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Guidance

## Frequently asked questions

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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](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.

