



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	Cambridgeshire County Council
b. Name of lead official	Tom Kelly
c. Lead official job title	Head of Finance
d. Lead official email address	Tom.kelly@cambridgeshire.gov.uk
e. Lead official contact phone number	01223 703599

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
Cambridge City Council	Shire District
Cambridgeshire County Council	County
Cambridgeshire and Peterborough Combined Authority	Mayoral Combined Authority
East Cambridgeshire District Council	Shire District
Fenland District Council	Shire District
Huntingdonshire District Council	Shire District
Peterborough City Council	Unitary Authority
South Cambridgeshire District Council	Shire District

3. Membership details and pooling arrangements

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

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

<p>g. How does the pilot pool propose to split non-domestic rating income in two-tier areas?*</p> <p><i>(F.ex. the pilot pool could propose to split the shares as in the current 50% business rates retention, or propose to test different kinds of tier split arrangements as part of the pilot.)</i></p> <p><i>(*The department will use this information in regulations to designate a tier split for the pooled pilot area. In practice, the pilot pool will be given one overall tariff or top-up, and the members of the pool can agree to change the headline tier split.)</i></p>	<p>In the two-tier section of the area (Cambridgeshire) a 50:50 tier split will be used.</p> <p>This tier split only applies to the 80% of additionally retained rates which are shared between all the constituent authorities.</p> <p>This 80% is allocated on a per-capita basis across the area. This per-person allocation this is shared 50% to upper tier and 50% to lower tier (Peterborough City Council is a unitary and thus retains the full amount) – this is shown in detail in section 4b.</p>
<p>h. Do you propose to retain any of the additional 25% of retained business rates in an investment pot or similar and distribute this after 2019/20?</p> <p><i>(If ‘no’, please move to question 3.j.)</i></p>	<p><i>Select one:</i></p> <p><i>(1) Yes</i> <i>(2) No</i></p>
<p>i. If any of the additional 25% of retained business rates are kept in an investment pot or similar, how will this be distributed after 2019/20?</p>	<p>10% of additional growth will be allocated to a business growth fund.</p> <p>This fund will be held by the Combined Authority; project sponsors will propose bids for funding to the Cambridgeshire and Peterborough Business Board (the area’s LEP). These proposals must have clear benefits to local businesses and contribute to the growth of GVA and business rates in the area.</p> <p>Using the existing Business Board ensures that funds will be allocated with appropriate oversight in accordance with the local and national LEP assurance frameworks.</p>
<p>j. What is the anticipated income above baseline funding level for the pilot pool over 2019/20 (in £)?</p>	<p>Independent modelling based on NNDR1s suggest the income above baseline for the pool would be £36.059m in 2019/20.</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>The area has recently commissioned an independent review of the Cambridgeshire and Peterborough economy which is published at www.cpier.org.uk. This analysis finds that recent employment growth is 3.3% per annum, rather than the 2.4% suggested by ONS calculations.</p> <p>The review finds evidence of sector strengths and specialisms in;</p> <ul style="list-style-type: none"> • Manufacturing, Advanced Manufacturing and Materials • Life Sciences • IT and Digital • Logistics and Distribution • Education • Professional Services • Agri-tech
<p>l. What pooling arrangements would the members of the pilot like to see if their application to become a pilot is unsuccessful?</p>	<p>If the application to become a pilot is unsuccessful we would not like to see any pooling arrangements.</p> <p>A whole area pool would retain a large net tariff and a 41% levy rate thus there is no financial benefit to entering into a pool outside of a pilot.</p> <p>While there are potentially beneficial pools including a subset of the Authorities this approach is not considered compatible with the joint working ethos prized in the area.</p>
<p>m. How would the pilot area deal with residual benefits/liabilities once the pilot ends?</p>	<p>All residual benefits or liabilities will be distributed in line with the sharing of additional growth during the pilot period i.e.</p> <p>Cambridge City – 6.2% Cambridgeshire – 38.4% Cambridgeshire and Peterborough CA (Business growth fund) – 10.0% East Cambridgeshire – 4.1% Fenland – 4.7% Huntingdonshire – 8.3% Peterborough City – 20.9% South Cambridgeshire – 7.4%</p>

4. Details of the pilot proposal

Please explain how your proposal fulfills each of the below criteria for becoming a 75% business rates retention pilot in 2019/20 (as outlined in 3.2 of the 'Invitation to Local Authorities in England to pilot 75% Business Rates Retention in 2019/20'). If relevant, you may reference answers provided

in section 3 of this application form and use this section to provide more detail on the responses. Although there is no formal word limit for answers provided in this section, please be as concise as possible.

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

The Independent Economic Review referenced in box k concludes that there are three functional economic areas within Cambridgeshire and Peterborough. These three economies have unique characteristics and features, as well as important connectivity between one another. They are; Greater Cambridge, Greater Peterborough and the Fens. There are parts of Cambridgeshire and Peterborough (such as East Cambridgeshire and Huntingdonshire) which look to more than one of these economies.

The review draws data from commuting patterns, housing markets and supply chains to define these functional economic areas, which were then published in an interim report and tested through stakeholder consultation. This engagement found local recognition of the three-economy depiction, and value in terms of developing policy responses tailored to the unique needs of each.

As would be expected, these functional economic areas do not stop at the Cambridgeshire and Peterborough border. They extend out to surrounding communities and along strategic corridors to the North, South, East and West of the area.

Crucially, the review finds that the future of these three economies will and should involve them becoming closer and closer over time. For example, with the northern parts of the Fen economy establishing stronger links with Peterborough, and the southern parts becoming more connected to the Cambridge economy.

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

The first call on the pooled rates income will be to ensure all authorities are in the same financial position that they would have been in had they still been in the 50% scheme (an internal no-detriment clause) underwritten by the Combined Authority.

The costs incurred by the Lead Authority in administering the scheme will then be reimbursed.

10% of the retained growth above this will be split between Cambridgeshire County Council and Peterborough City Council based on a per-capita allocation in recognition that the costs of growth fall disproportionately on upper tier authorities in the form of increased Social Care and Highways maintenance costs.

10% is to be allocated to the creation of a Business Growth Fund. As described above, this will be held by the Combined Authority, ringfenced to projects which promote economic growth in the area and all decisions on the use of this funding will require recommendation from the Business Board (the area's Local Enterprise Partnership).

Examples of projects which have been awarded funding by the LEP to promote economic growth to date include grant funding for the Cambridge Biomedical Innovation Centre and the provision of financing the purchase and refurbishment of Ashwell Business Park which, as of December 2017, had 104 tenants creating employment for 239 people.

The remaining 80% will be split between the constituent authorities based on population, using a 50:50 tier split in Cambridgeshire as shown below:

80% of total additionally retained growth = £15.989m
 Total population of Combined Authority Area = 849,035
 Retained growth per capita allocation = £18.83

50% of per-capita for 2 tier areas = £9.42

Local Authority	Population (ONS)	Lower Tier Allocation to Authority (£'000)	Upper Tier Allocation [#] (£'000)
Cambridge City	131,799	1,241	1,241
East Cambridgeshire	87,825	827	827
Fenland	100,182	943	943
Huntingdonshire	175,666	1,654	1,654
South Cambridgeshire	156,468	1,473	1,473
Peterborough City*	197,095	3,712	

* Peterborough CC uses the full per capita allocation as it is a unitary

[#] For the 5 Cambridgeshire Districts the upper tier allocation is paid to Cambridgeshire County, totaling £6.14m

The funding allocated directly to constituent authorities will be utilised to promote financial sustainability, below are examples of how one of the Districts (Fenland) and one Upper Tier authority (Cambridgeshire) will do this:

Fenland

Fenland District Council covers approximately 200 square miles within the County of Cambridgeshire. It is a rural and sparsely populated district with many diverse communities, each with very different needs.

The Cambridgeshire and Peterborough Independent Economic Review (CPIER) report identifies three different economies in the Cambridgeshire and Peterborough Combined Authority Area.

These are;

- The "Greater Cambridge" area – Cambridge, South Cambridgeshire, and parts of Huntingdonshire and East Cambridgeshire.
- The "Greater Peterborough" Area
- The Fens: mainly agricultural and rural Market Towns.

The Fens are considered the most challenged economically of the three, particularly in respect of the socio-economic makeup of the market towns and the specific pressures on the agricultural sector with steep reductions in price of agricultural output and high reliance on low cost labour which has been met by migrants, leaving the sector with a challenge as Brexit approaches.

The Council's Medium Term Financial Plan sets out savings totaling £3.1million between 2016 and 2020. This creates a challenging financial climate to continue to provide a high standard of service to the residents and businesses in the district especially with the uncertainty in respect of the outcome of the Fair Funding Review and the future Local Government Finance system from 2020/21. Due to the rurality and geography of the Fens the cost of providing statutory services such as refuse collection, environmental health, parks and recreational services, is proportionally higher than those experienced in compact areas.

Fenland District Council does face challenges. The Council recognises that deprivation (80th out of 326 most deprived areas in the country) brings unique challenges, particularly around education and health. With the extra funding and working with partners, the Council will be able to continue to deliver projects that improve the quality of life for local people.

The share of additional retained business rates from the pilot will allow the Council to fund some of the 'invest to save' projects on its transformation journey and also to be able to work with partners to support the work on the Market Towns and linking it up with the Local Industrial Strategy.

The additional funding to the council from the retained 75% business rates pilot will provide it with the means to create the medium term financial stability for continued provision of the high quality services and also put it in a position to work with the Cambridgeshire and Peterborough Combined Authority and Cambridgeshire County Council, on the growth and infrastructure plans and implementation in the Fens.

Cambridgeshire

The financial challenges facing local authorities with care responsibilities are well documented nationally. However those within Cambridgeshire are exacerbated by a set of circumstances that is unique to this County. Without any changes to RSG the County Council will be in a negative RSG position of £7m in 2019/20 and until recently was in receipt of the worst funding for its schools in the country. Whilst areas of the county have less deprivation than many other parts of the country this does hide the issues of rural isolation and deprivation seen in the Fens. We also have one of the most challenged health economies in the country and this places significant pressures on the relationship between the health and care sectors.

This position is exacerbated by the fact that Cambridgeshire is one of the fastest growing counties in the country. Whilst the county undoubtedly benefits economically from this growth it does place a significant burden on all local authorities in general but significantly more so on the county council. Be it highway infrastructure, to ensure that the growing workforce is able to move around the county; or the provision of new schools, to help educate the children of the inward migration of families; or simply managing the growth in demand for care services the County Council can no longer deliver all of these services. It is therefore faced with some very stark options if no other support mechanisms are put in place. To put this in to context only a few years ago the County Council received £114m of RSG but in 2019 this becomes negative RSG of £7m.

This reduction of £121m funding is during a period where the demand for services has significantly increased and has therefore had a serious impact on service delivery. We have done all we can to minimize this impact. We have delivered significant transformation of services, we have developed a commercial approach and strategy and we have implemented many alternative service delivery vehicles. However we are reaching the end of the road and now we must turn to serious service cuts. We are currently facing an unfunded budget gap of in excess of £20m for next year in addition to all the savings that have already been built in to the base budget. Without help the current service delivery levels are unsustainable and we will have to cut some key services to our communities. Things like early intervention, household recycling centres, winter gritting are all being considered.

As a net contributor to national GVA our residents deserve better. To ensure that Cambridgeshire continues to support the Governments growth agenda it is imperative that basic public sector services are retained. Without our ability to provide these services the 'offer' that has attracted so much commercial inward investment in to Cambridgeshire will naturally chose other more favorable international option.

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?

Cambridgeshire County Council will handle the day to day administration of the pool.

There is a pre-existing quarterly meeting of the region's CFOs, including all the authorities involved in this bid, as well as the Fire Authority. A standing item regarding the pool's finances will be added to the agenda at which the County Council will present an update on the pool's financial position and the required transfers between LAs will be agreed. This will also be the forum for highlighting any emerging changes to the risks and rewards within the pilot.

The Business Growth Fund will be held by the Combined Authority as Accountable Body for the Business Board and accounted for separately to their own funds. This fund will be ringfenced for projects which accelerate or increase the growth of business rates in the area and proposals for funding will follow the Business Board's pre-existing assurance framework, ensuring that value for money and transparency are achieved and maintained.

As the area is a Mayoral Combined Authority, the Combined Authority Board is perfectly positioned to provide public scrutiny, and political oversight, of the pilot. The Board is made up of the Leaders of all the authorities involved in the bids as well as the Chair of the Business Board thus it provides representation for all the key stakeholders in the pool. The quarterly report on pilot finances from the CFOs meeting and recommendations for project funding from the Business Board will be presented to the CPCA Board.

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.



Ministry of Housing,
Communities &
Local Government

Annex A – Evidence of authorisation

a. Name of lead pilot authority	Cambridgeshire County Council
b. Name of lead official	Tom Kelly
c. Lead official job title	Head of Finance
d. Lead official email address	Tom.kelly@cambridgeshire.gov.uk
e. Lead official contact phone number	01223 703599

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
Cambridge City Council	Caroline Ryba	
Cambridgeshire County Council	Chris Malyon	
Cambridgeshire and Peterborough Combined Authority	Karl Fenlon	
East Cambridgeshire District Council	Ian Smith	
Fenland District Council	Kamal Mehta	
Huntingdonshire District Council	Clive Mason	
Peterborough City Council	Peter Carpenter	
South Cambridgeshire District Council	Alex Colyer	