

Joint Report of:	Head of Finance and Managing Director
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Portfolio Leader:	Leader
Key Decision:	No
Report Track:	Cabinet: 19/10/17

**CABINET
19 OCTOBER 2017
BUSINESS RATES PILOT AND POOLING ARRANGEMENTS**

1 Purpose of Report

- 1.1 To provide Cabinet with details of the potential for the Council to participate in a Business Rates Pilot in 2018/19.
- 1.2 To outline the Business Case and relevant risks and rewards from pilot arrangements.
- 1.3 To update members on the implications to existing pooling, and membership of Local Enterprise Partnerships, resulting from membership of a pilot.
- 1.4 To present the draft governance arrangements (Memorandum of Understanding) for the new pool.
- 1.5 To note the “No Detriment “requirements of the pilot application.

2 Recommendations

Cabinet are recommended to

- 2.1 Determine whether to participate in the Expression of Interest to form a Staffordshire and Stoke on Trent Pool based upon piloting the 100% Business Rates Scheme based upon all of the eleven authorities covering the full Staffordshire Geography.
- 2.2 Subject to 2.1 above, to
 - a) Notify existing pools of the Councils intention to be part of a pilot application and if successful leave that pool;

- b) and in the event of the pilot application not being successful, determine its pooling arrangements for 2018/19 based upon a number of potential options:
1. The current pool remains in place;
 2. The existing pool being dissolved;
 3. Alternative pooling arrangements based upon a choice of the two existing pools.
- 2.3 Subject to above authorise the Managing Director and Section 151 Officer in consultation with the Leader to submit a firm Expression of Interest to be a member of the Staffordshire wide pool.
- 2.4 For the reasons set out in the report relating to the timescale for responses, any decisions relating to the determination of the proposed Pool Membership be not subject to call-in.

3 Key Issues and Reasons for Recommendation

- 3.1 The Department for Communities and Local Government (DCLG) published on 1 September 2017 an “Invitation to pilot 100% Business Rates Retention in 2018/19 and to pioneer new pooling and tier split models”.
- 3.2 The prospectus provides a framework for the extension of the existing voluntary pooling of business rates revenues to two tier authorities, following the establishment of pilots for Devolution areas only in 2017/18.
- 3.3 A pilot enables 100% of future growth to be retained by the pilot area as compared to the current 50% subject to Fiscal Neutrality. Tariffs or Top Up’s are adjusted to reflect the 100% share and the relevant government grants consolidated within the Business Rates Regime.
- 3.4 “Fiscal Neutrality” is based upon the initial (notional) baselines created at the commencement of the 50% scheme in 2013/14. There is a clear and simple financial advantage therefore if the combined current amount of Actual Business Rates Income (ABR) is in excess of the Government determined Business Rates Baseline as contained within the 50% scheme.
- 3.5 All Staffordshire authorities are in a “growth position” with growth ranging from 1% to 14% with an average of 7% being achieved across the wider Staffordshire proposed pool for 2017/18. This net growth position is at least likely to be maintained for 2018/19 but more likely to increase. Growth within the two tier (County Council) area is estimated to be £13.7m m whereas growth in Stoke on Trent City Council is forecast to be £11m. At present only 50% of such growth is retained within Staffordshire and hence an additional £12.35 Million can be retained under pilot arrangements.

- 3.6 The creation of a pilot would see each authority receive a minimum of £200,000 additional resources in 2018/19. The actual direct benefit is based upon proposed locally agreed tier splits.

The Tier splits for Districts /boroughs have been maintained at 40% with this Council forecast to receive in the region of £241,000 in 2018/19.

- 3.7 Pilots have been designated for one year only however it is more than likely that pilots will remain in operation until the full 100% Business Rates Scheme is implemented.

- 3.8 In accordance for the selection criteria for a new pilot there are three potential models for Staffordshire authorities:

- a) Existing Staffordshire & Stoke on Trent Pool
- b) Two Tier Only – County Council & Districts ;or
- c) All eleven authorities covering the full Staffordshire Geography

However it is considered that only c) All eleven authorities covering the full Staffordshire Geography would fully meet the prospectus criteria.

- 3.9 The terms of the new pilots may be slightly different from the 2017/18 pilots with Government yet to determine whether the “no detriment” clause will still apply. This clause ensures that collectively the authorities in the pilot are no worse off than if they remained in the 50% scheme. Prospective Pilots have been asked to indicate if they would wish to proceed with a pilot if this clause is not in place.

- 3.10 The “No Detriment Policy” was felt essential by initial pilots to mitigate the impact of volatility in relation to the transfer of existing funding streams and additional responsibilities into the Business Rates funding regime. This in itself has been mitigated by only Revenue Support Grant and Rural Services grant being foregone under the 2018/19 arrangements.

- 3.11 In order for a “ No Detriment “ clause to be triggered, in relation to not being worse off as compared to the current 50% scheme for the Staffordshire wide pilot , there would need to be a loss of Business Rates income of in excess of 7% (£12 million) in 2018/19.

- 3.12 Nevertheless the greatest risk in relation to net Business Rates Income is the impact of Appeals following the 2017 revaluation, and future changes in Government Policy. It is therefore proposed that the Expression of Interest is caveated with a No Detriment Clause for:

- The consolidation of hereditaments as a single assessment e.g. Virgin Media;
- Transfer from the Local Rating List/Central Rating Lists;
- Changes in Mandatory Relief Policy / outstanding claims for Charitable Status;
- Changes in the methodology of determining the basis of Rateable Values e.g. GP Surgeries;

- Change in Government/Valuation Office agency (VOA) policy;
 - The backdated cost of new appeals post 1 April 2018.
- 3.13 The pool itself will operate a “No Detriment / loss” policy funded as first call against additional growth retained in Staffordshire.
- “No loss” is determined to be that a Member will be no worse off:
- by being a Member of the Pool than they would have been if they had not been a Member of the Pool. Each Member will retain the income they would have received if they were not a member of the Pool;
 - No Member will be worse off as compared with previous pool arrangements for Staffordshire and Stoke on Trent Business Rates Pool (2012) or Greater Birmingham and Solihull Business Rates Pool;
 - No Member will be worse off as a result of the increased retained % arising from Tier Splits of the Pilot Scheme.
- 3.14 Membership of the pilot would not affect the sovereignty of each authority. Each authority would still receive separate allocations from Government; would set its own budget and collect and retain Business Rates.
- 3.15 To be accepted as a new pilot for 2018/19 all parties must be designated as a pool to share business rates income. However Authorities can not be members of two pools.
- 3.16 Authorities will therefore need to determine whether they would wish to be part of the proposed Staffordshire wide Pilot.
- 3.17 If the pilot application was successful there would be a requirement to leave the current pools. Two pooling arrangements exist in Staffordshire. Cannock Chase; East Staffs; Lichfield and Tamworth are members of the Greater Birmingham and Solihull Pool (GBSP) with Newcastle Under Lyme; South Staffs; Stafford; Staffordshire Moorlands; Stoke on Trent; Staffordshire Fire and Rescue and Staffordshire County Council are members of the Staffordshire and Stoke on Trent Business Rates Pool (S&SOTP).
- 3.18 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.
- 3.19 The rationale of the existing pools, in addition to sharing the risk and reward, is to provide a local incentive so that a proportion of additional resources is retained by the generating authority and to provide a mechanism to support economic growth at a Local Enterprise Partnership or at a Pool area level.
- 3.20 The adoption of the proposed “no loss” basis as compared to the 50% scheme, will maintain the status quo at a financial level. The current levy passed to the pool would be retained by each authority at the outset. The contribution to the Economic Developments partnerships i.e. LEP’S can be maintained either by:

- Re-designation of the existing pools as Economic Development Growth Pools to be funded by the equivalent amount of levy as now (virtual pool)
 - Direct contributions to the relevant LEP based upon:
 - a) 40% of retained levy (Current pool arrangements)
 - b) Fixed contribution
 - c) Lump sum / % contribution
 - Determine alternative arrangements with the relevant Pool/LEP
- 3.21 Informal discussions have taken place with the existing Pools and LEP's and the potential creation of a pilot is not considered a barrier to current membership / working relationships. DCLG have confirmed that the GBS pool will remain open to current members in the event that the pilot application is unsuccessful.
- 3.22 Expressions of Interest (EOI) are required by the 27 October 2017 and subject to determination of whether the Council wishes to proceed with an EOI delegated authority to the Managing Director and Section 151 Officer is required to meet this tight deadline.
- 3.23 Appendix D details the draft Governance Arrangements for the proposed pilot /pool and delegated authority is required to agree the final pooling Agreement in accordance with the principles as contained in the Memorandum of Understanding.
- 3.24 Successful pilots will be announced as part of the Draft Local Government Settlement in late November/Early December and will come into effect from the 1 April 2018.

4 Relationship to Corporate Priorities

- 4.1 The pooling of business rates as part of a Business Rates Pilot with other local authorities could deliver additional financial benefits to support the priorities of the Council.

5 Report Detail

- 5.1 The 50% Business Rates Retention Scheme was introduced with effect from April 2013 and was effectively a 50/50 risk and reward sharing arrangement between Central and Local Government. The scheme enabled each authority to retain its tier share of growth although such growth, for Tariff Authorities, was potentially subject to a 50% cap or levy.
- 5.2 All Staffordshire authorities have avoided the levy payment by the joining of a Business Rates Pool. Cannock Chase; East Staffs; Lichfield and Tamworth are members of the Greater Birmingham and Solihull Pool (GBSP) with Newcastle Under Lyme; South Staffs; Stafford; Staffordshire Moorlands; Stoke on Trent; Staffordshire Fire and Rescue and Staffordshire County Council being members of the Staffordshire and Stoke on Trent Business Rates Pool (S&SOTP).

- 5.3 The pooling arrangements avoid the levy enabling a) additional resources to be retained by each authority; b) allocated across the pool for growth projects and c) provide a contingency to make safety net payments. A pool is subject to Government Safety Net protection at 92.5% at an overall pool level rather than individual authority.
- 5.4 The previous Government had announced in 2015 that it wished to progress to a 100% retention scheme whereby in exchange for additional responsibilities authorities would be able to retain 100% of the growth it generated. Tariffs and Top ups would still apply to ensure the scheme was cost neutral.
- 5.5 On 1st April 2017 the Government launched six pilots of 100% business rates retention to areas with ratified devolution deals. These pilots now 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
- 5.6 In response to the Consultation on Self Sufficient Local Government, the Government made a commitment to launch a further pilot scheme in 2018/19. A pilot prospectus (see Appendix A) was issued on the 1 September 2017 entitled "Invitation to pilot 100% Business Rates Retention in 2018/19 and to pioneer new pooling and tier split models".

Existing Business Rate Pilots

- 5.7 Six Pilots have been established , as part of the 2017-18 Local Government Finance Settlement for devolution areas as follows - Greater Manchester; Liverpool Region; Greater London Authority; West of England CA (Combined Authority) ;West Midlands CA and Cornwall.
- 5.8 The pilots effectively test out the new 100% system and at a very basic level increase the amount of other Government Funding that is funded from Business Rates by increasing the % share accordingly.
- 5.9 A number of existing funding streams have been incorporated into the Pilots. All pilots include Revenue Support Grant however other funding streams to be financed via Business Rates varies from pilot to pilot but include the Better Care Fund; Rural Services Grant ; Public Health Grant; TFL investment Grant; Highways Maintenance (Capital);Highways Maintenance (Efficiency); and the Integrated Transport Block.
- 5.10 The pilots are deemed to be cost neutral at the point of delivery and have no impact on the funding available for other areas.

Cost Neutrality has been achieved by re-calculating the baseline funding levels (BFLs) and business rates baselines (BRBs) for each of the participating authorities to reflect:

- a. the value of the funding streams that they are foregoing; and
- b. the value of their increased share of business rates.

For each authority, the difference between its new BFL and BRB represents the revised tariff or top-up that it will pay, or receive in 2017-18.

BFLs, BRBs tariffs and top-ups will be recalculated for each authority in 2018-19 to reflect changes to grant totals between 2017-18 and 2018-19.

2018/19 Business Rates Pilots

5.11 The terms of the invitation for the 2018/19 pilot as contained in the prospectus are aimed at

- Exploring how rates retention can operate across more than one authority to promote financial sustainability and to support coherent decision-making across functional economic areas.
- To deepen the Governments understanding of how different local arrangements work and improve the information that it holds on business rates retention.
- To test authorities' administration (e.g. how they tackle avoidance), technical planning for implementation, and look at system maintenance; how the accounting, data collection and IT system will work.

The Government expects to learn from the pilots' experiences in the design of any national system of business rates retention and hence the opportunity exists for a Staffordshire pilot to influence the final design and ensure the attributes and complexity of Economic Development partnerships are taken into account.

5.12 The prospectus (see appendix A) however contains a number of changes to the agreements made with existing pilots as follows:-

- To be accepted as a new pilot for 2018/19 all parties must be designated as a pool to share business rates income (paragraph 2.4 of the prospectus). Authorities can not be members of two pools (paragraph 4.6);
- The 2018/19 pilot programme will last for one year only (paragraph 7.4);
- No additional responsibilities are indicated within the prospectus with only Revenue Support Grant (RSG) and Rural Services Grant funding streams to be directly funded from Business Rates (paragraph 2.8);
- The pilots may not be subject to a "No Detriment" policy (paragraph 2.6).

Business Case for a Pilot –Evaluation of Risks and Benefits.

Agreement between DCLG and Pilot Area

5.13 Existing Pilots are effectively an agreement between an "Area" and DCLG to test the system with the "Area" being potentially able to influence the design of the final system. To this end a Memorandum of Understanding is drafted, agreed and signed by all relevant parties. It is effectively a negotiation of what

is to be included; its basis and the protection required. The Agreements to date have varied from pilot to pilot however a template existed to ensure commonality over a number of basic issues.

- 5.14 The 2018/19 Pilots are slightly different in that the prospectus is effectively the Memorandum of Understanding and the submission of an Expression of Interest is effectively signing up to becoming a Pilot (subject to being approved).
- 5.15 The only caveat being that in submitting the Expression of Interest the pool would need to indicate whether it would be willing to become a pilot without the benefit of “No Detriment”.

Duration of Pilot

- 5.16 The 2018/19 pilot programme will last for one year only with the 2017/18 pilots continuing into 2018/19. It is difficult to determine the rationale for a one year pilot, other than a pilot by its nature will have a limited life.
- 5.17 Nevertheless it is very unlikely that the government, having set up such arrangement will unravel such governance arrangements after only one year. The Governments commitment to give local authorities greater control over the money they raise locally suggest that pilots will probably exist until the full 100% Business Rates 100% retention system is implemented. The very earliest this could be introduced is 2020/21 and more likely 2021/22. Hence any pilot will have minimum 1 year duration but more likely 2 to 3.

Financial Benefit

- 5.18 A pilot scheme is determined to be “Fiscally Neutral” for each party at the commencement of the pilot based upon the initial Government Assessments of Business Rates Baseline (BRL-Amount in theory to be collected) and the Business Rates Funding Level (BFL-Needs Amount). The Baselines and Funding Levels represent the initial 2013/14 allocations
- 5.19 Business Rate Baselines were not a precise science and winners and losers were created at the outset of the system. A local authority will in addition since 2013/14 have generated economic growth or seen a major industry close resulting in actual business rate income varying considerably from the Government assessment. This net growth or reduction has then been shared 50/50 between the Government and authorities based upon their tier split.
- 5.20 The Business Rates Pilot “Cost Neutrality” takes no account of this net growth (or loss) in Business Rates income.
- 5.21 A Business Rates Pilot enables a greater share of future Business Rates Growth however more importantly there is a clear and simple financial advantage of the pilot if the current combined Actual Business Rates Income is in excess of the Government Assessment .A pilot now retaining the Government’s 50% share in addition to its current 50% share.

- 5.22 A Steering Group of the Staffordshire Chief Finance Officers Group (SCFOG) has undertaken work in relation to this which confirms that all authorities within Staffordshire, that are responsible for collecting business rates, are in a “growth position” with growth ranging from 1% to 14%, averaging out at 7% for the proposed overall pool for 2017/18 and this is likely to be at least maintained for 2018/19 (At present 50% of such growth is retained within Staffordshire).
- 5.23 The ability to retain “100%” of growth would represent new money to be retained in Staffordshire rather than paid to the Government. This is currently estimated to be £12.35 million for 2018/19.

No Detriment - Pilot Area

- 5.24 All existing pilots have been created on a no detriment basis. The “no detriment” provision ensures that collectively the authorities in the pilot are no worse-off than if they had remained in the existing 50% scheme.

In particular the agreement ensures that if new burdens arise or the assumptions in relation to the funding stream change, then the Pilot Area is protected.

- 5.25 The 2018/19 prospectus however states that proposals for the 2018/19 pilots should include details of how authorities will work together to manage risk in line with their proposed pooling arrangements in the event that the 2018/19 pilots programme does not include a ‘no detriment’ clause. DCLG are not clear at this stage whether this will be applied across the board for 2018/19 or whether applications that do not require such a clause will operate as such regardless of the final policy decision.
- 5.26 In considering the “No Detriment” requirement a key factor is whether the reward of retaining 100% growth outweighs the risk. “No detriment” as applied to existing pilots would only apply if the proceeds from the scheme were less than the 50 % scheme and if the cost of additional responsibilities were greater than the resource required.
- 5.27 Paragraph 5.22 above indicates that Business Rates would need to contract by in excess of £12 million or 7% for this clause to apply. The extent of the requirement for a no detriment clause has further been reduced by the proposed funding streams being limited to Revenue Support Grant and Rural Services Grant and hence the cost pressures from other funding streams has been avoided.
- 5.28 All authorities currently manage the risk in volatility of business rates by being a member of a Business Rates pool. The respective governance arrangements share the risk and reward on the basis that no authority will be worse off as compared to not being part of a pool. However at present 50% of the risk /reward is shared with Central Government
- 5.29 Two key risks exist in relation to pooling without a “No detriment” clause:

- a) A major Business Closes in the Area;
 - b) The level of Appeals exceeds Governments expectation /provision made by each authority.
- 5.30 Appendix B provides an analysis of the potential exposure of each Authority on a major business with the biggest single exposure relating to Alton Towers (Staffordshire Moorlands). In this context it should be noted that the Closure of Rugeley Power Station did not trigger any Safety Net requirements with Cannock Chase Council still remaining in a growth position. An impact on the Levy did however arise but this in itself would not have triggered the “No detriment “Clause.
- 5.31 Appendix B also highlights the diverse nature of Businesses within Staffordshire and identifies some unique high value hereditaments. In addition to the single exposure and unique high value hereditaments additional exposure will exist in relation to single operators with multiple hereditaments in one authority or across Staffordshire. DCLG have indicated that “a variation in the types of business rates base represented “forms part of the further assessment criteria for becoming a pilot.
- 5.32 In the context of closures the 50% scheme has been in operation for four years and only two Safety Net payments have been required for Staffordshire authorities. The Safety Net payments being triggered by appeals.
- 5.33 The Safety Net provision for a Pilot area increases from its current 92.5% (under the 50% scheme, to 97% however this still applies at Pool rather than individual Authority Level. The current exposure, before the safety net is triggered, for the overall Staffordshire Pool is £13.7 million but this will reduce to £8.0 million under pilot arrangements. However it should be noted that due to actual business rates being 7% above baseline the pool would need to lose over £20 million (additional growth above baseline of £12 million and £8m reduction to initiate trigger) before the safety net applied.
- 5.34 The greatest risk in relation to the “No Detriment “clause not being in place is the level of appeals. This is particularly important at this current time due to the close proximity to the 2017 Revaluation. The 50% scheme was introduced 3 years after the 2010 Revaluation and hence the Government had already borne 100% of the cost of appeals agreed before the 50% Scheme came into force. The current position is something different in that there is a backlog of appeals still outstanding and the “authenticity” of current assumptions, the government has effectively allocated 2.1p of the multiplier to meet the cost of appeals, has yet to be tested.
- 5.35 Regardless of the level of appeals ultimately the greatest risk across the country is whereby there is a change in Policy or treatment of hereditaments. This is particularly borne out by the change in valuation of GP surgeries and appeals in relation to Telecommunications .The latter included the potential consolidation of such assessments in a single assessment. Similar risks therefore exist in relation to the transfer of hereditaments from the Local Rating List to the Central List whereas there are outstanding challenges in

relation to whether Hospitals should receive Charitable Status and 80% Mandatory Relief.

5.36 It is therefore recommended that although the Pool will accept the risk of volatility due to changes in circumstances and its share of appeals it is unwilling to become a pilot unless a “No detriment” clause applies for the loss of business rates income due to:

- The consolidation of hereditaments as a single assessment;
- Transfer from the Local Rating List/Central Rating Lists;
- Changes in Mandatory Relief Policy Charitable Status;
- Changes in the basis of determining the basis of Rateable Values;
- The backdated cost of new appeals post 1 April 2018.

5.37 The Government is considering a new approach to the management of the risk of business rates appeals under the full national business rates system. An option therefore maybe be to pilot this on a no detriment basis within Staffordshire. In developing the Expression of Interest it is intended that further dialogue takes place with DCLG in terms of providing options to provide a mechanism that redresses the above risks.

5.38 DCLG have confirmed that each authority would continue to receive specific Section 31 grants in relation to Business Rates e.g. Small Business Rates Relief etc. and that funding re existing or new Enterprise Zones would also be protected.

No Detriment – Individual authorities

5.39 It is important to note that the “no detriment” provision would protect the Pilot, not individual authorities. Existing pooling arrangements ensure no authority is worse off as being not a member of a pool and it is proposed as part of the Governance arrangements for the Staffordshire wide pilot/pool that this is extended that no authority is worse off as compared with the 50% business rates scheme. At worst, each authority would receive the same level of funding as it would in the existing 50% scheme.

Individual Sovereignty and Funding Allocations Maintained

5.40 The amount of core funding for each authority in any potential pilot will still be separately identified as part of the Local Government Settlement.

Each authority will receive their allocated amount. There is no commitment as part of the pilot to share needs/resources and risk other than under the current 50% scheme. Business rates will still be collected and retained by each authority with only the additional resources arising from the 100% scheme being accounted for on a Staffordshire “Area” basis.

Existing Pooling Arrangements

- 5.41 The introduction of 100% Business Rates / the creation of a Pilot would in theory cease the need for pooling arrangements with no Levy being imposed (pools were initially primarily established to avoid a levy being paid to Central Government). The Government's consultation paper on Business Rates Retention however promoted new pooling arrangements with an incentive of Local Growth Zones; ability to retain growth at a reset; a different level of safety net and different or additional responsibilities.
- 5.42 As stated earlier Staffordshire Authorities have aligned to either the Staffordshire and Stoke on Trent Business Rates Pool or the Greater Birmingham and Solihull Business Rates Pool. The latter includes two Worcestershire authorities (Redditch and Bromsgrove) as well as Birmingham and Solihull.
- 5.43 The last two mentioned authorities are members of the West Midlands Combined Authority Pool/Pilot. Under the 2017/18 pilot arrangements the Devolution Area pilots are allowed to operate alongside existing business rates pools with no requirement for any pool to be dissolved. However since the rationale and governance arrangements of the pool related to the "non payment of the levy", not applicable to pilot authorities, separate governance arrangements were put in place to passport the levy saving from the pilot authority to the pool.
- 5.44 To be accepted as a new pilot for 2018/19 all parties must be designated as a pool to share business rates income. The 2018/19 pilots will see the continuation of the West Midlands Combined Authority Pool/Pilot in its current format. In addition the GBS pool will, subject to the agreement of current members, remain in place in 2018/19 regardless of whether pilot applications are successful or not] However Authorities can not be members of two pools in relation to the creation of new pilots in 2018/19.
- 5.45 Authorities will therefore need to determine whether they would wish to be part of a Pilot or not. The pilot could either be in the form of the existing Staffordshire and Stoke on Trent Pool (however, acceptance of such a pilot is unlikely), a wider Staffordshire pool including all the districts /boroughs (two tier) or a more wider pool including Stoke on Trent City Council.

The Council is currently a Non Constituent Member (NCM) of the West Midlands Combined Authority and although discussions were held with DCLG to include NCM's in a potential pilot, the approved pilot was limited to the Constituent (Metropolitan) Members. The WMCA Pilot has been re-affirmed as part of the Prospectus and the standing of NCM's in relation to joining such a pilot seems very unlikely.

In particular insufficient time now exists to prepare a Business Case and ascertain the risks involved in a pilot involving a Devolution Deal and without the benefit of a "no Detriment" clause.

- 5.46 If the pilot application is successful then the relevant authorities would then cease to be a member of the current pools. The future of such pools would then be dependant upon what other members of the pool resolved in terms of pilot membership (DCLG have confirmed that all current pools can remain in place in 2018/19, however authorities cannot apply to be members of more than one pool. However, options to retain the Economic Development objective of the existing pools exist as detailed below.
- 5.47 Finally DCLG require, as part of the Expressions of Interest submission, that all interested authorities specify what pool arrangements should apply in 2018/19 if the application to be a pilot was unsuccessful. As indicated above subject to the pool not being dissolved by existing members the option exists to remain with the GBS pool if the pilot application was not successful.

Impact on LEP and other partnership arrangements

- 5.48 The Greater Birmingham and Solihull Pool includes an allocation to the GBS LEP based upon an annual funding stream representing 40% of the avoided levy , with the proviso to allocate up to 60% subject to contingency requirements. The allocation is used to support the LEP's strategy for growth and consists of meeting central core costs together with initiatives in support of the SEP Business Plan.
- 5.49 A further separate allocation is made from Wyre Forest Council, a member of the Worcestershire Business Rates Pool, based upon a "contribution methodology" for non members. Similar arrangements have been put in place within GBS LEP for any Council who ceases to be a member of the pool but wishes to remain a member of the LEP and contribute to initiatives. The contribution methodology is as follows:
- £16,500 per annum contribution towards the Programme Delivery Director, Growth Hub and Inward Investment allocations for 2013/14;
 - A % contribution based upon the proportion of the Councils business rates baseline (as calculated by the Government) as a percentage of the combined business rates baseline of the GBS Pool authorities.
- This equates to 3.9% for Cannock Chase;
- This equates to 6.4% for East Staffordshire;
- This equates to 3.9% for Lichfield;
- This equates to 3.7% for Tamworth.
- 5.50 The pilot proposals would see each Council retaining the Levy Saving directly enabling a voluntary contribution to be paid to the relevant LEP and hence the current policy direction to be maintained.
- 5.51 A variety of options therefore exist to maintain the status quo these include:

- Re-designation of the existing pools as Economic Development Growth Pools to be funded by the equivalent amount of levy as now
 - Direct contributions to the relevant LEP based upon:
 - (i) 40% of retained levy (Current pool arrangements)
 - (ii) Fixed contribution
 - (iii) Lump sum / % contribution
 - Determine alternative arrangements with the relevant Pool/LEP.
- 5.52 In considering such options it should be noted that as a result of the creation of the WMCA pilot the affected GBS Authority has adopted the retained levy option to ensure “No detriment” applied to the Pool.
- 5.53 In accordance with the prospectus any potential change in pooling arrangements needs to be communicated with affected pools. Informal discussions have taken place with the GBS Pool and a meeting of Finance Directors took place on the 16 September 2017. It was noted at the meeting that in addition to the two WMCA Pilot authorities the potential does exist for the current shire district members to apply to be a pilot as part of two tier applications. Similarly as highlighted in paragraph 5.45 insufficient time existed for an extension of the WMCA pilot. It was however agreed that the GBS pool would remain in existence enabling the Staffordshire /Worcestershire authorities to remain as part of the pool if the pilot application was unsuccessful or if only part of current members were successful in becoming a pilot. In the event of the pilot applications being successful arrangements would be put in place to maintain the voluntary contribution scenario as detailed above.
- 5.54 Informal discussions have taken place directly with the Director of the GBS LEP and the LEP would welcome any proposal that ensures the maintenance of existing policy arrangements and the ongoing commitment to the LEP. An application to be a Pilot authority would not impact upon this relationship.
- 5.55 In the event of a Pilot being established it would be necessary to amend the Governance arrangements of each pool to reflect the preferred option to support Economic Growth via pooling and partnership arrangements.

The proposal for a Staffordshire Pilot.

- 5.56 Section 3 of the Prospectus details the criteria for becoming a pilot. Although any authority or group of authorities can apply to become a pilot the selection criteria focuses on:
- i. A functional economic area Guidelines for Business Rates Pilots (i.e. the county council(s) and all relevant district councils; groups of unitary authorities; or groups of county councils, all their districts and unitaries);

In addition supplementary assessments focus on the wide spread of geographical areas and rural areas

ii. Two Tier Authorities

iii. Financial sustainability

iv. How pooled growth will be used

5.57 Three models are currently being developed in order that a Pilot could be created in Staffordshire.

Staffordshire & Stoke on Trent Pool (2012) - already in existence

Staffordshire County Council & Districts - two tier Authorities

Staffordshire County Council/ Districts and Stoke on Trent City Council

(Each Model includes the Fire and Rescue Service)

5.58 In accordance with the criteria it is believed that the wider entire Staffordshire geographical / regional area offers the best chance of success. In particular its unique and complex Economic Geography with links to the North, South and East is considered to be a key selling point against the selection criteria. The Staffordshire Economic area includes participation in two Local Enterprise Areas, two Business Rate Pools, Non Constituent Membership of a Combined Authority, the Midlands Engine and the Constellation Partnership (Northern Gateway). Partnership arrangements with each of these bodies, although complex, is fundamental to economic growth and hence a Staffordshire Pilot could test how Business Rates Retention could continue to operate either on a stand alone or integrated basis.

5.59 In relation to Criteria ii) a potential advantage of a Staffordshire Pilot is that it is nearly self sufficient based upon the grants/funding streams available to be financed solely from retained business rates. Self sufficiency effectively means that there is no payment to/or from Government (a Tariff or Top up is not effectively required).

5.60 Appendix C below shows the current Business Rates generated in Staffordshire and the amount currently passed back to Government

Although the Pilot would not consolidate any of the additional grants into arrangements it can be seen that under existing arrangements the area could be self sufficient under the full 100% scheme.

5.61 In relation to Criteria iv) how pooled funds are to be used a number of principles are proposed

- The pilot operates at no detriment to the existing 50% funding Scheme. In particular the contribution to wider Economic Development is protected.

- The pilot adopts local agreed tier splits whereby a additional resources as generated through growth above baseline figures are effectively directed to redress the balance in relation to Social Care.
- 5.62 To this end it is proposed that the additional 50% risk and reward secured as part of pilot arrangements in relation to new growth is directed to the upper tier authorities and a locally agreed Tier Split arrangement is put in place.
- 5.63 Adopting the “no detriment” policy the use of a 59 % (County) /40% (District) and 1% (Fire) split would be adopted . Districts and Boroughs would remain as at present with additional reward (risk) accruing to the County Council and in the case of the Unitary Authority (Stoke on Trent City council). The latter receiving 99% of future growth as compared to 49% under the current system, with the County Council receiving 59% as compared to 9%.
- 5.64 In order to share the risk and apply the no detriment policy it is proposed that the Pool will be based upon a “No Loss “basis for each Member.

“No loss” is determined to be that a Member will be no worse off:

- by being a Member of the Pool than they would have been if they had not been a Member of the Pool. Each Member will retain the income they would have received if they were not a member of the Pool.
 - No Member will be worse off as compared with previous pool arrangements for Staffordshire and Stoke on Trent Business rates Pool (2012) or Greater Birmingham and Solihull Business Rates Pool.
 - No Member will be worse off as a result of the increased retained % arising from the Pilot Scheme.
- 5.65 Each Authority will in addition receive a proportion representing its relevant tier split of additional resources generated by the creation of a pool for that Authority.

Each authority will receive a minimum payment of £200,000 per annum for the duration of the pool enabling core services and in particular economic development and preventative social care initiatives to be protected.

Governance Arrangements

- 5.66 The Draft Governance arrangements for the proposed pool are attached as Appendix D in the form of a Memorandum of Understanding.
- 5.67 The existing Pooling Agreement(s) of the two pools have been used as a Template for the Memorandum of Understanding. The Template Model has been extended to reflect the additional resources retained under the proposed 100% pilot scheme.
- 5.68 The Governance arrangements reflect the Membership of the Pool; Duration; Governance & Voting Rights; Amounts to be pooled and Distribution methodology: Safety Net: Accountable Body and Termination.

Process and Timetable

- 5.69 The Outline Business Case for a Staffordshire Pool is to be considered by each of the potential eleven pilot authorities within Staffordshire.
- 5.70 Subject to the determination by each authority it is intended to submit an Expression of Interest (EOI) application based upon Staffordshire County Council/ Districts / Stoke on Trent City Council Fire Authority model.
- 5.71 The EOI would need to confirm the Lead authority. The Lead Authority would be supported by Staffordshire Chief Finance Officers Group and nominated policy officers in further discussions with DCLG.
- 5.72 The Deadline for Expressions of Interest is the 27 October 2017 with successful applications being designated informally as part of the provisional Local Government Settlement in late November/Early December.
- 5.73 Potential successful pilots will be informed of the proposals in advance of the Draft Local Government Settlement enabling any implications of the Tariff/Top Up adjustments to be assessed and the final Memorandum of Understanding with Government agreed. The application can be withdrawn at this stage.
- 5.74 If the Council wishes to proceed with an EOI then Delegated Authority is required for the Chief Executive [Managing Director] and Section 151 Officer to submit the EOI and agree the necessary Governance arrangements in accordance with the principles as contained in the Memorandum of Understanding attached.

6 Implications**6.1 Financial**

The financial implications of a Business Rates Pilot have been discussed throughout the report.

In accordance with the locally agreed “No Detriment” Clause the Council will not only receive the same level of resources as determined by the current 50% Business Rates retention Regime but also additional resources of £241,000 are envisaged for 2018/19 reflecting this Council's share of the previous 50% growth passed to Central Government. It is proposed that this additional resource is initially treated as windfall income until decisions are made whether the pilot scheme is extended.

6.2 Legal

There are no direct legal implications arising from this report save the Council's statutory duty to issue an annual report in accordance with the regulatory framework.

6.3 Human Resources

There are no direct human resources implications arising as a result of this report.

6.4 Section 17 (Crime Prevention)

None.

6.5 Human Rights Act

None

6.6 Data Protection

None

6.7 Risk Management

The Risk Management Implications of pooling arrangements for the proposed pilot have been referred to throughout the report but can be summarised as follows.

The pooling of Business Rates under pilot arrangements enables a greater proportion of Business Rates to be retained by Authorities by retaining the Governments share of growth achieved within the pooled area. An equivalent risk exists whereby the Council would be responsible for the Governments share if business rates contracted below the current level of business rates.

There are a large number of risks that already exist in relation to Business Rates Retention however the greatest risk is in relation to the level of appeals.

The Expression of Interest therefore includes a caveat that the Staffordshire Pilot requires a “ No Detriment “ clause in relation to changes in Policy/ the basis of determining Rateable Values and successful backdated appeals received after the 1 April 2019.

6.8 Equality & Diversity

There are no direct equalities implications arising as a result of this report.

6.9 Best Value

None.

7 Appendices to the Report

Appendix A Pilot Prospectus

Appendix B Analysis of Rateable Values within Staffordshire

Appendix C Assessment of Financial Self-sustainability under 100% Scheme

Appendix D Draft Memorandum of Understanding

Previous Considerations

None

Background Papers

None

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Department for
Communities and
Local Government

Invitation to Local Authorities in England

to pilot 100% Business Rates Retention in 2018/19 and to pioneer new pooling and tier-split models.

September 2017

Department for Communities and Local Government



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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. It is in this context that the Government has decided to proceed with the already announced expansion of the pilot programme for 100% business rates retention for 2018/19. These will run alongside the five current 100% pilots which have been in operation since 1 April 2017.
- 1.2 The current pilots, and a new wave in 2018/19, will help explore options, with local government, for the design of future local government finance reforms.
- 1.3 Alongside the 2018/19 pilots, the Government will continue to work with local authorities, the Local Government Association, and others on reform options that give local authorities more control over the money they raise and are sustainable in the long term.

Background

- 1.4 On 1st April 2017 the Government launched five pilots¹ of 100% business rates retention, which Ministers have granted to areas with ratified devolution deals. These pilots will 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. The five current 100% pilots which launched on 1 April 2017 will be continuing on in 2018/19, running alongside this new wave of 2018/19 pilots.
- 1.5 Spring Budget 2017 announced that authorities in London are working with the Government to explore piloting 100% business rates retention from 2018/19 and to retain a greater share of business rates in 2017/18.
- 1.6 In response to the Consultation on Self Sufficient Local Government, the Government made a commitment to launch a further pilot scheme in 2018/19. All interested authorities are invited to apply.
- 1.7 The 2018/19 pilots are an opportunity for the Department to test more technical aspects of the 100% business rates retention system, such as tier-splits. This will provide the opportunity to evaluate how collaboration

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

between local authorities works in practice.

- 1.8 The Government would like to see authorities form pools and, with agreement in place from all authorities, to apply jointly for pilot status. The opportunity to work together as a pool across a functional economic area will allow authorities to make coherent strategic decisions about the wider area and to jointly manage risk and reward.
- 1.9 Finally, in addition, the pilots will test authorities' administration (e.g. how they tackle avoidance), technical planning for implementation, and look at system maintenance; how the accounting, data collection and IT system will work. The Government expects to learn from the pilots' experiences in the design of any national system of business rates retention.

Section 2 - The invitation to authorities to pilot

- 2.1 This invitation is addressed to all authorities in England, excluding those in London and participants in the 2017/18 pilots of 100% business rates retention which are expected to have separate discussions with the Department.
- 2.2 These authorities are now invited, if they so wish, to make a proposal to become a pilot of 100% business rates retention in 2018/19.

Terms of the invitation

- 2.3 The Government is interested in exploring how rates retention can operate across more than one authority to promote financial sustainability and to support coherent decision-making across functional economic areas. Accordingly, the Government encourages, in particular, areas to apply as pools (either on existing, or revised pool boundaries), which comprise county council(s) and all relevant district councils; groups of unitary authorities; or groups of county councils, all their districts and unitaries. Arrangements would also need to reflect the position of precepting authorities, such as Fire and Rescue authorities.
- 2.4 To be accepted as a pilot for 2018/19, agreement must be secured locally from all relevant authorities to be designated as a pool for 2018/19 (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.
- 2.5 We require pooled areas coming forward to propose a split for sharing additional growth. We particularly want to see additional growth being used to promote the financial stability and sustainability of the pooled area. In addition, we would expect some retained income from growth to be invested to encourage further growth across the area.
- 2.6 For the 2017/18 pilots the Government has agreed a 'no detriment' clause, guaranteeing that these areas will not be worse off as a result of participating in the pilot. However, proposals for the 2018/19 pilots should include details of how authorities will work together to manage risk in line with their proposed pooling arrangements in the event that the 2018/19 pilots programme does not include a 'no detriment' clause. Applications should make it clear whether or not they would be willing to become a 100% BRR pilot if the 2018/19 pilots

were expected to operate without the benefit of ‘no detriment’.

- 2.7 The Government will use the 2018/19 pilots to deepen its understanding of how different local arrangements work and improve the information that it holds on business rates retention. As such, participating authorities will be expected to share additional data and information, as required.
- 2.8 Authorities selected as pilots for 2018/19 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.
- 2.9 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 97% of its baseline funding level, instead of 92.5%, to reflect the additional risk of greater retention. Pilots will operate with a “zero levy”, as is the case for the current 2017/18 pilot areas.
- 2.10 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.
- 2.11 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.
- 2.12 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.

Response to the invitation

- 2.12 It is wholly at the discretion of authorities whether or not they choose to apply to the pilot scheme outlined above.
- 2.13 Any proposals for new pilots must be received by the Department for Communities and Local Government on or before Friday 27 October 2017.
- 2.14 It is expected that successful applications will be announced before or alongside the publication of the draft local government finance settlement.

Section 3 - The criteria for becoming a pilot

- 3.1 The Department will consider all applications to pilot 100% business rates retention that are received by Friday 27 October 2017 and which conform to the scheme 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 apply:
- Proposed pooling arrangements operate across a functional economic area (i.e. the county council(s) and all relevant district councils; groups of unitary authorities; or groups of county councils, all their districts and unitaries);
 - Because they were not included in the 2017/18 pilot scheme, the Government is particularly interested in piloting in two-tier areas;
 - The proposals would promote the financial sustainability of the authorities involved; and,
 - There is evidence of how pooled income from growth will be used across the pilot area.
- 3.3 If further assessment criteria are required, the Government will:
- Seek a wide spread of geographical areas across England;
 - Focus on rural areas (given that the majority of 2017 pilots are in urban areas);
 - Achieve a variation in the types of business rates base represented (e.g. whether there a small number of large rate payers in the area).

Section 4 – The authorities’ proposal to become a pilot

- 4.1 Any proposal must be in accordance with the invitation outlined in Section 2, and summarised in paragraph 4.3.
- 4.2 The proposal must be in the form of a business case with supporting financial analysis.
- 4.3 The business case should clearly set out the following:

Membership details/ Housekeeping

- i. Local authority membership of the proposed pool, explaining its relevance to the economic geography of the area;
- ii. Evidence that each local authority fully supports the application and the proposed pooling arrangements;
- iii. A clear outline, with agreement from all participating authorities, on what pooling arrangements you would like to see if your application to become a pilot was unsuccessful
- iv. A clear indication of whether or not you would still like your application to be considered if you were expected to operate without a ‘no detriment’ clause.
- v. The lead authority;
- vi. The proposed position of precepting authorities such as Fire and Rescue;

Governance arrangements

- vii. The governance agreement, including how any additional business rates income is to be used; how risk is to be managed; and how residual benefits/liabilities would be dealt with once the pilot ends;
- viii. An indication of how the pool will work together in the longer term;
- ix. Proposals for sharing additional growth. We particularly want to see additional growth being used to promote financial stability and sustainability. In addition, we would expect some retained income from growth to be invested to encourage further growth across the area.

Additional supporting evidence

- x. The benefits to the area of participation in the 2018/19 pilots, including the financial case;
- xi. In two-tier areas, applications should propose a tier split and explain how this will promote sustainability; and

xii. A brief explanation of the business rates base in your area.

4.4 We understand application lengths may vary, however, as a guide, we would expect applications to be around four typed pages in size 12 font.

Membership

4.5 Proposals should include the identities of all authorities in any proposed pool and evidence that each fully supports the application and the proposed pooling of a proportion of additional income.

4.6 Authorities cannot apply as part of more than one pool and, where they have two possible options, must choose which pilot they wish to apply to participate in.

4.7 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 2018/19 pooling arrangements with the authorities concerned in line with their expressed preferences on their pilot application, as requested in paragraphs 2.7 and 4.3 (iii).

Benefits

4.8 Applications must include details on how participation in the pilot scheme will benefit the area and should cover the potential pilot's approach to pooling and the sharing of growth, including how authorities will collaborate to use pooled retained income to promote further growth across the area. In two tier areas applications should propose a tier split and explain how this will promote sustainability. The financial case should reflect these considerations. An indication of how the area will work together in the longer term should also be included.

Lead Authority

4.9 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.

Governance agreement

- 4.10 Pools should submit a governance agreement setting out how the pooling arrangements will work in terms of financial distribution and service provision and evidencing how business rates income growth will be shared. The governance agreement should also include how balances and liabilities will be treated if the pool were to be dissolved.

- 4.11 Please ensure that the s.151 officer of each authority has signed off the proposal before it is submitted. The Department will work closely with all successful applicants to support the implementation and running of the pilot.

Other information

- 4.12 Authorities may include any further materials they see fit in support of their proposal.

Section 5 – The Government’s handling of proposals

- 5.1 All proposals received on or before Friday 27 October 2017 by the Department will be carefully considered between then and December 2017.
- 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 round of 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.
- 5.7 Successful pilots will be announced in December 2017 and launched in April 2018. Between these dates the Department will support authorities in preparing for implementation.

Section 6 – Submission of proposals

6.1 Any proposals for new pilots must be received by the Department for Communities and Local Government on or before Friday 27 October 2017. The Secretary of State may publish proposals in the Libraries of Parliament.

6.2 Proposals should be submitted to:

Local Government Finance Reform Team

The Department for 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 2018/19, the Department 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.
- 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 or remove conditions at any point in the future, as becomes necessary.
- 7.4 The 2018/19 pilot programme will last for one year only, 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.

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Table 1: Exposure of each staffordshire Authority based upom largest single heridatement and top 10 Rateable Values

Authority	Total Number of Hereditaments	Total Rateable Value	Largest Single Hereditament	Category	% of Total Rateable Value	Top 10 Hereditaments % of Total Rateable Value
Carnock Chase	3,344	83,541,397	3,370,000	warehouse	4.03%	19.38%
East Staffordshire	4,128	137,022,684	3,260,000	brewery	2.38%	16.88%
Lichfield	3,025	88,219,764	3,250,000	supermarket	3.68%	16.57%
Newcastle-Under-Lyme	3,505	89,375,337	2,900,000	university	3.24%	20.82%
South Staffordshire	2,665	63,338,530	3,980,000	warehouse	6.28%	25.37%
Stafford	4,153	121,707,656	2,590,000	warehouse	2.13%	12.46%
Staffordshire Moorlands	2,994	55,338,667	8,380,000	theme park	15.14%	31.20%
Tamworth	2,073	82,261,369	2,290,000	supermarket	2.78%	18.63%
Stoke	8,981	233,732,856	6,770,000	hospital	2.90%	11.62%
Total	34,868	954,538,260	36,790,000		3.85%	17.13%

Top 10 Rateable Value by Category for Staffordshire & Stoke on Trent

Type of Hereditament	Rateable value (RV)	% of Total Staffordshire RV	Number of properties	Average RV
WAREHOUSE AND PREMISES	172,621,325	18.08%	3059	56,431
SHOP AND PREMISES	116,262,670	12.18%	7706	15,087
OFFICE AND PREMISES	72,809,941	7.63%	4919	14,802
WORKSHOP AND PREMISES	70,554,585	7.39%	5189	13,597
SUPERMARKET AND PREMISES	65,804,250	6.89%	93	707,573
FACTORY AND PREMISES	64,489,330	6.76%	446	144,595
RETAIL WAREHOUSE AND PREMISES	49,343,900	5.17%	253	195,035
PUBLIC HOUSE AND PREMISES	34,880,575	3.65%	1005	34,707
SCHOOL AND PREMISES	33,342,550	3.49%	518	64,368
HOSPITAL AND PREMISES	13,678,000	1.43%	27	506,593
Total of Table	693,787,126	72.68%		
Total of Staffordshire	954,538,260			

Top 10 Hereditament Average RV by Category for Staffordshire & Stoke on Trent

Type of Hereditament	Number Hereditaments	Average RV per hereditament
THEME PARK AND PREMISES .	2	4,690,000
CEMENT WORKS, QUARRY AND PREMISES .	1	1,700,000
WASTE INCINERATOR AND PREMISES .	2	1,655,000
COAL FIRED POWER STATION AND PREMISES .	1	1,370,000
MOTORWAY SERVICE AREA .	5	1,271,000
COMPUTER CENTRE AND PREMISES .	2	1,140,000
PRISON AND PREMISES .	4	1,124,375
TELECOMMUNICATIONS CABLE NETWORK AND PREMISES	4	1,115,425
FOOTBALL TRAINING GROUND AND PREMISES .	3	987,667
MALTINGS AND PREMISES .	1	945,000

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Appendix C

Financial sustainability :Tariff available to meet other Funding Streams		
	Current 50% Scheme	Business Rates 100% Pilot
	£m	£m
Total Net Business Rates	344.72	344.72
less Government Share	(172.36)	
Retained	172.36	344.72
Plus Top up	26.10	
Plus Revenue Support Grant	64.00	
Total Income	262.47	
Settlement Funding assessment	262.47	262.47
Balance Available to fund other streams		82.25
Potential other streams		
Public Health Grant		59.18
Integrated Transport		5.09
Highways Mtce		19.76
Highways Efficiency		3.56
Total Required		87.59

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Appendix D

**Memorandum of Understanding - Subject to Contract
Business Rates Pooling Agreement
Pilot Arrangements**

- (a) All Local Authorities are currently obligated to pay a percentage of their Business Rate collection to Central Government. In accordance with the proposed 100% Business Rates Retention Scheme all Business Rates will be retained by Local Government.
- (b) In order to pilot the 100% scheme Members have agreed, subject to designation by DCLG, to join together the net Business Rates collected and establish a Business Rate Retention Scheme in accordance with the Local Government Finance [Bill July 2012] (“the Pool”).
- (c) The rationale of the Pool is:
- (i) to utilise the additional resources available to the pool , resources that would otherwise have been returned to central government, to
- deliver sustained economic growth by building on and strengthening its partnership arrangements reflecting the economic geography of Staffordshire
 - the generation of additional resources for both direct service provision, and preventative , social care
- (ii) to utilise tier splits to manage the risks and rewards across the pool

1. Membership**1.1 Membership of the pool is open to the following Councils/ authorities;**

Cannock Chase District Council
 East Staffordshire Borough Council
 Lichfield District Council
 Newcastle-under-Lyme Borough Council
 South Staffordshire District Council
 Stafford Borough Council
 Staffordshire County Council
 Staffordshire Fire and Rescue Service
 Staffordshire Moorlands District Council
 Stoke-on-Trent City Council
 Tamworth Borough council

1.2 The Pool Board will review its membership annually and will consider requests for new members to join or existing members to leave provided applications to join or leave are made at least 2 months prior to the Department for Communities and Local Government (“DCLG”) deadline for pre designation of a Pool each year.

- 1.3 The Pool is open to the possibility of accepting additional members to its pooling arrangement. New members, as existing members, will be accepted subject to:
- there being a unanimous decision of the Pool Leaders to accept the new member(s)
 - new membership will begin from 1 April of the following financial year
 - consultation and designation requirements of DCLG.
 - their full acceptance of the DCLG' s Business rates retention scheme – pooling prospectus and any subsequent amendments to or iterations thereof.

2. Duration

- 2.1 Subject to the pool being designated by DCLG, the pool will come into effect from 1 April 2018. The period of membership will be for a minimum of the 2018/19 financial year.
- 2.2 The Pool is a voluntary arrangement and Members will be able to review their continuing membership up to [2 months] prior to the annual nomination of the forthcoming year's Pool in accordance with DCLG' s timetable.
- 2.3 Should a Member withdraw from the Pool during the annual settlement consultation period the Pool will be dissolved in accordance with DCLG rules.

3. Governance

- 3.1 A Pool Board consisting of a representative from each of the Members will be responsible for the Governance arrangements of the Pool.
- 3.2 The Pool Board will be made up of one nominee from each of the Members, being the Leader/Chief Executive or nominated substitute.
- 3.3 Each Member will have equal voting rights and voting will be by a simple majority. If there are an equal number of votes for/against a decision, the Chair will provide a casting vote.
- 3.4 A schedule of meetings will be agreed annually in advance of each financial year and a quorum for meetings will be 50% of the Membership of the Pool Board.
- 3.5 The Board will be hosted in each turn by each Member and chaired by the host Member.
- 3.6 The Pool Board will receive appropriate Legal and Financial support as required as from the Lead Authority.
- 3.7 The Members shall at its first meeting agree terms of reference for the Pool Board, subject to the clauses as contained in Section 4 of these Heads of Terms.

4. Pooled Fund

- 4.1 The Pool will be based upon a “No Loss “basis for each Member.
- 4.2 “No loss” is determined to be that a Member will be no worse off:
- by being a Member of the Pool than they would have been if they had not been a Member of the Pool. Each Member will retain the income they would have received if they were not a member of the Pool.
 - No Member will be worse off as compared with previous pool arrangements for Staffordshire and Stoke on Trent Business rates Pool (2012) or Greater Birmingham and Solihull Business Rates Pool.
 - No Member will be worse off as a result of the increased retained % arising from the agreed Tier Splits of the Pilot Scheme.
- 4.3 Each Member will retain the net Business Rates calculated in accordance with the 50% Business Rates Scheme (pre to any Levy Deduction). Member authorities will pay the same level of tariff or receive the same level of top up and receive the same level of safety net payment as if they were not in the pool;
- 4.4 Tariffs/Top ups for each Member as determined by the Annual Settlement, as adjusted for the consolidation of Revenue Support Grant and Rural Services Grant will be paid into/ received from the Pool via the Accountable Body in accordance with the timetable as approved by the Board. The accountable body will be responsible for payment/ receipt of the net Tariff or Top Up due to/from Central government.
- 4.5 Additional income in excess of the amount that would have been retained under the 50% Business Rates Scheme will be paid into the pool via the Accountable Body no later than the point at which they would otherwise have been paid to the Government had no pool existed.
- 4.6 The pool will be distributed in accordance with the following methodology
- The Accountable Body will receive a fixed annual sum of £XX,000
 - Each Member Authority will receive a guaranteed payment of £200,000 per annum
 - Compensation to a Member arising from the change in tier splits between the 50% and 100% scheme whereby an authority is worse off due to the increased % arising from the pilot.
- 4.7 The residual balance representing “ongoing growth” to 31 March 2018 and new growth thereafter will be split in accordance with the following Tier Splits reflecting the growth achieved by that Member

Two Tier Authorities	2018 Pool	(50% Scheme)
Staffordshire County Council	59%	9%
Staffordshire Fire and Rescue Service	1%	1%
District /Borough Councils	40%	40%

Unitary Authority	2018 Pool	(50% Scheme)
Stoke-on-Trent City Council	99%	49%
Staffordshire Fire and Rescue Service	1%	1%

- 4.8 The above distribution mechanism will remain in place for the duration of the pool
- 4.9 The distribution of pooled funds will be made by 30 June following the end of the relevant financial year.
- 4.10 Billing authority Members will retain their own collection funds and will retain their existing responsibility for bearing any shortfall in collected business rates.

5. Levy Savings

- 5.1 The amount retained by each Member is gross of the 50% levy payments that would have been paid to the Government. Each Member will determine how such Levy savings are distributed and are outside of the remit of the pool. However the pool is to operate on a “no detriment “basis with other partners/stakeholders.
- 5.2 Each Member should agree with the relevant partner or body how/whether existing arrangements are to be addressed

	S&SOT (2012)	GBS Pool
Local Retention- Tariff	40%	32.5%
- Top Up		7.5%
Economic Development	40%	40%
Contingency	20%	20%

6. Safety Net/Contingency Fund

- 6.1 If a Member’s business rate income drops by more than the Government determined safety net trigger, then a Party will be entitled to receive a Safety Net Payment from the Pool.
- 6.2 The overall Pool, under pilot arrangements, will receive a Safety Net payment that guarantees 97% of its Baseline figure. Individual Members are not protected by the Government Safety Net provision. However in accordance with the “no detriment provision” existing 50% Business Rates Retention safeguards will apply.
- 6.3 Safety Net payments ensuring each authority receives 92.5% of its Business Rates Baseline will be paid from the Pool. The payment will match any safety net payments that would otherwise be made if they were outside the Pool.

- 6.4 At the formation of the pool each Member will be required to transfer to the Accountable Body their proportion of the Contingency Fund held within the Staffordshire and Stoke on Trent Business Rates (2012) Pool or Greater Birmingham and Solihull Business Rates Pool.
- 6.5 In addition, in accordance with previous pooling arrangements, Members will make a contribution amounting to 20% of its Levy Saving to the Contingency Fund.
- 6.6 The amount of the Contingency Fund will be reviewed on an annual basis by the Pool Board.
- 6.7 If in a Financial Year there are insufficient sums in the Contingency Fund then Staffordshire County Council and Stoke-on-Trent City Council will transfer an amount equal to the shortfall to enable the Contingency Fund to make the Safety Net Payments. This payment will be split on a pro rata basis, based on respective population sizes in the two areas.
- 6.8 Staffordshire County Council and Stoke-on-Trent City Council will be reimbursed for any such payments made from the contingency in the following financial year.
- 6.9 Safety net payments will be made as a first call on sums in the contingency fund, before reimbursements are made.
- 6.10 The Contingency Fund will be reviewed on an annual basis by the Pool board. Where the existing contingency fund is, or is anticipated to be, insufficient, the % of the "levy savings" will be amended to increase the proportion allocated to the contingency fund and to reduce the allocation to the local incentive fund accordingly on a pro rata equal basis as agreed by the Pool Board.
- 6.11 If Staffordshire County Council and Stoke City Council are required to make Payments to the Contingency Fund in two (plus) consecutive Financial Years then they may notify the Members that a Variation to or Termination of the is needed.

7. The Lead Authority/Accountable Body

- 7.1 The Pool Board will nominate the Finance Shared Service for Cannock Chase/Stafford Borough as Lead Authority.
- 7.2 The Lead Authority is responsible for all accounting and administration of the Pooled Fund and the Contingency Fund.
- 7.3 The Lead Authority is responsible for all auditing and accounting requirements as set out in legislation.
- 7.4 Each Member is be required to provide all relevant information to the Lead Authority as required to carry out its responsibilities. [to be determined by DCLG].

- 7.5 Each Member will transfer the relevant funds to the Lead Authority enabling the Lead Authority to carry out its responsibilities under this agreement.
- 7.6 The Members agree that the Pool will operate on a cash flow neutral basis. Payments should be actioned in accordance with the dates as determined by DCLG (as reasonably practical) on a net basis.
- 7.7 In addition Members will be required to provide medium term forecasts and monitoring information as determined by the Pool Board.
- 7.8 The Lead Authority will be accountable for producing as a minimum an annual report to the Pool Board or other such reports as required by the Pool Board.
- 7.9 The Lead Authority will be subject to no additional burdens other than those required to meet the normal requirements associated with the administration of the Pool and will receive an agreed fixed annual sum (as determined by the Board) for undertaking the Accountable Body status ..

8. Termination

- 8.1 A Pool will remain in place for each financial year that it has been designated by DCLG. Once designated, Members are not able to withdraw from the Pool for that financial year.
- 8.2 Prior to designation, the Pool is on a voluntary basis and all members will be able to choose to be a Member of the Pool for the forthcoming year's designation. In considering their continued Membership, Members will need to have due regard to the Pool Fund aims and objectives and the impact on remaining Members.
- 8.3 Members must give a minimum of 2 months' notice of intention to withdraw from the Pool prior to the provisional designation of the Pool in accordance with DCLG' s timetable.
- 8.4 If a Member or Members leave the Pool without the required notice set out in 8.3 and it is not possible for other Members to form an alternative pool for the forthcoming year then the exiting Member or Members shall pay 50% of the lost benefit to the Member Authorities directly affected in accordance with the Tier splits. The lost benefit relates to the additional retained growth as compared to the 50% scheme that would have been available to the Members in the forthcoming year had the Member or Members not exited.
- 8.5 Clause 8.4 of this Memorandum of Understanding shall not apply to the first year of the Pool or if the Pool Board unanimously agrees that it shall not apply.
- 8.6 In the event that the Pool is terminated the Pool Board must unanimously agree how any balances in the Pooled Fund or the Contingency Fund are shared amongst the Members. For the avoidance of doubt this will include both positive and negative balances which will be netted off each other. If the

pool board cannot reach a unanimous decision then the matter will be referred to mediation and/or arbitration as per the dispute resolution procedure set out in the pooling agreement.

9. Other Terms

- 9.1 The Pooling Agreement will also include other terms standard in xxxx documents of this type e.g.: Freedom of Information Act provisions, anti-discrimination provisions, Data Protection Act provisions etc.
- 9.2 Each Member will be responsible for its own legal fees in the connection with the drafting, negotiation and completion of the Pooling agreement.
- 9.3 A dispute resolution shall be included in the Pooling agreement.

Signed (for and on behalf of):.....

Name:.....
Title:.....
Date:.....