KANTAR

Ministry of Housing Communities and Local Government 100% Business Rates Retention Evaluation

Report

Disclaimer

The government is delivering a multi-year Local Government Finance Settlement ('The Settlement') running from 2026/27 to 2028/29. This Settlement assumes that the national business rates retention arrangement, which the vast majority of authorities are subject to, will remain at 50%.

Previous governments targeted a move to 100% business rates retention and introduced 'pilot' schemes in 2017 across five regions, Greater Manchester, West Midlands, Cornwall, West of England and Liverpool City Region. In 2023, the 100% BRR arrangements in Greater Manchester and West Midlands were extended on a long-term basis and will continue through the multi-year Settlement period. The 100% business rates retention arrangements in Cornwall, the West of England, and Liverpool City Region were extended at the Autumn Budget 2025 for the multi-year Settlement, while the government develops new retention arrangements for Mayoral Strategic Authorities.

The Autumn Budget 2025 and provisional Local Government Finance Settlement outlined government's commitment to improve how the Business Rates Retention System supports Mayoral Strategic Authorities to help Mayors drive local growth. This could see Mayors be allocated a share of business rates, which would see them receive a share of regional growth in rates, linked to their role in delivering Local Growth Plans.

Executive summary

From 2020–21, the Government is aiming to introduce reforms to the current 50% business rates retention (BRR) system. The planned reforms are aimed at giving local authorities more control over the ways in which they manage their locally raised taxes and an incentive to grow their business rates.

In April 2017, an initial wave of 100% BRR pilots was launched to inform the development of the proposed business rates reforms. In April 2018–19, the scheme was expanded to include a wider range of areas to test more technical aspects of the business rates retention system. For the purposes of this research, the pilots have been divided into three cohorts:

- **2017/18 pilot programme:** This cohort involved devolution deal areas, and therefore was a group containing authorities with a history of working together in a regional sense.
- **2018/19 pilot programme:** New pilots selected through a competitive bidding process, providing an opportunity to test more technical aspects of the 100% BRR system, such as different authority tier splits.
- **Greater London pilot programme:** The Greater London Authority (GLA), the City of London and all the London Boroughs agreed to form a pool and to pilot 100% BRR in 2018–19.

The Ministry of Housing, Communities and Local Government (MHCLG) commissioned Kantar Public to conduct research into the 100% BRR pilots, building on a prior qualitative evaluation carried out by MHCLG in 2017. The research sought to gather insight about the expectations and experiences of authorities taking part in the 100% BRR pilot scheme, including early impacts, resources used, governance processes and, in the case of 2017/18 pilots who were entering their second year of the programme, how any realised additional growth was distributed. The research also investigated the extent to which these factors differed across the three cohorts.

A qualitative approach was used to gain an in-depth understanding of local authorities' motivations for taking part, implementation processes and outcomes. Researchers completed 68 interviews with relevant staff from piloting authorities. Interviews were tailored to pilot areas based on prior review of relevant documentation.

A further wave of pilots are being undertaken in 2019/20. This cohort have not been included in this evaluation.

Motivations for taking part in the pilot

A key motivator across all cohorts was the opportunity for financial gain, both locally and regionally. Authorities had three main ways in which they wanted to use additional income: supporting existing local authority services, advancing existing local infrastructure projects and starting new regional infrastructure projects. The extent to which authorities had earmarked money for these projects reflected differing levels of confidence in financial forecasting.

Where authorities had higher levels of financial uncertainty, the ‘no detriment’ clause (whereby participating authorities cannot be worse off than if they had remained part of the 50% business rates retention scheme) was an important factor in authorities agreeing to participate.

For authorities at either end of the spectrum of wealth, an additional motivation for taking part in the pilot was the opportunity to influence policy development. These authorities wanted their voice represented in policy making, either to protect their income or ensure less financially powerful authorities were properly considered.

Authorities were also motivated by the opportunity to strengthen collaborative working and forecasting processes across their region.

Implementation

In general, pilot areas maintained or formalised existing governance structures. This was often because of successful working relationships prior to the pilot, and a perceived short turnaround of the application. Where the pilot had been the catalyst for new relationships, or where there was greater level of complexity in the pilot area, determining roles within the pilot pool was more challenging.

Where tier splits had been renegotiated, the county council more commonly benefited more. They were perceived to have the greater relative need.

Trust within pilot areas was recognised as key to a successful pilot. Trust was highest where there was transparent dialogue, pragmatic relationships, coherent principles and where authorities had worked together successfully in the past.

Outcomes

The scheme had positive outcomes for collaborative working. The pilots facilitated a greater level of cross-authority collaboration by formalising conversations and allowing authorities to better understand one another.

The pilots also encouraged a greater focus on financial forecasting. Sharing best practice processes and increasing data collection points facilitated improved forecasting accuracy, allowing greater certainty in financial planning.

The pilots also had positive financial impacts for authorities. Many authorities were using additional income at the local authority level to support services with high demand in the local area. This included, but was not limited to, adult and children’s social care and housing.

Some authorities were able to delay spending of the additional funds, instead putting them into reserve for envisioned upcoming risks.

The 2018/19 and London cohorts were typically involved in collaborative regional investment. Some tangible benefits were observed, although these tended to be for one-off strategic projects or for supporting existing projects, rather than longer term strategic investment.

Future implications

Some areas of concern were expressed by pilot areas about the sustainability and scalability of the 100% BRR scheme. Appeals were a common concern across authorities, particularly among high-risk areas. Resets, and in particular the planned full reset in 2020/21, was also a concern across authorities with high levels of recent growth, or potential for high-growth levels. A small number of authorities expressed concerns about receiving a 'fair share' of additional income, having to 'bail' other authorities out, and 'gaming' between authorities.

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1. Introduction

1.1 Background

From 2020–21, the Government is aiming to introduce reforms to the current 50% business rates retention (BRR) system, including improvements to certain elements of the existing system and increasing the proportion of business rates that local government can retain. As local government's retention of business rates is set to increase, certain existing grants will be phased out and their responsibilities funded through retained business rates to ensure fiscal neutrality of the scheme. Overall, the planned reforms aim to give local authorities more control over the way they manage their locally raised taxes and an incentive to grow their business rates.

In April 2017, a first wave of 100% BRR pilots was launched in five devolution deal areas as a way of helping inform the Government's development of the proposed business rates reforms prior to implementation. In April 2018–19, the scheme expanded to include a wider range of areas across the country to test more technical aspects of the business rates retention system, such as tier splits and how pooling interacts with the system. For the purposes of this research, the pilots have been divided into three cohorts.

- **2017/18 pilot programme:** This cohort involved devolution deal areas, and therefore were groups of authorities with a history of working together in a regional sense. These pilots were launched as a result of Government's negotiations with the areas.
  - Greater Manchester
  - Liverpool City Region
  - West of England
  - West Midlands
  - Cornwall
- **2018/19 pilot programme:** The 2018/19 pilots were selected through a competitive bidding process. The new pilots provided an opportunity to test more technical aspects of the 100% BRR system, such as different tier splits within pools that contain unitary, district and county authorities.
  - Berkshire
  - Derbyshire
  - Devon
  - Gloucestershire
  - Kent and Medway
  - Leeds City Region
  - Lincolnshire
  - Solent Authorities
  - Suffolk
  - Surrey
- **Greater London pilot programme:** From April 2017, London effectively became a 67% BRR pilot with the Greater London Authority (GLA) taking on the responsibility for funding the TfL investment grant. These arrangements were developed further, when the GLA, the City of London and all the London Boroughs agreed to form a pool and to pilot 100% BRR in 2018–19. Due to the unique nature of the Greater London region and the governing body, this was treated as a separate pilot cohort for the purposes of the research.

The 2017/18 and 2018/19 pilots have certain grants rolled into the piloting authorities' business rates bases to ensure that they operate on a fiscally neutral basis. A 'no detriment' clause is applied to the operation of the pilots to ensure that the participating authorities cannot be worse off than if they had remained part of the 50% business rates retention scheme.

1.2 Research aims

The Ministry for Housing, Communities and Local Government (MHCLG) commissioned Kantar Public to gain insight into the pilot authorities' expectations, experiences and the impacts of implementing the pilot, as well as the extent to which these factors differed across the three cohorts.

Specifically, the research sought to explore:

- The range of motivations for participating in the pilot, and expectations for outcomes
- What resources pilot areas required to achieve their desired outcomes
- What governance procedures authorities put in place to achieve desired outcomes
- Any impacts of the pilot on each of the areas
- How any realised additional growth from the pilot scheme has been used (2017/18 pilots) and plans for redistribution of any additional retained growth (2018/19 pilots)

1.3 Method

A qualitative approach was used to gain an in-depth understanding of local authorities' motivations for taking part in the pilot, their implementation processes and outcomes of the pilot.

Between September and November 2018, Kantar Public researchers completed 68 interviews with relevant staff from piloting authorities, primarily including Directors of Finance, Treasurers and Senior Finance Managers. Prior to each interview, researchers reviewed relevant documentation including bidding documents and Memorandums of Understanding. This provided researchers with contextual knowledge of the individual piloting arrangements, enabling a more targeted approach to the interviews.

All pilot areas involved in the pilot scheme were included in the evaluation. Interviews varied in format to allow for a geographical spread:

- 8 interviews were conducted face to face; and
- 60 interviews were conducted via telephone

Interview length also varied to account for an anticipated difference in the depth of insight from lead and non-lead authorities. Lead authorities were expected to have been more involved in the application process and the set-up of the pilot, therefore ninety minutes were allocated to these interviews. Interviews with non-leads were sixty minutes. A full sample table can be found in Appendix A.

While this method supported depth of insight into the implementation of the pilots, there are limitations regarding how this research should be used for policy:

- The qualitative sample size is too small to generalise as statistically significant quantitative findings
- Each of the pilot areas was contextually unique. As such, best practice for implementation in one pilot area may not be appropriate elsewhere
- Interviews were conducted between September and November 2018. Since the fieldwork period, pilots have continued to run. As such, it is likely that perceptions, processes and relationships have continued to evolve

1.4 Navigating the report

The report is structured chronologically based on the journey that authorities took through the pilot process. **Section 2** addresses the motivations and expectations of authorities prior to the pilot. This provides a baseline by which to assess the perceived success of the pilot. **Section 3** explores the different ways in which authorities implemented the pilot, focusing on the practices and processes that facilitated positive outcomes. **Section 4** considers outcomes at both regional and local levels to identify examples of best practice. **Section 5** considers implications of the findings, highlighting potential obstacles to further success.

Throughout the report case studies are used to illustrate key points and bring the findings to life. Quotes are attributed to local authorities where permission was granted.

2. Motivations and expectations

This section explores what motivated authorities to participate in the pilot scheme, along with their initial expectations. It concludes that:

- *A key motivator across all cohorts was the opportunity for financial gain, both locally and regionally. Three ways in which authorities wanted to use additional income were highlighted: supporting existing services, advancing existing infrastructure projects and starting new regional infrastructure projects.*
- *The extent to which authorities earmarked money for investment was based on levels of financial confidence. Financial confidence was shaped by how established and how accurate existing financial forecasting processes were perceived to be.*
- *The 'no detriment' clause offset some concerns around financial uncertainty, and supported agreement to participate across local authorities.*
- *Authorities expected the pilot to facilitate strengthened collaborative working and forecasting processes.*

2.1 Motivations to participate in pilot scheme

The most significant motivating factor to take part in the pilot scheme was the potential for financial gain, both locally and regionally. Authorities recognised three key ways that any additional income could be used: to support existing services, to advance existing infrastructure projects, and to kick off new regional infrastructure projects.

All local authorities described the anticipated financial gain as being important to support existing local services that were high in need and demand, particularly adult and children's social care. Any additional funding for these services in the current financial climate was welcomed. This was a motivating factor even where an area expected low levels of growth and therefore relatively low anticipated gain.

Local authorities also viewed the scheme as a way to advance existing infrastructure projects, such as planning applications, administrative costs, or one-off investments in infrastructure. For example, Tewkesbury Borough Council planned to invest the expected additional income into a local housing and employment site that was progressing slowly due to limited funds.

At the regional level, a motivation for applying for the scheme was not only to access additional funds for local use, but also to formalise collaborative structures and make regional investment projects possible. This included most of the 2018/19 and London cohort pilots, who planned to invest in one-off regional projects, such as road links and fibre optic cables. Authorities felt that facilitating these strategic infrastructure projects signalled them as authorities that value business.

> *"It sends a message to businesses that we're engaging ... we can invest funds and support them locally."* (South Holland District Council)

The extent to which authorities had earmarked specific funds for any of the above investment areas differed. This was based on how confident they were in projecting the extent of financial gain from the pilot. Where confidence was lower, this was driven by general uncertainty about financial forecasting both locally and as a region.

At a local level, some authorities felt there were too many unknowns to properly forecast growth in business rates, particularly in relation to outstanding appeals (see Section 6.1).

> *"I think really it's gathering the intelligence we can do but that's rather sketchy and limited … there isn't too much information to go on … that then informs the provisions we make on an annual basis."* (Tewkesbury Borough Council)

At a regional level, authorities that were part of a previous pool or devolution deal area were already sharing financial information and were therefore more confident in planning future investment than other pilot areas.

Where financial information was not already shared, or where sharing information had only recently been implemented, there were lower levels of certainty over the region's financial position. These authorities recognised that there were different local strategies for financial forecasting that may result in different outcomes. As a result, these pilot areas tended to be more cautious in their planning at the outset of the pilot.

> *"Until the end of the financial year we don't know what the benefit of the pilot will be."* (Gloucester City Council)

The London pilot expressed particular caution about regional forecasting. While individual boroughs felt confident in their own forecasting, they were less familiar with other boroughs' financial management. In some cases, there were concerns or suspicions about the quality of other boroughs' financial forecasting abilities and potential ability to 'game the system', for example by suggesting a higher level of finances should be allocated to appeals than was necessary in reality.

For some authorities, the forecasting uncertainty would have prevented them from applying for the scheme; for example, areas that were dependent on one or two risky hereditaments feared unexpected drops in business rates or were dependent on business rates from businesses that were currently being contested in appeals (see Gloucestershire case study below). For areas like these, the ‘no detriment’ clause was a prerequisite for applying to the scheme.[1]

GLOUCESTERSHIRE 2018/19

Lead: Stroud District Council

Tier split: 50% County; 50% Districts

Pre-pilot events

- Had cooperated for the 50% retention pool effectively
- Tewkesbury left that pool after suffering particularly badly from an appeal in 2015 but relations between the authorities were good
- The pool looked at their top 20 highest-risk appeals before deciding tha worth entering

Importance of ‘no detriment’

- The 100% pilot contained Tewkesbury and all districts, most of whom had risky hereditaments
- Still difficulty in planning for appeals due to uncertainty
- Fears of a high court appeal relating to the National Health Service trying to obtain charitable rates relief

Envisioned benefits

- Significant investment in economic growth opportunities across the County including a joint Strategic Economic Development Fund
- Unlocking funds to support a wide variety of priority projects including new homes, the UK cyber park and electric vehicle infrastructure
- Funding to support Children’s Services and Adult Social Care

“*We’ve got quite a bleak view about appeals in Tewksbury because we’ve been bitten so badly by it*." *Tewkesbury*

An additional motivation for participation was the opportunity to influence policy. While this was typically a secondary motivation, it was more motivating for local authorities who considered themselves to be at the extreme ends of the financial spectrum and wanted to ensure they were being fairly represented in the development of policy. Higher income areas with lower deprivation wanted to ensure that their own income was protected and put back into the area. Lower income areas with high levels of deprivation considered themselves to

[1] As noted in section 1.1, the ‘no detriment’ clause ensures that participating authorities cannot be worse off than if they had remained part of the 50% business rates retention scheme

have a need for greater expenditure and therefore wanted to ensure that authorities with similar profiles were adequately represented in any further scheme design.

2.2 Expectations of impact of pilot scheme

Pilot authorities largely expected positive outcomes from the scheme, including formalised collaborative processes, improved financial knowledge and greater levels of autonomy from central government.

There was a general expectation that regional governance processes would need to be strengthened and formalised to ensure accountability for the greater sums of money that the scheme was likely to bring in. Minimal changes were deemed necessary for 2017/18 pilot areas, as local authorities were already working closely together with established processes formed prior to the pilot. However, for the 2018/19 and London pilots, there was an expectation that more regular working groups and meetings would be needed to formalise practices, develop stronger working relationships and ultimately facilitate shared working.

> *"I think it will forge better political relationships between the three authorities and I suspect as a consequence of that then maybe more shared working on a day-to-day service level between the three authorities as well."* (Portsmouth City Council)

> *"I think the more that we work that way together we are much better placed to start to explore other areas like shared services."* (Tower Hamlets Council)

The London and 2018/19 cohorts also anticipated that the scheme would facilitate more aligned financial forecasting, allowing them to plan with greater confidence. This was expected to happen either by larger authorities sharing their practices with smaller authorities, or by applying consistent processes (such as standardised completion of NNDR1 forms) across the region.

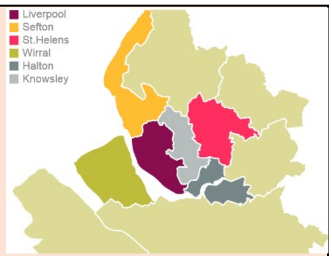
> *"It's given us a broader interest in what happens across the rest of London because as part of the pool it impacts us as well."* (Wandsworth Council)

Greater autonomy over financial planning and allocation of funds was initially expected by some of the 2017/18 cohort (see Liverpool City example, below). These authorities had anticipated being able to roll in certain additional grants as part of the pilot and were surprised and disappointed when this was not possible.

For the 2018/19 pilots, MHCLG set out clearer restrictions and expectations at the outset. This gave the new participants a better understanding of how much flexibility and control they would have during the pilot period.

LIVERPOOL 2017/18

Lead: Liverpool City



Pre-pilot landscape

- Fairly deprived region
- Cooperating relatively effectively

Pre-pilot understanding of the scheme

- Many authorities believed that the Public Health Grant and Improved Better Care Fund grants would be rolled into the pilot
- Considerable cooperation with Greater Manchester in applying

Perceptions of the pilot after its commencement

- Unhappy that they did not receive as much autonomy as expected:
    - Public Health Grant still in Department of Health and Social Care control
    - Did not get the same discretion about timescale to outline spending plans as Greater Manchester
- Local Authorities perceived as less financially stable welcomed the money received to

3. The set-up process

This section explores how governance structures and tier splits were determined during pilot set-up, explores the key factors that contribute to the successful governance of a pilot and highlights instances of 'best practice'. It concludes that:

- *In general, pilot areas maintained or formalised existing governance structures. This was often the case because of successful working relationships prior to the pilot, and a perceived short turnaround of the application. However, where the pilot had been the catalyst for new relationships, or where there was greater level of complexity in the pilot area, determining roles within the pilot pool became more challenging.*

- *Where tier splits had been renegotiated, the relative benefit to county councils tended to increase, based on perceptions of their greater relative need.*

- *Trust within pilot areas was recognised as key to a successful pilot. Trust was highest where there was transparent dialogue, pragmatic relationships, coherent principles and where authorities had worked together successfully in the past.*

3.1 Determining governance structures

It was common for pilot authorities to have a relationship prior to the pilot. For some, these relationships were relatively formalised – more commonly 2017/18 pilot areas, and 2018/19 pilot areas that had worked together on previous schemes, such as combined authority bids. For others, relationships were less well established, but still involved open and ongoing conversations.

Where relationships were already formed, pre-pilot governance structures tended to be mirrored in the pilot. This commonly involved maintaining the existing 'lead' authority, whether this was previously a formal or informal role, as well as continuing working groups and the collection of business rates data. Pilot areas saw no need to disrupt existing structures that were deemed to be working well. This was reinforced by the perceived short application process, where maintaining existing structures meant they could focus on producing a high-quality bid rather than negotiate new working arrangements.

"There is a really mature working relationship across Greater Manchester which underpins the way in which the governance structures were set up." (Salford City Council)

"We had to get ourselves, from a governance perspective, in order and preparing for it in quite short timescales in terms of turning everything round and getting all the approvals through." (South Holland District Council)

In some cases, governance structures were adapted, or new governance structures were initiated. For example, some pilot areas had a new authority joining who brought additional expertise or resource. While additional capacity was largely welcomed, there were some sensitivities when the new member played a leadership role. However, the perceived short time period given to complete the application process, meant that this did not become a point of dispute, and relationships were largely cohesive as the pilot progressed.

For other areas, the lead was decided according to pre-existing structures. For example, in the Solent pilot, Portsmouth took on the role of lead authority, reflecting a previous application for combined authority status.

"There'd already been long discussions about how we would construct the combined authority and what we wanted to do was keep alignment with that." (Portsmouth City Council)

Determining the lead authority in the London pilot was relatively complex. This involved a larger number of authorities than other pilots, prompting concerns about cohesion. To account for these concerns, London Councils took the role of a *de facto* lead to pull together the bid. They acted as a neutral body to facilitate political cohesion, aiming to ensure that all boroughs, with their own local concerns, were satisfied that the pool would be fair. This was largely considered a success, with many boroughs praising their role. However, a small number expressed some concerns that their involvement added an additional layer of complexity to the process.

"The makeup was very much designed to reassure local authorities that there was even-handed decision making." (Greater London Authority)

A small number of pilot areas had complex governance arrangements where one or more non-leads took on informal lead roles. For some, this was because they were a smaller local authority that may not have the administrative capacity to be the lead but held a specific area of expertise that would be useful for the pilot. In these instances, the formal lead would be responsible for the processes involved in implementing the pilot, and the *de facto* lead would act in an advisory capacity.

In another case, one pilot area had a history of more localised cooperation (see Kent & Medway case study, below). To ensure each of the smaller localised clusters were adequately represented, several 'sub-leads' had greater levels of interaction with the lead authority and acted as an informal lead.

KENT & MEDWAY 2018/19

Lead: Maidstone District Council

Tier split: 59% County; 40% Districts; 1% Fire and Rescue Services

Pre-pilot landscape

- The former pool worked in multiple combinations as part of the 50% business rates retention scheme
- Medway Unitary Authority were not part of the pool, so the pilot covered an expanded geography and promoted new local relationships
- Districts cooperated well within smaller localised clusters, often sharing services between a smaller number of local authorities

What were the new roles?

- Maidstone as the formal lead but Gravesham, Kent County and Ashford, among others, had informal, key roles within their clusters

Why were these new roles set up as they were?

- Kent has a history of *localised* cooperation. Continuing to be represented in clusters considered to ensure adequate representation of views across the pool

Outcomes

- Sharing money and roles as clusters ensured each local authority felt adequately represented in decision making and promoted the development of joint working between authorities

3.2 Determining tier splits

This section focuses solely on the 2018/19 pilots where different types of tier splits were tested. Pilots in devolution deal areas were not testing alternative tier splits.

A small number of pilot areas made the decision not to make relative changes to the tier split for the pilot. This was largely attributed to the relatively short period of time allowed for the application process which authorities felt left them with little time to negotiate a change. These pilots had projected a financial benefit for all, and so in the short term addressing the tier split was considered a lower priority than maintaining cohesion and achieving a successful bid.

Other pilot areas amended relative tier splits as part of the pilot set-up, more commonly providing a larger share to the county councils. This was justified based on the higher relative need of county councils, with many specifically referencing spending pressures for adult and children's social care services.

To define the specific amendments to the split, modelling of different scenarios had been conducted, often by external consultancy companies such as LG Futures, Pixel and organisations such as the Chartered Institute of Public Finance and Accountancy (CIPFA). Discussions amongst Section 151 Officers were then held over which scenario should be implemented. Generally, they went with the model that 'felt like the best fit' or was what they thought MHCLG would want to see.

> *"I think we were quite lucky really because all of them [the District Councils] recognised the financial pressures at county level so when we had the discussion about tier splits they were more than happy to go for a higher split for the county for that reason."* (Gloucestershire County Council)

Some 2018/19 pilots were thinking ahead to the 2019/20 BRR scheme and had already thought about how they might change the tier split in their pilot area. For these areas, there was a consensus of a move (or further move) to have a greater proportion to go to the county council. There was minimal 'pushback' observed from the district councils. Where there had been open discussions and modelling, the greater relative need of county councils was clear and was accepted across each of the authorities in the pool.

County councils were concerned that there may be more 'pushback' from district councils in future negotiations of tier splits. They suggested that the number of district councils being represented at negotiations, in comparison to just one county council, may result in their voice being underrepresented, and splits may therefore go against them.

> *"I think it should be a national decision about the tier split because if it's local it's just who can shout the loudest."* (Derbyshire County Council)

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DERBYSHIRE 2018/19

Lead: Derby City Council

Tier split: 49% County; 50% Districts; 1% Fire and Rescue Services

Pre-pilot landscape

- In a pool for two years before the pilot but relationship was less complex

How tier split was adapted

- County now receive a greater proportion of financial gain, but think a further increase in their proportion would be appropriate
- County wanted more input in decision making
- Tensions over how the tier split should be adapted in the future, and a desire for central government to own this decision in the future

3.3 Establishing trust

Trust within the pilot areas was considered to be the driving force for successful pilot set-up. Trust was strongest where pilot areas had the following:

- A transparent dialogue
- A pragmatic approach
- Coherent principles and ways of working
- A proven track-record

Transparent dialogue

Building open, transparent dialogue was considered essential for fostering a culture of trust amongst authorities. The most effective outcomes were achieved where every authority felt they had an appropriate level of involvement and where there was transparent communication of information from external sources (e.g. MHCLG, external consultants).

Across all three cohorts, authorities discussed the need for ‘appropriate’ levels of involvement in decision making. While the level of involvement deemed ‘appropriate’ varied substantially, authorities appeared more content where the level of input was established up front. This was achieved through replicating existing decision-making structures, or through holding upfront discussions about each authority’s level of input.

Decision making was most transparent in the 2017/18 cohort, where processes had often been established long before the pilot. To ensure each authority had adequate time to raise concerns, these pilot areas commonly prioritised the pilot on meeting agendas. Where decision making was most transparent for this cohort, pilot areas had set up specific working groups to enable all authorities to be represented and have adequate input into final decisions.

> *"We have the business rates pilot group ... that is representative of different views across the region. We discuss some of the key issues in the pilot ... how business rates are looking, troubleshooting, that sort of thing."* (Trafford Council)

The 2018/19 pilot areas typically had less consistently transparent decision-making processes. Where implementation was most successful, pilot areas took the pilot as an opportunity to consolidate existing relationships between Section 151 Officers by formalising existing working groups and meetings. There were concerns across a minority of these authorities that issues regarding the pilot could slip down or off agendas, reinforcing the idea that a pilot-specific meeting or process might be useful to ensure it remained a priority.

> *“If it wasn't [a requirement] it would be harder to get it onto the agenda, especially at the moment with everything occurring around fair funding and all the rest. People's minds can easily be distracted elsewhere."* (South Holland District Council)

The size of the London pilot area made establishing the level of input of each authority more complex. A small number of boroughs felt their opportunity to feedback on proposals was minimal. Although they recognised that it was difficult for the views of all London authorities to be accounted for and reflected in final decisions, they felt they should have more time to contribute. Moving forward, some boroughs wanted a greater level of input, and suggested that any room for revisions to the current agreement should be given with more notice than in the original application.

Authorities across cohorts also recognised the need for transparent communications between members of pilot pools, especially regarding information from external sources, such as MHCLG and consultants. There were some common ways in which pilot leads ensured transparent flows of information between MHCLG, the pilot administrative lead and the rest of the pilot pool. This included ensuring that any external information provided to lead authorities was passed on in a timely manner and in its original format. Authorities were suspicious of information from leads that felt ‘second-hand’ or manipulated.

Pilot areas in the 2018/19 cohort commonly employed external consultants to act as a neutral body in writing applications and supporting business rate forecasts. Authorities reflected on how this had given them greater confidence that decisions were being made based on transparent information and therefore made decision making quicker and more cohesive.

Pragmatism

Individual authorities within a pilot area were considered pragmatic where they recognised that small concessions at a local level would enable regional benefits, therefore making the pilot area more successful. Where authorities practiced this, trust was built within pilot areas and relationships became more cohesive.

In the 2017/18 cohort, this was most successfully achieved where pilot areas viewed the scheme as an opportunity to build on their existing collaborative perspective. This involved not competing with one another for business but working together strategically to make the area more attractive to businesses. Pragmatic relationships appeared more established here than in other cohorts.

> *"The appeal of the pilot was on the basis very much driving benefits for Greater Manchester as an area and not for individual authorities."* (Tameside Metropolitan Borough Council)

The 2018/19 and London cohorts built pragmatism into ways of working during negotiations for the pilot. Pilot areas were working in a more cohesive way, whereby authorities had recognised the overall potential financial benefit of the pilot and accepted that some financial concessions had to be made at the local level for the pilot to work. This was less successful where authorities felt that others had not been flexible and had not recognised relative need.

> *"We did the distribution in such a way that everyone would benefit even if they didn't necessarily grow."* (Gloucestershire County Council)

Coherent principles

Where pilot areas developed key principles during the set-up of the scheme, there was a clear ethos for pilot areas to work by. Such key principles provided a basis of understanding about how the pilot would run in their area and made local authorities aware of how they would benefit. Some examples of key principles outlined by pilot areas included:

- No local authority within the pilot area will be worse off – when one local authority is set for a financial loss in relation to its business rates income, the other local authorities in the pilot area will provide financial support
- The share of the financial reward should be based on contribution to growth – put in place to encourage business growth
- The share of the financial reward should be based on population size and relative need – to ensure that authorities with a greater need for resources benefit more.

Where relationships were less well established – generally in the 2018/19 and London pilots – principles were more commonly discussed in an upfront way. Some 2018/19 authorities formed these principles by getting all members around the table, agreeing principles and then employing external consultants to run modelling based on them. This process increased the levels of buy-in from individual authorities and made agreeing on final financial splits simpler and smoother.

> *"We agreed on the principles that any model would seek to establish a baseline for all authorities so there would be … a guaranteed minimum that each authority would get so that was your financial sustainability tick. And then there would be a variable element that would seek to take into account pressures faced by population growth and also seek to reward those which had delivered business rates growth*." (Gravesham Borough Council)

As mentioned previously, In London the size of the pool made agreeing principles a more complex process. Instead of principles being decided with all authorities in the room, they were discussed centrally and fed back to boroughs to comment on. Higher earning boroughs tended to be more satisfied with their level of input into principle, where others were less satisfied.

For more mature working relationships (commonly among the 2017/18 cohort) these principles were entrenched in ways of working and were implied in conversations. These pilot areas had been working in line with their common principles for many years, and it was often felt that there was no need to address or adapt them.

Proven track record

As expected, where authorities had successfully worked together in the past for an extended period, greater levels of trust were present (see Greater Manchester case study, below). While this was more commonly found in 2017/18 authorities, some 2018/19 authorities were also starting to consolidate their working relationships.

GREATER MANCHESTER 2017/18

Lead: Manchester City Council

Transparent dialogue

- There were existing structures in place prior to the pilot to ensure transparent communication between authorities (e.g. Greater Manchester Combined Authority meetings, Treasurers meetings) meaning authorities commonly agree on policies collectively. These were continued throughout the pilot
- A Business Rates Pilot Group was set up to ensure the voices of authorities were represented and all authorities knew progress with the pilot

Pragmatism

- Discussion of authorities working together for decades for *"the greater good"* (Oldham)
- Discussion of *"excitement"* (Trafford) at seeing new businesses in other GM authorities

Coherent shared principles

- BRR was part of a wider journey towards more decentralisation, such as the 2011 creation of the combined authority
- Relatively high levels of political agreement

Proven track record

- Cooperation between Greater Manchester authorities had existed for decades
- Existing systems and structures in place that were working well (e.g. tracking of business rates, GMCA, Treasures Group)

"There is a really mature working relationship across GM which underpins the way in which the governance structures were set up." Salford

4. Impacts on collaborative working

This section explores the impacts that the pilots have had on authorities. More specifically, it examines the extent to which pools are collaborating both in terms of communication and forecasting processes. It concludes that:

- *The pilots facilitated a greater level of cross-authority collaboration by formalising conversations and allowing authorities to better understand one another*
- *The pilot encouraged a greater focus on financial forecasting. Sharing best practice processes and increasing data collection points facilitated a greater accuracy of forecasts and allowed greater certainty in financial planning*

4.1 Collaboration

The pilot areas were all at different stages of developing collaborative processes. While the 2017/18 cohort were further along in the journey, London and 2018/19 pilot areas were strengthening and consolidating their processes.

Among the 2017/18 cohort, collaborative working was generally already well established. Many authorities did not expect the pilot to significantly change ways of working. In reality, some authorities found that the pilot did facilitate more collaborative strategy. For some, this was through tangible processes being put in place, such as pilot-specific working groups, to ensure forward planning and discussion of upcoming issues was a priority. For others, greater collaboration was observed through softer actions. These included some authorities changing their mindsets towards authorities in their pilot area. The sense of competition for business within the area had lessened and was replaced by positive thinking towards getting new businesses into the wider area. One participant discussed how a neighbouring area had attracted a new business, and how in the past this would have elicited a sense of frustration. In the context of the pilot it was now something they were excited about.

London boroughs were already having London-wide conversations about business rates prior to the pilot, however these tended to be on an informal basis. The pilot provided the motivation for these conversations to be formalised, facilitated by London Councils. Boroughs came together to demonstrate their ability to work collaboratively across all London authorities and show that further devolution was possible. Generally, London boroughs suggested that collaboration was working well. This was shown through the significant number of innovative cross-borough bids for a share of the Strategic Investment Pot (SIP), and the subsequent assertions that boroughs now had a greater understanding of one another. Despite this, many boroughs recognised that the size of the region meant there were different views about the types of cross-borough projects that should be invested in and which areas should benefit the most. As such, ensuring all boroughs were kept involved and happy with the direction of the pilot was described as a ‘balancing act’. One suggestion to ensure continued and cohesive working was to facilitate a platform for those who were less content in the current set-up to raise their concerns.

Pilot areas within the 2018/19 cohort generally had existing relationships and were having conversations about consolidating them. The pilot was viewed as a catalyst for enabling more strategic conversations, in turn helping to build cross-authority knowledge, a culture of trust and an aligned vision for the future.

"The pilot focused our minds and pushed us towards further collaboration." (North Devon Council)

2018/19 pilots were commonly bidding to continue their participation in the business rates scheme after being invited to apply to become 75% BRR pilots for 2019/20. They found that greater levels of trust and a more strongly aligned regional vision had made the more recent application process more straightforward and quicker to complete. Pilot areas also discussed refined processes (such as communication and forecasting processes) that the pilots had brought about and that they wanted to take forward regardless of whether they were successful in their applications.

DEVON 2018/19

Lead: Plymouth Unitary Council

Tier split: 59% County; 40% Districts; 1% Fire and Rescue Services

Pre-pilot landscape

- Lack of formal interaction between the District, County and Unitary Councils and proposed growth projects left unfunded (e.g. the North Devon Link Road)

What collaborative processes were established?

- Devon County Council employed a liaison to coordinate with districts
- New reporting processes for forecasting and quarterly Budget Monitoring Group meetings

Why did collaboration flourish?

- Tight-knit, cross-pool relationships due to proximity and churn between authorities' staff
- Large business closures, such as the Hemerdon Mine, and large potential appeals had increased the desire for pragmatism and financial benefit
- Devon County Council were a strong and pragmatic representative for the districts

How has collaboration benefited the pool?

- North Devon includes more stakeholders from other districts and counties in its best practice and skill-development workshops
- Collaboration among the economic regeneration teams has led to joint-funded projects such as a business park near Exeter

"You've got to keep politics out of it for the benefit of the wider [pool]." (Anonymous)

The pilot typically acted as a catalyst for refining forecasting processes and maximising business rates income. Pilot areas tended to follow a similar pattern in how they went about this.

Generally, pilot areas had an existing system in place for business rate forecasting prior to the pilot, usually involving the completion of an NNDR1 form and returning this to the 'lead'. The forms, however, were not commonly completed in a standardised way across authorities and authorities felt that this was leading to less accurate forecasts. Where forecasting processes were less aligned there tended to be a culture of distrust, with authorities suspicious of their counterparts for 'gaming' the system to gain more financial rewards.

The pilot acted as a motivator for areas to set up working groups or hold meetings to discuss how forecasting could be aligned. It offered a forum for less experienced authorities to improve on existing processes without using extensive additional resource. For pilot areas in the 2017/18 cohort and London these conversations tended to be part of existing meetings, whereas in the 2018/19 cohort, working groups or meetings were more commonly formed specifically for this reason.

Local difference was generally accounted for when designing more aligned processes. Areas such as London and Kent discussed the need to acknowledge the different contexts when trying to align forecasting processes. This was largely because of authority-specific issues around appeals, such as authorities being very reliant on one business.

> *"There has been a learning curve and we have benefited from that. We have had to think about our growth projections and what we are putting into these forms in a slightly different way."* (Ealing Council)

Pilot areas that already had joint forecasting processes in place (more commonly, but not limited to, 2017/18 pilot areas) took further steps to ensure greater levels of accuracy. More business rates data collection points were added to build a high level of oversight of financial forecasting, allowing the pilot areas to better understand what the financial gain or loss would be. These processes were largely successful for pilot areas, who reported that their forecasting was becoming more accurate.

A small number of pilot areas went beyond improving forecasting processes and began tracking business rates in more detail to maximise the financial gain. For example, the West of England pilot area took steps to identify and target non-compliant businesses (those they deemed should be paying business rates but were not) using techniques such as aerial photography (see West of England case study, below).

WEST OF ENGLAND 2017/18

Lead: West of England Combined Authority (WECA)

Pre-pilot landscape

- Some authorities hit by appeals (such as Bath and North East Somerset by large supermarkets)
- Combined Authority established in 2017 so processes yet to be established and consolidated
- Problems with collecting all business rates

Changes to forecasting and scoping processes

- Built on the City Region deal processes, such as by increasing meeting frequency, to deepen collaboration
- Using aerial photography to identify potential businesses that were not on the Business Rate database

Outcomes

- Learning about best practice forecasting from one another
- An increase in business rate income leaving WECA better placed to fund its services, like integrated transport
- Better ability to prepare provisions for appeals and to forecast growth

5. Financial impacts

Pilot authorities have commonly seen financial benefits from participating in the pilot at both the local and regional level. Exploring the financial benefit at the local authority level allows us to understand the impact that the pilot has had on the ongoing running of services in the authority. Exploring the benefit at the regional level exposes more innovative investment and outcomes of the pilot. This section finds that:

- *Many authorities were using additional income at the local authority level to support services with high demand in the local area*
- *Some authorities were able to delay spending of the additional funds, instead putting them into reserve for envisioned upcoming risks*
- *In general, the 2018/19 and London cohorts more commonly reported being involved in collaborative financial investment. Some tangible benefits were observed, although these tended to be for one-off strategic projects or for supporting existing projects rather than longer term strategic investment*

5.1 Supporting existing services

The Government has previously announced its aim to improve the way in which certain elements of the current business rates retention system work, as well as to further increase local government's level of business rates retention. To ensure the increase in business rates retention is fiscally neutral, some existing grants will be phased out and their responsibilities funded through retained business rates instead.

The 2017/18 and 2018/19 pilot authorities are operating along the same principles. While certain grants have been phased out, the increased level of retained business rates means pilot areas have the opportunity to retain a higher share of business rates. This opportunity was welcomed by many authorities, particularly in areas where services were in high demand.

However, some authorities in the 2017/18 cohort reported not seeing significant growth in their business rates in the duration of the pilot, and so the financial impact of the pilot on the areas was less than they had expected. One pilot area that had seen such results referred to the pilot as simply being a 'funding swap'.

Other pilot areas in the 2017/18 cohort, and more commonly across the London and 2018/19 cohorts, saw higher levels of business rates growth. They therefore recognised greater financial impacts of the pilot. The additional funding was considered an essential contribution to the day-to-day running of existing services where there had been a reduction in overall funding over previous years. This often took the form of supporting existing services within authorities that were, in the view of Directors of Finance, in critical need of additional finances, including, but not limited to, adult and children's social care, housing and homelessness (see Leeds City Region case study below). Without the additional income from business rates growth, authority finance directors indicated that they felt that they would need to make further, potentially damaging, cuts elsewhere.

> *"It will be crucial in how we manage next year's budget which is extremely difficult for us … it's more than plugging gaps … what we would have to do if we didn't do that in terms of cuts elsewhere in the council is horrendous."* (Swale Borough Council)

LEEDS CITY REGION 2018/19

Lead: Leeds City Council

Tier split: 9% County; 90% Districts, 1% Fire and Rescue Services

Pre-pilot landscape

- Services with high levels of demand and under pressure to maintain current levels of coverage

Outcomes from the pilot

- Greater funding for the existing baseline budgets, especially for Adult and Children Social Care
- Wakefield and Kirklees have both put much of the gains into Social Care services
- Authorities uncertain about their financial position in future

> *"Most authorities have simply used it to either reduce the reduction that they were going to have to make or to meet pressures that were emerging."* Anonymous

5.2 Improving financial sustainability

Authorities who perceived themselves to have relative financial stability used additional income from the pilot to build a reserve to protect themselves from anticipated future risks, including the impact of EU exit on local businesses, further anticipated cuts to services, and uncertainty over a new 'Check, Challenge, Appeal' appeals process. Building a reserve was deemed particularly important given the scheme was running as a pilot and the recipient authorities were either uncertain of how long they would be able to benefit from the additional income of 100% BRR or did not know whether they would be successful with their applications for the 75% BRR pilot scheme in 2019-20. As such, authorities that were able to hold higher proportions of money in reserve did so, rather than directing additional funds towards services immediately. This contributed to financial sustainability.

> *"We're holding back as long as we possibly can. My intention in any event is to not let that money be mainstreamed into any budget because this is only a pilot."* (Anonymous)

5.3 Investing in regional projects

Using additional income from the pilot to invest in strategic regional projects was least common in the 2017/18 pilot areas. This is perhaps a reflection that this was not a requirement during the pilot application at that stage.

The maturity of the Mayoral Combined Authority (MCA) also played a role in whether a 2017/18 pilot area shared funding for collaborative investment. Where MCAs were less mature, constituent authorities were motivated to shift power down from central to local government, rather than passing power from the local level to MCA level. Where 2017/18 pilot areas did include the MCA, the percentage of growth that would be shared by constituent authorities was agreed at the local level. The success of sharing this income was attributed to the maturity of the MCA and the existing structures and communication processes that were in place to invest in a strategic way. This suggests that as MCAs mature, local authorities within that area may be more inclined to share a proportion of their BRR growth with the MCA to assist in delivering collaborative investment.

Pilots in the 2018/19 cohort more commonly pooled money for regional investment. The prospectus for this cohort outlined that there should be evidence of how pooled income from growth should be used across the pilot area. This suggests that signposting towards a strategic and collaborative approach is likely to encourage conversation and negotiations around a more collaborative financial approach.

> *"You read a prospectus, you try and determine what the government is after and look at what's best in terms of demonstrating you're trying to work together regionally as a pool to drive economic benefit and to grow business rates."* (Harrogate)

A small number of 2018/19 pilots were not yet pooling money for collaborative investment. For these authorities the short-term nature of the pilot and the relatively small financial gain felt restrictive in terms of what they could achieve, and it was not considered efficient to dedicate time to set up processes for collaborative investment for a scheme that may not run into the long-term.

> *"I think collectively [the gain] was just over £10m. If you are putting that towards a strategic project, it's probably not as much value for one or two single projects … Doing something significant collectively would need more than £10m."* (North Lincolnshire Council)

London put a strong collaborative investment approach in place through the Strategic Investment Pot (SIP). This was largely motivated by a desire to demonstrate the ability of all the boroughs to work together in a strategic way and push for further devolved responsibilities. Moreover, it was common across the boroughs to find a genuine recognition of the benefits of working with neighbouring authorities.

Where money was being used collaboratively, it tended to be used in similar ways across the different pilot cohorts. Collaborative spending tended to be on one-off strategic projects or used to support an ongoing project that would otherwise be significantly lacking in funding (see Figure 1). Long-term projects, that would require ongoing funding from business rates, were rarely invested in due to uncertainty over how long the pilot would run for.

Figure 1. Examples (not exhaustive) of projects invested in through strategic funds

One-off strategic projects	Supporting ongoing projects
Leeds City Region: Small office space for digital start-ups	Lincolnshire: Injecting finances into an ongoing housing development to speed up the process
Leeds City Region: WiFi infrastructure and an app for the World Cycling Championships	Gloucestershire: Feeding into investment in the 'missing link' A417 road into the Cotswolds
Kent: Investment in a business incubator (a company that helps new start-up companies to develop)	Leeds City Region: Accelerating the development of new housing
London: Cross-borough investment in fibre networks and 5G	
Greater Manchester: Investing in skills development programmes	

Authorities largely wanted to be able to continue to work in a similar collaborative way going forward as they recognised the benefits of strategic, collaborative investment. However, across cohorts, authorities recognised that uncertainty limited the extent to which investment could be innovative and long-term. The 2017/18 pilots discussed the uncertainty that came without knowing the length of the pilot and were therefore reluctant to build additional funding into their longer-term budgets. As such, any strategic investment was limited to the short term, where Section 151 Officers and leaders could be certain of finances.

The picture was similar for London and 2018/19 pilots, despite having an agreed end date for the pilot (31st March 2019). These pilot areas were uncertain whether they would qualify for the 2019-20 pilot programme and how business rates policy might change in the future.

As a result, they were also reluctant to fund more innovative projects that would require ongoing funding.

2018/19 pilot areas that were in newer relationships commonly reported feeling disappointed that the 2017/18 pilots had been permitted to carry on, where they had to reapply. There was a sense of resentment that the uncertainty over the 75% BRR scheme made it more difficult to plan, and that their newly established working relationships may not be able to carry on in the way that they would have liked.

GLOUCESTERSHIRE 2018/19

Lead: Stroud District Council

Tier split: 50% County; 50% Districts

Problems to overcome

- Gaps in transport infrastructure and some services prior to the pilot (e.g. the ‘Missing Link’ A417 in the Cotswolds)
- A need to attract more businesses (Gloucester losing businesses to Bristol, small areas struggling to attract businesses)

Collaborative investment commitments

- The pilot was conducive to Gloucestershire councils cooperating when they used to compete (e.g. development of a 5-acre leisure centre to benefit both the Forest of Dean and Cheltenham)
- A commitment to inject income into the A417 that will benefit all authorities

Outcomes

- Potentially a cycle of sustainable, increased economic growth through the multiplier effect – with more businesses and thus higher spending
- More consideration of partnering to spend on large projects

6. Future considerations

This section explores some areas of concern expressed by pilots around the sustainability and scalability of the 100% BRR scheme and steps that could be taken to rectify these concerns. It is important to understand these concerns so that the reformed BRR system can seek to address them. Three main concerns were identified:

- *Appeals: a common concern across authorities, particularly among high-risk areas*
- *Resets: a common concern across authorities with high levels of recent growth, or potential for high-growth levels*
- *Relationship building: concerns around receiving a 'fair share', having to bail other authorities out, and gaming*

6.1 Appeals

Appeals were the most common concern raised by authorities across all three cohorts; specifically, relating to uncertainty over the process, concerns over risky hereditaments and experience of difficult appeals. Many authorities discussed the uncertainty and lack of transparency of appeals as a key concern for the pilot. Authorities referred to being provided with limited information about the status of current appeals and experiencing challenges with getting more information from the Valuation Office Agency. High levels of uncertainty were increased by the introduction of the 'Check, Challenge, Appeal' process. Authorities were yet to see a significant number of appeals work through this process and so felt unable to determine likely outcomes.

> *"If you don't get the required information to have an up-to date view of it then it can be quite difficult to make a judgement about whether there's enough set aside."* (Salford City Council)

This uncertainty was further amplified by the potential impact of wider issues linked to the eligibility of properties for business rate reliefs, including the current NHS Trust claim for charitable rate relief. This affected most pilot authorities to a greater or lesser extent. Authorities had significant concerns over the financial impact that this could have on them.

Some authorities considered themselves to be at higher risk of appeals, making them a greater concern. For example, authorities who were heavily reliant on one business or organisation for business rates were concerned about their financial resilience if this business were to appeal.

For others, concerns were rooted in previous experience of a large-scale appeal. These authorities were aware of how this could impact their wider budget and therefore service delivery. As a result, they were concerned about taking on a higher level of risk if the 100% BRR scheme was to be implemented nationally.

Local authorities outlined steps they felt could be taken to limit the impact of appeals on the sustainability of the scheme. More transparent processes, including the ability to see greater levels of detail around the progress of an appeal (rather than simply seeing the appeal as 'pending') was seen as a way to enable authorities to plan better. A small number of local authorities also suggested that greater levels of communication and support could be offered over the new 'Check, Challenge, Appeal' process to ensure that they fully understand the process and its implications for them at a local level.

6.2 Resets

Both the planned 2020/21 full reset, and subsequent future resets, were often spontaneously raised by authorities during the research. While resets were viewed positively by authorities that welcomed greater levels of growth redistribution, those that had seen significant recent growth in business rates considered them to be of significant concern. Their concerns generally involved two key elements: financial uncertainty and feeling as if they would not see rewards for their growth.

Financial uncertainty associated with resets related to authorities being unaware of whether the resets would be full or partial. There were concerns that full resets would result in volatile business rates income leading to destabilisation of local authority finances. Without greater certainty over the reset process, authorities felt unable to financially plan in the medium and long term (see Solent case study, below). This restricted their capacity to fund services and invest in collaborative and innovative projects.

Some authorities with high levels of recent growth felt that they would not be able to recognise or capitalise fully on their increased business rates income if resets, particularly full resets, came into play. Many of these authorities had been actively striving for growth through strategic investment over several years, creating an environment conducive for businesses (e.g. investing in retail or cyber parks). As such, they were concerned about losing the financial benefits of this growth if a full reset were to come in in 2020/21. They felt this growth should be rewarded ideally through no resets, but at a minimum through partial resets that recognised their successes. This would encourage further strategic investment and support council funding.

"One would hope that we would not penalised for the growth since we started the scheme but the reset would mean that we might be and every penny that we can't retain means that we'll have to reduce services. It's a big red flashing light in our financial planning." (Anonymous)

Overall, authorities wanted greater certainty about what the reset process would look like – clear communications and reassurance that the process will not change in the short to medium term – to allow for a greater level of financial planning. This would enable more confident forecasting and more innovative and collaborative investment.

SOLENT 2017/18

Lead: Portsmouth City Council

Tier split: 99% for Portsmouth and Southampton; 1% going to the FRS, 100% for Isle of Wight

Pre-pilot landscape

- Consistent growth of around 10% per year

What is the money going towards?

- Supplementing existing capital revenue
- Sea defences and flood alleviation

Impact of reset uncertainty

- Concerns over timing and extent of resets
- Uncertainty over resets reinforces reluctance to build financial gains into budgets
- Only one year of certainty means that financial gain currently cannot be used to sustain services

6.3 Relationship building

While relationships within pilot areas had largely improved throughout the course of the pilot, there were some remaining concerns around the sustainability of the relationships should the scheme be implemented nationally.

A small number of local authorities across pilots raised concerns about the proportion of the financial benefit that they were currently receiving or that they might receive should the terms of the pilot area's relationship change in the future. This was more commonly found among the 2018/19 cohort and within London where finances were more likely to be pooled.

In the 2018/19 cohort, concerns around whether all participants would receive a 'fair share' largely came from county councils who had relatively higher needs than their districts. As discussed in more detail in Chapter 3.2, some counties were concerned about pushback from district councils who could 'shout louder' for their share of the finances because there would be more of them in the room. Some counties discussed how, if tier splits went against them, their service delivery could be impacted. They therefore questioned the sustainability of the scheme if it were to be rolled out nationally. To account for these concerns, one council suggested bringing in a nationally set tier split.

Other authorities suggested that, instead of enforcing a set tier split, guidance should be provided on the suitability of different splits to different contexts. Moreover, to ensure best practice negotiations and a cohesive process, a space should be provided for county councils to adequately express their needs and for their voices to be heard by districts.

> *"That's why we need the Government to make a proper rational decision about tier splits rather than leaving it to us."* (Derbyshire County Council)

Within London, boroughs that felt their comments during the bidding process had not been heard were more commonly concerned about receiving a ‘fair share’ of the financial benefit than those who had felt their comments has been adequately addressed. Some suggested they were generating wealth and not seeing adequate returns, whilst other authorities were benefiting without contributing to the same level. For a small number of boroughs, these concerns centred around the suggestion that within the London pilot area boroughs could ‘game’ the amount of growth they were sharing with the wider pool.

> *"We're generating the wealth and we're giving it away.”* (Anonymous)

A small number of local authorities also expressed low level concerns about the prospect of having to bail out other authorities in their pilot area because of appeals, full resets or businesses leaving the area. This largely came authorities seen to be wealthier, who were concerned about protecting their income. However, some lower income authorities also expressed concerns about having to be bailed out and the impact that that might have on the broader cohesion of the pilot area.

> *“A relatively small fluctuation in our fortune could wipe out those of everyone else.”* (Anonymous)

To address these concerns, many authorities recommended that the ‘no detriment’ clause should continue as the BRR pilot scheme evolves, particularly while relationships were being consolidated within pilot areas.

Appendix A: sample tables

These tables outline the number of interviews conducted within each of the pilot areas. Each table shows a different cohort.

2017/18 cohort

This table shows the breakdown of participants from the 2017/18 cohort. It includes three different breakdowns:

- Whether participants were part of a prior stage of research called 'Lessons Learned'
- Whether participants took part in a face-to-face interview or telephone interview
- The breakdown based on pilot area

	ACHIEVED	
	ALL	LEAD
	2017/18	
17/18	16	4
17/18 Phase 1 Participation		
Stage 1 17/18 Lessons Learned Pilots	11	4
Stage 1 17/18 NOT in Lessons Learned Pilots	5	0
17/18 Interview Type		
F2F	4	2
Teledepth	12	2
17/18 Pilot Areas		
Cornwall	1	1
West Midlands	3	0
Greater Manchester	6	1
Liverpool City Region	4	1
West of England	2	1

2018/19 cohort

This table shows the breakdown of participants from the 2018/19 cohort. It includes two different breakdowns:

- Whether participants took part in a face-to-face interview or telephone interview
- The breakdown based on pilot area

	ACHIEVED	
	ALL	LEAD
18/19 Pilots (Not including London)		
18/19 Interview Type		
Teledepth	36	8
18/19 Pilot Pool		
Berkshire Pilots Pool	1	0
Derbyshire Pilots Pool	3	0
Devon Pilots Pool	5	1
Gloucestershire Pilots Pool	5	1
Kent and Medway Pilots Pool	7	1
Leeds City Region Pilots Pool	4	1
Lincolnshire Pilots Pool	4	1
Solent Pilots Pool	1	1
Suffolk Pilots Pool	2	1
Surrey Pilots Pool	4	1

London cohort

This table shows the breakdown of participants from the London cohort.

London 18/19 Pilots	16
London Interview Type	
F2F	4
Teledepth	12
Authority Type	
Metropolitan District	0
Unitary Authority	0
Inner London Borough	8
Outer London Borough	7
Greater London Authority	1