

# Taunton Deane Borough Council

**Executive – 29 November 2017**

## **Somerset Business Rates Pool and 100% Business Rates Retention Pilot**

**This matter is the responsibility of Councillor Williams, Leader of the Council**

**Report Author: Paul Fitzgerald, Assistant Director Strategic Finance and S151 Officer**

### **1 Executive Summary / Purpose of the Report**

1.1 Following a recent meeting with Group Leaders, we submitted a bid to DCLG to become a pilot for 100% Business Rates Retention in 2018/19 with our county-wide district and County neighbours. The purpose of this report is to provide Councillors with the rationale and detail behind the bid. It is important to be clear that 100% BRR does not mean all of the business rates collected will be kept in the area, but the councils would keep 100% of the business rate growth above our funding baseline.

### **2 Recommendations**

2.1 Executive recommends to Full Council to:

- a) Endorse the urgent decision made by the Leader of the Council and S151 Officer that the Council participates in the pooling arrangement together with other Somerset authorities (Somerset County Council, Mendip District Council, Sedgemoor District Council, South Somerset District Council, West Somerset Council) under the 50% Business Rates Retention scheme for 2018/19.
- b) Endorse the urgent decision to apply to Government for the Somerset Business Rates Pool comprising the county and five districts to become a pilot area for 100% Business Rates Retention in 2018/19 financial year.
- c) Approve delegated authority to the S151 Officer, in consultation with the Leader, to decide whether to remain in the Pool and, if approved by Government, the 100% BRR Pilot scheme when the Government's Provisional Settlement details are announced in December 2017.

### 3 Risk Assessment

#### Risk Matrix

Description	Likelihood	Impact	Overall
The Council fails in its bid to become a Pilot authority with its district and County neighbours	Possible 3	Minor 2	Medium 6
<i>The Council's MTFP assumptions are set without the assumption that the Council will be successful in the joint bid</i>	Low 1	Minor 2	Low 4

#### Risk Scoring Matrix

Likelihood	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
<b>Impact</b>							

Likelihood of risk occurring	Indicator	Description (chance of occurrence)
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

### 4 Background

#### The Pooling System

- 4.1 The current 50% Business Rates Retention system was introduced in 2013/14 financial year as part of a wider suite of changes implemented following the Local Government Finance Review. This system has therefore formed a key part of the annual budget setting and reporting for several years.
- 4.2 This system includes the potential for groups of local authorities to apply to pool business rates resources. Taunton Deane Borough Council joined a business rates pool (comprising TDBC plus Bath and North East Somerset, North Somerset, Somerset County Council (SCC), Mendip District Council (MDC), Sedgemoor District Council (SDC), and South Somerset District Council (SSDC)) with effect from April 2015.

- 4.3 The previous pooling arrangement ended on 31 March 2017, having been in operation for two years, as one of the member authorities became a member of a new pilot for 100% BRR in 2017/18. A smaller pool was formed in 2017/18 comprising SCC, MDC and SDC.

#### **A New BRR Pool for 2018/19 and 100% BRR Pilot Scheme**

- 4.4 On 1 September DCLG issued an invitation to local authorities to pilot 100% business rates retention in 2018/19 – for one year only – and to pioneer new pooling and tier-split models. The prospectus and supporting information is available on the Government's website:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/654936/Pilots\\_1819\\_Prospectus.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/654936/Pilots_1819_Prospectus.pdf)

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/643595/Supplementary\\_information\\_pooling.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/643595/Supplementary_information_pooling.pdf)

- 4.5 The first set of pilots for 100% BRR were launched in 2017/18. The Government has indicated it would like to see other authorities form pools and apply for pilot status. In assessing applications the Government has set out criteria. This includes aspects that would suggest (but of course not guarantee) the potential for a successful Somerset bid, such as:

- proposed pooling arrangements operate across a functional economic area i.e. the county council(s) and all relevant district councils
- the Government is particularly interested in piloting in two-tier areas
- Government intends to focus on rural areas
- there is a variation in the types of business rates base represented

- 4.6 The pilot areas will retain 100% of business rates growth above the baseline. Under the 50% system, half of this growth is paid over to Government. This provides an opportunity therefore to keep more funding locally, and the Government has indicated it is looking for authorities to show how the additional retained resources would be of benefit locally:

- the proposals would promote the financial sustainability of the authorities involved
- there is evidence of how pooled income from growth will be used across the pilot area

- 4.7 Following the publication of the prospectus the S151 Officers within the six local authorities in Somerset sought to assess the potential gains from establishing a wider Pool and applying to be a pilot for 100% BRR. We engaged LG Futures, as specialist advisors, to undertake an initial assessment and having considered the

analysis, advantages and disadvantages, the S151 Officers believe the case for a countywide pool and becoming a pilot is overwhelming. We therefore considered it was worth investing in further analysis and preparing an application to become a pilot for 100% BRR in 2018/19. We engaged LG Futures on a 'no win no fee' arrangement whereby we will only pay them if our application to become a pilot area is successful.

- 4.8 Ongoing discussions have taken place between S151 Officers and internally at officer and member level within individual local authorities. The S151 Officers do not believe there are any wider impacts either on local businesses or partners requiring consultation.
- 4.9 It is expected DCLG will announce successful applications for new pools and pilot areas through the provisional Local Government Finance Settlement in December 2017. This will set the starting point for the new business rates pool and will confirm the tariffs, top up and levy rates for each council, together with their spending baselines and should confirm the benefits arising through this pooling arrangement.
- 5.0 Councils have the opportunity, during the 30-day financial settlement consultation period, to decide to withdraw from a pooling arrangement if they decide that it does not offer the benefits they had thought. Through the application to become a 100% BRR pilot we have had to indicate what, if any, pooling arrangement we prefer and at this stage we have indicated that we wish to establish a new Somerset-wide pool even if the pilot bid is unsuccessful.
- 5.1 If following the provisional Local Government Finance Settlement the benefits and risks are no longer favourable the pool application could be withdrawn with no pool in place for 2018/19. In this scenario it is anticipated authorities would have the opportunity to apply to form a new pool in the following or later years if they wish. It is not known whether pilots for 100% BRR will be extended beyond 2018/19, or whether new applications to be a pilot will be invited in later years.

## **6 Financial Implications**

- 6.1 It is important to highlight that the financial implications are based on indicative estimates of future business rates income, which can be affected by a variety of variable factors. The actual financial gains of pooling will not be confirmed until the end of the financial year in question. However the modelling suggests the potential financial benefits are considerable, albeit not without risk.
- 6.2 The principle put forward by the authorities within the pool is that each council should be no worse off than if it were to remain outside the pool. This means that the pool shares the risk of maintaining the safety net position for each individual council as a 'first call' on pooling gains. Each council is exposed to risk of volatility in its business rates income, most notably in respect of appeals. Each Council has made financial provisions in respect of any remaining outstanding

appeals on the 2010 Valuation List in 2016/17, and will assess the appropriate level of provision required for outstanding appeals prior to the pool coming into existence.

- 6.3 The funding baseline, tariffs and top ups for individual authorities and the pool will be confirmed as part of the Provisional Settlement in December, and business rates budgets will be set in January 2017 using up to date information to support the estimates used. This will confirm the expected benefits of pooling and of being a pilot for 100% BRR. The prospectus indicated that the Safety Net for a 50% pool will remain at 92.5% of Baseline, and that under a 100% Pilot the Safety Net would rise to 97% of Baseline – reducing the risk of losses.
- 6.4 The Government have recently confirmed that any new 100% BRR pilots for 2018/19 will benefit from a ‘no detriment’ clause within the funding agreement (as with the five pilots agreed in 2017/18), which will remove the risk of volatility in respect of 100% BRR gains in 2018/19. The fine detail of the ‘no detriment’ clause will be clarified in practice if the application is successful.
- 6.5 The analysis undertaken to assess the potential financial benefits, and potential benefit sharing arrangements, has indicated that a Somerset Pool would benefit by an estimated £4.4m (compared to acting as individual authorities) and a further £10.3m if the bid to be a pilot area for 100% BRR is successful. This is summarised in the table below, with TDBC potentially gaining by approximately £0.7m if projected income estimates prove to be accurate.

	<b>Projected Potential Gain in 50% BRR Pool £m</b>	<b>Projected Additional Gain under 100% BRR Pilot £m</b>	<b>Total Projected Gain if 100% BRR Pilot £m</b>
<b>Mendip</b>	0.8	0.9	1.7
<b>Sedgemoor</b>	1.0	1.1	2.2
<b>South Somerset</b>	0.5	0.5	1.0
<b>Taunton Deane</b>	0.2	0.5	0.7
<b>West Somerset</b>	0.6	0.7	1.3
<b>Somerset County</b>	1.2	6.6	7.8
<b>TOTALS</b>	4.4	10.3	14.7

- 6.6 The proposed priority areas for allocating the additional resources are set out in the submission. It is anticipated that the Councils will have some flexibility on specific use, and will demonstrate the benefits to DCLG as part of the learning under the pilot scheme.

## **7 Legal Implications**

7.1 None for the purposes of this report.

## **8 Environmental Impact Implications**

8.1 None for the purposes of this report.

## **9 Safeguarding and/or Community Safety Implications**

9.1 None for the purposes of this report.

## **10 Equality and Diversity Implications**

10.1 None for the purposes of this report.

## **11 Social Value Implications**

11.1 None for the purposes of this report.

## **12 Partnership Implications**

12.1 The creation of a Pool across the county will require joint governance and collaborative working.

## **13 Health and Wellbeing Implications**

13.1 None for the purposes of this report.

## **14 Asset Management Implications**

14.1 None for the purposes of this report.

## **15 Consultation Implications**

15.1 None for the purposes of this report.

## **16 Scrutiny Comments / Recommendation(s)**

16.1 Due to timing of meetings, Scrutiny comments are not yet available.

### **Democratic Path:**

- **Corporate Scrutiny Committee – Yes**
- **Executive – Yes**
- **Full Council – Yes**

**Reporting Frequency: Adhoc**

## Contact Officers

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# Somerset Business Rates Pilot Business Case

October 2017



## Contents

1. Membership Details/Housekeeping.....	1
2. Governance Arrangements .....	1
3. Additional Supporting Evidence .....	2

### Supporting Information:

Appendix A – Proposed Pilot Area

Appendix B – Signatures from the Somerset authorities

Appendix C – Use of the additional resources

Appendix D – Rurality

Appendix E – Economic Activity

Appendix F – Business Rates Base Profile

### As separate documents:

Annex A – Governance Arrangements for a Somerset Pool

Annex B – Governance Arrangements for a Somerset Pilot



## Introduction

The Somerset county area is pleased to present its business case for 100% business rates retention pilot status for 2018/19. Our business case follows the structure set out in DCLG's invitation of 1 September 2017.

### 1. Membership Details/Housekeeping

- (i) **Membership.** Our proposal is for a Somerset pilot consisting of Somerset County Council, Mendip DC, Sedgemoor DC, South Somerset DC, Taunton Deane BC and West Somerset Council, as shown in **Appendix A**. It is therefore representative of all authorities in the Somerset two tier county area, allowing the pilot to take advantage of existing working relationships between the authorities and act in the best economic and wider interests of the area as a whole.
- (ii) **Support.** **Appendix B** sets out the supporting signatures from each of the applicant authorities.
- (iii) **Alternative pooling arrangements.** If the application for a Somerset pilot was unsuccessful, a pool consisting of the same membership is requested to be put in place for 2018/19. This pool would use the pooling governance arrangements as set out in **Annex A**.
- (iv) **No detriment.** It is Somerset's understanding that all of the new pilots for 2018/19 will now receive this protection.
- (v) **Lead authority.** Mendip District Council would act as the lead authority.
- (vi) **Preceptors.** The Devon and Somerset Fire and Rescue Service would remain at a 1% local share and operate outside of the pilot.

### 2. Governance Arrangements

- (vii) **Governance agreement.** The key points from the proposed pilot governance arrangements (see **Annex B** for the full document) are set out below.
  - Districts will increase their share to 50% and the county will increase its share to 49%. This would allow existing budget commitments to be met, whilst providing additional resources for additional local priorities.
  - Providing that there are sufficient resources, no authority shall receive less than if it was operating under the current 50% scheme.
  - In the highly unlikely event that the pilot makes an overall net loss, or the pilot has outstanding liabilities, this will be pro rata'd across all authorities, taking into account resource levels, had the pilot not been in operation.
- (viii) **Longer term pool operation.** Within the current spending review period there are limitations as to what can be achieved in terms of pooling gains and losses, given authorities have budget plans in place. However, beyond this period, a single county business rates baseline, meaning risks and rewards would be shared across the county area would be possible. This type of approach would

reduce the volatility to individual authorities of business rates collected (e.g. due to appeals) and also events such as future resets (and the subjective way in which NNDR Baselines will need to be determined). Whilst all authorities would hope for a favourable revised baseline following a reset, in reality it is just as likely that they could receive a baseline that would not provide sufficient resources to reach their Baseline Need figure (under a full reset). Therefore, a single NNDR Baseline across the larger area would smooth potential winners and losers and provide a more stable funding system.

The creation of a Somerset Pilot would help begin the process towards this longer term view, by establishing the necessary working practices, such as consistent approaches to forecasting and appeals.

Whilst the guidance states that pilots would be for 2018/19 only, if permitted, Somerset would seek to continue the arrangements in 2019/20. This would allow the forecast benefits to continue for a further year, providing greater scope for improvement and investment locally and allowing further progress in a joined-up approach to the collection and use of business rates income.

- (ix) **Sharing additional growth.** Pilot status would be used to promote financial stability and sustainability, through: (i) providing resources for a local productivity and infrastructure fund, (ii) providing additional resources to invest in service areas to improve budget sustainability and reduce future years' budget pressures and (iii) increasing the resources available for investment in economic regeneration schemes.

Further details of how the additional resources are to be used is provided in **Appendix C**, these include:

- Using the Local productivity and Infrastructure Fund to finance strategic investment that supports economic growth and increased prosperity in Somerset;
- A range of projects to support further economic growth and prosperity across the districts areas;
- Supporting transformational activity to improve services to customers, modernise ways of working and providing cost efficiencies to support financial stability and sustainability

### 3. Additional Supporting Evidence

- (x) **Benefits to the area, wider national benefits and financial case.** As with all the existing pilot areas and those that will apply for 2018/19, local forecasts suggest that Somerset will benefit financially from becoming a pilot area. Latest business rates income projections suggest a Somerset Pilot in 2018/19 will provide at least an additional £10m for the area.

As set out above, it is expected that a Somerset pilot will bring a number of local benefits. A summary of the local benefits and wider benefits to DCLG and the Treasury are listed below:

### Increased economic prosperity in the area/nationally

- Reduced worklessness (and benefit payments)
- Increasing tax revenue (personal and corporation)
- Increased business rates revenues

### Learning points for the business rates retention scheme

- Trial of a 50% district and 49% county split of business rates revenues
- Identifying the potential to manage appeals' risk at a county-wide level, including determining appeals' provision and apportioning losses evenly
- The establishment of a technical working group to improve the administration of business rates locally
- Regular contact/meetings with DCLG by the working group to discuss identified local best practice, including learning points and how the pool is dealing with emerging issues relating to both the pilot and any national issues e.g. policy changes/appeal trends

### Additional resources for Somerset

- Higher levels of investment in economic regeneration, leading to future gains under the business rates retention scheme
- Greater financial stability and confidence, through shared working practices and increased local knowledge.

(xi) **Two-tier areas.** Somerset supports government in recognising the need for pools to act and be structured differently to how they largely operate at the moment. It also proposes to amend the local split to reduce gearing (i.e. the ratio of baseline need to NNDR baseline), in order to reduce windfall gains and the potential to hit the safety net.

However, a key aim of a Somerset pool would be to consider how to begin to share risks and rewards across all authorities, thereby making the level of business rates income between individual billing authorities and their preceptor of lesser importance.

Somerset therefore proposes a 50% district and 49% county split for the two-tier area. This approach therefore reflect the fact that the current system creates too highly geared district councils and does not provide sufficient growth to county councils, whilst recognising that in the short term, existing budget commitments need to be met.

(xii) **Somerset characteristics and business rates base.** The proposed pool is highly rural. West Somerset and Mendip are classified as 'mainly rural', South Somerset and Sedgemoor as 'largely rural', and Taunton Deane as 'urban with significant rural'. Further details are provided in **Appendix D**.

**Appendix E** sets out the economic profile of the area. It shows that Somerset is characterised by relatively sparse clusters of business activity. The areas of most dense employment correspond to the largest population settlements, notably the towns of Taunton, Yeovil and Bridgwater.

The proposed pool is a largely self-contained labour market, with 85% of employed

residents within the county also working within the county.

Some of the districts are reliant on other pool members as a key source of employment: for example, 18% of Sedgemoor's employed residents, and 16% of West Somerset's employed residents, commute to work in other authorities in the proposed pool. The main commuter destination for both these districts is Taunton Deane. In turn, 11% of employed residents in Taunton Deane commute to other pool authorities, the main destinations being Sedgemoor and South Somerset. Mendip's economic activity is also heavily interdependent with Bristol, Bath and Wiltshire, in addition to the rest of Somerset. This indicates the labour market extends beyond the administrative boundaries of these individual districts, and that there are interdependencies that would incentivise a joined-up approach to economic development. These incentives for coordinated development could be greatly reinforced by pooling.

**Appendix F** provides evidence of particular business rates taxbase characteristics for Somerset which includes:

### **Power station**

Somerset is home to three generations of nuclear power stations located in the district of West Somerset: Hinkley Point A (HPA), Hinkley Point B (HPB), and Hinkley Point (HPC). The decommissioning of HPA commenced in 2000. HPB is currently the only operating power station at Hinkley Point. Commissioned in 1976, it has a net electrical output of 0.87GW and is currently operating below maximum capacity. The station was due to be decommissioned in 2016, but its life has been extended until 2023. HPC will be the first new nuclear power station in the UK for a generation, capable of generating 7% of the UK's total energy requirement.

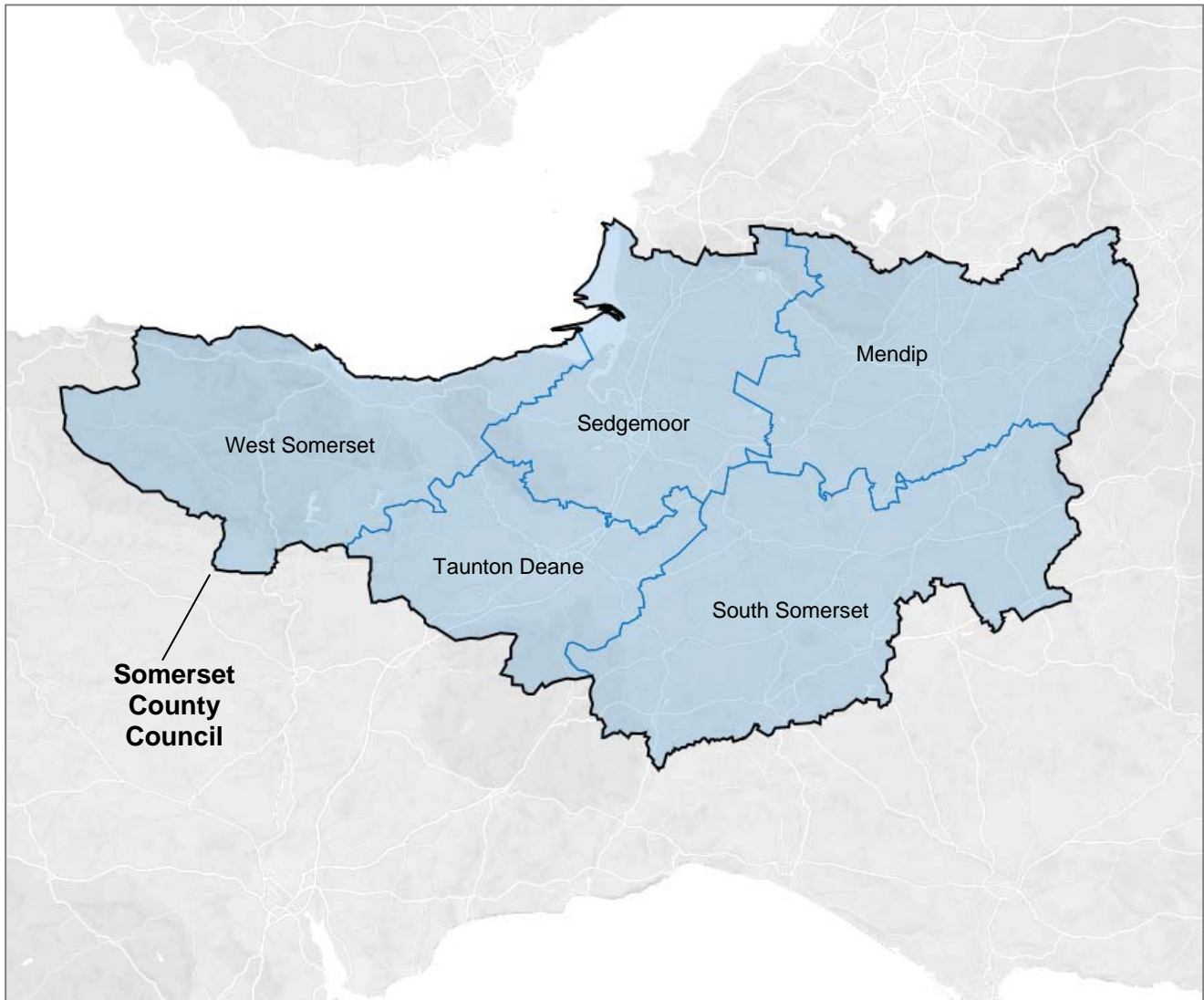
### **Enterprise Zone**

Sedgemoor is hosting a government supported Enterprise Zone based on Huntspill Energy Park. Expansion, infrastructure and development is required to deliver this site.

(xiii)

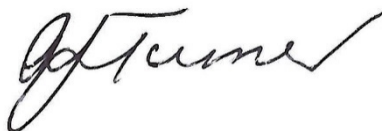
## Appendix A – Local Authority Pilot Membership

**Figure 1 – Map of proposed pilot area**

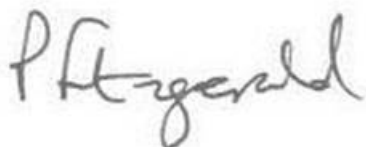


## Appendix B – Signatures

The relevant signatures from all of the Somerset authorities in support of this business case and a 2018/19 Somerset Business Rates Pilot are provided below.



Alison Turner  
Group Manager – Finance and s151 Officer  
Sedgemoor District Council



Paul Fitzgerald  
Assistant Director – Strategic Finance and S151  
Officer of Taunton Deane Borough Council and West  
Somerset Council and S151 Officer of South  
Somerset District Council

**Taunton Deane**  
BOROUGH COUNCIL



Paul Deal  
Corporate Financial Advisor (S151 Officer)  
Mendip District Council



Kevin Nacey  
Director of Finance and S151 Officer  
Somerset County Council





## Appendix C – Use of the additional resources

### Local Productivity and Infrastructure Fund

Of the additional 50% additional resources received under pilot status, it is proposed that a proportion of the resources will be used for a local productivity and infrastructure fund to finance strategic investment that supports economic growth and increased prosperity in Somerset.

A programme of investment via the fund would be commissioned with the overall aim of raising productivity in the Somerset economy in line with the objectives of the Heart of the South West Productivity Strategy and the Somerset Growth Plan.

This programme of investment will be aligned with the three thematic objectives from the Productivity Strategy:

- Leadership and knowledge (i.e. supporting business growth and innovation; improving management practices and performance across the economy);
- Connectivity and infrastructure (i.e. developing a more resilient and better connected infrastructure); and
- Working and learning (i.e. developing skills and employability across the workforce).

The six authorities will be able to identify individual schemes for the programme, with encouragement given to the promotion of schemes jointly by authorities in partnership. The Somerset Growth Board will act as a joint advisory body, recommending investment priorities arising from this in line with these three overall objectives from the Productivity Strategy.

The Somerset Growth Board's membership comprises representation from each of the six Somerset local authorities (cabinet member for ED typically), plus Exmoor National Park Authority, a FE sector representative and business representation (Somerset Chamber and FSB to represent small business and Leonardo and Yeo Valley to provide large business voices).

#### Alignment with Heart of the South West Joint Committee

Groupings of both the Somerset and the Devon local authorities are developing proposals for the second wave of business retention pilots and are considering alignment with our shared Productivity Strategy. In the limited time available for submissions there is realistically not the scope to establish a plan area approach to the allocation of part of retained sums to delivery of the Productivity Strategy. However once the proposed Joint Committee is established there may be scope to negotiate a common top slicing arrangement thus extending the local productivity and infrastructure fund across the Heart of the South West area.

We are really keen to work with colleagues in Devon in future years. There was insufficient time to co-ordinate a single bid but we want to convey to you our desire to work within the LEP boundaries as we see the need for increased collaboration in order to gain the maximum advantage. This is something into which Somerset is committed to invest resources and funding.

### Alignment with National Funds

The local productivity and infrastructure fund provides a mechanism for Somerset partners to leverage funds from the proposed UK Shared Prosperity Fund (Government’s successor to EU Funds) and national programmes linked to the developing UK Industrial Strategy.

### **Local Authority Schemes**

In addition to the local fund, the Somerset authorities have also identified how they will use their own share of the gains from pilot status.

Authority	Scheme
Mendip	<p>Mendip District Council has undergone a strategic programme of transformation and renewal over past years, and is now seeking to drive further economic growth and prosperity across its key market towns including Frome, Glastonbury, Shepton Mallet, Street and the City of Wells. Planned growth across the district is equivalent to 9,400 jobs and 9,635 homes over the period 2006-2029.</p> <p>The local economy has significant self-employment and numbers of micro businesses, as well as key strengths in agri-food/tech and tourism, yet, it also home to the £1.7bn global company, Clarks International, Clarks Village (4.3m visitors in 2016) Mulberry, the iconic Glastonbury Festival and a growing cluster of creative, IT and high-tech companies.</p> <p>Increased economic funding would be targeted towards:</p> <ul style="list-style-type: none"> <li>• Unlocking and investing in key employment, mixed use and/or regeneration sites to accelerate growth and future investment (e.g. Bath &amp; West Food Enterprise Zone, Frome Saxonvale, and Shepton Mallet)</li> <li>• Supporting innovation, incubation and ‘grow-on’ workspace initiatives to drive leadership, growth and business investment</li> <li>• Investing further in digital and mobile infrastructure; developing digital and cyber skills, and supporting businesses exploring investment in automation and robotics to increase productivity.</li> </ul>
Sedgemoor	<p>Sedgemoor District Council will continue to encourage growth, which links clearly into the Corporate Strategy as well as the external strategies such as the Somerset Growth Plan and the LEP Productivity Plan. The 100% Business Rates Retention pilot offers opportunities to plan for the delivery of long term economic growth centred on our economic development strategy which seeks to drive up the value and productivity of our economic sectors and diversify into new sectors. In terms of delivering a medium term sustainable budget Sedgemoor is developing a Commercial</p>

Authority	Scheme
Sedgemoor (cont.)	<p>Investment Strategy which will focus on generating additional income from new initiatives.</p> <p>The new nuclear power station project (Hinkley C) has already created opportunities driven through our planning performance agreement and section 106 mitigation packages to transform the educational infrastructure in our locality and to focus on upskilling of individuals and businesses to participate in the supply chain. This aims to build potential for future business and avoid a construction boom and bust. We see opportunities into the future to support the wider regional economy in the Great West as well as in the Heart of the SW LEP area and see Sedgemoor being an important player in the delivery of the Productivity Plan / Industrial Strategy.</p> <p>We are part of the Hinkley Housing Zone along with Taunton Deane and West Somerset Councils but this has capacity pressures. Approved plans exceeding national OAN are in place with high delivery rates. However housing delivery will hit a barrier due to road and schools capacity. Sound infrastructure delivery plans are in place but current funding models often don't enable infrastructure delivery before housing occupation. Low land values cause viability &amp; cash-flow issues. HIF &amp; match funding will accelerate delivery of 17600 homes by forward funding essential highways, transport, schools &amp; flood infrastructure which will otherwise become a break on development enabling recycled funds for further delivery. Delivery mechanisms include direct delivery and a range of tenures e.g. custom-build, self-build and homes for rent.</p> <p>The Business Rates Retention Pilot will generate additional resources for delivering priorities which include;</p> <ul style="list-style-type: none"> <li>• The Parrett Barrier - funding contribution to match CIL receipts and EA FDG to deliver scheme in next 7 years - priority</li> <li>• Public realm and town centre regeneration initiatives such as the Celebration Mile, Bridgwater</li> <li>• Enhanced local accessibility e.g. rail station accessibility and walking and cycling 'gap' schemes to complete networks and routes to reduce base traffic off the network- Bridgwater</li> <li>• Dunball Roundabout improvements</li> <li>• Junction 24 improvements on the M5 to enable new a commercial area at Huntworth</li> <li>• Economic development incentives to accelerate growth and secure inward investment</li> <li>• M5 corridor improvements</li> <li>• Transport schemes, including schemes to East and West of Bridgwater to deliver planned growth on the A38 corridor / J 22 linked to the expansion and development of housing growth. Also</li> </ul>

Authority	Scheme
	<p>our duty to cooperate with N Somerset and the expansion of Bristol airport, and transport investment in Cheddar to support housing growth and minerals extraction. Review complete Summer 2018</p>
<p>South Somerset</p>	<p>The Council is implementing a significant transformation programme which is improving our services to customers, modernising how we work and providing cost efficiencies to support financial sustainability. We plan to use some of the pooling gain towards the funding of this programme.</p> <p>Yeovil is the principal growth point for South Somerset, serving around 165,000 people and providing a wide range of jobs and services . The council wish to encourage growth and diversification in the economy based upon the current strength in aerospace and advanced manufacturing. The adopted Local Plan and Economic Strategy promise District-wide growth of 11,249 jobs and 15,950 homes over the period 2006 -2028; around 5,513 of those jobs and 7,441 of those homes are to be provided in Yeovil. Projects that we are looking to support are:</p> <ul style="list-style-type: none"> <li>• Yeovil - Access improvements to the town centre to open up a number of brownfield regeneration sites for employment, mixed use and housing development.</li> <li>• Yeovil - Creation of a public service and business hub and associated mixed uses.</li> <li>• A 303 Corridor Wincanton and Ilminster - employment land - acquisition and development.</li> </ul>
<p>Taunton Deane &amp; West Somerset</p>	<p>Taunton Deane Borough Council and West Somerset Council have ambitious plans for growth, productivity and prosperity. West Somerset is hosting the construction of the first new nuclear power station in a generation, at Hinkley Point, and has set a priority to maximise the economic legacy from the project, while managing the impacts of the construction on our communities. Taunton has recently been designated as a Garden Town, the first in the South West, in recognition of the Council's commitment to delivering transformational levels of housing and economic growth. The Hinkley Housing Zone covers both authority areas, as well as the neighbouring Sedgemoor district.</p> <p>Whilst both authorities are already investing significant available funding, including New Homes Bonus and use of borrowing powers, there remains a significant funding gap to achieve our growth ambitions and address community concerns.</p> <p>Becoming pilot areas for business rates retention would enable both authorities to accelerate delivery of a range of schemes, creating homes, jobs and prosperity. Examples of schemes that we envisage as benefitting</p>

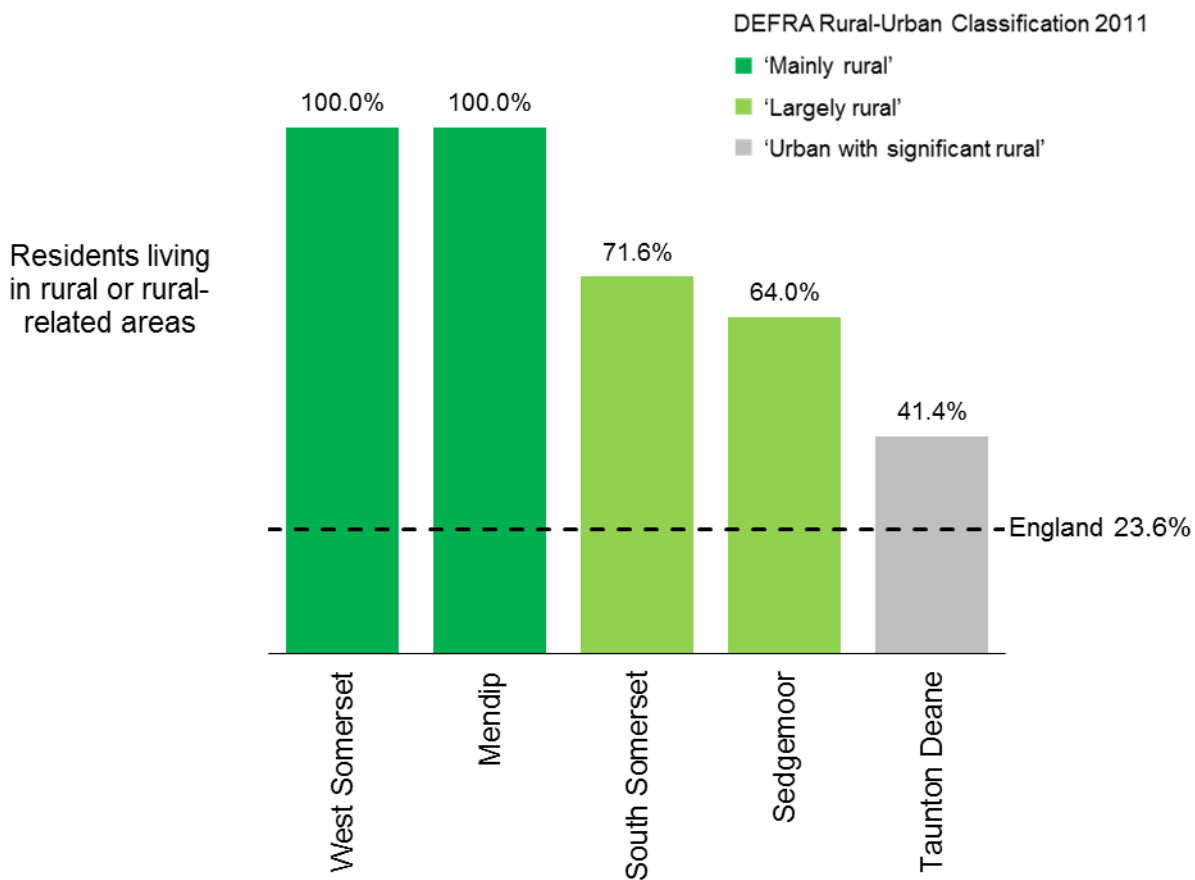
Authority	Scheme
Taunton Deane & West Somerset (cont.)	<p>from such funding include:</p> <ul style="list-style-type: none"> <li>• Essential transport and flood relief infrastructure to unlock key housing and employment sites.</li> <li>• New business incubation and innovation space and support for start-up businesses to locate, collaborate and grow.</li> <li>• Sustainable transport initiatives, supporting growth and introducing smart solutions to problems of congestion, air pollution and related health problems.</li> <li>• Transforming and regenerating our town centres.</li> <li>• Skills development initiatives to boost productivity, address social mobility issues and meet the needs of local businesses.</li> </ul>
Somerset County Council	<p>Somerset County Council faces two very specific budget pressures at present in Adult Social Care and in Children’s Social Care. Government funding permissions with regard to the ASC precept and the allocation of the improved Better Care Fund have addressed ASC pressures significantly. However, the improved Better Care Fund reduces in the years ahead and some of our pilot gain would be set aside to mitigate this for 2018/19. A proportion would also be allocated to Children’s Social Care placement budgets as we continue on our journey towards a Good Ofsted rating. There is an ever increasing need to secure additional foster carers and the pilot gain will again help to keep our service costs closer to the placement budget.</p>

## Appendix D – Rurality

The proposed pool is highly rural. West Somerset and Mendip are classified as ‘mainly rural’, South Somerset and Sedgemoor as ‘largely rural’, and Taunton Deane as ‘urban with significant rural’. These classifications, produced by Defra, are based on the population living in rural areas plus the rural-related population. The latter includes residents living in hub towns that can be centres of service provision for surrounding rural area (but excludes larger market towns).

The percentage of residents living in rural or rural-related areas is illustrated below. For West Somerset and Mendip, 100% of residents are classified as living in these areas, while for the most ‘urban’ authority, Taunton Deane, the percentage is 41%, which is still significantly higher than the England average.

**Figure 2 – Somerset authorities’ Rural–Urban classification**



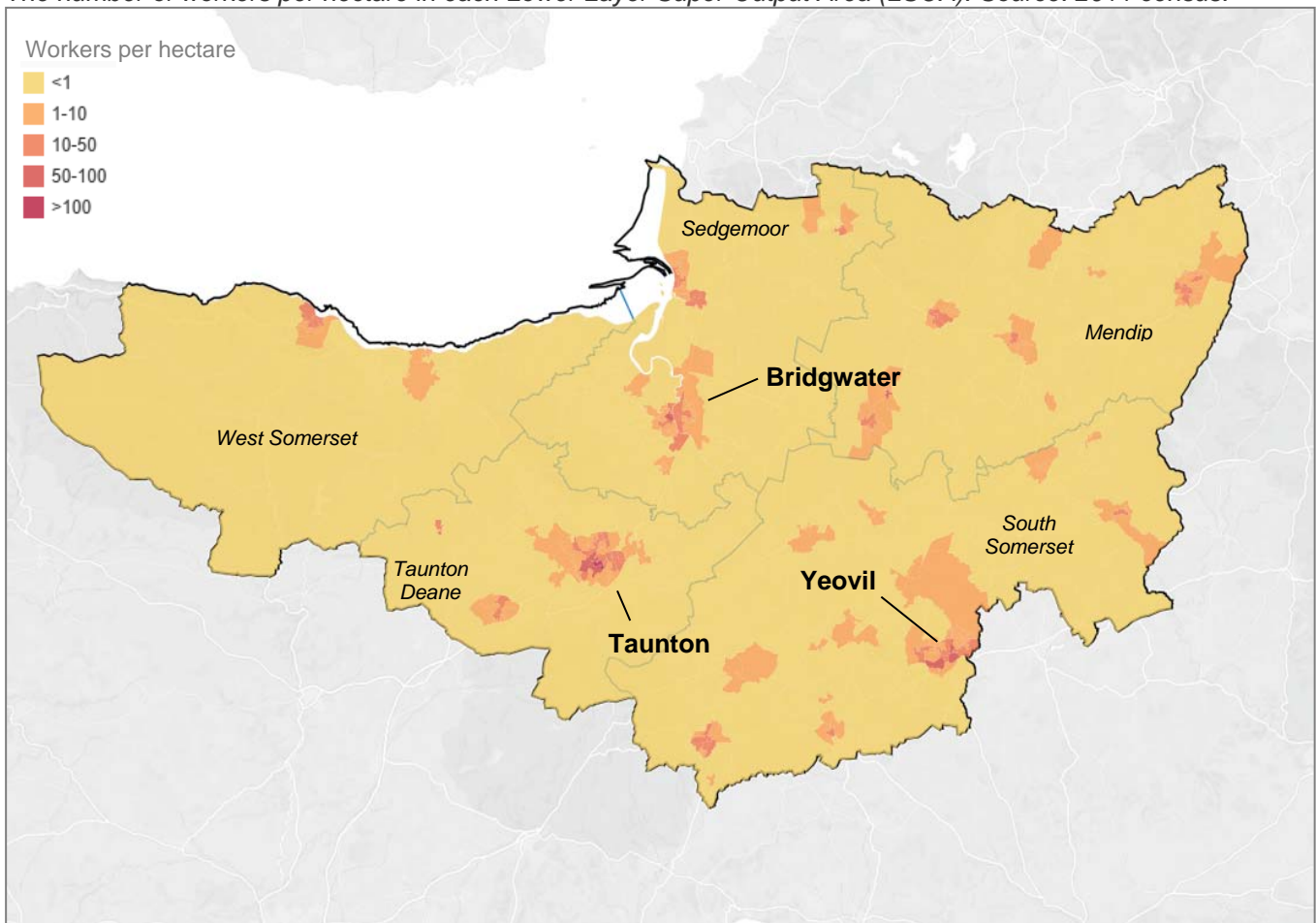
## Appendix E – Economic Activity

This appendix provides a brief overview of the economic geography of the proposed pool. Data on businesses' rateable value is not published below the local authority level, so workplace population (from the 2011 census) has been used as a proxy for business activity at a more detailed geographic scale. This is illustrated below.

Based on this proxy measure, Somerset is characterised by relatively sparse clusters of business activity. The areas of most dense employment correspond to the largest population settlements, notably the towns of Taunton, Yeovil and Bridgwater. These three towns are the only built-up areas in the county that have more than 40,000 residents, as of the 2011 census (the remainder have 26,000 or residents or less). Given the size of these built-up areas, pooling could enable investment in economic development projects, at a minimally efficient scale, that was not otherwise available at the district level.

### Figure 3 - Map of workplace density

The number of workers per hectare in each Lower Layer Super Output Area (LSOA). Source: 2011 census.

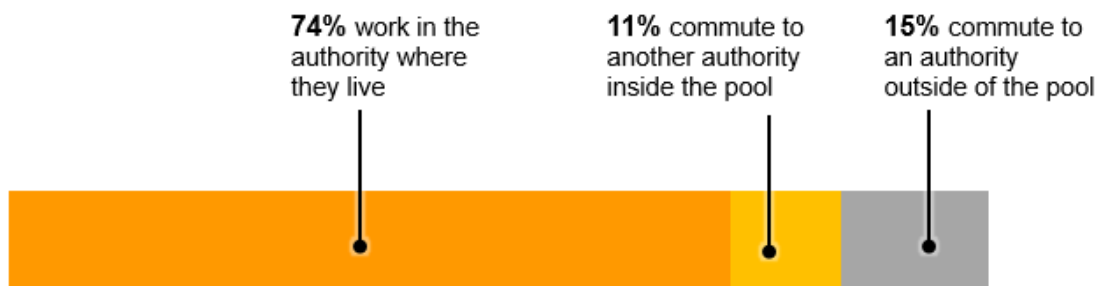


The proposed pool is a largely self-contained labour market, with 85% of employed residents within the county also working within the county – in other words, only 15% of employed residents commuted outside the administrative boundaries of the pool (this analysis only

includes residents with a fixed location of work). This is illustrated in the chart below.

**Figure 4 – Commuter patterns in the proposed Somerset pool**

*Excludes residents with 'no fixed location' of work. Source: 2011 census.*



Some of the districts are reliant on other pool members as a key source of employment: for example, 18% of Sedgemoor’s employed residents, and 16% of West Somerset’s employed residents, commute to work in other authorities in the proposed pool. The main commuter destination for both these districts is Taunton Deane. In turn, 11% of employed residents in Taunton Deane commute to other pool authorities, the main destinations being Sedgemoor and South Somerset. Mendip’s economic activity is also heavily interdependent with Bristol, Bath and Wiltshire, in addition to the rest of Somerset. This indicates the labour market extends beyond the administrative boundaries of these individual districts, and that there are interdependencies that would incentivise a joined-up approach to economic development. These incentives for coordinated development could be greatly reinforced by pooling.



## Appendix F – Business Rates Base Profile

- Somerset is home to three generations of nuclear power stations located in the district of West Somerset: Hinkley Point A (HPA), Hinkley Point B (HPB), and Hinkley Point (HPC). The decommissioning of HPA commenced in 2000. HPB is currently the only operating power station at Hinkley Point. Commissioned in 1976, it has a net electrical output of 0.87GW and is currently operating below maximum capacity. The station was due to be decommissioned in 2016, but its life has been extended until 2023. HPC will be the first new nuclear power station in the UK for a generation, capable of generating 7% of the UK's total energy requirement.
- Sedgemoor is hosting a government supported Enterprise Zone based on Huntspill Energy Park. Expansion, infrastructure and development is required to deliver this site.

# **Annex A**

## **Somerset Councils Business Rates Pool Governance Agreement**

### 1. Pool Membership

- Somerset County Council
- Sedgemoor District Council
- Mendip District Council
- South Somerset DC
- Taunton Deane BC
- West Somerset Council

### 2. Introduction

This pooling proposal has been agreed by all pool members and signed by their Section 151 Officers.

The proposal sets out various key principles and addresses the key governance areas to ensure that a robust framework is in place for the effective management of the pool. Governance arrangements will stay in place until the pool is fully dissolved.

Each time a new member joins or an existing member leaves the Pool the governance arrangements will need to be reviewed, renewed and agreed with the Department for Communities and Local Government (DCLG) and its successors.

### 3. Status of this Agreement

The Pool Members agree that this shall be a binding contractual relationship and mutual commitments between them created by this Agreement shall from the date hereof be construed accordingly.

### 4. Key principles of the pool

- The aim will be to ensure that no participant receives less funding than if they had not pooled.
- Any dividend remaining or any shortfall will be calculated in accordance with the detailed clauses below.
- Outside of this agreement, individual authorities will retain their decision making powers and co-operate in good faith for the duration of this agreement to endeavour to procure the successful implementation of the Pool objectives.
- The Lead Authority is not left with any unforeseen costs or liabilities. Any such costs or liabilities will fall to individual authorities as set out in this agreement.

### 5. Definition of Pooled Funds

Pooled funds will include monies involved in the Local Government Business Rates Retention Scheme (BRRS). Subject to the requirements of the 2012

Local Government Finance Act and its related regulations, which must take precedence, authorities involved will pool all the business rates collected by each authority **except** the rates yield or growth from any local Enterprise Zone, New Development Deal Area or from renewable energy schemes or similar exemptions, as set out in current or future legislation, where an individual authority is allowed to benefit directly without deductions for levies or others' shares.

#### 6. Governance Structure

The key element in the governance structure will be the s.151 officers of the authorities that are in the pool. They will form a Governance Board and will be responsible for guiding and managing the operational day-to-day running of the pool. The officers will seek to find unanimous agreement on all issues involving the pool.

The Governance Board will meet quarterly, including an annual review meeting of the Pool arrangements and its performance to determine whether the Pool should be dissolved. For example, one or more members may wish to withdraw and the remaining members may wish to resubmit an amended pooling proposal.

If unanimity cannot be reached after a number of options have been considered, the circumstances and difficulties arising will be reported to and guidance sought from the Chief Executives of the councils that are in the Pool for a formal, binding decision to be agreed.

#### 7. Duration of the pooling agreement

Membership of the Pool is voluntary and members will be able to leave the Pool in accordance with this agreement and the DCLG timescales that will be published from time to time (see clause 13).

#### 8. Lead Authority

The Lead Authority for accounting purposes will be Mendip District Council

Responsibilities for the Lead Authority and individual Pool members are outlined in **Appendix 1**.

#### 9. Management Charge

Pool set-up and administration costs incurred by the Lead Authority have been agreed at £15,000 per annum in the first year and thereafter will be uplifted in line with any Local Government pay award.

#### 10. Pool Dividend

The Pool Dividend is defined as the amount remaining in the Pool after:

- The Management Charge has been deducted
- Any Tariff payment to Government

- Any Top Up payment from Government
- Any Levy payment to Government
- Any Safety Net payment from Government
- Payment to each participant of the amount they would have received should the Pool not have existed, including Tariff, Top Up, Safety Net and Levy payments and relevant s.31 grants
- Any interest payments or penalties to or from the Pool

The Pool will be based upon a “No Worse Off” or shared proceeds of net levy saved position. No Worse Off 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 under the BRRS if they were not a member of the Pool, as determined by Local Government Finance Settlement.

50% of rates collected are payable to Central Government (Central Share) and the remaining balance of the business rates will then be paid into the Pool on a net cash-flow basis. The Pool will effectively be responsible for the distribution of Tariffs/Top Ups.

#### 11. Allocating any Pool Dividend

The remaining balance of the Pool consists of the Levy payments that would have been paid to Government less the deduction of the Management Charge and any payments made under the No Worse Off principle.

Any Pool Dividend will be distributed on the following basis:

- 20% to Somerset County Council;
- 56% to the remaining Councils in proportion to their Levy saved;
- 24% to the remaining Councils in proportion to their funding targets.

The Pool will not retain a contingency reserve. Instead participants will maintain their own provision against future Pool Shortfalls.

#### 12. Pool Shortfall

If a Pool Member’s business rate income drops by more than the Government determined Safety Net trigger, then, under the No Worse Off principle, that member will be entitled to receive the equivalent of a Safety Net payment from the Pool calculated according to the methodology set out in clause 10. The Management Charge and Safety Net payments will be made as a first call on the Pool, before the Pool Dividend is allocated.

However, if there is a shortfall on the pool – i.e. there is insufficient funding to allow each authority to receive what it would have received outside the Pool - it shall be met as follows:

Stage 1:

- 20% from Somerset County Council;

- 49% from any of the remaining councils that failed to achieve their rates collection target. This shall be in proportion to the cash amount that it is, or they are, below the target (based on their 40% local share);
- 21% from the remaining councils in proportion to their funding targets.

No council shall receive less than its Safety Net level outside the Pool from this step.

#### Stage 2

- If any councils do fall below their Safety Net level outside the Pool in stage 1 then a further deduction will be made, to fund the amount(s) that those councils have fallen below, from all councils with income in excess of their Safety Net amount outside of the Pool, pro rata to the amounts that they are above the Safety Net.

#### Stage 3

- If any councils fall below their Safety Net level outside the Pool at stage 2 then a further deduction shall be made, to fund the amount(s) that those councils have fallen below, from all Pool Members, pro rata to each authority's funding target. This is the only step at which an authority may receive less than its Safety Net level outside the Pool.

If a Pool Shortfall seems likely to continue, consideration will be given to the future of the Pool, including dissolution.

### 13. Dissolution

The pooling arrangement will remain in place until any single authority or authorities say that they wish to leave the Pool. Pool members should consider the impact on the remaining members when making this decision.

Pool membership will be reviewed on an annual basis to determine whether a significant change in business rates is expected and consequently whether the Pool is still financially viable.

Authorities will be required to notify Pool members of their decision to leave the Pool in accordance with the notice period outlined below.

DCLG will be notified of any decision to dissolve the Pool in accordance with their published process and timetable.

Any subsequent decision to re-form a Pool, for example, if one member wishes to leave and the other authorities wish to continue in a new pool, will be made in a timely manner to ensure that a formal pooling proposal is submitted to the DCLG in line with their process and timetable.

### 14. Notice Period to Dissolve the Pool

Authorities will be required to advise the Pool of their intention to leave and consequently dissolve the Pool giving a **minimum of one month's notice** in advance of the DCLG deadline. This will allow remaining Pool members to consider whether they wish to submit a new pooling application.

Once the Pool has been finally designated by DCLG, the period of membership will be for a minimum of the forthcoming financial year. Should a member withdraw from the Pool during the settlement consultation period, the Pool will be dissolved in accordance with DCLG rules.

#### 15. Distribution of Pool Assets / Liabilities on Dissolution

Pool members will be jointly and severally liable for the assets and liabilities of the Pool. However this should not override any of the detail included in this agreement.

#### 16. Requests to join the Pool

If a new authority wishes to join the Pool it will be required to provide **three months' notice** prior to the DCLG deadline. This will allow time for existing Pool members to carry out due diligence and consider the relative merits of enlarged membership. Where a new member is admitted, the existing Pool is effectively dissolved and a new Pool formed.

#### 17. Payment schedules and cash-flow

Payment schedules will need to be agreed and payments made on time so that the Pool can meet the payments required by Central Government and to share business rates collected. Payments into the Pool will include various payments and these will all need payment schedules as announced by DCLG or as agreed locally.

Payments to the Lead Authority will be made by direct credit on the same day as the payment date to Central Government (the 'scheduled day').

The Pool shall charge interest at a rate of four percentage points above the prevailing Bank of England Base Rate on all payments from participants that are received after the scheduled day.

Safety Net payments are to be made in-year to provide some immediate protection to the authority involved. The Pool will attempt to replicate the timing and amount of any Safety Net payment that would have been due to its members if there was no Pool.

Levies are not finalised until after the year has ended. Thus any Pool Dividend or Shortfall cannot be finalised until after the year has ended. Forecasts of various elements, such as the likely Levy payments and Pool Dividend, will be needed so that authorities can make their decisions about whether to remain in the Pool.

Costs (or benefits) which may arise from the cash-flow into and out of the pooling fund will be offset against (or added to) the Pool Dividend.

Information, in the form of a monthly spreadsheet from the source business rates systems of the billing authority members of the Pool, will be provided to the Lead Authority who will provide at least quarterly monitoring reports to all Pool members of the resulting position.

#### 18. Accounting adjustments (Bad Debts and Appeals provision)

The Forecast and Actual Retained Amounts are the net amounts receivable by the authority from ratepayers after taking account of transitional adjustments, empty property, mandatory and discretionary reliefs and adjustments for provisions for bad and doubtful debts and for losses on appeals.

The provision for losses on appeal will be calculated by individual authorities using Valuation Office data and statistical information on a consistent basis to be agreed by designated officers from all billing authorities.

The provision for bad and doubtful debts will be calculated by each billing authority in accordance with proper practices and will be subject to external audit. If the auditor does not certify the provision on the grounds that the authority has not acted diligently, any such amounts will be funded in full by the respective authority and an adjustment will be made to the Pool Dividend or Shortfall calculations to reflect this.

#### 19. Treasury

The treasury function shall be provided by the Lead Authority. The Treasury Management Strategy of the Lead Authority (which will be at a minimum in accordance with the CIPFA Code of Practice) shall be followed in the operation of the Pool and the management of surplus balances. The funds shall be held in separately named account(s) from the remainder of the Lead Authority's business. All interest receivable is credited to the Pool at the actual rate achieved by the Treasury Management Team of the Lead Authority on an annual basis.

The Lead Authority will not be solely liable for any loss arising from invested sums provided it has operated within its Treasury Management policies. Any such loss will be borne by the Pool Dividend first, then in line with the Board's agreed policy for Pool Shortfall across the individual authorities.

## APPENDIX 1

### Roles and Responsibilities

The **Lead Authority** will be responsible for the following:

- All finances in relation to the Pool including payments to and from Central Government, the other members of the Pool and Preceptors.
- Calculating the funding position if all councils had not been part of the pooling arrangement and any Pool Dividend or Shortfall.
- Agreeing the various schedules of payment with other Pool members.
- All communications with Central Government, its agencies or other relevant third parties and completing all formal Pool returns to Central Government and DCLG on behalf of the Board including year-end reconciliations.
- All information and external reporting requirements for the Pool, details of which will be shared with all members of the Pool.
- The collation and submission of information required for planning and monitoring purposes by the governance structure, the DCLG or any other party.
- All audit requirements in relation to the Pool.
- Year-end positions for the Statements of Accounts for each member authority.
- The administration of the dissolution of the Pool.

To assist the Lead Authority in fulfilling its responsibilities **Pool members** (including the Lead Authority as appropriate) will be responsible for:

- The collection of relevant business rates to transfer to the Pool run by the Lead Authority.
- The implementation of their own Collection Funds.
- The submission of NNDR forms to DCLG.
- Providing accurate and timely information on the end of year financial performance of the business rates Collection Fund to enable the Lead Authority to calculate the end of year accounting entries needed.
- The provision of such information as the Board agree is reasonable and necessary to monitor and forecast the Pool's resources within the timescales agreed.
- Informing the Lead Authority, as soon as is practicable, of any intelligence that may impact on the resources of the Pool either in the current year or in future years.



## APPENDIX 2

### Glossary of Terms

“**Agreement**” means this Agreement comprising the terms and conditions together with its Appendices.

“**The Board**” means the Business Rates Pool Board whose functions are more particularly set out in section 6.

“**BRRS**” means the Business Rates Retention Scheme introduced by the Department for Communities and Local Government in April 2013.

“**Lead Authority**” means the authority taking on the responsibilities in Appendix 1.

“**Levy**” means a payment due to central government related to BRRS income above Baseline Funding levels, calculated using a nationally set formula.

“**Management Charge**” means the charge payable from the Pool to the Lead Authority in respect of the costs incurred by the Lead Authority in the performance of its obligations as Lead Authority, as more particularly described at section 8 and Appendix 1.

“**Pool**” means the Business Rates Pool containing the business rates collected from the Pool Members. A voluntary arrangement amongst a group of local authorities to pool the business rates generated locally in accordance with the BRRS pooling prospectus published by DCLG in July 2014.

“**Pool Dividend**” means the amount of Levy retained locally. This is calculated as the sum of levies to be paid by individual Pool members if the Pool did not exist, less any Safety Net funding that would have been due to individual Pool members if the Pool did not exist, less the administrative costs of the Pool.

“**Pool Shortfall**” means the Pool BRRS income is less than the sum of what Pool Members’ BRRS income would have been in the absence of a Pool because the payment of compensation under the no worse off principle exceeds the Levy gains made by other Pool Members.

“**Pool Members**” means Mendip District Council, Sedgemoor District Council, South Somerset District Council, Taunton Deane Borough Council, West Somerset Council and Somerset County Council.

“**Safety Net**” means a payment received by an authority from Central Government under the BRRS if BRRS income falls by more than a specified percentage below the Baseline Funding Level. It is calculated using a national formula.

## **Annex B**

# **Somerset Councils Business Rates Pool Governance Agreement, acting as a Business Rates Pilot**

### 1. Pool Membership

- Somerset County Council
- Sedgemoor District Council
- Mendip District Council
- South Somerset DC
- Taunton Deane BC
- West Somerset Council

### 2. Introduction

This pooling proposal has been agreed by all pool members and signed by their Section 151 Officers.

The proposal sets out various key principles and addresses the key governance areas to ensure that a robust framework is in place for the effective management of the pool. Governance arrangements will stay in place until the pool is fully dissolved.

Each time a new member joins or an existing member leaves the Pool the governance arrangements will need to be reviewed, renewed and agreed with the Department for Communities and Local Government (DCLG) and its successors.

### 3. Status of this Agreement

The Pool Members agree that this shall be a binding contractual relationship and mutual commitments between them created by this Agreement shall from the date hereof be construed accordingly.

### 4. Key principles of the pool

- The aim will be to ensure that no participant receives less funding than if they had not pooled.
- Any dividend remaining or any shortfall will be calculated in accordance with the detailed clauses below.
- Outside of this agreement, individual authorities will retain their decision making powers and co-operate in good faith for the duration of this agreement to endeavour to procure the successful implementation of the Pool objectives.
- The Lead Authority is not left with any unforeseen costs or liabilities. Any such costs or liabilities will fall to individual authorities as set out in this agreement.

### 5. Definition of Pooled Funds

Pooled funds will include monies involved in the Local Government Business Rates Retention Scheme (BRRS). Subject to the requirements of the 2012 Local Government Finance Act and its related regulations, which must take precedence, authorities involved will pool all the business rates collected by each authority **except** the rates yield or growth from any local Enterprise Zone, New Development Deal Area or from renewable energy schemes or similar exemptions, as set out in current or future legislation, where an individual authority is allowed to benefit directly without deductions for levies or others' shares.

## 6. Governance Structure

The key element in the governance structure will be the s.151 officers of the authorities that are in the pool. They will form a Governance Board and will be responsible for guiding and managing the operational day-to-day running of the pool. The officers will seek to find unanimous agreement on all issues involving the pool.

The Governance Board will meet quarterly, including an annual review meeting of the Pool arrangements and its performance to determine whether the Pool should be dissolved. For example, one or more members may wish to withdraw and the remaining members may wish to resubmit an amended pooling proposal.

If unanimity cannot be reached after a number of options have been considered, the circumstances and difficulties arising will be reported to and guidance sought from the Chief Executives of the councils that are in the Pool for a formal, binding decision to be agreed.

## 7. Duration of the pooling agreement

Membership of the Pool is voluntary and members will be able to leave the Pool in accordance with this agreement and the DCLG timescales that will be published from time to time (see clause 13).

## 8. Lead Authority

The Lead Authority for accounting purposes will be Mendip District Council.

Responsibilities for the Lead Authority and individual Pool members are outlined in **Appendix 1**.

## 9. Management Charge

Pool set-up and administration costs incurred by the Lead Authority have been agreed at £15,000 per annum in the first year and thereafter will be uplifted in line with any Local Government pay award.

## 10. Pool Dividend

The Pool Dividend is defined as the amount remaining in the Pool after:

- The Management Charge has been deducted
- Any Tariff payment to Government
- Any Top Up payment from Government
- Any Levy payment to Government
- Any Safety Net payment from Government
- Payment to each participant of the amount they would have received should the Pool not have existed, including Tariff, Top Up, Safety Net and Levy payments and relevant s.31 grants
- Any interest payments or penalties to or from the Pool

## 11. Allocating Resources

Providing there pool has a pool dividend, growth should be apportioned as follows:

Districts retaining 50% of variance to Baseline

The County Council retaining 49% of each of the districts variance to Baseline

However, providing the pool dividend is sufficient, gains from acting as a pool (under 100% BRR) will be scaled back in order to ensure that: no 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.

## 12. Dissolution

The pooling arrangement will remain in place until any single authority or authorities say that they wish to leave the Pool. Pool members should consider the impact on the remaining members when making this decision.

Pool membership will be reviewed on an annual basis to determine whether a significant change in business rates is expected and consequently whether the Pool is still financially viable.

Authorities will be required to notify Pool members of their decision to leave the Pool in accordance with the notice period outlined below.

DCLG will be notified of any decision to dissolve the Pool in accordance with their published process and timetable.

Any subsequent decision to re-form a Pool, for example, if one member wishes to leave and the other authorities wish to continue in a new pool, will be made in a timely manner to ensure that a formal pooling proposal is submitted to the DCLG in line with their process and timetable.

## 13. Notice Period to Dissolve the Pool

Authorities will be required to advise the Pool of their intention to leave and consequently dissolve the Pool giving **a minimum of one month's notice** in advance of the DCLG deadline. This will allow remaining Pool members to consider whether they wish to submit a new pooling application.

Once the Pool has been finally designated by DCLG, the period of membership will be for a minimum of the forthcoming financial year. Should a member withdraw from the Pool during the settlement consultation period, the Pool will be dissolved in accordance with DCLG rules.

#### 14. Distribution of Pool Assets / Liabilities on Dissolution

Pool members will be jointly and severally liable for the assets and liabilities of the Pool. However this should not override any of the detail included in this agreement.

#### 15. Requests to join the Pool

If a new authority wishes to join the Pool it will be required to provide **three months' notice** prior to the DCLG deadline. This will allow time for existing Pool members to carry out due diligence and consider the relative merits of enlarged membership. Where a new member is admitted, the existing Pool is effectively dissolved and a new Pool formed.

#### 16. Payment schedules and cash-flow

Payment schedules will need to be agreed and payments made on time so that the Pool can meet the payments required by Central Government and to share business rates collected. Payments into the Pool will include various payments and these will all need payment schedules as announced by DCLG or as agreed locally.

Payments to the Lead Authority will be made by direct credit on the same day as the payment date to Central Government (the 'scheduled day').

The Pool shall charge interest at a rate of four percentage points above the prevailing Bank of England Base Rate on all payments from participants that are received after the scheduled day.

Safety Net payments are to be made in-year to provide some immediate protection to the authority involved. The Pool will attempt to replicate the timing and amount of any Safety Net payment that would have been due to its members if there was no Pool.

Levies are not finalised until after the year has ended. Thus any Pool Dividend or Shortfall cannot be finalised until after the year has ended. Forecasts of various elements, such as the likely Levy payments and Pool Dividend, will be needed so that authorities can make their decisions about whether to remain in the Pool.

Costs (or benefits) which may arise from the cash-flow into and out of the pooling fund will be offset against (or added to) the Pool Dividend.

Information, in the form of a monthly spreadsheet from the source business rates systems of the billing authority members of the Pool, will be provided to

the Lead Authority who will provide at least quarterly monitoring reports to all Pool members of the resulting position.

#### 17. Accounting adjustments (Bad Debts and Appeals provision)

The Forecast and Actual Retained Amounts are the net amounts receivable by the authority from ratepayers after taking account of transitional adjustments, empty property, mandatory and discretionary reliefs and adjustments for provisions for bad and doubtful debts and for losses on appeals.

The provision for losses on appeal will be calculated by individual authorities using Valuation Office data and statistical information on a consistent basis to be agreed by designated officers from all billing authorities.

The provision for bad and doubtful debts will be calculated by each billing authority in accordance with proper practices and will be subject to external audit. If the auditor does not certify the provision on the grounds that the authority has not acted diligently, any such amounts will be funded in full by the respective authority and an adjustment will be made to the Pool Dividend or Shortfall calculations to reflect this.

#### 18. Treasury

The treasury function shall be provided by the Lead Authority. The Treasury Management Strategy of the Lead Authority (which will be at a minimum in accordance with the CIPFA Code of Practice) shall be followed in the operation of the Pool and the management of surplus balances. The funds shall be held in separately named account(s) from the remainder of the Lead Authority's business. All interest receivable is credited to the Pool at the actual rate achieved by the Treasury Management Team of the Lead Authority on an annual basis.

The Lead Authority will not be solely liable for any loss arising from invested sums provided it has operated within its Treasury Management policies. Any such loss will be borne by the Pool Dividend first, then in line with the Board's agreed policy for Pool Shortfall across the individual authorities.

## APPENDIX 1

### Roles and Responsibilities

The **Lead Authority** will be responsible for the following:

- All finances in relation to the Pool including payments to and from Central Government, the other members of the Pool and Preceptors.
- Calculating the funding position if all councils had not been part of the pooling arrangement and any Pool Dividend or Shortfall.
- Agreeing the various schedules of payment with other Pool members.
- All communications with Central Government, its agencies or other relevant third parties and completing all formal Pool returns to Central Government and DCLG on behalf of the Board including year-end reconciliations.
- All information and external reporting requirements for the Pool, details of which will be shared with all members of the Pool.
- The collation and submission of information required for planning and monitoring purposes by the governance structure, the DCLG or any other party.
- All audit requirements in relation to the Pool.
- Year-end positions for the Statements of Accounts for each member authority.
- The administration of the dissolution of the Pool.

To assist the Lead Authority in fulfilling its responsibilities **Pool members** (including the Lead Authority as appropriate) will be responsible for:

- The collection of relevant business rates to transfer to the Pool run by the Lead Authority.
- The implementation of their own Collection Funds.
- The submission of NNDR forms to DCLG.
- Providing accurate and timely information on the end of year financial performance of the business rates Collection Fund to enable the Lead Authority to calculate the end of year accounting entries needed.
- The provision of such information as the Board agree is reasonable and necessary to monitor and forecast the Pool's resources within the timescales agreed.
- Informing the Lead Authority, as soon as is practicable, of any intelligence that may impact on the resources of the Pool either in the current year or in future years.

## APPENDIX 2

### Glossary of Terms

“**Agreement**” means this Agreement comprising the terms and conditions together with its Appendices.

“**The Board**” means the Business Rates Pool Board whose functions are more particularly set out in section 6.

“**BRRS**” means the Business Rates Retention Scheme introduced by the Department for Communities and Local Government in April 2013.

“**Lead Authority**” means the authority taking on the responsibilities in Appendix 1.

“**Levy**” means a payment due to central government related to BRRS income above Baseline Funding levels, calculated using a nationally set formula.

“**Management Charge**” means the charge payable from the Pool to the Lead Authority in respect of the costs incurred by the Lead Authority in the performance of its obligations as Lead Authority, as more particularly described at section 8 and Appendix 1.

“**Pool**” means the Business Rates Pool containing the business rates collected from the Pool Members. A voluntary arrangement amongst a group of local authorities to pool the business rates generated locally in accordance with the BRRS pooling prospectus published by DCLG in July 2014.

“**Pool Dividend**” means the amount of Levy retained locally. This is calculated as the sum of levies to be paid by individual Pool members if the Pool did not exist, less any Safety Net funding that would have been due to individual Pool members if the Pool did not exist, less the administrative costs of the Pool.

“**Pool Members**” means Mendip District Council, Sedgemoor District Council, South Somerset District Council, Taunton Deane Borough Council, West Somerset Council and Somerset County Council.

“**Safety Net**” means a payment received by an authority from Central Government under the BRRS if BRRS income falls by more than a specified percentage below the Baseline Funding Level. It is calculated using a national formula.