus>

1. Application Contact Details

Please include details of the lead pilot authority and lead official responsible for responding to any departmental queries relating to the pilot application.

a. Name of lead pilot authority	Cambridgeshire County Council
b. Name of lead official	Tom Kelly
c. Lead official job title	Head of Finance
d. Lead official email address	Tom.kelly@cambridgeshire.gov.uk
e. Lead official contact phone number	01223 703599

2. Membership of the Proposed Pool

Please list all authorities belonging to the proposed pilot pool below. The application cannot be considered valid unless all of the listed members have endorsed all parts of the application (see Annex A). You can insert/delete lines as needed.

For the authority type box, please write down one of the following options for each participating authority: (1) Fire; (2) London Borough; (3) Metropolitan district; (4) County; (5) Shire District; (6) Greater London Authority; (7) Unitary Authority.

Authority name	Authority Type
Cambridge City Council	Shire District
Cambridgeshire County Council	County
Cambridgeshire and Peterborough Combined Authority	Mayoral Combined Authority
East Cambridgeshire District Council	Shire District
Fenland District Council	Shire District
Huntingdonshire District Council	Shire District
Peterborough City Council	Unitary Authority
South Cambridgeshire District Council	Shire District

3. Membership details and pooling arrangements

Please answer all of the questions below using short and concise answers. Section 4 will allow you to outline your pilot proposal in more detail.

<p>a. Have all members included in the pilot area endorsed all parts of this application? <i>(Please ensure that Annex A is signed by s.151 officer of each area and returned as part of the application to evidence this.)</i></p>	<p>Select one: (1) Yes; (2) No</p>
<p>b. Do any members of the proposed pool belong to any other current pool? <i>(If 'no', please move to question 3.d.)</i></p>	<p>Select one: (1) Yes (2) No</p>
<p>c. If any members of the proposed pool belong to any other current pool, have other members of such pool been informed that the authority is applying to become a pilot as part of a different pool?</p>	<p>Select one: (1) Yes (2) No (3) N/A</p>
<p>d. Are there any precepting authorities that are not part of the proposed pilot area? <i>(If 'yes', please move to question 3.e.)</i></p>	<p>Select one: (1) Yes (The Cambridgeshire Fire and Rescue Service) (2) No</p>
<p>e. If there are any precepting authorities that are not part of the proposed pilot area, are these precepting authorities aware of this proposal?</p>	<p>Select one: (1) Yes (2) No (3) N/A</p>
<p>f. Are all members of the proposed pilot area willing to collaborate with MHCLG officials on system design of the new business rates retention system, sharing additional data and information, as required?</p>	<p>Select one: (1) Yes (2) No</p>

<p>g. How does the pilot pool propose to split non-domestic rating income in two-tier areas?*</p> <p><i>(F.ex. the pilot pool could propose to split the shares as in the current 50% business rates retention, or propose to test different kinds of tier split arrangements as part of the pilot.)</i></p> <p><i>(*The department will use this information in regulations to designate a tier split for the pooled pilot area. In practice, the pilot pool will be given one overall tariff or top-up, and the members of the pool can agree to change the headline tier split.)</i></p>	<p>In the two-tier section of the area (Cambridgeshire) a 50:50 tier split will be used.</p> <p>This tier split only applies to the 80% of additionally retained rates which are shared between all the constituent authorities.</p> <p>This 80% is allocated on a per-capita basis across the area. This per-person allocation this is shared 50% to upper tier and 50% to lower tier (Peterborough City Council is a unitary and thus retains the full amount) – this is shown in detail in section 4b.</p>
<p>h. Do you propose to retain any of the additional 25% of retained business rates in an investment pot or similar and distribute this after 2019/20?</p> <p><i>(If 'no', please move to question 3.j.)</i></p>	<p>Select one:</p> <p>(1) Yes (2) No</p>
<p>i. If any of the additional 25% of retained business rates are kept in an investment pot or similar, how will this be distributed after 2019/20?</p>	<p>10% of additional growth will be allocated to a business growth fund.</p> <p>This fund will be held by the Combined Authority; project sponsors will propose bids for funding to the Cambridgeshire and Peterborough Business Board (the area's LEP). These proposals must have clear benefits to local businesses and contribute to the growth of GVA and business rates in the area.</p> <p>Using the existing Business Board ensures that funds will be allocated with appropriate oversight in accordance with the local and national LEP assurance frameworks.</p>
<p>j. What is the anticipated income above baseline funding level for the pilot pool over 2019/20 (in £)?</p>	<p>Independent modelling based on NNDR1s suggest the income above baseline for the pool would be £36.059m in 2019/20.</p>

<p>k. What is the business rates base of the proposed pilot area like and what is its relevance to the economic geography of the area?</p> <p><i>(F.ex. you could describe the size and types of hereditaments in the area, business sectors relevant to the area, or the size of your business rates base in relation to baseline funding levels.)</i></p>	<p>The area has recently commissioned an independent review of the Cambridgeshire and Peterborough economy which is published at www.cpier.org.uk. This analysis finds that recent employment growth is 3.3% per annum, rather than the 2.4% suggested by ONS calculations.</p> <p>The review finds evidence of sector strengths and specialisms in;</p> <ul style="list-style-type: none"> • Manufacturing, Advanced Manufacturing and Materials • Life Sciences • IT and Digital • Logistics and Distribution • Education • Professional Services • Agri-tech
<p>l. What pooling arrangements would the members of the pilot like to see if their application to become a pilot is unsuccessful?</p>	<p>If the application to become a pilot is unsuccessful we would not like to see any pooling arrangements.</p> <p>A whole area pool would retain a large net tariff and a 41% levy rate thus there is no financial benefit to entering into a pool outside of a pilot.</p> <p>While there are potentially beneficial pools including a subset of the Authorities this approach is not considered compatible with the joint working ethos prized in the area.</p>
<p>m. How would the pilot area deal with residual benefits/liabilities once the pilot ends?</p>	<p>All residual benefits or liabilities will be distributed in line with the sharing of additional growth during the pilot period i.e.</p> <p>Cambridge City – 6.2% Cambridgeshire – 38.4% Cambridgeshire and Peterborough CA (Business growth fund) – 10.0% East Cambridgeshire – 4.1% Fenland – 4.7% Huntingdonshire – 8.3% Peterborough City – 20.9% South Cambridgeshire – 7.4%</p>

4. Details of the pilot proposal

Please explain how your proposal fulfills each of the below criteria for becoming a 75% business rates retention pilot in 2019/20 (as outlined in 3.2 of the 'Invitation to Local Authorities in England to

pilot 75% Business Rates Retention in 2019/20'). If relevant, you may reference answers provided in section 3 of this application form and use this section to provide more detail on the responses. Although there is no formal word limit for answers provided in this section, please be as concise as possible.

a. How does the proposed pilot operate across a functional economic area?

The Independent Economic Review referenced in box k concludes that there are three functional economic areas within Cambridgeshire and Peterborough. These three economies have unique characteristics and features, as well as important connectivity between one another. They are; Greater Cambridge, Greater Peterborough and the Fens. There are parts of Cambridgeshire and Peterborough (such as East Cambridgeshire and Huntingdonshire) which look to more than one of these economies.

The review draws data from commuting patterns, housing markets and supply chains to define these functional economic areas, which were then published in an interim report and tested through stakeholder consultation. This engagement found local recognition of the three-economy depiction, and value in terms of developing policy responses tailored to the unique needs of each.

As would be expected, these functional economic areas do not stop at the Cambridgeshire and Peterborough border. They extend out to surrounding communities and along strategic corridors to the North, South, East and West of the area.

Crucially, the review finds that the future of these three economies will and should involve them becoming closer and closer over time. For example, with the northern parts of the Fen economy establishing stronger links with Peterborough, and the southern parts becoming more connected to the Cambridge economy.

b. How does the pilot area propose to distribute and use the additional 25% of retained business rates growth across the pilot area?

The first call on the pooled rates income will be to ensure all authorities are in the same financial position that they would have been in had they still been in the 50% scheme (an internal no-detriment clause) underwritten by the Combined Authority.

The costs incurred by the Lead Authority in administering the scheme will then be reimbursed.

10% of the retained growth above this will be split between Cambridgeshire County Council and Peterborough City Council based on a per-capita allocation in recognition that the costs of growth fall disproportionately on upper tier authorities in the form of increased Social Care and Highways maintenance costs.

10% is to be allocated to the creation of a Business Growth Fund. As described above, this will be held by the Combined Authority, ringfenced to projects which promote economic growth in the area and all decisions on the use of this funding will require recommendation from the Business Board (the area's Local Enterprise Partnership).

Examples of projects which have been awarded funding by the LEP to promote economic growth to date include grant funding for the Cambridge Biomedical Innovation Centre and the provision of financing the purchase and refurbishment of Ashwell Business Park which, as of December 2017, had 104 tenants creating employment for 239 people.

The remaining 80% will be split between the constituent authorities based on population, using a 50:50 tier split in Cambridgeshire as shown below:

80% of total additionally retained growth = £15.989m
 Total population of Combined Authority Area = 849,035
 Retained growth per capita allocation = £18.83
 50% of per-capita for 2 tier areas = £9.42

Local Authority	Population (ONS)	Lower Tier Allocation to Authority (£'000)	Upper Tier Allocation# (£'000)
Cambridge City	131,799	1,241	1,241
East Cambridgeshire	87,825	827	827
Fenland	100,182	943	943
Huntingdonshire	175,666	1,654	1,654
South Cambridgeshire	156,468	1,473	1,473
Peterborough City*	197,095	3,712	

* Peterborough CC uses the full per capita allocation as it is a unitary

For the 5 Cambridgeshire Districts the upper tier allocation is paid to Cambridgeshire County, totaling £6.14m

The funding allocated directly to constituent authorities will be utilised to promote financial sustainability, below are examples of how one of the Districts (Fenland) and one Upper Tier authority (Cambridgeshire) will do this:

Fenland

Fenland District Council covers approximately 200 square miles within the County of Cambridgeshire. It is a rural and sparsely populated district with many diverse communities, each with very different needs.

The Cambridgeshire and Peterborough Independent Economic Review (CPIER) report identifies three different economies in the Cambridgeshire and Peterborough Combined Authority Area.

These are;

- The "Greater Cambridge" area – Cambridge, South Cambridgeshire, and parts of Huntingdonshire and East Cambridgeshire.
- The "Greater Peterborough" Area
- The Fens: mainly agricultural and rural Market Towns.

The Fens are considered the most challenged economically of the three, particularly in respect of the socio-economic makeup of the market towns and the specific pressures on the agricultural sector with steep reductions in price of agricultural output and high reliance on low cost labour which has been met by migrants, leaving the sector with a challenge as Brexit approaches.

The Council's Medium Term Financial Plan sets out savings totaling £3.1million between 2016 and 2020. This creates a challenging financial climate to continue to provide a high standard of service to the residents and businesses in the district especially with the uncertainty in respect of the outcome of the Fair Funding Review and the future Local Government Finance system from 2020/21. Due to the rurality and geography of the Fens the cost of providing statutory services such as refuse collection, environmental health, parks and recreational services, is proportionally higher than those experienced in compact areas.

Fenland District Council does face challenges. The Council recognises that deprivation (80th out of 326 most deprived areas in the country) brings unique challenges, particularly around education and health. With the extra funding and working with partners, the Council will be able to continue to deliver projects that improve the quality of life for local people.

The share of additional retained business rates from the pilot will allow the Council to fund some of the 'invest to save' projects on its transformation journey and also to be able to work with partners to support the work on the Market Towns and linking it up with the Local Industrial Strategy.

The additional funding to the council from the retained 75% business rates pilot will provide it with the means to create the medium term financial stability for continued provision of the high quality services and also put it in a position to work with the Cambridgeshire and Peterborough Combined Authority and Cambridgeshire County Council, on the growth and infrastructure plans and implementation in the Fens.

Cambridgeshire

The financial challenges facing local authorities with care responsibilities are well documented nationally. However those within Cambridgeshire are exacerbated by a set of circumstances that is unique to this County. Without any changes to RSG the County Council will be in a negative RSG position of £7m in 2019/20 and until recently was in receipt of the worst funding for its schools in the country. Whilst areas of the county have less deprivation than many other parts of the country this does hide the issues of rural isolation and deprivation seen in the Fens. We also have one of the most challenged health economies in the country and this places significant pressures on the relationship between the health and care sectors.

This position is exacerbated by the fact that Cambridgeshire is one of the fastest growing counties in the country. Whilst the county undoubtedly benefits economically from this growth it does place a significant burden on all local authorities in general but significantly more so on the county council. Be it highway infrastructure, to ensure that the growing workforce is able to move around the county; or the provision of new schools, to help educate the children of the inward migration of families; or simply managing the growth in demand for care services the County Council can no longer deliver all of these services. It is therefore faced with some very stark options if no other support mechanisms are put in place. To put this in to context only a few years ago the County Council received £114m of RSG but in 2019 this becomes negative RSG of £7m.

This reduction of £121m funding is during a period where the demand for services has significantly increased and has therefore had a serious impact on service delivery. We have done all we can to minimize this impact. We have delivered significant transformation of services, we have developed a commercial approach and strategy and we have implemented many alternative service delivery vehicles. However we are reaching the end of the road and now we must turn to serious service cuts. We are currently facing an unfunded budget gap of in excess of £20m for next year in addition to all the savings that have already been built in to the base budget. Without help the current service delivery levels are unsustainable and we will have to cut some key services to our communities. Things like early intervention, household recycling centres, winter gritting are all being considered.

As a net contributor to national GVA our residents deserve better. To ensure that Cambridgeshire continues to support the Governments growth agenda it is imperative that basic public sector services are retained. Without our ability to provide these services the 'offer' that has attracted so much commercial inward investment in to Cambridgeshire will naturally chose other more favorable international option.

c. How does the pilot area propose to arrange its governance for strategic decision-making around the management of risk and reward? How do the governance arrangements support proposed pooling arrangements?

Cambridgeshire County Council will handle the day to day administration of the pool.

There is a pre-existing quarterly meeting of the region's CFOs, including all the authorities involved in this bid, as well as the Fire Authority. A standing item regarding the pool's finances will be added to the agenda at which the County Council will present an update on the pool's financial position and the required transfers between LAs will be agreed. This will also be the forum for highlighting any emerging changes to the risks and rewards within the pilot.

The Business Growth Fund will be held by the Combined Authority as Accountable Body for the Business Board and accounted for separately to their own funds. This fund will be ringfenced for projects which accelerate or increase the growth of business rates in the area and proposals for funding will follow the Business Board's pre-existing assurance framework, ensuring that value for money and transparency are achieved and maintained.

As the area is a Mayoral Combined Authority, the Combined Authority Board is perfectly positioned to provide public scrutiny, and political oversight, of the pilot. The Board is made up of the Leaders of all the authorities involved in the bids as well as the Chair of the Business Board thus it provides representation

for all the key stakeholders in the pool. The quarterly report on pilot finances from the CFOs meeting and recommendations for project funding from the Business Board will be presented to the CPCA Board.

5. Submitting your application

Please return this form and Annex A with signatures of all s.151 officers from proposed pilot pool's member areas by the deadline of 25 September 2018. Where relevant, further evidence of points raised in this form may be included as an annex.

Please submit your completed application to:

businessratespilots@communities.gsi.gov.uk

or

Business Rates Reform; Local Government Finance; Fry Building, 2 Marsham St, Westminster, London SW1P 4DF.



Annex A – Evidence of authorisation

a. Name of lead pilot authority	Cambridgeshire County Council
b. Name of lead official	Tom Kelly
c. Lead official job title	Head of Finance
d. Lead official email address	Tom.kelly@cambridgeshire.gov.uk
e. Lead official contact phone number	01223 703599

Please include the signatures of each member area's s.151 officer to evidence that all parts of your application have been fully endorsed by authorities listed in section 2 of the pilot application form. You can insert/delete lines as needed.

Authority name	Name of s.151 officer	Signature
Cambridge City Council	Caroline Ryba	
Cambridgeshire County Council	Chris Malyon	
Cambridgeshire and Peterborough Combined Authority	Karl Fenlon	
East Cambridgeshire District Council	Ian Smith	
Fenland District Council	Kamal Mehta	
Huntingdonshire District Council	Clive Mason	
Peterborough City Council	Peter Carpenter	
South Cambridgeshire District Council	Alex Colyer	



Ministry of Housing,
Communities &
Local Government

Invitation to Local Authorities in England

to pilot 75% Business Rates Retention in 2019/20



© Crown copyright, 2018

Copyright in the typographical arrangement rests with the Crown.

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence visit <http://www.nationalarchives.gov.uk/doc/open-government-licence/version/3/>

This document/publication is also available on our website at www.gov.uk/mhclg

If you have any enquiries regarding this document/publication, complete the form at <http://forms.communities.gov.uk/> or write to us at:

Ministry of Housing, Communities and Local Government
Fry Building
2 Marsham Street
London
SW1P 4DF
Telephone: 030 3444 0000

For all our latest news and updates follow us on Twitter: <https://twitter.com/mhclg>

July 2018

ISBN: 978-1-4098-5265-0

Contents

Section 1 – The purpose of these invitations	4
Background to current business rates pilots	5
Section 2 – The invitation to authorities to pilot	6
Terms of the invitation	6
Response to the invitation	8
Section 3 – The criteria for becoming a pilot	10
Section 4 – The authorities’ proposal to become a pilot	11
Membership details of proposed pilot	11
Bid details	11
Additional supporting evidence	12
Membership	12
Lead authority	12
Pooling arrangements if pilot bid is unsuccessful	12
Other information	12
Section 5 – The government’s handling of proposals	13
Section 6 – Submission of proposals	14
Section 7 – Conditions	15

Section 1 – The purpose of these invitations

- 1.1 The government is committed to continuing to give local authorities greater control over the money they raise locally. In December 2017, the government announced the aim of increasing the level of business rates retained by local government from the current 50% to the equivalent of 75% in April 2020.
- 1.2 In order to test increased business rates retention and to aid understanding of how we transition into a reformed business rates retention system in April 2020, the government is inviting local authorities in England to apply to become 75% business rates retention pilots in 2019/20. This will be focussed on the learning necessary for transition to the proposed new scheme in 2020/21, allowing the Government to test business rates retention at 75% in line with proposed level of retention for 2020/21 and resulting in a smoother transition to full implementation. Given the limited time before 2020/21, there are fewer issues we can usefully test in pilots. It is therefore likely that this pilot programme may be smaller than in 2018/19.
- 1.3 As part of the move towards a reformed business rates retention system in 2020/21, the government intends to devolve Revenue Support Grant (RSG), Rural Services Delivery Grant (RSDG), the Greater London Authority (GLA) Transport Grant and the Public Health Grant (PHG) to local government when the new system commences. The government also intends to use the intervening period to develop a set of measures that support a smooth transition of funding for public health services from grant funding to retained business rates.
- 1.4 To ensure that piloting in 2019/20 closely reflects the government's proposals to date for a reformed business rates retention system, authorities selected as pilots in 2019/20 will be expected to forego Revenue Support Grant (RSG) and Rural Services Delivery Grant (RSDG).
- 1.5 New 75% retention pilots in 2019/20 will provide the opportunity to test and gather information on the design of the new business rates retention system in preparation for 2020/21. The pilots will test authorities' administration, technical planning for implementation, and look at system maintenance; how the accounting, data collection and IT systems will work. They will also aid our understanding of how we transition into and operationalise the proposed 75% business rates retention system from 2020 onwards.
- 1.6 Collaboration between the government and local government has been central to the ongoing development of the business rates retention system and the reform of the local government finance system more widely. Piloting increased business rates retention will continue to form a key part of this collaboration and help design a system that truly delivers for the sector.

- 1.7 MHCLG are evaluating pilots during their operation and will continue to develop and share 'lessons learnt' from the implementation of increased business rates retention.

Background to current business rates pilots

- 1.8 On 1 April 2017 the government launched five initial 100% business rates retention pilots¹ in devolution deal areas. These pilots were continued into 2018/19. The government will continue to have separate discussions with the devolution deal areas about their pilot programme.
- 1.9 On 1 April 2017 we also transferred the responsibility for funding TfL investment grant to the Greater London Authority (GLA), increasing their share of business rates to 37%.
- 1.10 At the 2017 Autumn Budget it was confirmed that London would become a 100% business rates retention pilot for the duration of the 2018/19 financial year. The pilot comprises of the thirty-two London Boroughs, the City of London and the Greater London Authority. The government will continue to have separate discussions with London about their pilot programme.
- 1.11 At the provisional Local Government Finance Settlement in December 2017, the government announced a further ten 100% business rates retention pilots for the duration of the 2018/19 financial year in local authority areas across England². Whilst these pilots are set to end on 31 March 2019, we are inviting the areas involved to apply to become 75% business rates retention pilots in 2019/20.

¹ These pilots are in Greater Manchester, Liverpool City Region, the West Midlands, Cornwall and the West of England.

² These pilots are in Berkshire, Derbyshire, Devon, Gloucestershire, Kent, Leeds, Lincolnshire, Solent, Suffolk and Surrey.

Section 2 – The invitation to authorities to pilot

- 2.1 This invitation is addressed to all authorities in England, excluding those with ongoing business rates retention pilots in devolution deal areas and London, which are expected to have separate discussions with the department.
- 2.2 Other ongoing business rates retention pilots, set to operate for the duration of the 2018/19, will end on 31 March 2019. We are inviting these authorities, alongside other authorities in England, to make a proposal to pilot 75% business rates retention in 2019/20, should they wish to do so.
- 2.3 Applications from current pilot authorities will not be influenced by the success of those authorities in last year's application process. Authorities may reference their previous experiences of piloting increased business rates retention when writing their applications. However, all applications for the 2019/20 pilots, whether from piloting or non-piloting authorities, will be assessed on their merits and on an equal footing.

Terms of the invitation

- 2.4 The government is interested in exploring how 75% rates retention can operate across more than one authority to promote financial sustainability and to support coherent strategic decision-making across functional economic areas. Accordingly, the government would like to see authorities form pools (either on existing or revised boundaries) and, with agreement in place from all participating authorities, to apply jointly for pilot status. We would expect a proposed pool to comprise a county council and all of the associated district councils; a group of unitary authorities; or a two-tier area and adjoining unitaries, but it should extend across a functional economic area. Proposals will need to set out tier split arrangements of all precepting authorities, including Fire and Rescue authorities.
- 2.5 To be accepted as a pilot for 2019/20, agreement must be secured locally from all relevant authorities to be designated as a pool for 2019/20 (in accordance with Part 9 of Schedule 7B to the Local Government Finance Act 1988) and to put in place local arrangements to pool their additional business rates income.
- 2.6 We require bids to explain how the pilot will manage risk and reward at a strategic level. Bids should pay regard to the financial sustainability of all local authorities involved, as well as laying out how any potential growth in business

rates may be spent. The bid will also need to outline the governance arrangements for strategic decision making.

- 2.7 The government will use the 2019/20 pilots to deepen its understanding of how different local arrangements, including governance and information systems, work in relation to 75% business rates retention. As such, the government will seek to gather evidence from the pilots by conducting interviews with a sample of piloting authorities once the pilots are operational.
- 2.8 Participating authorities will be expected to work with MHCLG officials on the system design of the new business rates retention system and share additional data and information, as required. Pilot bids should clearly confirm the participating authorities' willingness to aid MHCLG officials in this work.
- 2.9 Authorities may propose new pooling arrangements should they wish to apply to become 75% business rates retention pilots in 2019/20. In two-tier areas, applications should propose a tier split.
- 2.10 The proposal will need to show that all participating authorities have agreed to become part of the suggested pool and share additional growth as outlined in the bid. The s.151 officer of each authority will need to sign off the proposal before its submission.
- 2.11 The value of grants devolved as part of business rates pilots will be taken into account when revised tariffs and top-ups for the piloting authorities are set up. This is to ensure that pilots are fiscally neutral against business rates baselines, and only benefit financially if actual revenues exceed baselines.
- 2.12 Pilot areas will be expected to operate under the arrangements that currently determine safety net payments for pools. In other words, each 'pool' will have a single safety net threshold determined on the basis of the pool's overall baseline funding level and business rates baseline. However, the pool's safety net threshold will be set at 95% of its baseline funding level, instead of 92.5%, to reflect the additional risk of 75% retention. Pilots will operate with a 'zero levy', as is the case for the current 2018/19 pilot areas.
- 2.13 As the pilots are testing the pooled authorities' approach to risk, the government has agreed that a 'no detriment' clause will not be applied to the 2019/20 pilots. Instead, selected areas will test a 95% safety net to reflect increased risk in the proposed increased business rates retention system. Applying a 'no detriment' clause to the pilots would not be reflective of the reformed business rates retention system that the government aims to introduce in 2020/21.

- 2.14 Given the timetable for pilot applications and the proximity to the finalisation of the local government finance settlement, all applications must outline, with agreement from all participating authorities, what pooling arrangements they would like to see if their application to become a pilot were unsuccessful. In addition, any authority which is part of a current pool but wishes to apply to become a pilot as part of a different pool, must inform the current pool of its intention prior to submitting its application to the department.
- 2.15 Alongside this prospectus we are publishing supplementary information on how pooling arrangements will be managed in line with applications to become pilots. Please consult this document for further information.
- 2.16 The government reserves the right to pilot a full range of options and so to create a single authority pilot if it is deemed useful as a result of our discussions with applicants. The government will not compel any authority to become a pilot that does not wish to, and we cannot designate a pool without explicit agreement from all participating local authorities.
- 2.17 We recognise that in some cases functional economic areas can extend beyond traditional administrative areas. Unless locally agreed otherwise, the government will assume that in the exceptional event that a district council successfully applies to become a business rates retention pilot as part of a pool to which its county council, or other major precepting authority does not belong, its major precepting authorities will continue to receive the same share of business rates from the district as they would have done under the current 50% business rates retention system if they are not part of a separate successful pilot. The separate 75% business rates pool, of which the district is a member, will therefore need to account for this when determining the pool's internal split for sharing business rates income.
- 2.18 Where a county and one, or more, of its districts are successful in applications for separate 75% business rates retention pilots, we would expect them to reach agreement about the share of business rates that the districts are to pay to the county. In the absence of such local agreement, the Secretary of State will determine the shares, considering proposals made in applications to the department on a case by case basis.

Response to the invitation

- 2.19 It is wholly at the discretion of authorities whether or not they choose to apply to the pilot scheme outlined above.

- 2.20 Any proposals for new pilots must be received by the Ministry of Housing, Communities and Local Government by midnight on Tuesday 25 September 2018.
- 2.21 It is expected that successful applications will be announced before or alongside the publication of the provisional Local Government Finance Settlement.

Section 3 – The criteria for becoming a pilot

- 3.1 The department will consider all applications to pilot 75% business rates retention that are received by the deadline at midnight on 25 September 2018 and conform to the scheme as outlined in Section 2.
- 3.2 Because of affordability constraints, it may be necessary to assess applications against selection criteria. In these circumstances, the following criteria will be considered:
 - a. Proposed pooling arrangements operate across a functional economic area;
 - b. Proposal demonstrates how pooled income from growth will be used across the pilot area to either boost further growth, promote financial sustainability or a combination of these;
 - c. Proposal sets out robust governance arrangements for strategic decision-making around the management of risk and reward and outlines how these support the participating authorities' proposed pooling arrangements.
- 3.3 If further assessment criteria are required, the government may select pilots in order to:
 - a. Achieve a wide geographical spread across England;
 - b. Achieve a pilot programme with a range of arrangements to be tested. This might include selecting pilots with different kinds of business rate bases, different pooling or governance arrangements as part of the pilot;
 - c. Achieve variation in the types of tier split arrangements that are being piloted in the case of two-tier areas.

Section 4 – The authorities’ proposal to become a pilot

- 4.1 Any proposal must be in accordance with the invitation and criteria outlined in Sections 2 and 3, and summarised in paragraph 5.2.
- 4.2 Proposals must address all questions in the 75% business rates retention pilot application form and clearly set out the following:

Membership details of proposed pilot

- a. Local authority membership of the proposed pool, explaining its business rates base and relevance to the economic geography of the area;
- b. Evidence (i.e. signature of each area’s s.151 officer) that each local authority in the proposed pool fully supports the application and the proposed pooling arrangements;
- c. The lead authority and contact details of the lead responsible official for matters relating to the application;
- d. The proposed position of all precepting authorities, including Fire and Rescue authorities.

Bid details

- e. Details of your bid should include a summary of governance arrangements, as well as agreement on how any additional business rates income is to be used across the pilot area; how risk is to be managed; and how residual benefits/liabilities would be dealt with once the pilot ends;
- f. An indication of how the pool will work together in the longer term;
- g. Proposals for sharing additional growth across the pilot area. We are interested in seeing how additional growth may be used to promote financial sustainability, as well as further growth through investment;
- h. Confirmation that all participating authorities are willing to work with MHCLG officials on the system design of the new business rates retention system and share additional data and information, as required.

Additional supporting evidence

- i. In relation to authorities in two-tier areas, applications should propose a tier split.

Membership

- 4.3 Authorities cannot apply to pilot 75% business rates retention as part of more than one application. Where authorities have two possible options, they must choose which pilot they wish to apply to participate in. We will reserve the right to refuse applications from authorities that have sent in multiple applications.
- 4.4 If existing pooling arrangements need to be reconfigured as a result of a pilot proposal, the department would expect to make the necessary determinations at the same time as confirming its agreement to the pilot arrangements. In the event that a pilot proposal is not accepted, the government will make 2019/20 pooling arrangements with the authorities concerned, taking into account their expressed preferences on their pilot application, as requested in paragraphs 2.14 and 5.6.

Lead authority

- 4.5 Participating pools will be treated as one entity by the department for the purposes of business rates retention and one calculation will be made regarding top-up/tariff and the safety net payment. Therefore, the pool must nominate a Lead Authority to receive payments from and make payments to the department on behalf of the entire pool. Any authority within the pool is eligible to fulfil this role. Applications must state which authority will be acting as the Lead Authority for the duration of the pilot.

Pooling arrangements if pilot bid is unsuccessful

- 4.6 The pilot bid will need to clearly outline, with agreement from all participating authorities, what pooling arrangements the authorities would like to see in case that the application to become a pilot was unsuccessful.

Other information

- 4.7 Authorities may include any further materials they see fit in support of their proposal. These should be included as an Annex to the main pilot application form.

Section 5 – The government’s handling of proposals

- 5.1 All proposals received on or before 25 September 2018 by the department will be carefully considered, and the results announced before or alongside the publication of the provisional Local Government Finance Settlement. After the announcement the department will support successful authorities in preparing for implementation.
- 5.2 The first assessment of proposals will ensure that all conform to the terms of the invitation (see Section 2).
- 5.3 If it is necessary for a selection to be made, for reasons of affordability, then the proposals will be subject to a further assessment against the criteria outlined in Section 3, 3.2.
- 5.4 If a third assessment is required, then proposals will be assessed against further criteria to ensure a variety of useful pilots are created, including those outlined in Section 3, 3.3.
- 5.5 The government may request further information in carrying out this assessment from the authorities submitting the proposal and from other persons and bodies that it deems appropriate.
- 5.6 Where information is not available the government reserves the right to make assumptions and estimates as it sees fit.

Section 6 – Submission of proposals

6.1 Any proposals for new pilots must be received by the Ministry of Housing, Communities and Local Government by the deadline at midnight on 25 September 2018. The Secretary of State may publish proposals in the Libraries of Parliament.

6.2 Proposals should be submitted to:

Local Government Finance Reform Team

Ministry of Housing, Communities and Local Government

Fry Building

2 Marsham Street

Westminster

London

SW1P 4DF

Email: Businessratespilots@communities.gsi.gov.uk

Section 7 – Conditions

- 7.1 In designating a pool for 2019/20, the department will attach conditions to the designation in accordance with paragraph 35(1) of Schedule 7B to the Local Government Finance Act 1988. The department will appoint a lead authority to exercise the functions specified in other conditions attached to the designation, taking into consideration the suggestion made in the pool's application as stated at 5.5. above, and will require the authorities to take the steps set out in its application in the event that the pool is dissolved, as suggested at 5.2(f) above.
- 7.2 It also reserves the right to attach such other conditions as it sees fit, in accordance with paragraph 35(2) of Schedule 7B. If the department attaches conditions these are likely to be around the publication of information by the lead authority in the interests of transparency.
- 7.3 The department also reserves the right to modify, add or remove conditions at any point in the future, as becomes necessary.
- 7.4 The 2019/20 pilot programme will last for one year only in preparation for the full implementation of a reformed business rates retention system that the government aims to introduce on 1 April 2020 and does not prejudice the discussion the department will be continuing to have with Local Government on the future of the business rates retention system as a whole.

This page is left blank intentionally.



Ministry of Housing,
Communities &
Local Government

Ministry of Housing, Communities and
Local Government

2 Marsham Street
London
SW1P 4DF

Dear colleagues in local government,

In light of the publication of the *Invitation to Local Authorities in England* prospectus, we are writing to you to ensure that all pools of local authorities (LAs) and all individual (non-pooling) authorities in England are aware of any implications the 2019/20 pilot programme may have on your current or future pooling arrangements.

We urge you to consider this letter carefully, and read it in conjunction with the *Invitation to Local Authorities in England* prospectus and the standard business rates pooling procedure.

The annual BR pooling procedure will be taking place as per usual. There is an opportunity for all authorities, whether thinking of applying to be a 75% pilot authority, or not, to advise us if they would like to create a new business rates pool, revoke a pool or continue with their existing pooling arrangements. Please see attached appendix for details.

Applying to become a pilot

As set out in the *Invitation to Local Authorities in England* prospectus, the department is inviting pools of authorities – whether based on existing pools or on new pools – to pilot 75% rates retention in 2019/20. Outlined below are various scenarios which may arise during the negotiations local authorities undertake before applying to become a 75% business rates retention pilot in 2019/20.

Please note that the deadline for an application to become a pilot to be received by the Ministry of Housing, Communities and Local Government is 25 September 2018. Applications for pilots should be submitted by a ‘lead’

authority, who has applied on behalf of the pilot's pooling authorities. All constituent authorities should be copied into that same application submission.

It is expected that the pooling arrangements under which pilots will operate will be clearly detailed in every application we receive. In addition, applications should include details of;

- What pooling arrangements (if any) authorities would like to pursue in the event that their pilot bid is unsuccessful.
- Where pooling arrangements are to apply in the event of an unsuccessful bid and where these are different from those that would apply were the bid successful, the application should provide assurance that there is agreement to those arrangements from all local authorities involved in the proposed pool.

If authorities in existing BR pools are applying to become a pilot as part of a different pool, they should ensure that the lead authority of their existing BR pool is informed of their intention and should agree with their former pool, the 2019/20 pooling arrangements that will apply should their pilot application be unsuccessful. This should be done as soon as possible and certainly before the pilot application is made – both because these arrangements will need to be detailed in the application (see above), but also because there will not be time for local authorities or the department to deal sequentially with pilot and non-pilot pooling arrangements. Therefore, we will need to know by the time that pilot applications are made on 25 September 2018, what pools will need to be designated in the event of both successful and unsuccessful pilot applications.

If authorities, or pools of authorities, do not intend to apply for pilot status, they should indicate by 25 September 2018, what pooling arrangements, if any, they want to apply in 2019/20 – i.e. whether they want existing pools to continue, or to be revoked, or re-configured; and whether they want to create new pools. In doing so, they should take account of any individual pool members that have applied (outside the pool) for pilot status and ensure that we know what options they want to implement in the event that a pilot application is successful, or unsuccessful. Please submit information regarding your pooling arrangements to BRPooling2019-20@communities.gsi.gov.uk.

We may need to discuss pooling preferences with authorities immediately after 25 September 2018.

SCENARIO

RESULT OF PILOT BID

POOLING OUTCOME

You are in an existing pool which is applying to become a pilot...

If your pilot bid is successful...

1. The existing pool would be revoked in line with standard business rates pooling procedure.

2. All LAs within your current BR Pool will be redesignated as a pilot.

If your pilot bid is unsuccessful...

1. We will follow the instructions we have been given in your application.

2. If the application states all LAs wish to remain a pool, we will make no change.

3. If the application states some LAs wish to leave the current BR pool, we will alter pool membership.

4. If the application states no LAs wish to continue pooling if the pilot bid is unsuccessful, we will revoke the current BR pool.

SCENARIO

RESULT OF PILOT BID

POOLING OUTCOME

You are in an existing BR pool but are applying to become a pilot as part of a different pool...

If your pilot bid is successful...

1. The existing BR pool would be revoked and we would follow the instructions given by the remaining LAs in that pool.

2. You would be set up as a pilot with the new Pilot pool.

If your pilot bid is unsuccessful...

1. We will follow the instructions we have been given in your application.

2. If the application states you would like to change BR pools, we will change membership of each pool.

3. If the application states you wish to remain part of your current BR pool, we will leave the pool as it stands.

SCENARIO

RESULT OF PILOT BID

POOLING OUTCOME

You are not currently in a BR pool, but are applying to become a pilot as part of an existing pool...

Page 43

If your pilot bid is successful...

If your pilot bid is unsuccessful...

1. The existing BR pool would be revoked and redesignated as a pilot, with you included in the pilot pool.

1. We will follow the instructions we have been given in your application.

2. If all LAs in the BR pool have given their acceptance to extend their pool to include your authority, we will change the pool membership.

SCENARIO

RESULT OF PILOT BID

POOLING OUTCOME

You are not currently in a BR pool, but are applying to become a pilot as part of a new pool...

If your pilot bid is successful...

1. We will invoke this new pool and set it up as a pilot.

If your pilot bid is unsuccessful...

1. We will follow the instructions we have been given in your application.

2. If all LAs have said they would still like to pool, we will invoke a new pool.



1. Home (<https://www.gov.uk/>)
 2. 75% business rates retention pilots 2019 to 2020: prospectus (<https://www.gov.uk/government/publications/75-business-rates-retention-pilots-2019-to-2020-prospectus>)
1. Ministry of Housing,
Communities &
Local Government (<https://www.gov.uk/government/organisations/ministry-of-housing-communities-and-local-government>)

Guidance

Frequently asked questions

Updated 20 September 2018



© Crown copyright 2018

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](https://www.nationalarchives.gov.uk/doc/open-government-licence/version/3) (<https://www.nationalarchives.gov.uk/doc/open-government-licence/version/3>) or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at <https://www.gov.uk/government/publications/75-business-rates-retention-pilots-2019-to-2020-prospectus/frequently-asked-questions>

This page will be routinely updated with frequently asked questions.

1. As part of the move towards a reform business rates retention system in 2020 to 2021, the government intends to devolve Revenue Support Grant (RSG), Rural Services Delivery Grant (RSDG), the Greater London Authority (GLA) Transport Grant and the Public Health Grant (PHG) when the new system commences. But for the purpose of 75% pilots in 2019 to 2020, paragraph 4 only mentions that authorities selected as pilots will be expected to forego RSG and RSDG. Will you be using PHG to balance to the 75% business rates retention?

For the 2019 to 2020 pilots there is no assumption that PHG will be rolled in and any requests to do so will be considered on a case by case basis. If prospective pilot applicants are interested they should open an early dialogue with Public Health England via the appropriate local centre. However, the success of any pilot application will not be contingent on the result of any request to roll in PHG.

The total amount of grant rolled in will be added to the existing baseline funding level for 2019 to 2020 to create a new baseline funding level. Where this is less (or more) than 75% of business rates, there will continue to be a top-up (or tariff) to make up the difference.

2. As part of the 2018 to 2019 pilot application process the government published a calculator to help local authorities estimate the growth that they could achieve by becoming a pilot. Are you going to publish a similar calculator this year?

We have decided not to publish the LA calculator this time as in the 2018 to 2019 pilots bidding round many local authorities did not make use of it but produced estimates based on their own calculations instead.

3. Is the re-application for the existing 100% pilots (announced at the provisional local government finance settlement in December 2017) going to be more of a technicality or is the application process going to be genuinely competitive for all applicants?

The application process will be a genuinely competitive one, as explained in paragraph 2.3 of the prospectus: "Applications from current pilot authorities will not be influenced by the success of those authorities in last year's application process. Authorities may reference their previous experiences of piloting increased business rates retention when writing their applications. However, all applications for the 2019 to 2020 pilots, whether from piloting or non-piloting authorities, will be assessed on their merits and on an equal footing."

4. We are already in a pool pilot for 2018 to 2019 and intend to apply for pool pilot status in 2019 to 2020. However, what happens if our application for pilot status is unsuccessful? Do we need to apply for pool status as well by 25 September in case our application for pilot status is unsuccessful or will we automatically revert to our pool arrangements based on 50% retention?

As part of your pilot application, for which the deadline is 25 September 2018, you will need to detail, with agreement from all participating authorities, what pooling arrangements you would like to see should the application to become a pilot be unsuccessful. Unless you provide this information, you may not be able to be part on a business rates pool. Your authority will not automatically revert to your previous pool arrangements. You can find more information in supplementary information on pooling (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728557/Supplementary_information_pooling.pdf) - it details multiple scenarios for pooling/piloting.

5. Would you consider extending the application deadline of 25 September?

Unfortunately we will not be able to extend the deadline beyond 25 September.

6. Would you accept an application from a proposed pilot pool that did not include one of the district councils associated with the pool's county council?

Could a district council choose to form a pilot pool with an upper-tier authority other than its own associated county council?

Would you accept applications from pools that do not include an upper-tier authority?

As explained in paragraph 2.4 of the 2019 to 2020 business rates pilots prospectus, we would expect a proposed pilot pool to comprise a county council and all of the associated district councils; a group of unitary authorities; or a two-tier area and adjoining unitaries, but it should extend across a functional economic area. As per paragraph 2.16 we also reserve the right to pilot a full range of options and as per 2.17 we recognise that in some cases functional economic areas can extend beyond traditional administrative areas.

As per 2.14, any authority which is part of a current pool but wishes to apply to become a pilot as part of a different pool, must inform the current pool of its intention prior to submitting its application to the department. Similarly, we would also expect that any precepting authorities that remain outside the proposed pilot area are informed of the proposal prior to the application being submitted to the department.

7. Would an application be at any disadvantage if the proposed pool did not include an upper-tier authority?

All applications will be assessed on their merits following the criteria set out in the 2019 to 2020 pilots prospectus. As per paragraph 3.3, we may need to select pilots in order to achieve a wide geographical spread across England; achieve a pilot programme with a range of arrangements to be tested; and achieve variation in the types of tier split arrangements that are being piloted in the case of two-tier areas. Which applications are selected as successful will therefore depend on how well they satisfy the criteria in the prospectus, firstly against the factors in 3.2 and secondly, if required, against the factors in 3.3.

8. How would the tier split issue discussed in paragraph 2.17 of the prospectus work in practice for a pilot pool that did not include any of its major precepting authorities?

Unless locally agreed otherwise, the government will assume that in the exceptional event that a district council successfully applies to become a business rates retention pilot as part of a pool to which its county council, or other major precepting authority does not belong, its major precepting authorities will continue to receive the same share of business rates from the district as they would have done under the current 50% business rates retention system if they are not a part of a separate successful pilot. The separate 75% business rates pool, of which the district is a member, will therefore need to account for this when determining the pool's internal split for sharing business rates income.

What this would mean in practice is that the lower-tier authorities in the pilot would continue to pay a 9% share to the county council and where relevant a 1% share to a fire authority. With the central share reducing from 50% to 25%, the district share would rise from 40% to 64% or 65% (depending on fire authority responsibilities). For unitaries, allowing for fire responsibilities, the shares would rise from 49% to 75%.

As per paragraph 2.18, where a county and one, or more, of its districts are successful in applications for separate 75% business rates retention pilots, we would expect them to reach agreement about the share of business rates that the districts are to pay to the county. In the absence of such agreement, the Secretary of State will determine the shares, considering proposals made in applications to the department on a case by case basis. We cannot pre-empt how the Secretary of State would determine the shares should this be the case.

9. Para 2.11 of the 2019 to 2020 prospectus suggests tariffs and top-ups will be adjusted to ensure pilots will be fiscally neutral against business rates baselines, and only benefit financially if actual revenues exceed baselines. Will notional Business Rates Baselines be calculated for 2019 to 2020 pilots under 75% retention to adjust tariffs and top-ups in a similar way to the method outlined in the 2018 to 2019 100% pilot prospectus?

Yes, we will be using the same methodology as we have done for 2018 to 2019 pilots.

10. What kind of scoring system will you be using to assess applications?

We haven't published a scoring system.

The first assessment of proposals will ensure that all conform to the terms of the invitation (see section 2 of the 2019 to 2020 prospectus).

If it is necessary for a selection to be made, for reasons of affordability, the proposals will be subject to a further assessment against

the criteria outlined in section 3, paragraph 3.2.

If a third assessment is required, then proposals will be assessed against further criteria to ensure a variety of useful pilots are created, including those outlined in section 3, paragraph 3.3.

11. Do you have a preference on the way in which pilots should split the additional 25% of retained business rates growth across the pilot area? If some of the money is invested, would you prefer it to be used in housing or commercial growth as an example?

Proposals should demonstrate how pooled income from growth will be used across the pilot area to either boost further growth, promote financial sustainability or a combination of these. If the money is invested, we do not have a preference on the type of investments that the proposed pool would like to make. What is important is that the proposal, including the way in which growth is split between sustainability and growth, has the full support of all participating authorities.

12. Can we see proposals of current pilots as examples of how to draft successful applications?

The list of current pilot areas is public, however, we are not able to share details of previous proposals without the consent of those local authorities.

13. Would you be able to look at our draft application prior to the application deadline?

Beyond generic advice, we are not able to assist any local authorities in the drafting of their proposals. We will only consider proposals when they are formally submitted to the department.

14. Should the areas that were selected to pilot 100% business rates retention in 2018 to 2019 re-apply to become 75% business rates retention pilots in 2019 to 2020?

The 10 100% business rates retention pilots that were selected following last year's bidding process will conclude on 31 March 2019 as per our agreements with them. We are inviting these authorities, alongside other authorities in England, to make a proposal to pilot 75% business rates retention in 2019 to 2020, should they wish to do so. All applications for the 2019 to 2020 pilots, whether from piloting or non-piloting authorities, will be assessed on their merits and on equal footing.

15. What will happen to ongoing 100% business rates retention pilots in devolution deal areas and London in 2019 to 2020?

We have confirmed that the 100% business rates retention pilots in devolution deal areas will continue into 2019 to 2020. It is yet undecided what will happen to pilots in these areas when the proposed new system of 75% business rates retention is introduced in 2020 to 2021, but we will continue to work with the areas to develop options for future business rates retention ahead of the proposed reforms.

We will be negotiating with London about the possibility of extending the London pilot by another year.

16. Do all participating councils require the same level of political sign off for their pilot application?

Individual authorities have the freedom to decide the appropriate level of internal sign off required for the pilot application by themselves. However, the application will need to show that all participating authorities have agreed to become part of the suggested pool and have endorsed all parts of the application. To evidence this, the s.151 officer of each authority in the proposed pilot pool will need to sign the application form before its submission to MHCLG.

17. If our pilot application is successful, are we obliged to go forward with the proposal and become a pilot?

We will be announcing the successful applicants either before or alongside the provisional local government finance settlement. If at the time you were to find out that your application was successful, we could not oblige you to go forward with the pilot. However, we would strongly encourage authorities not to pull out from the proposal at the point of announcement.

Legally, MHCLG will have to put forward pooling arrangements for the 2019 to 2020 financial year at the provisional local government finance settlement later this year. We will collate the pooling information based on information that we have received from local authorities prior to the provisional local government finance settlement, including through the pilot application forms.

The pooling arrangements for each financial year will need to have been approved by all local authorities in the proposed pool. If any of the local authorities in the proposed pilot pool was to change their mind, that would forfeit the whole application. Due to time constraints, at that point there would not be sufficient time for the other pool members to submit alternative pooling arrangements for the 2019 to 2020 financial year.

18. Is there a chance that MHCLG might delay the 75% business rates retention reforms? So far the department has not released any detailed proposal on the design of the new system and is still planning to go forward with 75% business rates retention pilots.

We are working towards a November consultation where we lay out our work on the proposed future system for 2020 to 2021, including more detail on the future package of business rates retention system. We have been and are continuing to work collaboratively with the sector and the Local Government Association on the system design of the proposed new system. Details of the papers discussed and minutes of the meetings are available on the LGA website (<https://www.local.gov.uk/topics/finance-and-business-rates/business-rates-retention>).

19. Will you be selecting 10 pilot areas this year, as you did in 2018 to 2019?

Given the limited time before 2020 to 2021, there are fewer issues we can usefully test in pilots. It is therefore likely that the pilot programme may be smaller than in 2018 to 2019.

20. Can you ensure there will be no levy payments for 2020 to 2021?

We can confirm that pilot pools will not be subject to the levy in 2019 to 2020. Decisions on the shape of the future system from 2020 to 2021 are still being made.

21. Is there any interest in a pool that is going to be two unitaries with no tier splits?

We would like to see authorities form pools (either on existing or revised boundaries) and, with agreement in place from all participating authorities, to apply jointly for pilot status. We would expect a proposed pool to comprise a county council and all of the associated district councils; a group of unitary authorities; or a two-tier area and adjoining unitaries, but it should extend across a functional economic area. This means would consider an application from a proposed pool of two unitaries.

22. Will negative revenue support grant (RSG) for 2019 to 2020 impact on our 2019 to 2020 baseline figure to go into the pilot scheme?

The government is currently consulting on proposals for negative RSG in 2019 to 2020 and our preferred option is to remove the impact of negative RSG by reverting tariffs and top ups to what they would be if there was no negative RSG. Any final decision made in relation to this would be applicable to both piloting and non-piloting authorities in 2019 to 2020.

23. On which sections of the application form will you be conducting a qualitative assessment?

We will check answers in section 3 of the application form to ensure that the application conforms to the terms of the invitation (see section 2 of the prospectus). We may also refer to answers in section 3 of the application form, if necessary, to ensure that a variety of useful pilots are created (see further criteria 3.3 in the prospectus).

Answers in section 4 of the application form will be assessed qualitatively against criteria in paragraph 3.2 of the prospectus.

24. What are the key points we should consider when drafting our application?

Your application should clearly explain how the proposed pool would work and make sure that all members of the proposed pool understand the key principles. We have received feedback from last year's applicants who have advised us on the difficulty of getting the pooling arrangements set up, so it is vital that the pool has clear shared objectives and strong governance structures in place.

25. Would you be willing to consider a pilot application from a single unitary authority?

Although paragraph 2.4 in the prospectus makes it clear that the government would like to see authorities form pools (either on existing or revised boundaries) and, with agreement in place from all participating authorities, to apply jointly for pilot status, paragraph 2.16 also reserves the right to pilot a full range of options. We are therefore open to an application for a single unitary authority pilot.

26. Would successful pilot authorities retain 75% of business rates growth, as opposed to 75% of collected business rates income? If yes, how will the growth be calculated?

That is correct – business rates pilot authorities would retain 75% of growth, as opposed to retaining 75% of business rates income collected within the pilot authority(s).

Real terms growth will be measured against baseline funding levels that were set in 2013 to 2014. The measurement of growth will also include elements such as section 31 grants, surplus/deficit and safety net/levy income.

27. In our modelling we have assumed that negative RSG will also be rolled in to the calculations of tariffs and top-ups. Is this correct?

The government is currently consulting on proposals for negative RSG in 2019 to 2020 and our preferred option is to remove the impact of negative RSG by reverting tariffs and top-ups to what they would be if there was no negative RSG. Any final decision made in relation to this would be applicable to both piloting and non-piloting authorities in 2019 to 2020.

28. Would you expect fire and rescue authorities to be in the new pilots?

As set in 2.4, we would expect a proposed pool to comprise a county council and all of the associated district councils; a group of unitary authorities; or a two-tier areas and adjoining unitaries, but it should extend across a functional economic area. Proposals will need to set out tier split arrangements of all precepting authorities, including fire and rescue authorities.

Should the fire and rescue authority not be included in the proposal, and unless it was locally agreed otherwise, the fire and rescue authority would continue to receive the same share of business rates as they would have done under the current 50% business rates retention system.

29. What is the government's thinking with regard to question K on the business rates retention pilot application form? Does this mean that the more diverse an area's business rates base is the more likely it is that their pilot application would be successful?

Question K is linked with further criteria 3.3 in the prospectus. We may refer to this criteria, if necessary, to ensure that a variety of useful pilots are created. We are interested in piloting 75% business rates retention with a range of different pooling, governance and tier split arrangements to be tested. We are also interested in testing 75% business rates retention in different geographies and in areas with different types of business rate bases, and therefore piloting in areas with complex or simple business rate bases would be of similar interest to us.

30. With regard to 'jointly managing risk and reward' what would your views be on each member receiving 'their earned growth' (following agreement of new tier splits) as opposed to putting the additional growth in an investment pot?

As per 3.2b of the prospectus, proposals should demonstrate how pooled income from growth will be used across the pilot area to either boost further growth, promote financial sustainability or a combination of these. There is no requirement for the money to be put in an investment pot, but we are interested in innovative approaches and your answer could cover how additional growth is split between different priorities and the pooled authorities.

31. On 3 September, at the Q&A event hosted by the Local Government Association and MHCLG for prospective pilot applicants, government officials talked about current work programme for reforming the business rates retention system in 2020 to 2021 and how the government seeks to collaborate with pilot areas to test different reform options. Would you be able to provide any further information or practical suggestions on this? We would like to understand more about possible collaboration options for the purpose of our pilot application for next year.

There are several complex areas of system design that we would like to test collaboratively with pilot authorities.

As one practical example, pilot authorities could help us test reform ideas by sharing historic accounting data with us and running shadow accounts to help determine what the system would have looked like in a particular area had it been run differently over the past years. As another practical example, pilot authorities could help us look at the way baselines will be set in the reformed system if high value hereditaments were to be moved to the central list, to ensure no loss or gain as a result of this process.

If there is a particular area of reform that your proposed pilot pool may be interested in helping us with, you can include details of this on your proposal. As a reference for ideas, our system design workstreams for overall business rates retention system reform include:

- central and local ratings lists
- tier-splits
- gearing
- safety net
- levy
- appeals and loss payments
- resets
- pooling
- simplification of business rate retention system

32. Would you accept electronic signatures of s.151 officers as part of the 2019 to 2020 pilot application?

Yes, electronic signatures from s.151 officers are accepted to evidence that all members of the proposed pilot pool have endorsed all parts of the application.

33. The application form is asking what pooling arrangements would members of the proposed pilot pool like to see if their application to become a pilot was unsuccessful. In this scenario we would like to know if the government would agree to our request to automatically revert back to our existing business rate pool with its current membership?

The pooling arrangements that you may propose need to satisfy conditions as set out in Schedule 7B, 35(1) of the Local Government Finance Act 1992. Given that you would be requesting to automatically revert to your current pooling arrangements, we would assume that you satisfy the said conditions also for next year, and therefore it would be highly unlikely that the government would disagree with such a request.

