

Public Document Pack



Wyre Borough Council
Date of Publication: 21 September 2018
Please ask for : Roy Saunders
Democratic Services and Scrutiny
Manager
Tel: 01253 887481

Dear Councillor,

You are hereby summoned to attend an extraordinary meeting of Wyre Borough Council, called by the Mayor in accordance with paragraph 3(1) of the Council Procedure Rules in Part 4.01 of the Constitution, to be held at the Civic Centre, Breck Road, Poulton-le-Fylde on **Monday, 24 September 2018** commencing at 7.00 pm.

Yours sincerely,

A handwritten signature in black ink that reads 'Garry Payne'.

Garry Payne
Chief Executive

COUNCIL AGENDA

1. Apologies for absence

2. Declarations of Interest

To receive any declarations of interest from any Member on any item on this agenda.

3. Lancashire Business Rates Pool: 75% Business Rates Retention Pilot (Pages 1 - 66)

Report of the Resources Portfolio Holder (Cllr A Vincent) and the Head of Finance (Section 151 Officer).

If you have any enquiries on this agenda, please contact:

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- Peter Foulsham, tel: 01253 887606, email peter.foulsham@wyre.gov.uk

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Report of:	Meeting	Date	Item no.
Cllr Alan Vincent, Resources Portfolio Holder and Clare James, Head of Finance (S.151 Officer)	Council	24 September 2018	3

Lancashire Business Rates Pool: 75% Business Rates Retention Pilot

1. Purpose of report

- 1.1 To consider the benefits and risks of the Council applying to leave the current Lancashire wide pool with effect from the 2019/20 financial year, for one year, and joining a Lancashire wide 75% Business Rates Retention Pilot pooling arrangement.

2. Outcomes

- 2.1 The achievement of a negative levy rate which would ultimately result in there being no requirement to make a levy payment to Central Government.
- 2.2 The opportunity to retain an additional 25% of business rates growth in Lancashire.

3. Recommendations

- 3.1 That the Council formally agrees to join the Lancashire wide 75% Business Rates Retention Pilot pool with effect from the 2019/20 financial year, subject to the application to Central Government being successful and the arrangement being financially attractive for Wyre (to be determined by the Head of Finance/s.151 Officer).
- 3.2 That a designated Lead Authority will continue to act as administrator of the pool at a cost to be agreed but likely to be in the region of £2,000 per member (reflecting the current arrangement), which will be charged to all authorities participating in the pool at a flat rate.
- 3.3 That the first 5% of any additional growth will be used to create a new resilience reserve to mitigate against any extra loss arising from being a pilot member. If funds are remaining this will be used to further compensate individual councils facing a loss.

- 3.4 That a further 25% of the additional growth will be set aside to create a

Lancashire wide fund to be used to target strategic economic growth and sustainability. This investment fund will be allocated on the basis of unanimous decisions by members of the Lancashire Leaders Business Rates Pilot Group.

- 3.5 That the remaining retained growth will be apportioned according to the new tier splits i.e. Districts 56% (currently 40%); County Council 17.5% (currently 9%); unitaries 73.5% (currently 49%); fire 1.5% (currently 1%) to promote local economic growth and to enable the financial sustainability of pool members.
- 3.6 That responsibility for finalising the arrangements for the pilot are delegated to the Head of Finance (s.151 Officer) in consultation with the Resources Portfolio Holder.

4. Background

The position prior to creating the Lancashire Business Rates Pool

- 4.1 In the past, businesses paid their rates, which the local authority collected and passed over to the Treasury who then redistributed a share to local authorities via an extremely complex formula referred to as the 'Formula Grant Distribution System'. A new system, introduced from April 2013, allows the Council to keep a proportion of the money it collects in business rates although some authorities earn more in business rates than they used to receive from the previous formula grant with others earning much less.
- 4.2 To address this, the Government calculates a baseline funding level for each local authority and where they receive more in business rates the Government will pocket the difference (the 'tariff') and where local authorities receive less than their funding level this will be paid as a 'top-up'.
- 4.3 The Council is potentially allowed to keep 40% of any additional growth that it generates (with 50% being paid to the Government, 9% to Lancashire County Council (LCC) and 1% to the Fire Authority) but this is regulated to ensure that the council's increase in revenue is matched by a corresponding increase in its funding level i.e. if an authority grows its rates by 2% and its funding level growth is 4% then it will only get to keep 2% of that growth, with the excess being paid as a levy, although the maximum levy payable has now been set at 50p in the pound.

The creation of the Lancashire Business Rates Pool in 2016/17

- 4.4 At the Lancashire Chief Financial Officers meeting 30 January 2015 it was agreed to investigate the potential benefits of forming a business rate pool across Lancashire.
- 4.5 Using the 2015/16 Business Rate estimates (NNDR1 information) and including in the pool all of the Lancashire Districts who pay a 'tariff' and LCC, a 'top up' authority, resulted in a negative levy rate calculation meaning that no levy payment was due. In essence, it was determined

that what was previously a 50% levy rate for Wyre resulting in a payment to Central Government of £522,277 could be avoided and across Lancashire this equated to the retention of an estimated £4.9m in funding.

- 4.6** Based on the above analysis, an application was made to Central Government to establish a pool under paragraph 34 of Schedule 7B of the Local Government Finance Act 1988 and acceptance was published as part of the draft Local Government Finance Report. Authorities had the option to withdraw within 28 days of the draft publication (and this remains the case each year) but this would mean the collapse of the entire pool. As such, all authorities are asked to inform the Lead Authority by the end of August each year if they want to withdraw from the Pool. No such notification has been received for 2019/20.
- 4.7** The Lancashire Business Rates Pool is now in its third year and the retained growth in Lancashire in 2017/18 amounted to £6.01m, with Wyre benefitting by £419,554 (net retained levy). This is money that would otherwise have been paid to Central Government.
- 4.8** The membership of the current pool has changed over the three years with Fylde joining the pool in 2017/18 and Burnley leaving in 2017/18 and then re-joining in 2018/19.
- 4.9** Under the current pooling arrangement each authority bears its own risk, having given up the right to their individual safety net protection from central government and each retains their own growth, net of a 10% share of the retained levy which is paid to LCC.
- 4.10** The current safety net payment is set at 92.5% of the Baseline Funding Level and in effect means that Government will guarantee this minimum level of income across the pool as a whole. The element of the reduction in business rates that Wyre would have to meet before receiving any safety net payment in 2018/19 (if it applied) is £245,959 and it is therefore considered that the risk of Wyre operating at the safety net level is minimal.

5. Key issues and proposals

- 5.1** On the 24th July, Central Government issued a prospectus for 75% Business Rates Retention (BRR) Pilots (see Appendix 1). All applications must be received by midnight on Tuesday 25 September 2018. Both LCC and the current pool's Lead Authority undertook modelling based on the 2018/19 NNDR1 returns from all Lancashire authorities and their results were in line with each other (see Appendix 2).
- 5.2** The modelling showed that if a 75% BRR scheme existed across all of Lancashire then based on the 2018/19 figures, there was in the region of £10.8m of predicted growth that could be retained in the region either as an investment fund and/or to promote financial sustainability.
- 5.3** At the Lancashire Leaders and Chief Executives meeting on the 11th September, it was agreed that the Lancashire Chief Finance Officers Group would prepare a risks update and draft an outline application form

(see Appendix 2, 3 and 4). These documents were circulated on the 18th September and were based on all Lancashire Authorities joining the pilot.

5.4 Subsequent to the production of the report and draft bid, Lancaster City Council have formally withdrawn from the process owing to the significant risk represented by the nuclear power station at Heysham. They are not members of the current pool arrangement for the same reason and their absence from the bid is not expected to affect its viability as central government are aware of their exceptional circumstances from previous discussions on the current pool. Without Lancaster in the pool, the extra growth forecast reduces to just under £7.1m. At the time of writing this report, a number of authorities have indicated their willingness to proceed with the application. However, it is not confirmed that all other authorities are minded to support the process as each have their own approval process to undergo in a very short time frame.

5.5 Appendix 2 sets out the key issues and risks in detail and for that reason this report does not replicate them here. Many of the risks are already inherent within the current pooling arrangements. However it is important to note the following:

- The 2019/20 pilots will not benefit from the 'no detriment' clause enjoyed by existing 100% BRR pilots. Instead the safety net threshold for the entire pool would be raised from 92.5% to 95% to recognise the increased risk sharing.
- Participating councils will also be exposed to a higher level of business rate risk for the duration of the pilot in 2019/20. There will be a higher share of any losses, arising as a result of appeals, bad debts and empty premises, being 75% rather than the current 50%.
- The Safety Net threshold will only be activated by Central Government on a pool wide basis and is therefore unlikely to be triggered. As such each authority will bear its own risk over and above the 5% Resilience Fund created by the 25% additional growth only.
- Should the application fail, the current pooling arrangements are our preferred alternative or 'fall-back' position. Central Government will take this into account but no absolute guarantee exists that this will happen and therefore there is a small risk that no pooling arrangements will exist in 2019/20 in Lancashire and we will have lost the current retained levy for at least one year.
- Appendix 2 refers generally, as does the application, to the governance arrangements for the new pool. However, no document has been drawn up beyond basic principles being agreed between authorities. If the application is successful there is a risk that within the 28 day 'cool-off' period, agreement is not reached and an authority withdraws from the pilot. This would again result in no pooling arrangements in Lancashire 2019/20 and the loss of any retained levy for at least one year.

5.6 Authorities selected as pilots will be expected to forgo Revenue Support Grant (negative £33,000 in 2019/20 for Wyre and expected to be amended to nil following the Government's technical consultation) and Rural Services Delivery Grant (not applicable to Wyre). The value of

these grants will be taken into account when revised tariffs and top-up's for the pilot authorities are set up but the impact on Wyre and other participating authorities would be revenue neutral.

5.7 All authorities have been asked to agree the following next steps and seek formal approval to confirm the following:

- Existing Lancashire Pool members accept the risk to the current pool by submitting a bid.
- Pool pilot members understand the risks set out for the pool and their own councils.
- Pool pilot members are in support of the three stage approach to allocate the extra funding as set out in 3.3, 3.4 and 3.5 above and described in Appendix 2 at 8.4.

5.8 The new 75% pilot, if successful, would allow Lancashire authorities to influence the policy and approach taken by Central Government on any future national scheme. Having 2019/20 as essentially a transitional year would provide an opportunity to test and gather information on the design of the new business rate retention system in preparation for the anticipated national implementation of the new arrangements in 2020/21.

Financial and legal implications	
Finance	<p>Whilst it is impossible to project with any accuracy the 2019/20 financial position in terms of Business Rates Retention, the 2018/19 Business Rate estimates (NNDR1 information) reflect a net levy payment for Wyre of £680,133. The most recent update as at August 2018 continues to suggest that a levy payment will be due, although at a reduced level similar to 2017/18 and therefore it is considered financially beneficial to remain in a Lancashire wide pool or 75% BRR Pilot alternative. Any reduction in business rates income below the authority's baseline funding level must be repaid to the pool.</p> <p>Based on the 2018/19 NNDR1 modelling, there is the potential for £380,875 additional growth to remain in Wyre with our contribution to the resilience pot estimated to be £27,205 and £136,027 to the investment fund for use across Lancashire.</p> <p>A contribution of £2,000 or a similar amount would continue to be made to the Lead Authority.</p>
Legal	<p>The legal framework for the formation of a business rates pool is set out in paragraph 34 of Schedule 7B of the Local Government Finance Act 1988 (as inserted by schedule 1 to the Local Government Finance Act 2012). Each pool has to decide (and get approval from Government) on its governance arrangements. These cover, at the least:</p>

	<ul style="list-style-type: none"> the rights and obligations of pool members, including how money is to be disbursed to/between pool members and how payments to central government are to be funded by the lead authority the treatment of pool balances and liabilities following the pool's dissolution.
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Other risks/implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

implications	✓ / x
community safety	x
equality and diversity	x
sustainability	x
health and safety	x

risks/implications	✓ / x
asset management	x
climate change	x
data protection	x

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Clare James	887308	clare.james@wyre.gov.uk	21 September 2018

List of background papers:		
name of document	date	where available for inspection
None		

List of appendices

- Appendix 1 – Invitation to Local Authorities in England to pilot 75% BRR in 2019/20
- Appendix 2 – Report to Lancashire Leaders/Chief Executives 18.09.2018
- Appendix 3 – Additional Business Rates Risk papers from Lancashire authorities received after Appendix 2 was published
- Appendix 4 – Draft Application for a 75% BRR Pilot (all Lancashire authorities)



Ministry of Housing,
Communities &
Local Government

Invitation to Local Authorities in England

to pilot 75% Business Rates Retention in 2019/20



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

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

Background to current business rates pilots

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

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

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

Section 2 – The invitation to authorities to pilot

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

Terms of the invitation

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

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

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

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

Response to the invitation

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

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

Section 3 – The criteria for becoming a pilot

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

Section 4 – The authorities’ proposal to become a pilot

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

Membership details of proposed pilot

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

Bid details

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

Additional supporting evidence

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

Membership

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

Lead authority

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

Pooling arrangements if pilot bid is unsuccessful

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

Other information

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

Section 5 – The government’s handling of proposals

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

Section 6 – Submission of proposals

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

6.2 Proposals should be submitted to:

Local Government Finance Reform Team

Ministry of Housing, Communities and Local Government

Fry Building

2 Marsham Street

Westminster

London

SW1P 4DF

Email: Businessratespilots@communities.gsi.gov.uk

Section 7 – Conditions

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

title: BUSINESS RATE 75% PILOTS
submitted by: LANCASHIRE CHIEF FINANCIAL OFFICERS – BR WORKING GROUP
date: 18 SEPTEMBER 2018

1 PURPOSE

- 1.1 To inform Leaders and Chief Executives of the risks surrounding the submission of a bid for a 75% Business Rate Pilot for Lancashire for 2019/20.
- 1.2 To set out proposals for how a pilot pool could work and the potential benefits arising.
- 1.3 To consider whether a Lancashire wide pool pilot bid should be submitted to MHCLG.

2 BACKGROUND

- 2.1 The current 50% Business Rate Retention scheme was introduced in 2013.
- 2.2 Following this local authorities were encouraged to form Business Rate pools sharing risk and reward in return for retaining the levy payable on growth which would otherwise be paid over to the Government.
- 2.3 The Lancashire Business Rate Pool was formed in 2016/17 and has proved successful for all the constituent authorities. There have been some changes in membership since it was formed but the pool continues to operate on the same principles as originally agreed with the Government.
- 2.4 In 2017/18 the Government welcomed proposals for 100% pilots and launched five initial 100% business rates retention pilots in devolution deal areas. These pilots were continued into 2018/19. The government will continue to have separate discussions with the devolution deal areas about their pilot programme.
- 2.5 At the 2017 Autumn Budget it was confirmed that London would become a 100% business rates retention pilot for the duration of the 2018/19 financial year. The pilot comprises of the thirty-two London Boroughs, the City of London and the Greater London Authority. The government will continue to have separate discussions with London about their pilot programme.
- 2.6 At the provisional Local Government Finance Settlement in December 2017, the government announced a further ten 100% business rates retention pilots for the duration of the 2018/19 financial year in local authority areas across England. Whilst these pilots are set to end on 31 March 2019, they are inviting the areas involved to apply to become 75% business rates retention pilots in 2019/20.
- 2.7 As part of the move towards a reformed business rates retention system in 2020/21, the government intends to devolve Revenue Support Grant (RSG), Rural Services Delivery Grant (RSDG), the Greater London Authority (GLA) Transport Grant and the Public Health Grant (PHG) to local government when the new system commences. The government also intends to use the intervening period to develop a set of measures that support a smooth transition of funding for public health services from grant funding to retained business rates.

2.8 The announcement on 24 July 2018 sets out the Government's intentions to invite pools of authorities to submit applications to pilot 75% business rates retention in 2019/20, for one year only. The deadline for applications is 25 September 2018. The intention is that the new 75% pilots will provide an opportunity to test and gather information on the design of the new business rate retention system in preparation for 2020/21.

3 NEW 75% PILOTS

3.1 Authorities selected as pilots will be expected to forgo Revenue Support Grant and Rural Services Delivery Grant. The value of these grants will be taken into account when revised tariffs and top-up's for the pilot authorities are set up.

3.2 The Government expect that a proposed pool would comprise a county council and all of the associated district councils; a group of unitary authorities; or a two-tier area and adjoining unitaries, and it should extend across a functional economic area. Proposals would need to set out the tier splits for all authorities, including Fire and Rescue.

3.3 Bids will be required to set out how the pilot will manage risk and reward at a strategic level, and have regard to the financial sustainability of all local authorities involved and also set out how any potential business rate growth will be spent. The bid will also need to make clear the governance arrangements for strategic decision making.

3.4 The Government have decided that because the new 75% pilots are testing the pooled authorities approach to risk the 'no detriment' clause applied to previous pilots will no longer apply. Instead of this the Government have increased the safety net from 92.5% to 95% for these new pilot pools.

4 CURRENT BR POOL

4.1 The current Lancashire Business Rate Pool has proved very successful for all members with retained levies last year totalling £6.011m. Individually pool members have benefitted with retained levies ranging from £389k to £1,113k.

4.2 Ribble Valley BC is lead authority for a 3 year period for the Lancashire Pool through whom all payments are channelled.

4.3 The table below shows the overall pool position for the last financial year.

2017/18 Lancashire Business Rates Pool Outturn	
	Total £
Retained Levy Calculation	
Total NNDR Income	194,459,738
Small Business Rate Relief	21,210,103
Relief to Other Ratepayers	0
Localism reliefs	1,429,240
Adjusted NNDR Income	217,099,081
40% District Share	86,839,632
Less Tariff payable	-51,222,860
Total Retained Income	35,616,772
Business Rate Baseline Funding Level 17/18	23,489,460
Growth for Year	12,127,312
Levy Rate if no pool existed	45-50%
Total Levy Payment Due to MHCLG if no pool	6,011,453
Retained Levy under Pooling Arrangements (90%)	5,410,308
Due to LCC under Pooling Arrangements (10%)	601,145
Forecast - Based on NNDR1	
Total Levy Payment Due if not under Pooling	4,071,648
Retained Levy under Pooling Arrangements (90%)	3,664,483
Due to LCC under Pooling Arrangements (10%)	407,165

4.4 The current Lancashire Pool operates on the basis that each member stands their own risk having given up their right to safety net protection on joining the pool. Incidentally a safety net of 92.5% does not apply individually, only to the pool as a whole. Additionally each member retains 90% of their levy on growth above their baseline with the remaining 10% payable to LCC. As such the Lancashire Pool works very well and on a simple and transparent basis.

5 LANCASHIRE POSTION - 75% PILOTS

5.1 At the Lancashire Leaders & Chief Executives meeting on 11 September you tasked LCFO's with progressing a pilot application. Specifically concern was raised at this meeting as to the potential risks of a new pilot.

5.2 As lead authority for the current Lancashire BR Pool Ribble Valley BC have carried out some modelling of a new 75% pilot based on current 2018/19 expected business rate income.

5.3 In addition LCC have independently commissioned a piece of work by Local Government Futures to explore the financial benefits of a potential 75% pilot in Lancashire.

5.4 Both models estimate that the possible extra growth to be retained under a pilot pool would be in the region of £10m.

5.5 Two meetings have been held of LCFO's (7 September 2018 and 14 September 2018) to discuss possible options to share risk and reward. At the meeting on 14 September 2018 it was agreed a small working group of 6 LCFO's meet to work up a possible pilot application. This group consisted of:

- Lancashire County Council – Neil Kissock
- Lancaster City Council – Paul Thompson
- Ribble Valley Borough Council – Jane Pearson
- Hyndburn Borough Council – Joe McIntyre
- Preston City Council – Jackie Wilding
- Blackburn with Darwen Council – Louise Mattinson

6 POSSIBLE FINANCIAL BENEFITS

6.1 Annex 1 shows the detailed calculations of the financial benefits of a 75% pilot pool by each authority

6.2 This is based on the assumption that the Government's 25% share forgone is shared out pro-rata to current tier splits. It is also based on 2018/19 NNDR1 returns completed by each authority on the assumption that retained income will be comparable in 2019/20. The model includes all Lancashire authorities for illustration purposes.

6.3 A summary is shown in the table below which compares the growth (or loss) we are currently all set to receive for 2018/19 compared with how much growth (or loss) we could receive if we were a 75% pilot with everyone included.

LA	Summary		
	Current Growth £	Pilot Growth £	Extra Growth £
Burnley	2,020,664	3,030,997	1,010,332
Chorley	1,736,086	2,604,128	868,043
Fylde	1,292,008	1,938,013	646,004
Hyndburn	229,324	343,986	114,662
Pendle	832,981	1,249,472	416,491
Ribble Valley	1,263,730	1,895,595	631,865
Rossendale	776,324	1,164,486	388,162
South Ribble	2,385,956	3,578,934	1,192,978
West Lancashire	975,755	1,463,633	487,878
Wyre	1,360,267	2,040,400	680,133
Preston	-131,204	-196,806	-65,602
Lancaster	770,281	2,310,845	1,540,564
Blackpool	-358,920	-538,381	-179,460
Blackburn with Darwen	2,527,745	3,791,617	1,263,872
Lancashire CC	3,213,552	4,820,329	1,606,776
Lancashire Fire & Rescue	401,323	601,985	200,662
Total	19,295,873	30,099,233	10,803,360

- 6.4 You will see two Authorities are predicting a loss in 18/19 based on their NNDR1's (Blackpool and Preston). Under a pilot these losses would actually increase, because the government is reducing how much they are standing of these losses from 50% to 25%.
- 6.5 The current Lancashire Business Rate Pool has proved very successful for all members with retained levies last year totalling £6.011m. However as you can see from the table above we could be looking at a further £10m of growth within our Lancashire authorities.
- 6.6 The current Lancashire Pool operates on the basis that each member stands their own risk having given up their right to safety net protection on joining the pool. Incidentally a safety net of 95% will apply to the new pilot pool as a whole.

7 PILOT POOL RISK

The existing pool is placed in jeopardy

- 7.1 The likelihood of our Pilot Bid failing has to be considered high. In the previous round only 1/3rd of bids were approved which meant 2/3rds failed. Additionally it is likely that those that failed the last round will have spent considerable effort over the last year developing and improving their bids to ensure they have a better chance of success this time. Also those Councils that did not bid last time but are bidding this time presumably also started many months ago preparing their bids and therefore in a competitive process, given we are trying to piece together a bid at the eleventh hour from a standing start, the odds of success must be slender and significantly below the 1 in 3 chance from the 1st round. In these circumstances where it is much more likely a bid will be rejected rather than approved we have to face into the fact that the jeopardy around the current pool is a real possibility.
- 7.2 If we could secure from the Government a guarantee that if the Pilot Bid is unsuccessful we could revert to the existing Lancashire Pool and de-risk losing the £6m gain we currently enjoy, this would be a major step forward in alleviating one of the key downside risks from submitting a Pilot Bid. **We have posed this question to the Government however they have not provided a commitment that the current pooling arrangements would continue if our application was unsuccessful.** See Annex 4 which also lists other questions we have put to MHCLG.
- 7.3 The submission of a Pilot bid for a Lancashire wide 75% Business Rate Retention Pool provides the potential for an estimated gain of approximately £10m. However there are a number of significant financial risks that crystallise with such a bid and these need to be considered carefully in making any decision on whether to proceed with a Pilot bid or to maintain the current arrangements. Some of the risks are very difficult to quantify but will be substantial while others may be calculable but would require a major amount of time and skilled effort, which is not available ahead of the Government's extremely tight deadline of the 25th September 2018. If the Government's prospectus for 75% Pilot Pools had been issued sooner it is possible this quantification could have been completed.
- 7.4 The most significant risk is that the Pilot Bid fails and as a consequence we lose the current Pooling arrangement which delivers around £6m of funding to Lancashire. Currently Lancashire has a Pool of which includes LCC, Hyndburn, Fylde, Wyre, Burnley Pendle, Rossendale, Chorley, West Lancashire, South Ribble and Ribble Valley. The councils not in the Pool are Preston, Lancaster, Blackpool and Blackburn with Darwen.
- 7.5 This risk stems from the Government rules around Pooling which require the dissolution of any existing pool before a new Pool can be proposed and the Government's stipulation that

“Your authority will not automatically revert to your previous pool arrangements” --should your application to become a Pilot be unsuccessful. See MHCLG Business Rate Pilot 75% Rates Retention Frequently Asked Questions September 2018.

- 7.6 The Government does indicate in its literature that councils can indicate a preference as to what they would like to happen in the event of a Pilot application that fails, but the literature makes it clear the decision rests entirely with the Government and it is entirely possible that we would not be allowed to revert to the previous arrangement and that we would therefore lose substantial funding as a consequence.
- 7.7 The amount lost could be more significant than the £6m at stake in 2019/20 from the existing pool because after having been turned down in 2019/20, Lancashire would have to make a new bid in 2020/21 and might again be refused, whereas under the current rules the existing pooling arrangement is guaranteed to continue as long as it remains unchanged.
- 7.8 The exposure to this risk varies considerably amongst the participants in the current scheme. For some councils the loss of existing funds would not present a significant impact on their overall budget, as the amount they gain from the current pool is relatively small compared to their overall expenditure, but for others the current level of gain is significant in terms of their overall revenue sources, particularly where these figures have been necessarily incorporated into base budgets.

Impact if the pilot is successful

- 7.9 The other risk we face is of business rates receipts below the growth point. The current Lancashire Pool handles the risk element from such a decline by leaving the responsibility with the Council suffering the financial decline. This provides a clear signal to anyone entering the Pool that they need to be sure they believe they are on the up side of any change in Business Rates as it is their jeopardy if their fortunes take a turn for the worse. They need to recognise that they have lost the safety net protection from the Government and therefore could suffer larger losses if they enter the Pool than if they remain outside.
- 7.10 Two councils currently indicate that they could be potentially below the growth point but wish to be included in the new Pilot. Their position will financially worsen if they do, as the Government's currently stand 50% of the "loss" below the baseline level, whereas under a pilot will only stand 25% of any "loss". Part of the incentive for the two negative growth councils joining the Pilot is that other members of the Pilot will top slice some of their gain to remove the potential loss they face if their business rates do not grow so as to be above the growth point. This transfers 25% of the risk of below growth point performance away from the Government and the two councils to the rest of the Pilot group. If either council suffered a further reduction during the year, the other Pilot councils would face a larger reduction in their own growth funds to compensate those that are experiencing a downturn in their local position. This would also apply to any other council which failed to achieve their business rates baseline.
- 7.11 The risk can be mitigated by insisting that all council stand their own losses, however our proposal is to set aside 5% of the extra growth to create a new resilience reserve to mitigate against losses in business rate income. This is proposed to make our application potentially more attractive to the Government recognising our bid for pilot status need to be competitive compared to bids from other parts of the country.

Significant extra risks

- 7.12 All Billing Authority LCFO's have been asked to provide information as to their significant risks. Annex 2 sets out in detail the risks supplied by each council. At the time of writing this report some councils have yet to provide this information.

7.13 A group of 20 NHS trusts has launched a legal bid for business rates relief against 49 local authorities. This is a test case and if local authorities were to lose NHS Hospital trusts would receive 80% mandatory relief. This would have a very serious impact on local government finances. The LGA, which is supporting the councils involved in the case, has warned the legal bid could threaten the financial viability of some local authorities.

7.14 Lancaster City Council have the two power stations at Heysham. They have provided figures which model the impact of both 3 month and 6 month outages for each of the power stations.

7.15 Lancaster consider a 6 month outage at the H2 reactor to be the worst case scenario

Power Stations	RV	Multiplier	Annual Charge		3 months Outage	LCC 40%		6 months Outage	LCC 40%
Heysham 1	£16,720,000	49.3	£8,242,960		2,747,653	1,099,061		5,495,307	3,297,184
Heysham 2	£38,640,000	49.3	£19,049,520		6,349,840	2,539,936		12,699,680	7,619,808

7.16 Lancashire County Council have kindly supplied a list of schools that are currently applying for Academy status. There are 21 schools in total. These are listed in Annex 3. If these applications are successful they would be entitled to 80% mandatory business rate relief and would therefore significantly impact retained business rates income.

Summary

7.17 All of the above risks demonstrate the potential for business rates to be extremely volatile and largely outside council control.

8 SHARING OF POTENTIAL BENEFITS

8.1 Several discussions have taken place amongst LCFO's with regards how the additional business rate growth could be used to promote economic growth and improve financial sustainability.

8.2 In submitting a bid we would need to set out what the tier splits would be for each member. Based on the existing 50% scheme proportions the 25% extra growth could be shared out as follows:

	Extra 25%	Total share
districts	20%	60%
LCC	4.5%	13.5%
Fire	0.5%	1.5%
	25%	75%
Unitaries	24.5%	73.5%

8.3 The recommended option is to replicate the existing pool arrangement where each member gives LCC 10% of their retained levies. Following this logic LCC would also receive 10% of the extra district share of the extra 25% retained growth. This would give the county council an extra 4% of the district share, resulting in the following allocations:

	Extra 25%	Total share
districts	16%	56%
LCC	8.5%	17.5%
Fire	0.5%	1.5%
	25%	75%

Unitaries	24.5%	73.5%
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8.4 A 3 step approach has been suggested by the working group:

Step 1	The first 5% of any additional growth will be used to create a new resilience reserve to mitigate against any extra loss arising from being a pilot member. If funds are remaining this will be used to further compensate individual councils facing a loss.
Step 2	A further 25% of the additional growth will be set aside to create a Lancashire wide fund to be used to target strategic economic growth and improve financial sustainability and allocated based on unanimous decisions of the Lancashire Leaders Business Rates Pilot Group.
Step 3	The remaining retained growth will be apportioned according to the tier splits ie districts 56%; county council 17.5%; unitaries 73.5%; fire 1.5% to promote local economic growth and to enable the financial sustainability of pool members in particular district costs of recycling and waste collection and for the upper tier authorities both adult and children social care pressures.

8.5 Based on our initial model and following these steps the resultant allocation of the extra growth would be as follows:

LA	Current Growth £	Pilot Growth £	Extra Growth based on new tier splits £	Contribution towards Risk Resilience Reserve £	25% for Lancashire fund to be used to target strategic economic growth & improve financial sustainability £	Remaining growth to promote local economic growth & improve local financial sustainability of members £
Burnley	2,020,664	2,828,930	808,266	40,413	202,066	565,786
Chorley	1,736,086	2,430,520	694,434	34,722	173,609	486,104
Fylde	1,292,008	1,808,812	516,803	25,840	129,201	361,762
Hyndburn	229,324	321,054	91,730	4,586	22,932	64,211
Pendle	797,823	1,116,953	319,129	15,956	79,782	223,391
Ribble Valley	1,263,730	1,769,222	505,492	25,275	126,373	353,844
Rossendale	776,324	1,086,853	310,529	15,526	77,632	217,371
South Ribble	2,385,956	3,340,339	954,383	47,719	238,596	668,068
West Lancashire	975,755	1,366,057	390,302	19,515	97,576	273,211
Wyre	1,360,267	1,904,373	544,107	27,205	136,027	380,875
Preston	-131,204	-183,685	-52,482	0	0	0
Lancaster	770,281	2,156,789	1,386,507	69,325	346,627	970,555
Blackpool	-358,920	-538,381	-179,460	0	0	0
Blackburn with Darwen	2,527,745	3,791,617	1,263,872	63,194	315,968	884,711
Lancashire CC	3,205,642	6,233,193	3,027,551	151,378	756,888	2,119,285

LA	Current Growth £	Pilot Growth £	Extra Growth based on new tier splits £	Contribution towards Risk Resilience Reserve £	25% for Lancashire fund to be used to target strategic economic growth & improve financial sustainability £	Remaining growth to promote local economic growth & improve local financial sustainability of members £
Lancashire Fire	400,444	600,666	200,222	10,011	50,056	140,155
Total	19,251,926	30,033,311	10,781,386	550,666	2,753,332	7,709,329

9 RECOMMENDATIONS

9.1 If we are to meet the timetable to submit a Lancashire Pool Pilot bid by close of play next Tuesday (25 September 2018), the working group recommend that each council confirm the following:

- Existing Lancashire Pool members accept the risk to the current pool by submitting a pool pilot bid.
- Pool pilot members understand the risks set out for the pool and for their own councils.
- Pool pilot members are in support of the 3 stage approach to allocate the extra growth as set out in section 8 of this report.

10 NEXT STEPS

10.1 Each LCFO to discuss this report with their Chief Executive and Leader.

10.2 Inform Jackie Wilding of your recommendations as soon as is practicable, preferably by Thursday 20 September.

10.3 LCFO's to inform all councils by Friday 21 September of the prospective Lancashire Pilot Pool members.

LANCASHIRE CFO's BR POOLING WORKING GROUP
18 SEPTEMBER 2018

Lancashire BR 75% Pilot Pool – 2018/19 Growth compared with potential growth under a 75% Pilot

2018/19 NNDR1																	
Based on current arrangements in Lancashire																	
	Burnley	Chorley	Fylde	Hyndburn	Pendle	Ribble Valley	Rossendale	South Ribble	West Lancashire	Wyre	Preston	Lancaster	Blackpool	Darwen	Lancashire CC	Lancashire Fire	Total
Baseline Funding Level	4,102,120	2,829,066	1,861,636	3,463,613	3,916,366	1,302,823	2,096,569	2,257,104	3,188,522	3,279,452	5,347,897	5,518,328	46,467,342	42,869,271	182,264,208	15,084,424	325,848,741
Total NNDR Income	27,348,357	24,565,769	24,982,716	16,442,740	17,660,175	14,622,354	11,778,849	33,966,025	28,855,594	24,832,513	53,160,539	61,364,058	40,276,226	40,160,644			420,016,559
SBRR (part 2 line 12 NNDR1)	3,721,037	3,517,297	3,383,386	3,465,465	3,644,676	3,002,733	2,931,562	3,486,249	3,296,010	4,645,778	5,007,078	4,795,899	8,666,142	7,200,000			60,763,312
SBRR compensation rate	64.50%	66.6%	67.8%	65.1%	62.4%	67.4%	64.3%	68.8%	70.1%	67.2%	68.7%	66.1%	65.0%	64.0%			
SBRR adjusted for compensation rate	2,400,069	2,342,520	2,293,936	2,256,018	2,274,278	2,023,842	1,884,994	2,398,539	2,310,503	3,121,963	3,439,863	3,170,089	5,632,992	4,608,000			40,157,606
SBRR adjustments						0											0
Localism reliefs (Part 2 Line 43)	92,000	143,595	89,477	78,528	87,898	138,341	43,886	78,044	162,491	87,728	72,754	233,214	156,183	223,000			1,687,139
LA % share	29,840,426	27,051,884	27,366,129	18,777,286	20,022,351	16,784,537	13,707,729	36,442,608	31,328,588	28,042,204	56,673,156	64,767,361	46,065,401	44,991,644	0	0	461,861,304
LA share of NNDR income	11,936,170	10,820,754	10,946,451	7,510,914	8,008,940	6,713,815	5,483,092	14,577,043	12,531,435	11,216,882	22,669,262	25,906,944	22,572,047	22,045,906	33,372,383	4,618,613	230,930,652
Less Tariff/(Top-up)	5,813,386	6,255,602	7,792,807	3,817,977	3,259,593	4,147,262	2,610,199	9,933,983	8,367,158	6,577,163	17,452,569	18,848,053	-23,536,375	-23,351,110	-152,078,891	-10,865,214	-114,955,838
Retained Rates Income	6,122,784	4,565,152	3,153,644	3,692,937	4,749,347	2,566,553	2,872,893	4,643,060	4,164,277	4,639,719	5,216,693	7,058,891	46,108,422	45,397,016	185,451,274	15,483,827	345,886,490
Baseline Funding Level	4,102,120	2,829,066	1,861,636	3,463,613	3,916,366	1,302,823	2,096,569	2,257,104	3,188,522	3,279,452	5,347,897	5,518,328	46,467,342	42,869,271	182,264,208	15,084,424	325,848,741
Growth above baseline	2,020,664	1,736,086	1,292,008	229,324	832,981	1,263,730	776,324	2,385,956	975,755	1,360,267	-131,204	1,540,563	-358,920	2,527,745	3,187,066	399,403	20,037,749
Distribution of growth:																	
under current pool																	
50% retained by Auth	1,010,332	868,043	646,004	114,662	416,491	631,865	388,162	1,192,978	487,878	680,133							6,436,548
Retained levy by Auth	1,010,332	868,043	646,004	114,662	416,491	631,865	388,162	1,192,978	487,878	680,133							6,436,548
payable to LCC	2,020,664	1,736,086	1,292,008	229,324	832,981	1,263,730	776,324	2,385,956	975,755	1,360,267							12,873,096
Total Pool Growth kept by authority	-101,033	-86,804	-64,600	-11,466	-41,649	-63,186	-38,816	-119,298	-48,788	-68,013					643,655		0
Levy paid to central govt - non pool member	1,919,631	1,649,281	1,227,408	217,858	791,332	1,200,543	737,508	2,266,659	926,967	1,292,253					643,655		12,873,096
Other LA's growth retained											-131,204	770,282	-358,920	2,527,745	3,187,066	399,403	6,394,371
Total by Authority	1,919,631	1,649,281	1,227,408	217,858	791,332	1,200,543	737,508	2,266,659	926,967	1,292,253	-131,204	1,540,564	-358,920	2,527,745	3,830,721	399,403	20,037,749

2018/19																	
Based on new 75% pilot and assumptions on tier splits																	
	Burnley	Chorley	Fylde	Hyndburn	Pendle	Ribble Valley	Rossendale	South Ribble	West Lancashire	Wyre	Preston	Lancaster	Blackpool	Darwen	Lancashire CC	Lancashire Fire	Total
Baseline Funding Level	6,329,945	3,128,496	1,908,744	5,497,638	5,623,630	1,519,893	2,286,043	2,257,104	3,621,998	3,745,065	6,013,138	6,459,587	66,158,083	60,706,294	239,243,816	24,346,073	438,845,547
Total NNDR Income (assume same level as 18/19)	27,348,357	24,565,769	24,982,716	16,442,740	17,660,175	14,622,354	11,778,849	33,966,025	28,855,594	24,832,513	53,160,539	61,364,058	40,276,226	40,160,644			
SBRR (part 2 line 12 NNDR1)	3,721,037	3,517,297	3,383,386	3,465,465	3,644,676	3,002,733	2,931,562	3,486,249	3,296,010	4,645,778	5,007,078	4,795,899	8,666,142	7,200,000			
SBRR compensation rate	64.50%	66.6%	67.8%	65.1%	62.4%	67.4%	64.3%	68.8%	70.1%	67.2%	68.7%	66.1%	65.0%	64.0%			
SBRR adjusted for compensation rate	2,400,069	2,342,520	2,293,936	2,256,018	2,274,278	2,023,842	1,884,994	2,398,539	2,310,503	3,121,963	3,439,863	3,170,089	5,632,992	4,608,000			
SBRR adjustments						0											
Localism reliefs	92,000	143,595	89,477	78,528	87,898	138,341	43,886	78,044	162,491	87,728	72,754	233,214	156,183	223,000			
LA % share assumption	29,840,426	27,051,884	27,366,129	18,777,286	20,022,351	16,784,537	13,707,729	36,442,608	31,328,588	28,042,204	56,673,156	64,767,361	46,065,401	44,991,644	0	0	461,861,304
LA share of NNDR income	17,904,256	16,231,130	16,419,677	11,266,371	12,013,410	10,070,722	8,224,638	21,865,565	18,797,153	16,825,322	34,003,893	38,860,417	33,858,070	33,068,858	50,058,575	6,927,920	346,395,978
Less Tariff/(Top-up)	8,543,314	10,498,506	12,572,921	5,424,747	5,140,309	6,655,235	4,774,109	16,029,527	13,711,522	11,039,858	28,187,561	30,089,985	-31,761,633	-31,429,053	-193,965,841	-18,017,258	-122,506,193
Retained Rates Income	9,360,942	5,732,624	3,846,757	5,841,624	6,873,102	3,415,488	3,450,529	5,836,038	5,085,631	5,785,465	5,816,332	8,770,432	65,619,702	64,497,911	244,024,415	24,945,178	468,902,170
Baseline Funding Level	6,329,945	3,128,496	1,908,744	5,497,638	5,623,630	1,519,893	2,286,043	2,257,104	3,621,998	3,745,065	6,013,138	6,459,587	66,158,083	60,706,294	239,243,816	24,346,073	438,845,547
Growth above baseline	3,030,997	2,604,128	1,938,013	343,986	1,249,472	1,895,595	1,164,486	3,578,934	1,463,633	2,040,400	-196,806	2,310,845	-538,381	3,791,617	4,780,599	599,105	30,056,623
Distribution of growth:																	
under new pilot																	
currently retained by Billing Authorities in current pool (before LCC payment)	2,020,664	1,736,086	1,292,008	229,324	832,981	1,263,730	776,324	2,385,956	975,755	1,360,267							12,873,096
currently retained by Billing Authorities not in current pool											-131,204	770,282	-358,920	2,527,745	3,187,066	399,403	6,394,371
Extra 25% share due to pilot (investment pot?)	1,010,332	868,043	646,004	114,662	416,491	631,865	388,162	1,192,978	487,878	680,133	-65,602	1,540,563	-179,460	1,263,872	1,593,533	199,702	10,789,156
Total Growth	3,030,997	2,604,128	1,938,013	343,986	1,249,472	1,895,595	1,164,486	3,578,934	1,463,633	2,040,400	-196,806	2,310,845	-538,381	3,791,617	4,780,599	599,105	30,056,623

	2018/19 NNDR1															Total		
	Burnley	Chorley	Fylde	Hyndburn	Pendle	Ribble Valley	Rossendale	South Ribble	West Lancashire	Wyre	Preston	Lancaster	Blackpool	Blackburn with Darwen	Lancashire CC		Lancashire Fire	
Growth before pilot (from above)	0	2,020,664	1,736,086	1,292,008	229,324	832,981	1,263,730	776,324	2,385,956	975,755	1,360,267	-131,204	1,540,563	-358,920	2,527,745		16,451,280	
100% Growth equates to	0	5,051,661	4,340,214	3,230,021	573,311	2,082,453	3,159,325	1,940,809	5,964,891	2,439,388	3,400,666	-328,009	3,851,409	-732,491	5,158,662		40,132,310	
75% Pilot Shares:																		
Government	25.0%	1,262,915	1,085,053	807,505	143,328	520,613	789,831	485,202	1,491,223	609,847	850,167	-82,002	962,852	-183,123	1,289,666		10,033,078	
Districts	60.0%	3,030,997	2,604,128	1,938,013	343,986	1,249,472	1,895,595	1,164,486	3,578,934	1,463,633	2,040,400	-196,806	2,310,845				21,423,683	
Unitaries	73.5%													-538,381	3,791,617		3,253,236	
LCC	13.5%	681,974	585,929	436,053	77,397	281,131	426,509	262,009	805,260	329,317	459,090	-44,281	519,940			4,820,329	4,820,329	
Fire	1.5%	75,775	65,103	48,450	8,600	31,237	47,390	29,112	89,473	36,591	51,010	-4,920	57,771	-10,987	77,380		601,985	
Total		5,051,661	4,340,214	3,230,021	573,311	2,082,453	3,159,325	1,940,809	5,964,891	2,439,388	3,400,666	-328,009	3,851,409	-732,491	5,158,662	4,820,329	601,985	40,132,310
Existing system shares:																		
Government	50%	2,525,830	2,170,107	1,615,011	286,655	1,041,227	1,579,662	970,405	2,982,445	1,219,694	1,700,333	-164,005	1,925,704	-366,245	2,579,331		20,066,155	
Government Levy received																	770,282	
Districts	40%	2,020,664	1,736,086	1,292,008	229,324	832,981	1,263,730	776,324	2,385,956	975,755	1,360,267	-131,204	770,282				13,512,173	
Unitaries	49.0%													-358,920	2,527,745		2,168,824	
LCC	9%	454,649	390,619	290,702	51,598	187,421	284,339	174,673	536,840	219,545	306,060	-29,521	346,627			3,213,552	3,213,552	
Fire	1%	50,517	43,402	32,300	5,733	20,825	31,593	19,408	59,649	24,394	34,007	-3,280	38,514	-7,325	51,587		401,323	
Total		5,051,661	4,340,214	3,230,021	573,311	2,082,453	3,159,325	1,940,809	5,964,891	2,439,388	3,400,666	-328,009	3,851,409	-732,491	5,158,662	3,213,552	401,323	40,132,310
Difference:																		
Government share		-1,262,915	-1,085,053	-807,505	-143,328	-520,613	-789,831	-485,202	-1,491,223	-609,847	-850,167	82,002	-962,852	183,123	-1,289,666		-10,033,078	
Government Levy received																	-770,282	
Districts		1,010,332	868,043	646,004	114,662	416,491	631,865	388,162	1,192,978	487,878	680,133	-65,602	1,540,564				7,911,510	
Unitaries		0	0	0	0	0	0	0	0	0	0	0	0	-179,460	1,263,872		1,084,412	
LCC		227,325	195,310	145,351	25,799	93,710	142,170	87,336	268,420	109,772	153,030	-14,760	173,313	0	0	1,606,776	1,606,776	
Fire		25,258	21,701	16,150	2,867	10,412	15,797	9,704	29,824	12,197	17,003	-1,640	19,257	-3,662	25,793		200,662	
Total		0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,606,776	200,662	0
<u>Extra benefit from 75% pilot based on current splits</u>		1,010,332	868,043	646,004	114,662	416,491	631,865	388,162	1,192,978	487,878	680,133	-65,602	1,540,564	-179,460	1,263,872	1,606,776	200,662	10,803,360

Blackpool

Blackpool Council's total Rateable Value is £126,999,389 and consists of the Blackpool BA area £121,225,594 and the Airport Enterprise Zone £5,773,795. The Council's top 5 listed appeals are as follows:-

- Tesco, Clifton Road – potential loss of £749,820 (current RV £3,560,000)
- Sainsbury's, Talbot Road – potential loss of £396,000 (current RV £2,460,000)
- Unit N4 Hounds Hill (Debenhams) – potential loss of £308,560 (current RV £685,000)
- Sainsbury's, Red Bank Rd – potential loss of £308,560.00 (current RV £785,000)
- 160 Cherry Tree Road (Asda) – potential loss of £199,244.20 (current RV £3,450,000)

These appeals have an effective date of 01/04/10.

Additional risks for Blackpool include the claim for mandatory relief by NHS Trusts and schools transferring to academies.

Although it difficult to say for certain as it depends on the effective date, but on the assumption all NHS premises were to be awarded 80% relief the refunds would be in the region of:

Effective date: 01/04/10 - £14.26m

Effective date: 01/04/12 - £12.11m (i.e. current year +6)

Loss on rates going into 2019/20 - £2.48m (i.e. loss of 80% of ongoing liability)

If our remaining schools became Academies and an award of 80% relief was made, the loss on ongoing rates for 2019/20 would be circa £140k.

There are also risks from regeneration works which impact on cash flow, as there will be some properties dropping out of the rating list – to be redeveloped and re-enter the rating list one or two years later.

Finally the changing face of retail and the impact of the potential loss of one or more of the large stores – e.g. Debenhams or M&S, but this will not be exclusive to Blackpool, as most of the Lancashire authorities will share this risk.

Ribble Valley

RVBC's largest ratepayer, excluding the Enterprise zone, is Castle Cement with a rateable value of £1.64m equivalent to 4.4% of our total RV. The rateable value of this assessment fluctuates in accordance with output at the plant, reaching a peak of £1.8m in 2000 and a low of £1.3m as a result of the global financial crisis and the reduction in demand for building materials globally.

Other than that our next 3 highest ratepayers with rateable values around £0.5m mark are our supermarkets and as such any changes to the valuation of that category of premises could have an adverse impact.

The next significant category of property in the area is high end leisure premises, including bars, restaurants and gastro pubs. Again any change to how this category of premises is valued could have an impact on our rates income.

Finally however RVBC has seen consistent growth in RV on a yearly basis since the 1990's. In fact we were one of the only North West authorities that saw an increase in RV as a result of the revaluation in 2017.

Wyre

There are just over 4,000 businesses in Wyre and the majority of these attract small business rates relief or other reliefs.

Businesses with RVs greater than £1m are listed below (two are in the Enterprise Zone and one received Mandatory Relief). Forton Service Station, which caused us issues in 2015/16 appears here.

Liabe Party	Current RV	Valuation Description	MAN Relief	EZ
Victrex Manufacturing Ltd	£2,080,000	CHEMICAL WORKS AND PREMISES WASTE RECYCLING PLANT AND PREMISES		EZ
Lancashire Renewables Ltd	£1,610,000	PREMISES		EZ
Wm Morrison Supermarkets Plc	£1,590,000	SUPERSTORE AND PREMISES		
Moto Hospitality Ltd	£1,590,000	MOTORWAY SERVICE AREA		
Asda Plc	£1,500,000	SUPERSTORE AND PREMISES SEWAGE TREATMENT WORKS AND PREMISES		
United Utilities Water Plc	£1,420,000	PREMISES		
Myerscough College	£1,110,000	COLLEGE AND PREMISES	MAN	

Of the 32 Businesses with RVs greater than £200,000 listed below (three are in the Enterprise Zone and five received Mandatory Relief), Wyre Council's Civic Centre and one of our leisure centres are listed so excluding us leaves 30. Large supermarkets feature heavily on both lists. There has been uncertainty over the future of Booths in the last 12 months so this would be an area of concern as two large stores are located in the borough. Similarly if any merger between Asda and Morrisons took place there could be rationalisation of stores.

Liabe Party	Current RV	Valuation Description	MAN Relief	EZ
Department For Works And Pensions	£960,000	OFFICES AND PREMISES		
Booths Supermarkets	£820,000	SUPERSTORE AND PREMISES ELECTRICITY CABLE EASEMENT AND PREMISES		EZ
Blue Transmissions Walney 2 Ltd	£800,000	GARDEN CENTRE MARINA AND PREMISES		
Barton Grange Group Ltd	£785,000	PREMISES		
Nhsbsa	£740,000	OFFICES AND PREMISES		
E H Booth & Co Ltd	£670,000	SUPERSTORE AND PREMISES		
Lofthouses Of Fleetwood Ltd	£565,000	FACTORY AND PREMISES		
Bourne Leisure Group Ltd	£516,000	CARAVAN PARK AND PREMISES		
Corporation Of Rossall School	£500,000	PRIVATE SCHOOLS & COLLEGES	MAN	
Trillium (Prime) Property Gp Ltd	£492,500	COMPUTER CENTRE AND PREMISES		
Agc Chemicals Europe Ltd	£490,000	CHEMICAL WORKS AND PREMISES		EZ
Leach Structural Steelwork Ltd	£485,000	FACTORY AND PREMISES		
Lidl Uk Gmbh	£455,000	SHOP AND PREMISES		
Guys Eating Establishment Ltd	£438,000	PUBLIC HOUSE AND PREMISES		
Vinnolit Hillhouse Limited	£407,500	CHEMICAL WORKS AND PREMISES		EZ
Sainsburys Supermarkets Ltd	£362,500	SHOP AND PREMISES		
Halsall Toys Europe Ltd	£327,500	WAREHOUSE AND PREMISES		

Aldi Stores Ltd	£287,500	SHOP AND PREMISES FOOTBALL TRAINING CENTRE AND PREMISES	
Fleetwood Town Football Club	£279,000	PREMISES	
Wyre Borough Council	£267,500	OFFICES AND PREMISES	
Glasdon Uk Ltd	£265,000	FACTORY AND PREMISES	
Aldi Stores Ltd	£265,000	SHOP AND PREMISES	
Fleetwood Sports College	£242,000	SCHOOL AND PREMISES	MAN
Collinson Plc	£234,000	FACTORY AND PREMISES	
Tj Morris Ltd	£230,000	SHOP AND PREMISES COMMUNICATION STATION AND PREMISES	
Babcock Communications Ltd	£230,000	PREMISES	
Aldi Stores Ltd	£223,000	SHOP AND PREMISES	
Baines High School	£218,000	SCHOOL AND PREMISES	MAN
Dewlay Products Ltd	£215,000	FACTORY AND PREMISES	
Hodgson Academy	£205,000	SCHOOL AND PREMISES	MAN
Millfield High School	£203,000	SCHOOL & PREMISES	
Fylde Coast Ymca	£200,000	SPORTS CENTRE AND PREMISES	MAN

Rossendale

Two NHS properties have indicated that they may seek to apply for Charitable Relief status with RVs of £142,000 and £63,000. There are six others who may also apply with a total RV of £104,250.

1. RV £36.3m
2. No of properties 2,724
3. 20% of properties make up 76% of RV
4. c.900 (33%) businesses actually NNDR payers due to SBRE or other exemptions as follows:

NNDR (2018)				
	Apr	May	Jun	July
Total Properties	2723	2721	2720	2725
Accounts with Zero RV	46	46	46	45
Exempt	340	337	341	333
Charitable	11	11	11	12
100% SBRE cases	1333	1338	1342	1339
Council Properties	92	92	92	92
Total Non Payers	1822	1824	1832	1821
Net no of payers	901	897	888	904
No of direct debit payers	439	467	462	468
% DD of payers	48.7%	52.1%	52.0%	51.8%

5. Tesco, ASDA, Lidl, Aldi, Home Bargains, Morrison's make up 16.2% of RV
6. Largest business ASDA at £2.11m RV (5.8% of total)
7. Profile dominated by light industrial trading: Warehouses, Workshops, Stores, etc.
8. In addition only 13 factories or Mills with RVs in excess of £100k totalling £3.4m (9% of RV / Average £262k RV per unit)
9. Rossendale has ambitions to develop the Town Centre over the next year. Land is in the Council's ownership and should create additional RV of c£600k. One private site under development with RV estimated at c£250k. Other than this there is a shortage of employment sites going forward so NNDR near to its peak.
10. Bad debt provisions 19.3% of year end debt. Appeals provision £2.1m – this is on the prudent side when compared to "Analyse Local".
11. No indication as yet of a negative material impact as a result of Brexit.
12. NNRD 1 forecast surplus

Conclusion

Given the presence of national supermarkets supported by a range of SMEs (a number of which benefit from SBRE), Rossendale would expect to continue its NNDR surplus over the short to medium term, assuming existing legislative arrangements (SBRE/Exemptions, etc) continue. The forecast £1.2m surplus in the 75% pilot would seem an ample buffer to any potential RV loss over the medium term (equivalent to c £2m fall in RV).

South Ribble

Total RV for South Ribble (at 25 Jul 18) £88.7m, of which £59.4m is Commercial and £17.2m is Industrial

The Top 5 RVs are:

SAINSBURYS	£2.5m
LEYLAND TRUCKS LTD	£2.1m
FARINGTON WASTE RECOVERY PARK	£1.9m
TESCO	£1.9m
MORRISONS	£1.7m

In terms of any individual risks, as a high proportion of the RV is Commercial and Industrial there is always a risk of businesses going under but there is nothing of any significance locally that we are aware of currently.

I don't anticipate that City Deal will be an issue for this proposal as the business rates for City Deal is for specific sites which haven't come forward yet – however it may just be one aspect that I need to give clarify on internally at South Ribble.

Chorley

Our Top 10 RVs are as follows:

10400427908111	TESCO	FOXHOLE ROAD	CHORLEY		PR7 1NW	2,020,000
10174740990313	ASDA CLAYTON GREEN CENTRE	SHEEP HILL LANE	CLAYTON-LE-WOODS	CHORLEY	PR6 7ER	1,910,000
10163325913003	CHARNOCK RICHARD MOTORWAY SERVICES	MILL LANE	CHARNOCK RICHARD	CHORLEY	PR7 5LR	1,760,000
10405156902000	PRESTON TEMPLE COMPLEX	CHORLEY			PR6 7EQ	1,540,000
10400202901100	ASDA SUPERSTORE	BOLTON STREET	CHORLEY		PR7 3DL	1,520,000
10400220800100	W M MORRISON PLC	BROOKE STREET	CHORLEY		PR7 3BY	1,380,000
10400231902000	UNIT 6	REVOLUTION PARK	BUCKSHAW AVENUE	BUCKSHAW VILLAGE	PR7 7DW	1,350,000
10400722912000	CHORLEY & SOUTH RIBBLE DISTRICT	GENERAL HOSPITAL	PRESTON ROAD	CHORLEY	PR7 1PP	1,240,000
10400231901000	LOGISTICS HOUSE	BUCKSHAW AVENUE	BUCKSHAW VILLAGE	CHORLEY	PR6 7AJ	1,150,000
10305435104400	HM PRISON GARTH	ULNES WALTON LANE	LEYLAND		PR26 8NE	1,050,000

The hospital is already subject to an appeal for a backdated RV reduction, and backdated mandatory charitable relief.

The District Valuer reduced the RV of Charnock Richard Motorway Services a couple of years ago. Hopefully would not reduce any further.

On reflection, there is a risk in respect of the highlighted entry. See the attached PDF. If we had to treat the Mormon Church as a religion rather than a business, we would lose income.

BLACKBURN WITH DARWEN BC

Number and amount	Collectable Debit paid	Percentage of collectable debit
97 businesses pay over £100k	£22,763,242	51%
96 businesses pay £50k - £100k	£6,797,755	15%
169 businesses pay £25k - £50k	£5,987,514	13%
354 businesses pay £10k - £25k	£5,569,462	12%
321 businesses pay £5k - £10k	£2,407,659	5%
549 businesses pay £50 - £5k	£1,123,779	3%

***Table excludes BwD accounts and debit of £2.9m**

- Excluding BwD accounts (£2.9m)
- 1,586 businesses within the borough paying Business Rates (out of 6,536 properties)
- 97 businesses and £22,842,719
 - 42 industrial (£8.8m)
 - 35 Retail (£6.9m)
 - 6 Supermarkets (£2.8m)
 - 5 Public (excluding BwD) (£2.3m)
 - 6 offices (£1.2m)
 - 3 Leisure (£800k)

1	EAST LANCASHIRE HOSPITALS NHS TRUST	2017 Uns	£ 1,488,826.32
2	ASDA STORES LIMITED	2017 Uns	£ 775,432.80
3	TESCO STORES LTD	2017 Uns	£ 764,160.19
4	WM MORRISON SUPERMARKETS PLC	2017 Uns	£ 695,709.75
5	B & Q SUPERCENTRES PLC	2017 Uns	£ 641,309.03
6	BLACKBURN ROVERS FOOTBALL CLUB	2017 Uns	£ 569,363.97
7	ACCROL PAPERS LTD	2017 Uns	£ 532,132.02
8	VIRGIN MEDIA LIMITED	2017 Uns	£ 517,447.41
9	DAVE WHELAN SPORTS LTD	2017 Uns	£ 511,327.17
10	BUNZI RETAIL & HEALTHCARE SUPPLIES LIMITED T/A MDA	2017 Uns	£ 507,321.38
11	THE MALL LIMITED PARTNERSHIP	2017 Uns	£ 454,504.25
12	CROWN PAINTS LTD	2017 Uns	£ 405,605.38
13	RPC CONTAINERS LTD	2017 Uns	£ 400,402.27
14	CAPITA BUSINESS SERVICES LTD	2017 Uns	£ 398,586.67
15	SALLY SALON SERVICES LIMITED	2017 Uns	£ 368,167.50
16	GRAHAM & BROWN LTD	2017 Uns	£ 365,492.47
17	DEBENHAMS PLC	2017 Uns	£ 335,300.00

	PENTLAND DISTRIBUTION SERVICES PART OF PENTLAND BRAND		
18	PLC	2017 Uns	£ 301,770.00
19	PRIMARK LTD	2017 Uns	£ 289,431.28
20	NEXT RETAIL PLC	2017 Uns	£ 282,825.48
21	BOOTS UK LIMITED	2017 Uns	£ 276,200.92
22	DEPARTMENT FOR WORK & PENSIONS	2017 Uns	£ 269,885.79
23	J SAINSBURY LTD	2017 Uns	£ 264,645.80
24	SCOTTISH POWER GENERATION LTD	2017 Uns	£ 259,594.93
25	WEC GROUP LIMITED	2017 Uns	£ 253,977.51

Preston City Council

The total RV for Preston as at 12th September is £151,148,772

The top ten list of rateable properties:

ADDRESS	HEREDITAMENT INFORMATION	RATEABLE VALUE 2017 LIST	No of RV changes since 2000	2018/19 Charge
ROYAL PRESTON HOSPITAL	HOSPITAL AND PREMISES	3,250,000	4 since 2015	£1,602,250.00
VIRGIN MEDIA	TELECOMMUNICATIONS CABLE NETWORK AND PREMISES	2,840,000	3 since 2009	£828,004.96
ASDA SUPERSTORE, PITTMAN WAY	SUPERSTORE AND PREMISES	2,600,000	2 since 2015	£1,317,781.66
J SAINSBURY, FLINTOFF WAY	SUPERSTORE AND PREMISES	2,170,000	2 since 2015	£1,126,107.36
MORRISONS, MARINERS WAY	SUPERSTORE AND PREMISES	1,950,000	2 since 2016	£1,011,596.78
UCL SOUTH CAMPUS	UNIVERSITY AND PREMISES	1,490,000	3 since 2016	£146,914.00
JAMES HALL & CO SPAR DISTRIBUTION CENTRE,	WAREHOUSE AND PREMISES	1,430,000	2 since 2011	£735,014.55
W M MORRISON PLC 89-91, BLACKPOOL ROAD	SUPERSTORE AND PREMISES	1,380,000	2 since 2013	£680,340.00
PRESTON COLLEGE, ST VINCENTS ROAD	COLLEGE AND PREMISES	1,210,000	14 since 1995	£119,306.00
LAW COURTS, RING WAY	LAW COURT AND PREMISES	1,190,000	4 since 2000	£586,670.00

The current risks (non appeals) are the NHS issue as the test cases have not been resolved by the Courts yet, and the increasing use of rate mitigation tactics by owners of empty properties to maximise exemption from empty rates. There have been recent court decisions that do not assist local government in trying to prevent this.

Over the last five years there has been a mix of being in safety net position, slight negative growth and growth. In the first half of 2017/18 there was a reduction in business rate income of £0.5m relating to changes on the ratings list other than appeals.

The RV of business with outstanding appeals is circa £60m, the average historical success rate is 40.35% with an Average RV reduction of 14%

The NNDR 1 for Preston in 2018/19 is currently in negative growth however there has been a slight increase in RV during the year and there are a number of potential growth areas such as the Shankley Hotel which is currently being built and new Industrial units in Preston East.

Therefore the main risk for Preston in going into the Pool is loss of the safety net protection. If the VO was to revalue / or take a major hereditament off the list and business income reduce say £1m this cost would impact on the Council's revenue budget. This means the general fund reserve would have to fund the negative growth which if out of a Pool the Government would fund as part of the safety net. However, if the business rates income was to grow that there is a potential for the Council to receive additional business rate income and assist the pilot bid by being included.

HYDBURN BC

The rateable value for Hyndburn is currently £21.3 million. The Council has significant risks in terms of appeals, business closures and non-payment.

Over 10% of our rateable value is enshrined in 3 properties all have lodged appeals for a reassessment. Our 10 largest properties are over 21% of our overall value and we have 30% of our value invested in just 20 properties. Half of our Rateable Value £10.1m comes from just 50 of over 3000 properties. Almost all of our large ratepayers are either manufacturers or retail outlets and these are areas within the local and national economy that are known to be struggling. These businesses are therefore pressing hard for reduction in business rates via appeals and have the jeopardy that they might fail. Due to the lack of diversity amongst the largest ratepayers in terms of the nature of their businesses, it is possible that should one fail it is likely the others will be struggling and therefore we could be hit very quickly with a series of difficulties.

Mandatory Relief is a significant proportion of our Business Rates at over 20%. It started the year at £4.5m and is already almost £5m at the end of August a growth of 10% in 5 months. In addition a significant part of the manufacturing base is focused on the export market and uncertainty around Brexit and the possible consequences of leaving the EU threaten may threaten the viability of some of these options.

Currently there are over 150 appeals against the Rateable Value, with an Appeals RV of over £31m which will translate into 70% of the annual rates collected, with most of the claims covering multiple years. It continues to be impossible to forecast the outcome of appeals either in terms of when a decision will be made or the cost. So we can provide no meaningful forecast over what the impact will be in the next financial year of appeals that are settled.

This is the current list of schools that LCC are aware of who potentially could be converting to Academy status. The last four on the list (Pendle) have just converted and for the others the timeframes are far from certain but 12 to 18 months is a reasonable estimate.

School	Area
Wennington Hall	Lancaster
Morecambe High	Lancaster
Chadwick Centre	Lancaster
Longridge High	Ribble Valley
Adlington St Paul's CE	Chorley
St Augustine RC Primary	Burnley
St John The Baptist	Burnley
Shuttleworth College	Burnley
Blessed Trinity RC	Burnley
Thomas Whitham 6th Form	Burnley
Barrowford	Pendle
West Street Primary	Pendle
Marsden Heights	Pendle
Hendon Brook	Pendle
Bacup St Mary's RC	Rossendale
All Saints RC High	Rossendale
Fearn's Community College	Rossendale
Blacko Primary School	Pendle
Laneshaw Bridge Primary School	Pendle
Lord Street Primary School	Pendle
Colne Park High	Pendle

Hi Jane,

Yes, assuming that authorities in the current Lancashire Business Rate Pool haven't successfully applied as part of any other pilot pool, and with agreement in place from all members of the proposed pool, you could request to automatically revert back to the existing Lancashire Business Rate pooling arrangements with its current membership.

Kind regards,

Sanna Jenkins

Local Government Finance Reform and Pensions

2/SE | Fry Building | 2 Marsham Street | London | SW1P 4DF

E: sanna.tuunanen@communities.gsi.gov.uk | T: 0303 444 4720 | MHCLG



Ministry of Housing, Communities & Local Government

From: Jane Pearson [<mailto:Jane.Pearson@ribblevalley.gcsx.gov.uk>]

Sent: 14 September 2018 15:40

To: Sanna Jenkins; David Bull

Subject: RE: Joint MHCLG/LGA session for prospective 75% Pilot

Many thanks for this Sanna

I just have one further question for you on our prospective pilot pool application.....

- On the application from the question is asked as to what pooling arrangements we would like you to put in place if our pilot application is unsuccessful. In this scenario we need to know if the Government would agree to our request to automatically revert back to the existing Lancashire Business Rate Pool with its current membership?

I appreciate you will be very busy dealing with queries but wonder if you could answer what is a crucial question for our prospective Lancashire pilot application as soon as possible, as this is a key consideration for us all

Kind regards

Jane

Jane Pearson | Director of Resources

Ribble Valley Borough Council, Council Offices, Church Walk, Clitheroe, Lancashire BB7 2RA

T: 01200 414430 | F: 01200 414432 | E: jane.pearson@ribblevalley.gov.uk | W: www.ribblevalley.gov.uk

From: Sanna Jenkins [<mailto:Sanna.Jenkins@communities.gsi.gov.uk>]

Sent: 12 September 2018 13:36

To: Jane Pearson

Cc: David Bull; Business Rates Pilots

Subject: RE: Joint MHCLG/LGA session for prospective 75% Pilot

Hi Jane,

Thanks for your email.

I have replied to your questions below in red.

To benefit all prospective applicants, we are publishing all questions that we receive in relation to pilot applications on the Q&A section of our pilot prospectus website:
<https://www.gov.uk/government/publications/75-business-rates-retention-pilots-2019-to-2020-prospectus>.
All questions will be anonymised so that the website won't show who has asked the questions.

We will be shortly updating this page to also include your questions and the questions that were asked during the pilots Q&A event. I hope this may help.

Kind regards,

Sanna Jenkins

Local Government Finance Reform and Pensions

2/SE | Fry Building | 2 Marsham Street | London | SW1P 4DF

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Ministry of Housing, Communities & Local Government

From: David Bull
Sent: 03 September 2018 11:20
To: Sanna Jenkins
Subject: FW: Joint MHCLG/LGA session for prospective 75% Pilot

Hi Sanna

Could you please look to get back to Jane on the Piloting questions below please ?

Thank you
David

From: Jane Pearson [<mailto:Jane.Pearson@ribblevalley.gcsx.gov.uk>]
Sent: 03 September 2018 11:12
To: David Bull
Subject: Joint MHCLG/LGA session for prospective 75% Pilot

Hi David

Unfortunately I am unable to attend the session this afternoon.

Just a few questions though If you don't mind raising them.

1. *We (in our modelling) have assumed that negative rsg will also be rolled in to the calculations of tariffs and top-ups. Is this correct? Obviously separately the Government are consulting on proposals to eliminate negative rsg from business rate receipts.*

As you mention, the Government is currently consulting on proposals for negative RSG in 2019/20 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 2019/20.

2. *Would you expect Fire & 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.

3. *With regard to question k on the application form – what is the Government’s thinking? The more diverse an area’s business rates base the more likely the pilot application would be approved?*

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% BRR with a range of different pooling, governance and tier split arrangements to be tested. We are also interested in testing 75% BRR 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.

4. *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.

Many thanks
Jane

Jane Pearson | Director of Resources

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Burnley business rates risks – September 2018

Total RV for Burnley is currently £74.7m.

The top five rateable values in the Burnley are:

Burnley General Hospital	£2.47m
Tesco- Centenary Way	£1.90m
Exertis – Technology House	£1.71m
Asda – Princess Way	£1.38m
Sainsbury's – Active Way	£1.16m

Three of these have outstanding RV appeals which the Council has already provided a provision for an RV reduction. There is nothing of any significance locally that would adversely impact the Council's retained business rates. Burnley has seen a steady increase in its RV since the introduction of the 50% scheme in 2013/14 that has created enough of a buffer to absorb any downward reductions in RV.

Of the five schools that are currently applying for Academy status within Burnley (shown in appendix 2 of the main Business rates pooling report), four are currently receiving 80% mandatory relief. Therefore, only the fifth school would have an impact on retained business rates.

Fylde Council NNDR data as follows:

There are 2,900 ratepayers within Fylde, with a total RV for 2018/19 of £66.3m.

Of this total £6.4m sits within two enterprise zones based around Bae at Warton and Blackpool Airport.

The 10 largest RV's within the Borough are listed below. Collectively they have a total RV of £17.8m which equates to 27% of the borough wide total.

Liabe Name 1	Rateable Value 2017	Property Address 1
SPRINGFIELDS FUELS LIMITED	4,240,000	SPRINGFIELD FUELS LTD
BAE SYSTEMS (OPERATIONS) LIMITED	4,110,000	BAE SYSTEMS OPERATIONS LTD
W & G HARRISON LTD	2,200,000	RIBBY HALL PARK
WM MORRISONS SUPERMARKET PLC	1,760,000	MORRISONS SUPERMARKET PLC
DEPARTMENT FOR WORK & PENSIONS	1,390,000	ITSA CONTROL CENTRE
B & Q PLC	1,120,000	B & Q
UNITED UTILITIES WATER PLC	865,000	NWWA CLIFTON MARSH
E H BOOTH & CO LIMITED	760,000	E H BOOTH & CO LTD, MAIN DRIVE
ATOS IT SERVICES UK LIMITED	710,000	SERCO, SERCO HOUSE
E H BOOTH & CO LTD	680,000	HAVEN ROAD

The two largest RV's on the list are Toshiba Westinghouse Springfields nuclear fuel manufacturing plant and the British Aerospace site at Warton (which sits within the Enterprise Zone).

There was a significant appeal against the Springfields 2010 valuation list but this was dismissed last year.

At year end the total appeals provision was £1.5 (Fylde share). As a result of the difficulty in assessing the potential outcome of appeals, the provision is in excess of the Analyse Local assessment, and includes a 4.7% provision against the 2017 list for appeals yet to materialise.

Additionally Fylde has a number of NHS Trust sites within its boundary. Whilst applications for mandatory charitable relief have NOT been submitted for any of these sites, the potential impact on the RV of the area is significant should the test case ruling allow mandatory charitable relief for sites of this nature.

Fylde's NNDR1 for 2018/19 is forecasting growth of £1.3m above the baseline. Current in year monitoring suggests that this level of in-year growth remains, subject of course to any significant risks materialising in excess of the provisions set aside.

Pendle Borough Council

1. For Pendle, the total Rateable Value (RV) of the Hereditaments in the Borough – as reported in the NNDR1 for 2018/19 – is £52.285m and there are 3,699 hereditaments. The analysis of the RV and hereditaments is shown in the tables below:

Banding of RV	Sum of RV	% of RV	Banding of RV	Count of Properties	% of RV	Cum% of RV
£2,600 and less	1,732,059	3.31%	£2,600 and less	1,217	32.90%	32.90%
£2,601 to £6,000	4,780,050	9.14%	£2,601 to £6,000	1,188	32.12%	65.02%
£6,001 to £12,000	4,957,000	9.48%	£6,001 to £12,000	599	16.19%	81.21%
£12,001 to £18,000	3,299,100	6.31%	£12,001 to £18,000	226	6.11%	87.32%
£18,001 to £30,000	4,393,400	8.40%	£18,001 to £30,000	187	5.06%	92.38%
£30,001 to £50,000	4,214,000	8.06%	£30,001 to £50,000	111	3.00%	95.38%
£50,001 to £100,000	6,920,550	13.23%	£50,001 to £100,000	98	2.65%	98.03%
£100,001 to £150,000	3,837,400	7.34%	£100,001 to £150,000	31	0.84%	98.86%
£150,001 to £200,000	2,079,250	3.98%	£150,001 to £200,000	12	0.32%	99.19%
£200,001 to £500,000	7,358,500	14.07%	£200,001 to £500,000	23	0.62%	99.81%
£500,001 to £1,000,000	2,165,000	4.14%	£500,001 to £1,000,000	3	0.08%	99.89%
Above £1,000,000	6,560,000	12.54%	Above £1,000,000	4	0.11%	100.00%
Grand Total	52,296,309	100.00%	Grand Total	3,699	100.00%	

2. As the table indicates, most (c90%) of the rateable properties in Pendle, have a rateable value of £30,000 or less. As with other Lancashire local authorities, the vast majority are entitled to some form of rate relief given the range of schemes currently available.
3. There are 7 properties with a rateable value of £500,000 or more as shown in the table below. Also shown is whether there is an outstanding appeal (against the 2010 Valuation List):-

Company	Rateable Value RV	Description	Appeal
Morrisons t/a Neerock, Colne	520,000	Abattoir	N
Rolls Royce Plc, Barnoldswick	740,000	Advanced Manufacturing for Aerospace	Y - 2010 List
Sunmagic Ltd/Cotts Beverages, Nelson	905,000	Manufacturing/Bottling of Soft Drinks	Y - 2010 List
£500,001 to £1,000,000	2,165,000		
Morrisons, Nelson	1,300,000	Supermarket	Y - 2010 List
Sainsbury Supermarket, Colne	1,480,000	Supermarket	Y - 2010 List
Asda Supermarket, Colne	1,580,000	Supermarket	Y - 2010 List
Boundary Mill Stores, Colne	2,200,000	Department/Concessions Store	N
Above £1,000,000	6,560,000		

4. On the basis of the outstanding appeals in the table above, the potential loss of RV equates to c£650,000.
5. The Council has received notification of 1 appeal against the 2017 list but that has been dismissed by the Valuation Office Agency. This may be an indicator that the Check-Challenge-Appeal process is working (?) or may mean that appeal applications are being stored up.
6. In relation to the other hereditaments, there are 89 other outstanding appeals with a potential loss of RV totalling c£300,000, again based on the Rating List for 2010. **This value is not considered to be material** in the context of the proposed Pilot Pool.
7. In relation to other matters, Pendle there are:-
 - 7 Secondary Schools - 3 of which are already in a Multi-Academy Trust, 1 of which is in the process of conversion to Academy Status and the 3 remaining are maintained schools. **It is unlikely that those 3 will convert in 2019/20;**
 - 37 Primary Schools – 6 of which are already in a Multi-Academy Trust. **It is unlikely that any of the remaining 31 will convert in 2019/20;**
 - around 20 Nurseries - the majority of these are privately operated and are, therefore, subject to the normal rules around reliefs, exemptions, appeals etc.
8. The East Lancashire NHS Trust has one site in Pendle, Pendle Community Hospital which has a rateable value of £177,000. This may be caught within the legal challenge for exempt status. Likewise, both Lancashire Care Foundation Trust (£157,500) and NHS Properties Ltd (£750,000) have a number of properties used, in some cases, to provide services commissioned by East Lancashire NHS Trust. It is not clear whether these properties will be drawn within the scope of the legal challenge.

DL – 20/09/2018 (v.2)

West Lancashire

West Lancashire Borough Council's total Rateable Value is £79.8m.

The Council's top 5 rateable value sites are set out below:

Site	Rateable Value
Edge Hill University, St Helens Road, Ormskirk	2,880,000
Great Bear Distribution, Staveley Road, Skelmerdale	1,970,000
Asda Superstores, Birch Green, Skelmersdale	1,870,000
NWWA, Deans Lane, Lathom, Ormskirk	1,820,000
Comet, XI Business Park, Statham Road, Skelmersdale	1,680,000

Currently there are over 140 appeals against Rateable Values (including 4 out of the 5 sites above), with an Appeals RV of over £21m, with most of the claims covering multiple years. It is not possible to predict the outcome of these appeals with any certainty, but an adequate provision for appeals has been set aside.

There is an additional risk in terms of the claim for mandatory relief by NHS Trusts. If this claim is lost it would lead to an ongoing reduction in income of £135,000 per year.

Current projections continue to show that income should be significantly above the baseline funding level.

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Ministry of Housing,
Communities &
Local Government

Business Rates Pilot Scheme 2019/20

Application Form

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

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

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

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

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

1. Application Contact Details

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

a. Name of lead pilot authority	Ribble Valley Borough Council
b. Name of lead official	Jane Pearson
c. Lead official job title	Director of Resources
d. Lead official email address	jane.pearson@ribblevalley.gov.uk
e. Lead official contact phone number	01200 414430

2. Membership of the Proposed Pool

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

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

Authority name	Authority Type
Burnley Borough Council	Shire District
Chorley Borough Council	Shire District
Fylde Borough Council	Shire District
Hyndburn Borough Council	Shire District
Pendle Borough Council	Shire District
Preston City Council	Shire District
Lancaster City Council	Shire District
Ribble Valley Borough Council	Shire District
Rosendale Borough Council	Shire District
South Ribble Borough Council	Shire District
West Lancashire Borough Council	Shire District
Wyre Borough Council	Shire District
Lancashire County Council	County
Blackpool	Unitary Authority
Blackburn with Darwen	Unitary Authority
Lancashire Fire and Rescue	Fire

3. Membership details and pooling arrangements

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

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

<p>g. How does the pilot pool propose to split non-domestic rating income in two-tier areas?*</p> <p><i>(F.ex. the pilot pool could propose to split the shares as in the current 50% business rates retention, or propose to test different kinds of tier split arrangements as part of the pilot.)</i></p> <p><i>(*The department will use this information in regulations to designate a tier split for the pooled pilot area. In practice, the pilot pool will be given one overall tariff or top-up, and the members of the pool can agree to change the headline tier split.)</i></p>	<p><i>We agree to split business rate income as follows:</i></p> <p><i>Districts: 56%</i> <i>County Council: 17.5%</i> <i>Unitaries: 73.5%</i> <i>Fire: 1.5%</i></p>
<p>h. Do you propose to retain any of the additional 25% of retained business rates in an investment pot or similar and distribute this after 2019/20?</p> <p><i>(If 'no', please move to question 3.j.)</i></p>	<p><i>Select one: (1) Yes</i></p> <p><i>(1) Yes</i> <i>(2) No</i></p>
<p>i. If any of the additional 25% of retained business rates are kept in an investment pot or similar, how will this be distributed after 2019/20?</p>	<p><i>5% of the additional growth will be set aside to create a new resilience reserve to mitigate against any losses in business rate income below baseline funding levels.</i></p> <p><i>A further 25% of the additional growth will be set aside to create a Lancashire wide fund to be used to target strategic economic growth, improve financial sustainability and allocated based on decisions of the Lancashire Leaders Business Rates Pilot Group.</i></p> <p><i>The remaining retained growth will be apportioned according to the tier splits . ie districts 56%; county council 17.5%; unitaries 73.5%; fire 1.5% to promote economic growth at a local level and to enable the financial sustainability of pool members in particular district costs of recycling and waste collection and for the upper tier authorities both adult and children's social care pressures.</i></p>
<p>j. What is the anticipated income above baseline funding level for the pilot pool over 2019/20 (in £)?</p>	<p><i>We anticipate the total income above the baseline funding level for the pilot pool will be c £40m based on our 2018/19 NNDR1's before the allocation of the Government's 25% share. ie the pilot anticipates £30m above the baseline funding level for the new pool</i></p>
<p>k. What is the business rates base of the proposed pilot area like and what is its relevance to the economic geography of the area?</p> <p><i>(F.ex. you could describe the size and types of</i></p>	<p><i>Business rate data:</i> <i>based on latest data released by the Valuation Office Agency published on 11th June 2018.</i></p> <p><i>The table below shows that 10 of Lancashire's 14 borough areas have seen a % decrease in rateable value since 2010 with Blackburn with Darwen and Preston having the largest % decrease at -8.2% and -10.6% respectively. Only Fylde, Lancaster and Ribble Valley have seen a % increase. The Lancashire 12 district councils have collectively seen a decrease of -3.8%, a larger decrease than the regional average and significantly different than the England average.</i></p>

hereditaments in the area, business sectors relevant to the area, or the size of your business rates base in relation to baseline funding levels.)

In comparison areas such as the East Midlands has seen an increase of 6.9% with Leicester unitary authority seeing the highest increase of 15.6% but still significantly lower than the London and Inner London statistics. However, the number of enterprises has increased by 17.1% in the Lancashire-14 area between 2011 to 2017, although this is at a lower %change than the UK average of 28.3%.

Local authority	Rateable properties	Rateable value	% change since
North West	266,120	£6,702,194	-0.4
BwD	6570	£118,260	-8.2
Blackpool	6780	£128,330	-1.8
Lancashire-12	43,160	£928,708	-3.8
Burnley	3,910	£71,699	-4.3
Chorley	3,430	£66,308	-6.7
Fylde	2,870	£65,724	2.4
Hyndburn	3,320	£55,728	-6.5
Lancaster	5,180	£155,653	1.1
Pendle	3,610	£52,076	-2.0
Preston	5,540	£151,912	-10.6
Ribble Valley	2,360	£40,274	3.7
Rossendale	2,700	£35,694	-4.1
South Ribble	3,020	£85,960	-6.3
West	3,240	£78,665	-3.6
Wyre	3,990	£69,015	0.0
Total	56,510	£1,175,298	

However, the number of enterprises has increased by 17.1% in the Lancashire-14 area between 2011 to 2017, although this is at a lower %change than the UK average of 28.3%.

Enterprise:

Lancashire has one of the largest economies in the Northern Powerhouse with 52,350 businesses generating £29bn per year. It is home to the world's 4th largest global aerospace cluster with 500 aerospace supply chain companies.

Lancashire local authorities and the Lancashire Enterprise Partnership (LEP) are making significant investment in the area to promote business growth and expansion over recent years the LEP has secured a £1bn growth programme across the County.

Preston, Blackburn with Darwen and Lancaster has the highest number of enterprise in Lancashire.

More than half of Lancashire's enterprises fall in the £50k to £249k turnover bands. Lancashire has a greater proportion of its enterprises in the higher turnover bands (£250k or more) than the UK average.

Industry and employers:

The table below shows the enterprises by industry for the whole of Lancashire. Manufacturing; construction; retail; professional and technical; administrative and support services are the industries with the largest number of enterprises.

Industry	lep: Lancashire
<i>A : Agriculture, forestry and fishing</i>	3,275
<i>B : Mining and quarrying</i>	15
<i>C : Manufacturing</i>	3,560
<i>D : Electricity, gas, steam and air conditioning supply</i>	55
<i>E : Water supply; sewerage, waste management and remediation activities</i>	185
<i>F : Construction</i>	6,385
<i>G : Wholesale and retail trade; repair of motor vehicles and motorcycles</i>	9,460
<i>H : Transportation and storage</i>	2,350
<i>I : Accommodation and food service activities</i>	3,510
<i>J : Information and communication</i>	2,540
<i>K : Financial and insurance activities</i>	1,070
<i>L : Real estate activities</i>	1,770
<i>M : Professional, scientific and technical activities</i>	7,035
<i>N : Administrative and support service activities</i>	3,975
<i>O : Public administration and defence; compulsory social security</i>	140
<i>P : Education</i>	865
<i>Q : Human health and social work activities</i>	2,600
<i>R : Arts, entertainment and recreation</i>	960
<i>S : Other service activities</i>	2,325
<i>T : Activities of households as employers;undifferentiated goods-and services-producing activities of households for own use</i>	0
<i>U : Activities of extraterritorial organisations and bodies</i>	0
Total	52,070

i. What pooling arrangements would the members of the pilot like to see if their application to become a pilot is unsuccessful?

Members of the proposed pilot have confirmed they would support continuation of the current Lancashire Business Rate Pool in the event this pilot application is unsuccessful

m. How would the pilot area deal with residual benefits/liabilities once the pilot ends?

In the unlikely event that there are residual monies/liabilities at the end of the pilot any balances will be apportioned to pool members based on the splits agreed.

4. Details of the pilot proposal

Please explain how your proposal fulfills each of the below criteria for becoming a 75% business rates retention pilot in 2019/20 (as outlined in 3.2 of the 'Invitation to Local Authorities in England to pilot 75% Business Rates Retention in 2019/20'). If relevant, you may reference answers provided in section 3 of this application form and use this section to provide more detail on the responses. Although there is no formal word limit for answers provided in this section, please be as concise as possible.

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

The proposed pilot will be a place based model incorporating the county council, two unitaries, the fire and rescue authority and 12 shire districts across an economically diverse geographical area.

The functional economic area is a large part of north west England above the geographical areas of Merseyside and Manchester with a population of circa 1.5m. It encompasses both sparse rural areas and densely urban areas some of which are challenged with high levels of deprivation.

Key economic activity across this diverse area includes both significant amounts of traditional manufacturing industries as well as advanced engineering and aerospace with considerable levels of export activity. There is also a significantly growing leisure and tourism offer.

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

The first call on any additional growth will be to create a new resilience reserve to mitigate against any losses in business rate income. This will equate to 5% of the additional growth.

A further 25% of the additional growth will be set aside to create a Lancashire wide fund to be used to target strategic economic growth, improve financial sustainability and allocated based on decisions of the Lancashire Leaders Business Rates Pilot Group.

Remaining retained growth will be apportioned according to the tier splits. ie districts 56%; county council 17.5%; unitarities 73.5%; fire 1.5% to promote local economic growth and to enable the financial sustainability of pool members in particular district costs of recycling and waste collection and for the upper tier authorities both adult and children social care pressures.

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

The councils in Lancashire have a well established Leaders group that meet on a regular basis to discuss strategic issues affecting the whole of Lancashire. This includes the two unitary authorities, all 12 districts and the county council. This pilot pool is a natural extension of the work of this group in growing the Lancashire wide economy. The Pool Pilot Governing body will therefore consist of Leaders of all the local authorities in the pool.

They will receive monitoring reports during the year which will forecast growth/losses for pilot members, and also play a crucial role in deciding how the strategic growth and financial resilience fund will be invested. It has been agreed that all decisions must be unanimous.

The Lancashire Pilot Pool governance agreement sets out how risk and reward will be managed.

5. Submitting your application

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

Please submit your completed application to:

businessratespilots@communities.gsi.gov.uk

or

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

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