

1. **BUSINESS RATES PILOT AND POOLING ARRANGEMENTS**

Submitted by: Executive Director – Resources and Support Services

Portfolio: Finance and Efficiency

Ward(s) affected: All

Purpose of the Report

To provide Cabinet with details of the potential for the Council to participate in a Business Rates Pilot in 2019/20 and to outline the Business Case and relevant risks and rewards from pilot arrangements.

To update members on the implications to existing pooling arrangements as result of membership of the pilot and to present the draft governance arrangements for the new pool

Recommendation

- (a) That the Council participates in the formation of a Staffordshire and Stoke-on-Trent Pool based upon piloting the 75% Business Rates Scheme and approves the submission of an expression of interest to central government in order to achieve this.
- (b) That the Acting Chief Executive and Section 151 Officer are authorised (in consultation with the Leader and Portfolio Holder for Finance and Efficiency) to agree, in conjunction with the other participating Staffordshire authorities, the detail to be included in the expression of interest and subsequently the Section 151 Officer is authorised to confirm the Council's support as required by central government.

Reasons

The pilot scheme would enable 75% of future growth in Business Rates to be retained within Staffordshire. It is estimated that £0.239m additional resources would be generated for the financial year 2019/20 for the Council due to the estimated 'growth position' of the participating authorities.

1. **Background**

- 1.1 The 50% Business Rates Retention Scheme was introduced with effect from April 2013 and was effectively a 50/50 risk and reward sharing arrangement between Central and Local Government. The scheme enabled the Council to retain its tier share of growth, although such growth was potentially subject to a 50% cap or levy.
- 1.2 The Council avoided this cap or levy payment by joining the Staffordshire and Stoke-on-Trent Business Rates Pool alongside Staffordshire County Council, Stoke-on-Trent City Council, Stafford Borough Council, Staffordshire Moorlands District Council, South Staffordshire District Council and the Staffordshire Fire and Rescue Service.
- 1.3 The pooling arrangements have enabled (by the avoidance of the levy payment):
 - Additional resources to be retained by the Council;
 - Contributions to growth projects;
 - A contingency to be made in the form of a safety net for members of the pool that have significant reductions in business rates.

- 1.4 Central Government announced during 2015 that it wished to progress to a 100% business rates retention scheme whereby in exchange for additional responsibilities Local Government would be able to retain 100% of the growth that it generated.
- 1.5 Further to previous announcements, 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.
- 1.6 In order to test increased business rates retention and to aid understanding of the 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.
- 1.7 Participating authorities will be expected to work with Central Government officials in the system design of the new business rates retention system and share additional data and information, as required.
- 1.8 Given the limited time before 2020/21, there are fewer issues that can usefully be tested in pilots. It is therefore likely that this pilot programme may be smaller than in 2018/19.
- 1.9 A pilot prospectus was issued on 24th July 2018 entitled 'Invitation to pilot 75% Business Rates Retention in 2019/20'.
- 1.10 The Council was part of an unsuccessful application to become a pilot for the financial year 2018/19. The application was unsuccessful as Central Government could not afford to accept all the applications that met the terms of the "Invitation to Local Authorities", it is also thought that the application could have been enhanced by providing more information on how any additional business rates generated could have been distributed and used to generate economic growth.
- 1.11 The pilot is not intended to be a short term proposal but is intended to be a long term commitment to maximising growth by working with partners across the Borough and the wider Midlands region. The Council is committed to maintaining, creating and developing partnerships to ensure that it can operate in a connected, co-ordinated and competitive manner with due regard to the economic diversity of its area.
- 1.12 The ultimate objective of the pilot is to maximise the resources generated and retained within Newcastle-under-Lyme and within Staffordshire by collaborative working that enables:
 - The area's economy to be more productive; diverse; resilient and innovative;
 - The area's workforce to be better qualified, skilled and adaptable;
 - Opportunities from its key connectivity networks (digital, roads, railways) to be developed and maximised;
 - The area's environment to be a more attractive and healthier place to live;
 - The area to be the best place to start and grow a business.
 - The generation of additional resources for social care both in the form of direct service provision and preventative care.
- 1.13 The proposed pilot will include those authorities in the current Staffordshire and Stoke-on-Trent Business Rates Pool (please see 1.2), plus Cannock Chase District Council, Lichfield District Council, Tamworth Borough Council and the Staffordshire Police and Crime Commissioner (i.e. police and fire).
- 1.14 This strengthened proposal will show the application to be a total 'Place' based solution with a further focus on the policing and crime prevention implications of any economic growth. £200,000

of the additional resources generated by the proposed pilot will be allocated to the Staffordshire Police and Crime Commissioner for this purpose. The remaining authorities will be subject to the tier splits shown in Appendix 1, 4.7.

2. **Issues**

- 2.1 The pilot prospectus issued by Central Government provides a framework for the extension of the existing voluntary pooling of business rates revenues to two tier authorities. A pilot enables 75% of future growth to be retained by the pilot area as compared to the current 50% subject to financial neutrality (based on the baselines created at the commencement of the 50% scheme in 2013/14).
- 2.2 As part of the move towards a reformed business rates retention system in 2020/21, the government intends to devolve a number of grants to local government when the new system commences, i.e. this funding will be replaced by retained business rates income. Of these grants, the Council receives only Revenue Support Grant. The pilot programme will take this into account when revising the tariffs and top-ups for the piloting authorities in order to ensure financial neutrality.
- 2.3 The Business Rates Pilot 'Financial Neutrality' takes no account of the net growth (or loss) in Business Rates income since the commencement of the 50% scheme in 2013/14. Work undertaken by a steering group of the Staffordshire Chief Finance Officers Group has confirmed that all authorities within Staffordshire, that are responsible for collecting business rates, are in a growth position, averaging out at 7%. This is likely to be at the least maintained in the medium term. Under the current arrangements, only 50% of this growth is retained within Staffordshire, 50% is allocated to Central Government.
- 2.4 There is therefore a clear and simple financial advantage in that 25% of growth that is allocated to Central Government under existing arrangements would be retained within Staffordshire under the proposed pilot of 75% Business Rates Retention. The proposed pooling and pilot arrangements are shown as Appendix 1 to this report.
- 2.5 The 2019/20 pilot programme will last for one year until the full 75% Business Rates Scheme is implemented in 2020/21.
- 2.6 To be accepted as a pilot for 2019/20 all parties must be designated as a pool to share business rates income. It is considered that the prospectus criteria would only be met if all eleven authorities covering the full Staffordshire geography committed to being part of the pool. Existing pools would require to be ceased.
- 2.7 The Council will still receive separate allocations from Central Government, will set its own budget for Business Rates Retention and will collect and retain Business Rates.
- 2.8 All previous pilots have been created on a no detriment basis. However, the 2019/20 prospectus states that the government has agreed that a 'no detriment' clause will not be applied to the 2019/20 pilots. 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.
- 2.9 A significant risk in relation to net Business Rates Income is that the level of Business Rates appeals exceeds the Government expectations or the provisions made by each Authority. This is particularly important given the backlog of appeals and the risk of changes in policy or treatment of hereditaments.
- 2.10 Further risks in terms of losses of business rates income include:
 - The consolidation of hereditaments as a single assessment
 - Transfer from the Local Rating List/Central Rating Lists

- Changes in Mandatory Relief Policy
- Changes in the basis of determining the basis of Rateable Values
- The backdated cost of new appeals post 1st April 2019

- 2.11 The 75% Business Rates Scheme currently being designed includes proposals to deal with changes in valuations and appeals, transfer from the Local Rating List/Central Rating Lists etc. and hence, it is believed that these issues will be addressed in testing and working with Central Government during the pilot.
- 2.12 The biggest risk to the proposed pilot is however the claim by NHS Foundation Trusts whereby they claim that they should receive 80% mandatory relief with a 6 year backdated claim. Although Counsel advice refutes this claim it is still progressing through the High Courts. The potential claim could be in excess of £20 million and hence it must be a caveat of any application.
- 2.13 Expressions of interest are required by 25th September 2018. These will take the form of a joint application signed by all the participating authorities. Successful pilots will be announced as part of the Draft Local Government Settlement in December and will come into effect from the 1st April 2019. As part of the application the Council is required to specify what pooling arrangements should apply in 2019/20 if the application to be a pilot was unsuccessful. The Section 151 Officer is required to confirm that the Council fully supports the application and the proposed pooling arrangements.

3. **Proposal**

- 3.1 That the Council participates in the formation of a Staffordshire and Stoke-on-Trent Pool based upon piloting the 75% Business Rates Scheme and approves the submission of an expression of interest to central government in order to achieve this. The governance arrangements which will apply to the proposed pool are detailed in the Memorandum of Understanding to be signed by all participating authorities set out in Appendix 1. These include details of the payments into and out of the pool applicable to participating members.
- 3.2 That the Acting Chief Executive and Section 151 Officer are authorised (in consultation with the Leader and Portfolio Holder for Finance and Efficiency) to agree, in conjunction with the other participating Staffordshire authorities, the detail to be included in the expression of interest and subsequently the Section 151 Officer is authorised to confirm the Council's support as required by central government. A copy of the currently proposed application form to be submitted to central government is shown at Appendix 2.
- 3.3 That the proposed pilot application details how the pilot will operate across the economic area of Staffordshire in terms of the distribution and use of the additional 25% of retained business rates to promote further economic growth.
- 3.4 That if the pilot application is unsuccessful, the Council continues to be part of the existing Staffordshire and Stoke-on-Trent pool. If the pilot application is successful then the Council would then cease to be a member of the current pool.

4. **Reason for Preferred Solution**

- 4.1 The pilot scheme will enable 75% of all future growth in Business Rates to be retained within Staffordshire. It is estimated that £0.239m additional resources would be generated for the financial year 2019/20 for the Council due to the estimated 'growth position' of the participating authorities.

5. **Financial and Resource Implications**

- 5.1 It is estimated that £0.239m additional resources would be generated for the financial year 2019/20 for the Council due to the estimated 'growth position' of the participating authorities.

6. **Major Risks**

- 6.1 The pilot would be responsible for the Government's share of business rates if business rates contracted below the current level of business rates.
- 6.2 The level of appeals could fluctuate significantly in relation to changes in policy/the basis of determining rateable values and successful backdated appeals received after 1st April 2019.
- 6.3 The NHS Foundation Trusts claim for mandatory relief could be agreed – the pilot would need to have a caveat in relation to this (i.e. that any successful claim does not form part of the pilot).

7. **Key Decision Information**

- 7.1 This is a key decision; it has been included in the Forward Plan.

8. **List of Appendices**

Appendix 1 – Memorandum of Understanding – Subject to Contract

Appendix 2 – Business Rates Pilot Scheme 2019/20 Application Form

Appendix 3 – Financial Sustainability (appendix to Application Form)

Appendix 1

**Memorandum of Understanding - Subject to Contract
Business Rates Pooling Agreement
Pilot Arrangements
Staffordshire and Stoke –on –Trent**

- (a) All Local Authorities are currently obligated to pay a percentage of their Business Rate collection to Central Government. In accordance with the proposed 75% Business Rates Retention Scheme only 25% of Business Rates will be retained by Central Government
- (b) In order to pilot the 75% scheme Members have agreed , subject to designation by MHCLG, to join together the net Business Rates collected and establish a Business Rate Retention Scheme in accordance with the Local Government Finance [Bill July 2012] (“the Pool”).
- (c) The rationale of the Pool is
- (i) To utilise the additional resources available to the pool, resources that would otherwise have been returned to central government, to
- deliver sustained economic growth by building on and strengthening its partnership arrangements reflecting the economic geography of Staffordshire
 - the generation of additional resources for both direct service provision, and preventative , social care
- (ii) To utilise tier splits to manage the risks and rewards across the pool

1. Membership

- 1.1 Membership of the pool is open to the following Councils/ authorities;
- Cannock Chase District Council
 - East Staffordshire Borough Council
 - Lichfield District Council
 - Newcastle-under-Lyme Borough Council
 - South Staffordshire District Council
 - Stafford Borough Council
 - Staffordshire County Council
 - Staffordshire Fire and Rescue Service
 - Staffordshire Moorlands District Council
 - Stoke-on-Trent City Council
 - Tamworth Borough council
 - Staffordshire Police and Crime Commissioner
- 1.2 The Pool Board will review its membership annually and will consider requests for new members to join or existing members to leave provided applications to join or leave are made at least 2 months prior to the Ministry of Housing Communities and Local Government (“MHCLG”) deadline for pre designation of a Pool each year.
- 1.3 The Pool is open to the possibility of accepting additional members to its pooling arrangement. New members, as existing members, will be accepted subject to:

- There being a unanimous decision of the Pool Leaders to accept the new member(s)
- New membership will begin from 1 April of the following financial year
- Consultation and designation requirements of MHCLG.
- Their full acceptance of the MHCLG's Business rates retention scheme – pooling prospectus and any subsequent amendments to or iterations thereof.

2. Duration

- 2.1 Subject to the pool being designated by MHCLG, the pool will come into effect from 1 April 2019. The period of membership will be for a minimum of the 2019/20 financial year.
- 2.2 The Pool is a voluntary arrangement and Members will be able to review their continuing membership up to [2 months] prior to the annual nomination of the forthcoming year's Pool in accordance with MHCLG's timetable.
- 2.3 Should a Member withdraw from the Pool during the annual settlement consultation period the Pool will be dissolved in accordance with MHCLG rules.

3. Governance

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

4. Pooled Fund

- 4.1 The Pool will be based upon a "No Loss" basis for each Member.
- 4.2 "No loss" is determined to be that a Member will be no worse off
- By being a Member of the Pool than they would have been if they had not been a Member of the Pool. Each Member will retain the income they would have received if they were not a member of the Pool.

- No Member will be worse off as compared with previous pool arrangements for Staffordshire and Stoke on Trent Business rates Pool (2012) or Greater Birmingham and Solihull Business Rates Pool.
 - No Member will be worse off as a result of the increased retained % arising from the agreed Tier Splits of the Pilot Scheme.
- 4.3 Each Member will retain the net Business Rates calculated in accordance with the 50% Business Rates Scheme (pre to any Levy Deduction). Member authorities will pay the same level of tariff or receive the same level of top up and receive the same level of safety net payment as if they were not in the pool;
- 4.4 Tariffs/Top ups for each Member as determined by the Annual Settlement, as adjusted for the consolidation of Revenue Support Grant and Rural Services Grant will be paid into/ received from the Pool via the Accountable Body in accordance with the timetable as approved by the Board. The accountable body will be responsible for payment/ receipt of the net Tariff or Top Up due to/from Central government.
- 4.5 Additional income in excess of the amount that would have been retained under the 50% Business Rates Scheme will be paid into the pool via the Accountable Body no later than the point at which they would otherwise have been paid to the Government had no pool existed.
- 4.6 The pool will be distributed in accordance with the following methodology
- The Accountable Body will receive a fixed annual sum of £XX,000
 - Each Member Authority will receive a guaranteed payment of £200,000 per annum
 - Compensation to a Member arising from the change in tier splits between the 50% and 75% scheme whereby an authority is worse off due to the increased % arising from the pilot.
- 4.7 The residual balance representing “ongoing growth” to 31 March 2019 and new growth thereafter will be split in accordance with the following Tier Splits reflecting the growth achieved by that Member

Two Tier Authorities	Growth to 31/3/2019	(Growth thereafter 75% Scheme)
Staffordshire County Council	59%	34%
Staffordshire Fire and Rescue Service	1%	1%
District /Borough Councils	40%	40%
Unitary Authority	Growth to 31/3/2019	Growth thereafter (75 % Scheme)
Stoke-on-Trent City Council	99%	74%
Staffordshire Fire and Rescue Service	1%	1%

- 4.8 The above distribution mechanism will remain in place for the duration of the pool
- 4.9 The distribution of pooled funds will be made by 30 June following the end of the relevant financial year.

- 4.10 Billing authority Members will retain their own collection funds and will retain their existing responsibility for bearing any shortfall in collected business rates.

5. Levy Savings

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

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

6. Safety Net/Contingency Fund

- 6.1 If a Member's business rate income drops by more than the Government determined safety net trigger, then a Party will be entitled to receive a Safety Net Payment from the Pool.
- 6.2 The overall Pool, under pilot arrangements, will receive a Safety Net payment that guarantees 95% of its Baseline figure. Individual Members are not protected by the Government Safety Net provision. However in accordance with the “no detriment provision” existing 50% Business Rates Retention safeguards will apply.
- 6.3 Safety Net payments ensuring each authority receives 92.5% of its Business Rates Baseline will be paid from the Pool. The payment will match any safety net payments that would otherwise be made if they were outside the Pool.
- 6.4 At the formation of the pool each Member will be required to transfer to the Accountable Body their proportion of the Contingency Fund held within the Staffordshire and Stoke on Trent Business Rates (2012) Pool or Greater Birmingham and Solihull Business Rates Pool.
- 6.5 In addition, in accordance with previous pooling arrangements, Members will make a contribution amounting to 20% of its Levy Saving to the Contingency Fund.
- 6.6 The amount of the Contingency Fund will be reviewed on an annual basis by the Pool Board.
- 6.7 If in a Financial Year there are insufficient sums in the Contingency Fund then Staffordshire County Council and Stoke-on-Trent City Council will transfer an amount equal to the shortfall to enable the Contingency Fund to make the Safety Net Payments. This payment will be split on a pro rata basis, based on respective population sizes in the two areas.

- 6.8 Staffordshire County Council and Stoke-on-Trent City Council will be reimbursed for any such payments made from the contingency in the following financial year.
- 6.9 Safety net payments will be made as a first call on sums in the contingency fund, before reimbursements are made.
- 6.10 The Contingency Fund will be reviewed on an annual basis by the Pool board. Where the existing contingency fund is, or is anticipated to be, insufficient, the % of the “levy savings” will be amended to increase the proportion allocated to the contingency fund and to reduce the allocation to the local incentive fund accordingly on a pro rata equal basis as agreed by the Pool Board.
- 6.11 If Staffordshire County Council and Stoke City Council are required to make Payments to the Contingency Fund in two (plus) consecutive Financial Years then they may notify the Members that a Variation to or Termination of the is needed.

7. The Lead Authority/Accountable Body

- 7.1 The Pool Board will nominate the Finance Shared Service for Cannock Chase/Stafford Borough as Lead Authority.
- 7.2 The Lead Authority is responsible for all accounting and administration of the Pooled Fund and the Contingency Fund.
- 7.3 The Lead Authority is responsible for all auditing and accounting requirements as set out in legislation.
- 7.4 Each Member is be required to provide all relevant information to the Lead Authority as required to carry out its responsibilities. [to be determined by MHCLG].
- 7.5 Each Member will transfer the relevant funds to the Lead Authority enabling the Lead Authority to carry out its responsibilities under this agreement.
- 7.6 The Members agree that the Pool will operate on a cash flow neutral basis. Payments should be actioned in accordance with the dates as determined by MHCLG (as reasonably practical) on a net basis.
- 7.7 In addition Members will be required to provide medium term forecasts and monitoring information as determined by the Pool Board.
- 7.8 The Lead Authority will be accountable for producing as a minimum an annual report to the Pool Board or other such reports as required by the Pool Board.
- 7.9 The Lead Authority will be subject to no additional burdens other than those required to meet the normal requirements associated with the administration of the Pool and will receive an agreed fixed annual sum (as determined by the Board) for undertaking the Accountable Body status ..

8. Termination

- 8.1 A Pool will remain in place for each financial year that it has been designated by MHCLG. Once designated, Members are not able to withdraw from the Pool for that financial year.

- 8.2 Prior to designation, the Pool is on a voluntary basis and all members will be able to choose to be a Member of the Pool for the forthcoming year's designation. In considering their continued Membership, Members will need to have due regard to the Pool Fund aims and objectives and the impact on remaining Members.
- 8.3 Members must give a minimum of 2 months' notice of intention to withdraw from the Pool prior to the provisional designation of the Pool in accordance with MHCLG's timetable.
- 8.4 If a Member or Members leave the Pool without the required notice set out in 8.3 and it is not possible for other Members to form an alternative pool for the forthcoming year then the exiting Member or Members shall pay 25% of the lost benefit to the Member Authorities directly affected in accordance with the Tier splits. The lost benefit relates to the additional retained growth as compared to the 50% scheme that would have been available to the Members in the forthcoming year had the Member or Members not exited.
- 8.5 Clause 8.4 of this Memorandum of Understanding shall not apply to the first year of the Pool or if the Pool Board unanimously agrees that it shall not apply.
- 8.6 In the event that the Pool is terminated the Pool Board must unanimously agree how any balances in the Pooled Fund or the Contingency Fund are shared amongst the Members. For the avoidance of doubt this will include both positive and negative balances which will be netted off each other. If the pool board cannot reach a unanimous decision then the matter will be referred to mediation and/or arbitration as per the dispute resolution procedure set out in the pooling agreement.

9. Other Terms

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

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

Name:.....

Title:.....

Date:.....



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	<i>Cannock Chase/Stafford Borough Council (Shared Services)</i>
b. Name of lead official	<i>Bob Kean</i>
c. Lead official job title	<i>Head of Finance /Section 151 Officer (Shared Services)</i>
d. Lead official email address	<i>BobKean@cannockchasedc.gov.uk</i>
e. Lead official contact phone number	<i>01543 464334 /01785 619241</i>

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
<i>Staffordshire County Council</i>	<i>(4) County</i>
<i>Stoke-on-Trent City Council</i>	<i>(7) Unitary Authority</i>
<i>Staffordshire Commissioner Fire and Rescue Authority (SCRFA)*.</i>	<i>(1) Fire</i>
<i>Cannock Chase District Council</i>	<i>(5) Shire District</i>
<i>East Staffs Borough Council</i>	<i>(5) Shire District</i>
<i>Lichfield District Council</i>	<i>(5) Shire District</i>
<i>Newcastle under Lyme Borough Council</i>	<i>(5) Shire District</i>
<i>South Staffordshire District Council</i>	<i>(5) Shire District</i>
<i>Stafford Borough Council</i>	<i>(5) Shire District</i>
<i>Staffordshire Moorlands District Council</i>	<i>(5) Shire District</i>
<i>Tamworth Borough Council</i>	<i>(5) Shire District</i>
<i>*The Staffordshire Commissioner is responsible for Police, Fire and Rescue and Crime services and is a partner to the application in that overriding capacity.</i>	

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>	Yes
<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>	Yes
<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>	Yes
<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>	<i>No. The Staffordshire Police and Crime Commissioner is a full partner to the pilot area</i>
<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>	N/A
<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><i>Yes. All members are keen to contribute to the vision, transitional and operational elements of the 2019/20 pilots. In addition to contributing to transition issues from 50% to 75% scheme in relation to Appeals provisions; Tier splits; Section 31 grants; Transfer between Central and Rating Lists; treatment of Enterprise Zones; Resets and pooling etc. we also wish to contribute to how the administrative and financial impact of the above can be reduced and in particular how the Business Rates Retention system can be simplified enabling true growth to be identified and rewarded.</i></p>

g. How does the pilot pool propose to split non-domestic rating income in two-tier areas?*

(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.)

*(*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.)*

The pilot is unique in that it is based upon the additional 25% rewards of the 75% scheme being passported to upper tier authorities reflecting the additional cost burdens of an ageing population and increasing numbers of vulnerable children, but at the same time, recognising the need to maintain the essential preventative role of Districts/Boroughs in relation to social care and wellbeing. It reflects a distinct balance between incentive based rewards but at the same time mitigating the risks from volatility. This would be achieved by enhancing the countywide growth aspirations to deliver sustained economic growth via the relevant rewards from piloting 75% business rates retention, but at the same time mitigating the risk to upper tier authorities.

To this end the following local agreement on tier splits would be piloted.

Two Tier Authorities	2019 Pool (75%)	Current (50%)
Staffordshire County Council	34%	9%
Fire and Rescue Service	1%	1%
District /Borough Councils	40%	40%
Unitary Authority	2019 Pool (75%)	Current (50%)
Stoke-on-Trent City Council	74%	49%
Fire and Rescue Service	1%	1%

Inevitably such a tier split carries with it greater risk however our own Governance arrangements ensure that no authority will be worse off as compared to the current 50% pooling arrangements that exist within Staffordshire and in particular the change in Tier Splits.

The risk and reward relationship is embedded in the proposed internal Governance arrangement of the pool but the pilot would also be keen to pilot any other proposed changes arising from the design of the 75% scheme to help manage the level of risk and reward open to Councils in multi-tier areas

<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? (If 'no', please move to question 3.j.)</p>	<p><i>No – the pilot fully intends to utilise the additional resources in year (see Details of Proposals 4b) both from a financial sustainability perspective and as a funding enabler to develop and implement the medium term delivery plans of the Strategic Economic Plans for its area. If in the eventuality of non-delivery in year the earmarked allocations will be rolled over to 2020/21</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>j. What is the anticipated income above baseline funding level for the pilot pool over 2019/20 (in £)?</p>	<p><i>The Staffordshire Wide Pilot Proposal is estimated to generate additional resources of some £13.3 million in 2019/20. In accordance with the Proposed Tier Splits, as outlined above, £9.5 million (71%) would be directly allocated to the two upper tier authorities and £3.8 million to the other authorities. All eleven authorities would benefit from the pilot from both a financial sustainability aspect and investment initiatives. The proposal would secure, as a minimum, £2.9 million of ongoing resources to Maximise Economic Growth. A successful pilot application would also release £5.8 million of existing resources (please see Page 8 Details of Proposals)</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 hereditaments in the area, business sectors relevant to the area, or the size of your business rates base in relation to baseline funding levels.)</i></p>	<p><i>The proposed pilot area is considered to be of a sufficient scale and diversity that would be ideal for a pilot. The total Rateable Value for the pilot area is some £967 million, and includes 2 Enterprise Zones and Renewable Energy Schemes . The proposed pilot area would represent the largest Rateable Value for a County area in the East/ West Midlands Regions.</i></p> <p><i>The area incorporates a wide range of industries reflecting Staffordshire’s rural, peri-urban and urban economy. Whilst urban areas account for a large proportion of our population and economic activity, around 80% of the area is classified as rural and these areas are also home to a large segment of the population and strong base of enterprise and employment. At the one end of the scale Stoke on Trent is classed as “4. Urban with City and Town” within the ONS Rural Urban Classification whereas Staffordshire Moorlands is classed as 64.4% “2. Largely Rural “.</i></p> <p><i>The area is on a journey of economic transformation as reflected in the recent demise of Rugeley Power Station. Its industrial heritage of coal mining and potteries as changed to high tech manufacturing, logistics and tourism. The i54 development combined with transport and digital infrastructure and the development of a regional Retail Outlet Centre are notable successes. Analyses of Rateable Values illustrate this diversity within the area. Warehouses, Factories and Workshops combined represent 32% of our Rateable Value yet the single highest rateable value is Alton Towers Theme Park. Whilst this represents less than 1% of our combined Rateable Value it represents exactly 15% of Staffordshire Moorlands Rateable Value.</i></p> <p>The business rates Gearing ratio, reflecting the resources available compared to assessed need within Staffordshire ranges from 0.24 to 6.91. However the overall ratio for the area is 0.89 and is close to the optimum in balancing risk and reward.</p>
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l. What pooling arrangements would the members of the pilot like to see if their application to become a pilot is unsuccessful?	Authority	Proposed Pooling Arrangement if Unsuccessful
	<i>Staffordshire County Council</i>	<i>Staffordshire & Stoke on Trent Pool</i>
	<i>Stoke on Trent City Council</i>	<i>Staffordshire & Stoke on Trent Pool</i>
	<i>Staffordshire Commissioner Fire and Rescue Authority</i>	<i>Staffordshire & Stoke on Trent Pool</i>
	<i>Cannock Chase District Council</i>	<i>Greater Birmingham & Solihull Pool</i>
	<i>East Staffs Borough Council</i>	<i>Greater Birmingham & Solihull Pool</i>
	<i>Lichfield District Council</i>	<i>Greater Birmingham & Solihull Pool</i>
	<i>Newcastle Under Lyme Borough Council</i>	<i>Staffordshire & Stoke on Trent Pool</i>
	<i>South Staffordshire District Council</i>	<i>Staffordshire & Stoke on Trent Pool</i>
	<i>Stafford Borough Council</i>	<i>Staffordshire & Stoke on Trent Pool</i>
	<i>Staffordshire Moorlands District Council</i>	<i>Staffordshire & Stoke on Trent Pool</i>
	<i>Tamworth Borough Council</i>	<i>Greater Birmingham & Solihull Pool</i>
m. How would the pilot area deal with residual benefits/liabilities once the pilot ends?	<p><i>The pilot is not a short term proposal but a long term commitment to maximise economic growth by working in collaboration with partners across the Midlands Region. As in any partnership arrangements the mechanism for dealing with the pool no longer existing are covered in the proposed Governance arrangements for the pool (see attached). In utilising resources in year, and incorporating existing contingency funds, potential residual liabilities will be kept to a minimum.</i></p> <p><i>In the event that the Pool is terminated the Pool Board must unanimously agree how any balances in the Pooled Fund or the Contingency Fund are shared amongst its Members. The residual benefits (or liabilities) will effectively be allocated in accordance with tier splits subject to no authority being worse off as compared to the current 50% scheme.</i></p>	

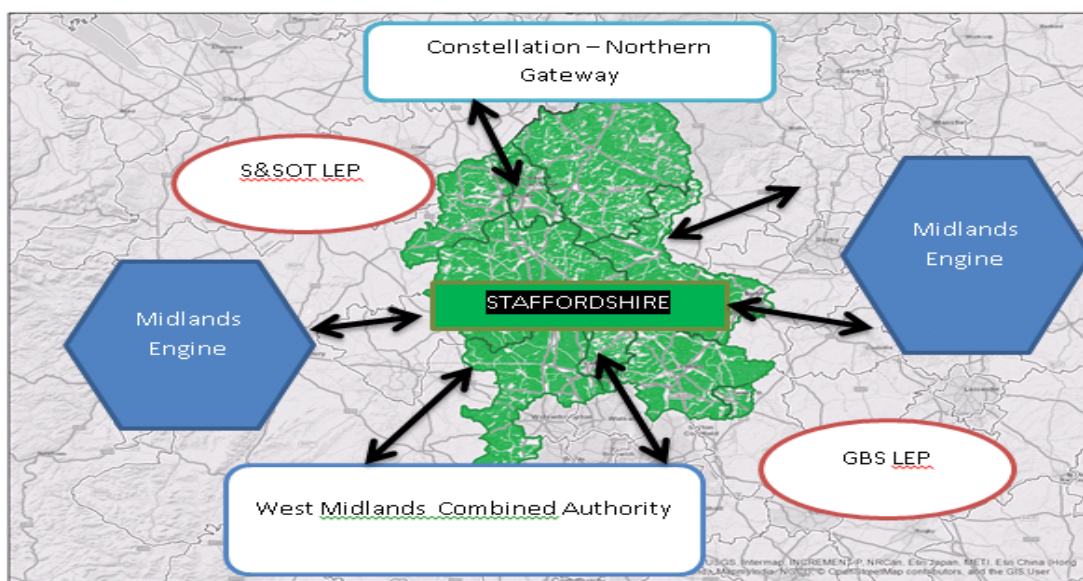
4. Details of the pilot proposal

Please explain how your proposal fulfils 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 reflects the entire Staffordshire geographical area however Staffordshire's actual functional economic area is unique in that the Staffordshire and Stoke on Trent Area is at the heart of future economic growth not only for the West Midlands but the Midlands as a whole.

Growth within Staffordshire is co-ordinated and delivered at County /City level in partnership with the Staffordshire and Stoke On Trent Local Enterprise Partnership however Staffordshire authorities have in addition developed partnerships with the Constellation-Northern Gateway: West Midlands Combined Authority; Greater Birmingham and Solihull Local Enterprise Partnership and the Midlands Engine. In addition the I54 development was in collaboration with Wolverhampton City Council.



The overriding objective of the Pilot is to put in place a mechanism to maximise Economic Growth. Regardless of the bodies that currently exist or are formed to progress the Industrial Strategy for the Midlands, the area is committed to maintaining; creating and developing partnerships to ensure Staffordshire can operate in a in a connected; co-ordinated and competitive manner but with due regard to the economic diversity of its area. Its synergistic working is not constrained by administrative boundaries but allows the strengths of the public and private sectors to deliver across a wider economic geography. This will not only increase the prosperity and opportunities for all Staffordshire residents but also ensure that it plays a key role in regional growth.

Appendix A) to this Application provides details of the Successes of joint working to date and anticipated future benefits

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

The economic area of Staffordshire and Stoke on Trent has fully embraced the Business Rates Retention Incentive Scheme as a key driver in its Industrial /Growth Strategy. Our ultimate objective is to maximise the resources generated and retained within Staffordshire by collaborative working that enables

- the area's economy to be more productive; diverse; resilient and innovative (**Ideas**)*
- the area's workforce to be better qualified, skilled and adaptable (**People**);*
- opportunities from its key connectivity networks - digital ,roads , railways (HS2) to be developed and maximized) (**Infrastructure**)*
- its environment to be a more attractive, safer and healthier place to live (**Place**)*
- the best place to start and grow a business (**Business Environment**).*

However in 2019/20 the Staffordshire "wide "pilot specifically aims to deliver:

- the generation of additional resources for social care both in the form of direct service provision, and preventative care*
- recognize the fundamental role of police in relation to Place; the Economy and Prosperity*
- the trial of changes in tier splits for two tier authorities to help manage the level of risk and reward open to Councils in multi-tier areas, and*
- that the proposed 100% Business Rates scheme can operate across the unique and complex Economic Geography of Staffordshire and hence is a catalyst to maximise Economic Growth.*

The cornerstone of the pilot is financial sustainability and to this end as shown in the response to question 3h) the pilot does not intend to use the resources post 2019/20 but actually utilize the resources in year to meet cost pressures but also to release investment resources to deliver the Strategic Economic Plan.

A fundamental criticism (National Audit Office) of Business Rates Retention to date, is that the scheme, and in particular the caution required in dealing with volatility and appeals, has not allowed business rates growth to fund service delivery. This as at a time when the local government sector has been subject to unprecedented levels of funding reductions and (unfunded) service pressures. The 2019/20 financial year represents a fallow period awaiting the Fair Funding Review; the full introduction of a 75% Business Rates Scheme and the Reset of Business Rates and financial sustainability in that year is fundamental pending the redress of relative needs and resources.

The Pilot will therefore allocate £9.5 million or 71% of the additional funding to the upper tier authorities to protect front line services.

The Pilot will in addition release a minimum of some £2.9 million of investment resources to enable future economic growth to be delivered.

£ 0.2 million will be allocated to the Police & Crime Commissioner to determine how the Safer Place partnership agenda can be extended but in particular how an overarching strategy can be developed that ensures economic and business crime prevention is at the hub of Industrial /Economic Growth Strategy.

The Area has successfully modelled co-location and co-working as part of its People and Place Policing and Partnership working and extending this to the Economic and Prosperity Agenda is a natural progression.

At present the planning and delivery of the Economic Growth via the Strategic Economic

Plan(SEP) has been constrained by the uncertainties that exist in relation to the future of Local Enterprise Partnerships and their funding and the complexities of the Business Rates System. In particular a 12 month gap has existed between business rates growth and funding being reflected in the Delivery Plans of LEP'S and Investment pots.

A successful pilot application, and the additional resources provided, will enable the 40% allocation to Economic Development by each of the 8 Districts /Boroughs from Business Rates Growth to be directly invested in the 2019/20 financial year.

In addition to providing additional resources to existing projects as contained in SEP Enabling Plans notably :-

- *Employment &Skills Resources*
- *Innovation Enabler*
- *Strategic Employment sites*
- *Business Support/ Access to*
- *Cultural economy*
- *Towns / Local Urban Centres*
- *Strategic Connections*
- *Inward Investment & Trade*

The £2.9 million can be released as a priority to develop delivery plans in relation to:-

- *advanced manufacturing*
- *life sciences and healthcare*
- *business, professional and financial services*
- *creative industries*
- *energy technologies and services*
- *digital technologies*
- *emerging and disruptive technologies*

A Central Investment pot of £5.8 million has then been earmarked to invest in specific projects as part of a self-funding rolling programme whereby projects provide a rate of return as measured by the Business Rates Growth retained.

To fulfil this ambitious agenda it is essential that current service delivery is maintained and the importance of financial sustainability cannot be underestimated.

Key factors in Financial Sustainability as reported in the National Audit Office Report of March 2018 are the unfunded cost pressures ,of an ageing population and increasing numbers of vulnerable children, and the quantum/allocation of Funding provided as part of the Local Government Finance Settlement

The four year settlement for the period 2016/17 to 2019/20 set out to ensure councils delivering the same set of services receive the same percentage change in 'settlement core funding' for those sets of services however this has not happened in practice. The two Upper Tier authorities have to date been subject to the same reductions in theoretical core spending power as its respective tier authorities but have not received any transitional funding or rebate of negative support grant to offset this. In particular 2019/20 will see a further £66 million of the £153 million rebate of negative support grant being implemented for County Councils that will not directly benefit Staffordshire County Council with a similar position applying to Stoke on Trent City Council.

In each of the four years of the settlement the Staffordshire Area has had between the 2nd and 4th greatest reduction in core spending power of the 38 County areas in England. A comparison to the average reduction shows that the area has been under funded commencing at 1.5% in 2016/17 and projected to increase to 3.4% in 2019/20. This represents a cumulative reduction in resources available to the area, excluding the additional resources provided as part of 2018/19 pilot applications, of £67.8 million over this period.

Appendix B) to this Application details this Financial Sustainability issue.

In considering pilot applications and to promote financial sustainability we firmly advocate that the inequalities of the 2016/17 to 2019/20 settlement are fully taken into account.

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 principle aim of the pool is to maximize sustainable economic growth and hence provide the resources for service delivery /financial sustainability and investment funds to enable future economic growth to be delivered. In essence the size of the proposed pool and its gearing ratio reflects the initial government objective of 100% rates retention. it provides the right level of balancing risk and reward with every additional pound raised in increased business rates results in an additional pound of local spending,.

The Economic Growth agenda is driven within Staffordshire at Leader level supported through the Chief Executives Officer Group and the Chief Finance Officers Group. Strategic Decision Making at this level enables the economic geographies and partnership arrangements as described in 4a) to be fully dovetailed. Partnership initiatives represent a key element of the Agenda with the S&SOT Lep; GBS Lep; Constellation: Midlands Engine and Combined Authority each having a Lead Member / Officer.

A separate Pool Board will be responsible for the Governance arrangements of the pool itself with a shared risk and reward ethos building on the success and track record of the existing pools.

The management of risks and rewards reward is effectively reflected in the tier splits whereby each authority will retain their respective proportion of growth. There is a clear incentive to grow however the arrangements recognise that due to the nature of each authority some might not be capable of growing at all or may potentially contract. Growth varies from 4% to 23% across the area, nevertheless it is intended that all authorities will benefit from the proposed pilot with each authority guaranteed a minimum £200,000 of additional resources.

In passing the increase in tier splits from a 75% scheme, entirely to upper tier authorities the pool intends to mitigate the risk by operating a no detriment policy within the pool. To this end the pool will operate on a no loss basis for each authority.

- Upper Tier authorities will be no worse off as a result of the change in tier splits*
- Each Member of the Pool will retain the income they would have received if they were not a member of the pool*
- No member will be worse off as compared with previous pool arrangements*

Safety net payments to an individual authority will be made in accordance with the 50% scheme and existing contingency fund reserves will be consolidated within the new pool. If in any financial year insufficient sums exist from the Government, via pool /pilot safety net provisions and the Contingency Fund of the pool itself the County Council will meet the shortfall and will be reimbursed from the proceeds of the pool in the following year. In the event that the Pool is terminated the Pool Board must unanimously agree how any balances negative or positive in the Pooled Fund or the Contingency Fund are shared amongst the Members

The above represent worst case eventualities and the key focus of operational working will be order to ensure funds are utilised as soon as practically possible and reflected in decision making for 2019/20. In particular Staffordshire and Stoke on Trent Chief Finance Officers Group will oversee the NNDR1 submissions; Budget assumptions and undertake quarterly monitoring to feed into the bi – monthly Strategic Decision meetings as appropriate.

A copy of the Governance arrangements for the Staffordshire and Stoke on Trent Pool is attached as Appendix C) to the application. The Governance arrangements detail the Membership of the Pool; its Duration; Governance & Voting Rights; Amounts to be Pooled and Distribution methodology: Safety Net: Accountable Body and Termination.

5. Submitting your application

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

Please submit your completed application to:

businessratespilots@communities.gsi.gov.uk

or

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



Annex A – Evidence of authorisation

a. Name of lead pilot authority	
b. Name of lead official	
c. Lead official job title	
d. Lead official email address	
e. Lead official contact phone number	

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

Authority name	Name of s.151 officer	Signature
<i>Staffordshire County Council</i>	Andrew Burns	
<i>Stoke on Trent City Council</i>	Nick Edmonds	
<i>Staffordshire Commissioner Fire and Rescue Authority</i>	David Greensmith	
<i>Cannock Chase District Council</i>	Bob Kean	
<i>East Staffs Borough Council</i>	Sal Khan	
<i>Lichfield District Council</i>	Anthony Thomas	
<i>Newcastle Under Lyme Borough Council</i>	Kelvin Turner	
<i>South Staffordshire District Council</i>	James Howse	
<i>Stafford Borough Council</i>	Bob Kean	
<i>Staffordshire Moorlands District Council</i>	Andrew Stokes	
<i>Tamworth Borough Council</i>	John Wheatley	
<i>Staffordshire Police & Crime Commissioner</i>	<i>Jane Heppel</i>	

Business Rates Pilot Scheme 2019/20
Staffordshire & Stoke on Trent – Application Form
Appendix B: Financial Sustainability

Introduction

A key element of the Business Case Pilot application, pending the outcome of the Fair Funding Review, is to provide essential funding that contributes to the financial sustainability of each authority within Staffordshire, but particularly upper tier authorities, in the 2019/20 Financial Year financial Sustainability has been jeopardised, as compared to other authorities, due to inequalities in funding distribution. Although all authorities have borne the unfunded cost pressures that impacts directly on sustainability the Staffordshire area has not received the benefits of Transitional Funding; Abatement of Negative Revenue Support Grant and has been penalised by Core Funding representing a greater proportion of funding as compared to Council Tax.

Executive Summary

A key element of financial sustainability as highlighted in the National Audit Report of March 2018 is the distribution of funding by MHCLG. The objective of the allocation of Central Funding, since 2016/17 has been to ensure that “*councils delivering the same set of services receive the same percentage change in ‘settlement core funding’*”.

In utilising the 2019/20 indicative figures, as provided by Government, the Staffordshire Area is set to receive the 5th highest reduction in real terms core spending power as compared to the 2015/16 levels. This Indicative spending power does not include Business Rates Growth but does include the other incentive regime of New Homes Bonus.

A more comparable indicator is to exclude New Homes Bonus and Better Care Funding, reflecting the limited timeframe of such funding. This revised Core Spending Indicator is in line with the Core Funding Definition that determined the framework for the four year settlement 2016/17 to 2019/20.

Over this period the Area has received a greater reduction in funding power, as compared to the average of all areas. The variance commenced at 1.5% in 2016/17 and is forecast to rise to 3.4% in 2019/20. This represents a cumulative reduction in resources available to the area of £67.8 million.

Background

In March 2018 the National Audit Office reported on the *Financial Sustainability of Local Authorities 2018*. The report stated that “The Ministry of Housing, Communities & Local Government (the Department) views authorities’ ability to deliver their statutory services as the defining test of their financial sustainability”

The report went on to state that “*compared with the situation described in our 2014 report, the financial position of the sector has worsened markedly, particularly for authorities with social care responsibilities. We noted in 2014 that the sector had coped well financially with funding reductions, but our current work has identified signs of real financial pressure. A combination of **reduced funding** and higher demand has meant that a growing number of single-tier and county authorities have not managed within their service budgets and have relied on reserves to balance their books*”.

A key element of financial sustainability as highlighted in the report is the “*distribution by MHCLG of the majority of funding voted by Parliament to support local authorities to deliver services*”. The key overriding document in relation to funding distribution is the 2015

Spending Review as reflected in the 2016/17 Local Government Settlement. The latter formed the basis of the four year settlement to 2019/20.

The settlement stated;

“For 2016-17, funding will be allocated to reflect the different sets of services provided by councils, as described in paragraph 2.2. The Government proposes to allocate central funding in a way that ensures councils delivering the same set of services receive the same percentage change in ‘settlement core funding’ for those sets of services described above. Core funding will take into account the main resources available to councils, which for this purpose comprise:

- *Council tax income (including any Council Tax Freeze Grant)*
- *The Settlement Funding Assessment, comprising:*
 - *Estimated business rates income (baseline funding level under the rates retention scheme)*
 - *Revenue Support Grant.* “

The National Audit Office report went on to state:

“Since the 2015 Spending Review, the rate of reduction in spending power has dropped. From 2010-11 to 2016-17 it fell by 28.5%. But from 2016-17 to 2019-20, it is predicted to fall by only by a further 0.4% in real terms. “

Changes in Core Spending Power at County Area level

MHCLG on the 24 July 2018 issued its Technical Consultation on the 2019/20 Settlement
The consultation in particular

- Outlined the fourth year of the multi-year settlement offer for those councils that accepted the offer, and arrangements for those that did not.
- Outlined the Government’s proposals for dealing with the issue known as ‘Negative Revenue Support Grant’.

The proposals provide continuity of the approach in relation to the four year settlement however it provides an inequitable base in relation to the sustainability of a number of authorities and particular Staffordshire, unless addressed by other funding sources.

Annex A) provides an analysis of indicative core spending power for 2019/20, as contained in the 2018/19 Settlement, together with an analysis of core spending power for Staffordshire. It reveals that not only at overall Area level, but at each tier level, the Staffordshire and Stoke On Trent area has seen a greater reduction in spending power as compared to the other 37 County areas. It is quite evident from the analysis that Councils or areas delivering the same set of services have had markedly different reductions in spending power as compared to 2015/16.

- In relation to 2019/20 based upon the published indicative settlement the area will have an increase in (cash) spending power of 1.5% , as compared to 2015-16, which is the 5th lowest of the 38 areas and 1% below the average equating to a funding shortfall of £7.7 million.
- **However based upon proposed changes as included in the 2019/20 Technical Consultation and in particular the abatement of Negative Revenue Support Grant , the Area will have the 3rd lowest increase in spending power, being 1.7% below the average for all areas, and representing a funding allocation shortfall of £12.9 million for Staffordshire .**

- The 2019/20 data includes indicative New Homes Bonus Grant (NHB) and Better Care funding. Excluding both these elements*, in both 2015/16 and 2019/20, results in the area now having the 3rd highest reduction in spending power of 3.3%. This is some 3.4% below the average (The sector receiving a 0.1% increase) with a funding allocation shortfall of some £25.3 million for Staffordshire.

*Reflects the basis of 2016/17 settlement and the nature / duration of the grants NHB is a (rolling programme) incentive grant (similar to the growth element of Business Rates) ;.Whereas Better Care Fund allocations were removed from the 2015/16 Spending Power calculations .The Better Care Fund provided grant funding to social care authorities to support adult social care alongside partner health bodies however it was subject to conditions , and partly was required to stabilise provider markets in addition to integration. The funding is however not a permanent feature of the system

The discrepancy is repeated at individual authority within Tiers as follows:

Table1: Comparison of Spending Power Reduction for Staffordshire Authorities as compared to other Tiers				
	Reduction In Spending Power	Rank /(out of)	Average Reduction for Tier	Loss of Equivalent Funding
	%		%	£m.
County Council	0.6	5 /(27)	(2.0)	12.3
Stoke On Trent	7.5	2 /(56)	1.3	12.2
Tamworth	11.4	9/(201)	5.1	0.45
Staffordshire Moorlands	11.2	10/(201)	5.1	0.56
East Staffordshire	10.3	21/(201)	5.1	0.59
Cannock Chase	10.2	24/(201)	5.1	0.53
Newcastle U. L.	9.5	29/(201)	5.1	0.54
Stafford	7.4	67/201	5.1	0.26
South Staffs	6.5	110/201	5.1	0.10
Lichfield	2.9	133/201	5.1	(0.19)

This situation has existed since the 2016/17 with the area effectively having an additional cumulative reduction in core funding of £67.8 million as shown in Table 2:

Table 2: Additional reduction in Core Funding as compared to the average all other areas					
	2016/17	2017/18	2018/19	2019/20	Total
Rank (out of 38)	2 nd	2 nd	4 th	3 rd	
% Variance to Tier Average	1.5%	1.9%	2.3%	3.4%	
Amount	£11.2m	£14.2m	£17.1m	£25.3m	£67.8m

Annex A: Reduction in Core Spending Power 2016/17 to 2019/20 for County Overall Areas

Area	2019/20 Core Spending Power						2016/17 to 2019/20 Core Spending Power Reductions%									
	As per 18-19		Adjusted for Neg RSG		Ex BCF & Illustrative NHB		2016/17		2017/18		2018/19		2019/20			
	% Reduct	Rank	% Reduct	Rank	% Reduct	Rank	% Reduct	Rank	% Reduct	Rank	% Reduct	Rank	% Reduct	Rank	% Reduct	Rank
Durham	1.9%	9	1.9%	5	-4.1%	1	-3.9%	3	-5.1%	3	-4.3%	1	-4.1%	1		
Lancashire	1.9%	10	2.0%	6	-3.5%	2	-4.2%	1	-5.4%	1	-4.2%	2	-3.5%	2		
Staffordshire	1.5%	5	1.7%	3	-3.3%	3	-4.1%	2	-5.3%	2	-3.8%	4	-3.3%	3		
Suffolk	0.4%	2	0.8%	2	-2.6%	4	-3.5%	7	-4.4%	8	-3.6%	5	-2.6%	4		
Derbyshire	2.6%	17	2.7%	13	-2.6%	5	-3.5%	6	-4.9%	4	-3.4%	7	-2.6%	5		
Nottinghamshire	1.6%	7	1.7%	4	-2.5%	6	-3.8%	4	-4.7%	5	-3.0%	8	-2.5%	6		
East Riding of Yorksh	3.0%	21	3.0%	17	-2.4%	7	-3.4%	8	-4.7%	6	-2.7%	9	-2.4%	7		
Cambridgeshire	-0.3%	1	-0.1%	1	-2.1%	8	-3.6%	5	-4.1%	9	-3.6%	6	-2.1%	8		
Lincolnshire	2.5%	15	2.6%	11	-1.0%	12	-2.7%	16	-4.0%	10	-2.4%	12	-1.7%	12		
Cumbria	2.8%	19	3.0%	16	-1.6%	9	-2.2%	26	-3.8%	13	-2.5%	10	-1.6%	9		
Northumberland	3.0%	22	3.0%	18	-1.5%	10	-3.0%	9	-4.5%	7	-1.7%	15	-1.5%	10		
Essex	1.7%	8	2.1%	7	-1.2%	11	-3.0%	10	-3.5%	14	-2.4%	11	-1.2%	11		
Norfolk	2.9%	20	2.9%	15	-1.0%	13	-2.8%	14	-3.8%	12	-1.7%	16	-1.0%	13		
Cornwall*	2.8%	18	2.8%	14	-0.6%	14	-2.9%	12	-3.9%	11	-1.8%	13	-0.6%	14		
Devon	3.6%	25	3.7%	20	-0.5%	15	-2.5%	18	-3.4%	17	-1.3%	21	-0.5%	15		
East Sussex	2.3%	12	2.6%	10	-0.3%	16	-2.5%	19	-3.0%	20	-1.3%	20	-0.3%	16		
Hampshire	2.3%	13	2.7%	12	-0.1%	17	-2.9%	11	-3.5%	15	-1.4%	18	-0.1%	17		
Cheshire	4.0%	29	4.3%	26	-0.1%	18	-2.6%	17	-3.2%	18	-1.3%	19	-0.1%	18		
Leicestershire	4.2%	30	4.6%	29	0.0%	19	-2.9%	13	-3.5%	16	-1.8%	14	0.0%	19		
North Yorkshire	3.4%	24	4.0%	24	0.2%	20	-0.8%	35	-3.0%	21	-1.5%	17	0.2%	20		
Shropshire	5.6%	36	5.6%	34	0.3%	21	-1.7%	31	-2.7%	24	-1.1%	24	0.3%	21		

Area	2019/20 Core Spending Power						2016/17 to 2019/20 Core Spending Power Reductions%							
	As per 18-19		Adjusted for Neg RSG		Ex BCF & Illustrative NHB		2016/17		2017/18		2018/19		2019/20	
	% Reduc	Rank	% Reduc	Rank	% Reduc	Rank	% Reduc	Rank	% Reduc	Rank	% Reduc	Rank	% Reduc	Rank
Herefordshire	3.7%	27	3.7%	21	0.7%	23	-0.3%	37	-1.8%	34	-4.0%	3	0.7%	23
Kent	3.2%	23	3.6%	19	0.7%	22	-2.8%	15	-3.2%	19	-1.1%	23	0.7%	22
Gloucestershire	3.7%	26	3.9%	23	0.9%	24	-2.0%	28	-2.3%	30	-0.9%	25	0.9%	24
Bedfordshire	2.2%	11	2.4%	9	1.1%	25	-2.2%	24	-2.6%	25	-0.3%	27	1.1%	25
Worcestershire	4.8%	32	5.5%	32	1.5%	28	-2.3%	23	-2.3%	29	-1.1%	22	1.5%	28
Hertfordshire	1.6%	6	2.2%	8	1.5%	26	-2.0%	29	-2.6%	26	-0.1%	29	1.5%	26
Somerset	4.9%	33	5.0%	31	1.5%	27	-2.1%	27	-2.4%	28	-0.2%	28	1.5%	27
Northamptonshire	5.5%	35	5.6%	33	1.9%	29	-2.5%	20	-2.6%	27	0.1%	31	1.9%	29
Dorset	2.5%	14	4.9%	30	2.5%	30	-2.3%	22	-2.9%	23	-0.3%	26	2.5%	30
Warwickshire	6.1%	37	6.5%	37	2.8%	31	-1.9%	30	-2.0%	32	0.1%	30	2.8%	31
Wiltshire	3.9%	28	4.4%	27	2.9%	32	-0.8%	36	-0.9%	37	1.2%	36	2.9%	32
West Sussex	5.4%	34	6.4%	36	3.5%	33	-1.5%	33	-1.5%	35	0.4%	32	3.5%	33
Berkshire	2.6%	16	4.6%	28	3.6%	34	-2.5%	21	-2.9%	22	0.8%	34	3.6%	34
Buckinghamshire	1.4%	3	3.8%	22	4.1%	35	-2.2%	25	-2.2%	31	0.6%	33	4.1%	35
Oxfordshire	4.5%	31	5.9%	35	4.2%	36	-1.7%	32	-1.8%	33	1.2%	37	4.2%	36
Surrey	1.4%	4	4.3%	25	4.7%	37	-1.2%	34	-1.4%	36	1.1%	35	4.7%	37
Rutland	7.3%	38	10.5%	38	9.1%	38	0.9%	38	0.7%	38	3.2%	38	9.1%	38
Average	2.5%		3.4%		0.1%		-2.6%		-3.4%		-1.5%		0.1%	