



Ministry of Housing,
Communities &
Local Government

2019/20 – 75% BRR pilots

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Local Government Finance Reform

3 September 2018



2019/20:

Invitation to apply to become a 75% BRR pilot

- Prospectus publication website
- Invitation is open to all LAs in England; apart from London and those devolution deal areas that are currently piloting 100% BRR
- Deadline: 25 September
- Becoming a pilot



2019/20: Application format

- Application contact details
- Membership of the proposed pool
- Membership details and pooling arrangements (Section 2, 3.3)
- Details of the proposal (3.2)
- Annexes



Assessment of applications

Section
2

- Does the application conform to the terms of the invitation?

3.2

- Criteria applied, if necessary, for reasons of affordability

3.3

- Criteria applied, if necessary, to ensure a variety of useful pilots are created

Decision

Announcement before or alongside the provisional LGF Settlement



Section
2

Does the application conform to the terms of the invitation?

- Proposals to set out **tier split** arrangements of all precepting authorities
- All members of the proposed pool area **must have endorsed** all parts of the application
- Willingness to **collaborate and share information** with MHCLG officials
- If any member is part of a different current pool, members of such different pool **will need to be made aware** of the proposal
- **Pooling arrangements** if application was to be unsuccessful



3.2

Criteria applied, if necessary, for reasons of affordability

- 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

Criteria applied, if necessary, to ensure a variety of useful pilots are created

- 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.



Kent & Medway Business Rates Pilot 2018-19

Stuart Bobby – Gravesham Borough Council

Katey Durkin – Medway Council

Agenda



1. Our starting point
2. Collaboration was key
3. Key principles of bid
4. Final Agreement
5. Successes so far/Example Project
6. Considerations for 2019-20
7. Any questions?

Our starting point



Pooling . . .

14/15 – KCC and MBC only

15/16 – KCC, Fire and 10 districts

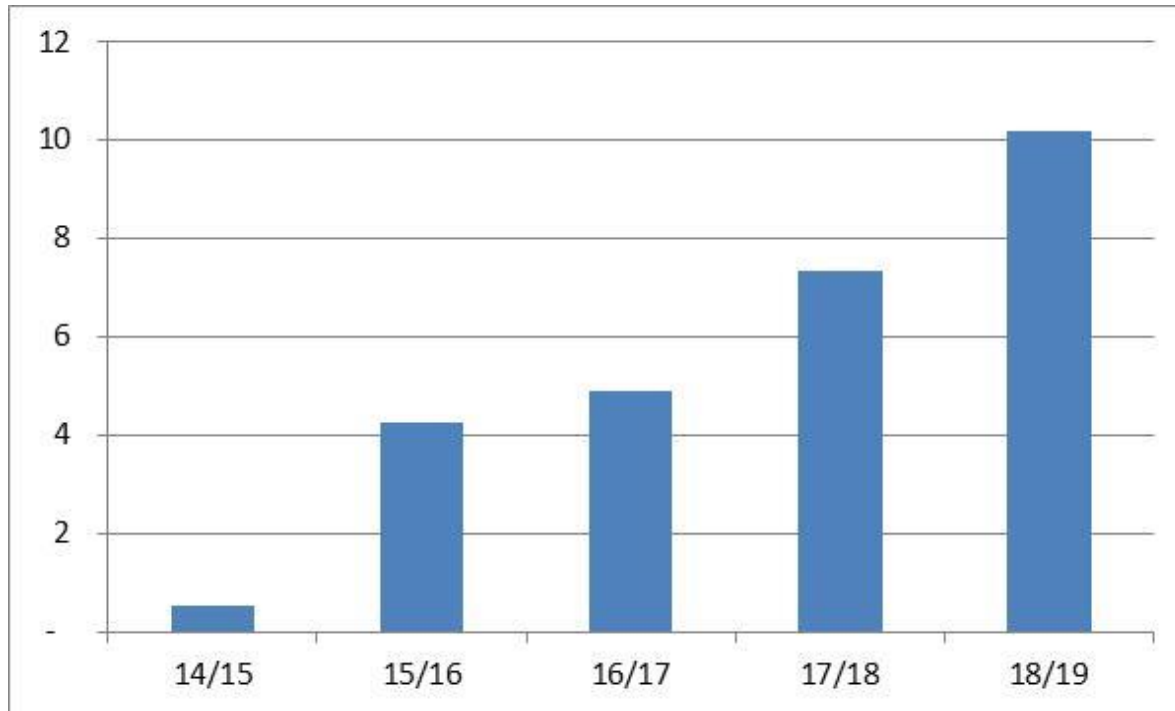
16/17 – KCC, Fire and 10 districts
(one change in membership)

17/18 – KCC, Fire and 10 districts

Our starting point



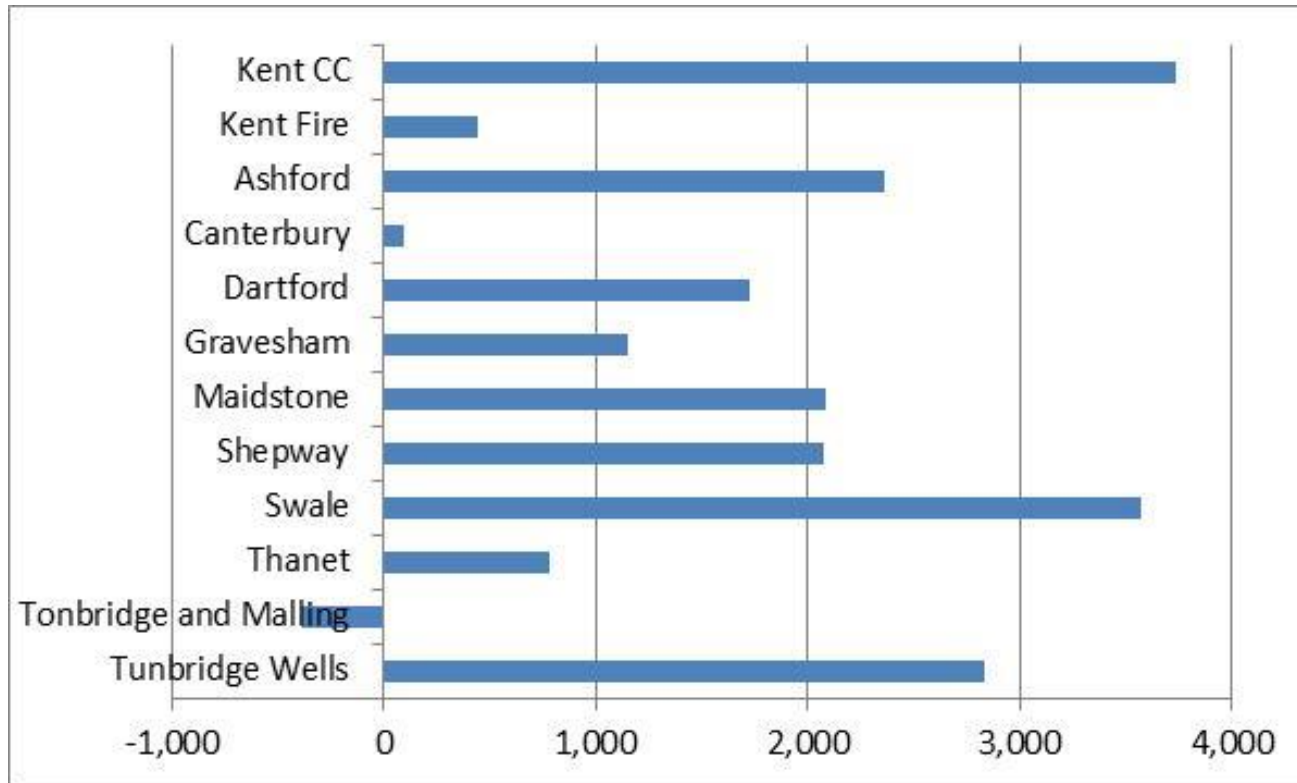
Gain from pooling (£ m)



Our starting point



17/18 growth v baseline (£000)



Collaboration was key



- Understanding background on bid
- Governance arrangements
- Administration and reporting
- Plans for investment of growth
- Early engagement with all authorities
- Establishment of key principles

Key Principles



- Increase financial sustainability and stability
- Support population and housing growth – reward those delivering most
- Support trade, investment and more productive employment
- Incentivise improved collaboration
- Be fair, transparent and sustainable in the longer term



- **Financial Sustainability Fund (70%)**
 - Population Growth, Business Rates Growth
 - Baseline funding levels
- **Housing & Commercial Growth Fund (30%)**
 - Functional economic areas

Final agreement - FSF



Final agreement - HCGF



- East Kent - £3.1 million
- North Kent - £3.3 million
- West Kent - £1.1 million

Final agreement - HCGF



- 'A sufficiently large level of resources to make a significant difference across the economic area'
- Potential priorities:
 - Quality commercial space
 - Extra care housing
 - Addressing market failure in town centres
 - Delivery of specific development sites

Final agreement - Governance



- MBC lead authority
- Strategic oversight by Kent and Medway Council Leaders
- Advice provided by Chief Executives and Chief Finance Officers
- H & C Growth Fund decisions to be taken by clusters of local authorities (East, North, West)

Final agreement - Governance



- Agreement on tier split
- Cash management arrangements:
 - Monthly
 - Quarterly
- Modelling allocation of growth from NNDR1s
- Overseen by Sounding Board and KFOs

Final agreement - Risk



- Need to protect position pre-pilot:

‘Each authority will, as a minimum, receive the level of funding that they would have received through the existing 50% business rate retention, the local government finance settlement and the existing Kent pilot, subject to existing resources arising from 100% retention’

Key successes – FSF & HCGF

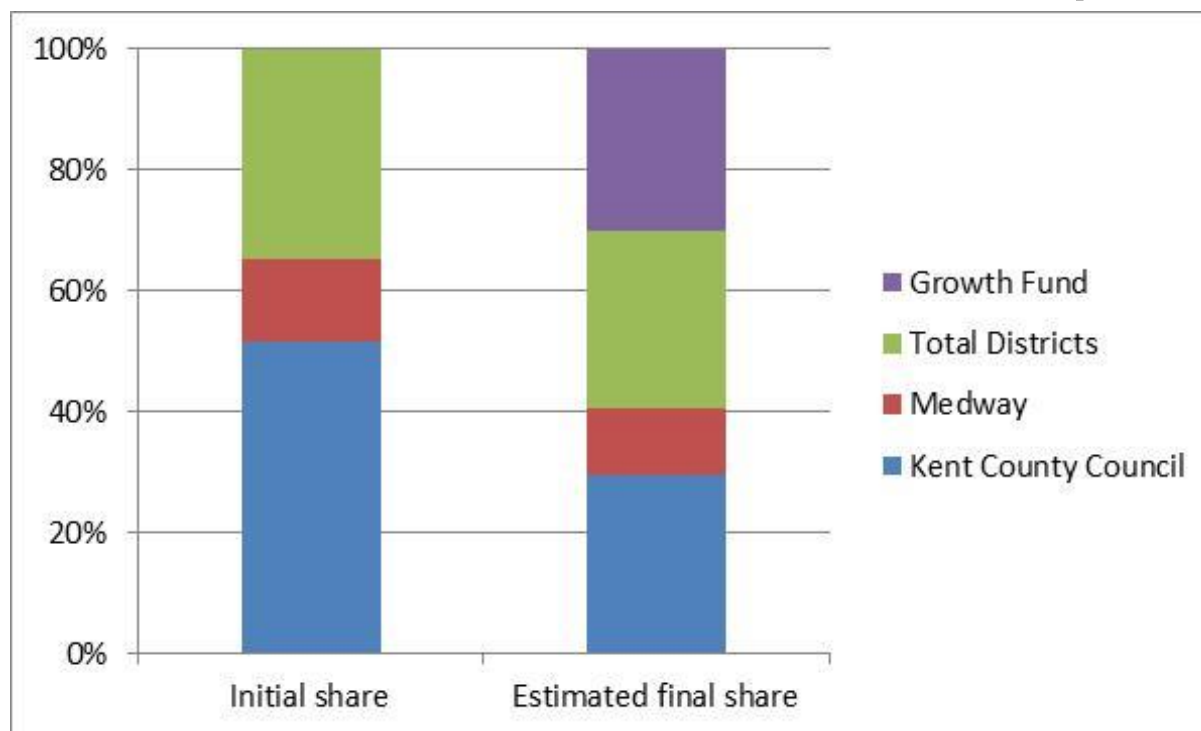


- Retention of services
- Use by authorities to help deliver financial self-sufficiency
- Improved joint working
- Support for projects that will provide longer term benefits
- Increased Business Rates Income
- Bids being considered within cluster areas to drive economic growth

Considerations for 2019-20



- Final allocation differs from tier split:



- Recognition of Upper Tier Pressures
- Financial Sustainability is key

Key Learning Points



- Build upon well-established arrangements
- Align with existing networks
- Characterised by high level of trust
- Don't underestimate management and technical capacity required
- Financial reward provides the glue
- Managing the politics is essential

Thank you for listening



Any Questions?

