

APPENDIX A

PILOTING EARLY IMPLEMENTATION OF 100% RATES RETENTION

Following recent discussions about piloting approaches to 100% rates retention in the Liverpool City Region, this letter sets out the principles upon which the Department for Communities and Local Government (DCLG) and the Liverpool City Region authorities will develop a 100% pilot.

All six local authorities in the Liverpool City Region and the Merseyside Fire and Rescue Service will participate in the 100% pilot.

As agreed, the precise details of the approaches to be piloted are to be worked up between the Liverpool City Region authorities and DCLG over the coming months and may include the development of mechanisms to manage risk and reward under 100% rates retention; and to finance from additional business rates new responsibilities and/or existing funding streams, including those that support economic growth at individual authority or combined authority level.

In developing the piloted approaches, Liverpool City Region will have the opportunity to help shape the design of the new 100% rates retention scheme before it is finally implemented in the City Region and more widely.

The piloted approaches are to be without detriment to the resources that would have been available to individual authorities in the Liverpool City Region under the current local government finance regime over the four-year settlement period. Such resources will include Revenue Support Grant and the actual current and future business rates income that authorities would have retained under the current scheme, including the benefits of growth.

To the extent that the pilot arrangements of themselves result in fewer resources being available to the Liverpool City Region than would have been the case under the existing local government finance regime (as described above), the Government will make good the difference, as measured at the level of the City Region.

To the extent that the pilot arrangements result in more resources being available in the period before full 100% rates retention is generally implemented than would have been available under the existing local government finance regime (as described above), any additional funding will, as necessary, be used to make good losses to any individual local authority and then invested in projects designed to secure further economic growth.

In developing the details of the approaches to be piloted, the Liverpool City Region and DCLG will have regard to the wider objectives the Government is seeking to achieve from 100% rates retention, namely:-

- Giving authorities an incentive to grow local tax bases by ensuring they see long-term rewards from growth;
- Maintaining a predictable income stream against which authorities can take long term investment decisions; and,
- Ensuring that local authorities can continue to provide a full range of local services, whilst recognising that decisions about spending priorities should be made locally by locally-elected representatives accountable to local taxpayers.