ENCLOSURE 12.1

CANNOCK CHASE COUNCIL

CABINET

20TH OCTOBER 2011

REPORT OF THE HEAD FINANCIAL MANAGEMENT

RESPONSIBLE PORTFOLIO LEADER: LEADER OF THE COUNCIL

PROPOSAL FOR BUSINESS RATE RETENTION – CONSULTATON RESPONSE

KEY DECISION – NO

1. Purpose of Report

1.1 To update Members on the Government's proposals in relation to the Local Government Resources Review and in particular Proposals for Business Rate Retention and to consider the Councils Draft Response to that Consultation

2. Recommendation(s)

2.1 That the report on the proposed changes to Local Government Funding is noted

2.2 That the draft response of the Council is approved in principle with the formal response and responses to the technical questions being delegated to the Leader of the Council and the Head of Financial Management

3. Summary

3.1 The Council is currently funded from three main sources; Fees and Charges; Council Tax and Government Support. The latter is in the form of Revenue Support Grant and redistributed Business Rates based upon a funding Formula, although the Council collects Business Rates for the District this is paid to the Government for redistribution.

3.2 The Formula Spending Assessment consists of four blocks – Needs/Resources/Central Allocation and a Floor. The latest government settlement only related to two years, 2011-12 and 2012-13, pending a review of Local Government Finance.

3.3 The review of Local Government Finance is currently in progress with two consultation papers being considered – Localisation of Council Tax Support and Proposals for Business Rates Retention.

3.4 The proposals for Business Rates Retention specify three forms of Government funding in the future; Retention of a share of Business Rates; New Homes Bonus; and ad- hoc grants.

3.5 The principles of the reform of Local Government funding as specified in the consultation document are to:

- Build into the local government finance system an incentive for local authorities to promote growth over the long term

- To reduce local authorities dependency upon central government , by producing as many self sufficient authorities as possible

- To maintain a degree of redistribution of resources to ensure that authorities with high need and low tax bases are still able to meet the needs of their areas; and

- Protection of businesses and specifically, no increases in locally imposed taxation without the greater agreement of local businesses. Give local authorities a greater stake in the economic future of their local area.

3.6 The Department for Communities and Local Government published its proposals for a Business Rates Retention scheme on the 18 July 2011. A further 8 technical papers were published on 19 August 2011.In total there are around 100 questions in the consultation documents.

3.7 The Council's draft overall response (Annex 1) is attached and authority is requested to delegate the response to the Technical Questions to the Head of Financial Management and the Leader of the Council

4. Key Issues

4.1 The system is intended to come into effect for the 2013-14 financial year with Business Rates Retention proposals based upon two elements

- Starting Point/ Baseline

- The incentive scheme for growth

4.2 In relation to the Starting Point or Baseline the Council's share of national business rates will be determined initially, and then reduced pro-rata to the 2014-15 expenditure control totals for Local Government. The Council's business rates will also have been adjusted to take into account redistribution to Police and Fire Authorities, at National Level, and to the County Council via Two Tier Split arrangements.

4.3 Each authority's share of national business rates is then compared to its adjusted 2011-12 Formula Spending Assessment (FSA), as determined under the current funding regime as described in paragraph 3.2, but reflecting 2014-15 control totals..

4.4 If a local authority's need as determined by the FSA is greater than its Baseline Business rates it will require a Top Up from Government (redistribution of Business Rates) , whereas if business rates exceeds its current formula it will pay a Tariff to the Government.

4.5 The Top Ups or Tariffs will then be consolidated into the Business Rates Retention system and effectively fixed. (The consultation poses the question whether they should be fixed in cash terms or uplifted annually for inflation).

4.6 The central determination and control over of Business Rates will remain in place with revaluations taking place every five years. Rateable values will be determined by the Valuation Office Agency with the multiplier, or the rate in the pound charged, being determined by the

Government on an annual basis. Multipliers are in the main uplifted each year for inflation and only reset following a revaluation.

4.7 The incentive for growth is that the local authority will retain, subject to set asides; levy's; County/District Split and safety nets its share of business rates. If Business rates increases as compared to its baseline it will be better off; if Business rates contracts it will be worse off.

4.8 It is proposed that a levy (to be determined) will be in place to claw back any disproportionate gains in business rates whereas a safety net based upon a threshold will exist if business rate income falls.

4.9 In order to mitigate volatility and share the benefits of growth the proposed system includes voluntary pooling arrangements of local authorities in a geographical area.

4.10 The proposed system would also have features to enable it to be reset at a later date if the level of business rates no longer met service needs or pressures. However it is suggested that the reset period should be medium to long term enabling any borrowing to be guaranteed based upon business rates growth.

4.11 A copy of a Plain English Guide published by DCLG is attached as Annex 2 . Nevertheless the actual proposals are very complex, as can be demonstrated from the 100 or so questions in relation to the scheme. The current proposals are also clouded in uncertainty and lack detail and until the relevant scheme is finally designed it is difficult to determine the exact impact upon the Council. There are however a number of key considerations in evaluating the options subject to consultation and they are centred on the following determinations:-

- .Baseline Funding
- County/District split
- Top Up – Cash limited / Index Linked
- Volatility of existing Business Rates
- Prospects for Growth

4.12 The context for Cannock Chase Council is as follows :-

- ♦ Business Rates collected £30 million
- ♦ Government Support 2012-13 £5.8 million
- ♦ Protection of £0.4 million currently received via damping mechanism
- ♦ County/District split anticipated to be 77/23 or 88/12
- ♦ Potential Top Up Required £1-3 million
- ♦ 26% of Business rates accounted for by 9 Businesses

The Councils Response

4.13 The Councils response in relation to the broad principles of the scheme is attached (Annex 1) A technical response to the questions as contained in the Consultation Document is currently being drafted.

4.14 The key issues as outlined in the response include: _

- The Concept of Business Rates retention is supported but there are fundamental concerns in relation to the proposals
- Further meaningful dialogue is required to prevent the inadequacies of the old and proposed funding regimes being "locked in" for the considerable future.
- The combined impact of the 2010 Comprehensive Spending Review; Business Rates Retention; Localising of Council Tax Reform and the New Homes Bonus together with an assessment of and current economic and social needs should be considered and evaluated as one.
- Business growth should balance regeneration and retail and be real growth rather than a transfer of a "business" from one area to another.
- The review of Local Government Finance should be based upon the following hierarchy Needs; Protection and then Incentives .
- The acute needs of Cannock Chase Council and its exposure to volatility and constraints on growth need to be reflected in any funding regime

4.15 The response also includes a number of recommendations if the consultation model is to be implemented notably :-

4.15.1 The baseline should be inclusive of damping thus protecting the additional £418,000 due to be received by the Council in 2012-13

4.15.2 Tariffs and Top ups should be index linked thus ensuring a core element of our funding rises in line with inflation.

4.15.3 District Councils, due to their exposure to funding volatility, should have first call in determining Business Rates Baselines

4.15.4 The incentive to growth should provide an incentive for both tiers(County/District) to grow

4.15.5 The treatment of London requires separate consideration and a unique levy to prevent disproportionate benefit

4.15.6 Special consideration is required for Councils with one or two key Business Rates providers and as a result a buoyancy factor should be built into the baselines determinations

4.15.7 Funding for New Homes Bonus should be top sliced from the national surplus on business rates rather than Local Government control totals

4.15.8 Greater incentives are required to encourage authorities to pool at County, District or LEP. This would provide protection to authorities who have particular needs or who are exposed to volatility

REPORT INDEX

Report Author Details:

Section 1

Contribution to Council Priorities

There are no direct implications arising from the consultation response however the ultimate level of funding available to the Council from the Government via Business Rates/New Homes Bonus will have a material impact on the ability of the Council to deliver its priorities

Section 2

Financial Implications

There are no direct financial implications arising from the response to the Consultation

The Financial Implications of the consultation have been referred to throughout the report with the final scheme design having potentially material implications in terms of the resources available to this authority to provide its day to day services and deliver Council Priorities.

The incentive based nature of future funding combined with volatility in business rates and Council Tax support will require potential increases in working balances to ensure a prudent and affordable balanced budget is set and a meaningful three year financial plan determined.

Section 3

Human Resource Implications

There are no direct Human resource implications arising from the consultation response

Section 4

Legal Implications

There are no legal implications arising directly from this report

Section 5

Section 17 (Crime Prevention) Implications

There are no implications arising directly from this report

Section 6

Human Rights Act Implications

There are no implications arising directly from this report

Section 7

Data Protection Act Implications

There are no implications arising directly from this report

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Section 8

Risk Management Implications

The proposals as contained in the Review of Local Government Funding have been assessed and potential risks identified and measures to negate such risks reflected in the consultation response.

The nature of the scheme creates a number of specific risks for the Council but are only potential risks at this stage until the final scheme is determined.

The scheme places greater emphasis on incentives and rewards rather than core funding and identified risks include

- The 2012-13 Formula Spending Assessment as used for 2013-14 baselines does not reflect existing damping arrangements – a reduction of resources of £418,000 per annum.
- Top Up Funding is not index linked resulting in a loss of a funding of an additional £30,000 per million per annum of Top up Funding.
- Core funding is exposed to volatility due the failure or temporary closure of a key industry
- Volatility does not match the threshold that instigates the safety net mechanism.
- Businesses relocate to other areas

The risks may be mitigated by voluntary pooling arrangements however the benefits of pooling will be dependant upon the final scheme design.

Section 9

Equality and Diversity Implications

There are no direct implications arising from the response to the consultation.

Section 10

List of Background Papers

Local Government Review: Proposals for Business Rates Retention Consultation Document and Technical Papers

Annexes to the Report

Annex 1 Covering Response

Annex 2 Plain English Guide.

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LOCAL GOVERNMENT RESOURCES REVIEW: PROPOSALS FOR BUSINESS RATE RETENTION - CONSULTATION

RESPONSE FROM CANNOCK CHASE COUNCIL

Cannock Chase Council welcomes the opportunity to contribute to proposals in relation to the Local Government Resources Review but are disappointed that the current set of consultation papers are essentially only options for implementation.

Whilst the concept of Business Rates Retention is supported by the Council the council does have fundamental concerns regarding the current proposals and timetables, and further meaningful dialogue needs to take place.

In particular it is considered that the current piecemeal approach will result in the inadequacies of the old funding regime and the impact of the new regime being "locked in" for the foreseeable future.

A virtue of the current system is certainty and stability as three year Government support settlements facilitates robust financial planning .However this will now be replaced with uncertainty .Medium to long term financial planning for some authorities will be replaced with a short term annual budget process based upon previous years performance and a prediction regarding the volatility in its business rates for the coming year.

The Council therefore believes that the opportunity to restructure and address the fundamental flaws of the previous funding regime and the current issues facing Local Government has been missed.

The review and associated papers are purely focussed on **Resources** with little or no regard to **Need**. There appears to be little or no joined up thinking and the Council firmly believes that:-

The combined impact of the 2010 Comprehensive Spending Review; Business Rates Retention ; Localising of Council Tax Reform and the New Homes Bonus together with an assessment of and current economic and social needs should be considered and evaluated as one.

In addition such an evaluation should be undertaken from a Needs/ Protection and Incentive basis within the total resources available from Business Rates and not from a preconceived "set aside" approach

The principles of "Greater Autonomy and Reduced Dependency on Central Funding" as highlighted in the Business Rates consultation document are similarly broadly welcomed but it is considered that the approach of - one size fits all approach – in relation to an incentive based resources review undermines the core principle of a "fair deal" by equalisation when resources do not match need.

The proposals are centred on economic growth, a priority which is supported by the Council, but one which represents only a single aspect of service provision. Growth must be meaningful and not purely financial. Regeneration will require the reduced "rateable values "attributable to new industry, rather than the higher rateable values of the retail sector. In addition the concept of businesses transferring from one authority to another as a result of an authority's ability to reduce business rates under the localism agenda cannot create and cannot be determined as business growth. It is therefore considered paramount that other local authority services are not put at risk as a result of a failing or manipulated local economy.

The national framework for ensuring equity and stability is, under the Business Rates proposals, being replaced by voluntary (pooling) arrangements with a competitive background whereby an authority with particular needs or volatile funding may be construed as being a passenger rather than an equal partner.

The current consultation papers are clouded in uncertainty and lack detail about their impact on individual authorities. Nevertheless the nature of an incentive system based purely on growth will undoubtedly replace equity with "winners and losers

This has particular emphasis regarding the proposals for two tier authorities where the County and District has differing:-

- stances on whether base funding is cash limited or index linked
- exposures to risk in the form of volatility for core funding. Marginal variations in business rates could have a catastrophic impact at district level but may be self managing at the aggregate County level where one district could offset another
- incentives or rewards for growth. The reward for districts, after taking into account investment required, is again marginal and is heavily weighted 3: 1 in favour of County Councils.

In the Councils opinion the funding hierarchy should be based upon

Needs - **as reflected by current, changing and emerging needs- which need to be the cornerstone of any funding review not merely an add on**

Protection - **for Core funding to ensure the delivery of day to day services**

Incentives- **available to all Councils with rewards relative to each authority's capacity to grow**

The current proposals assume that each authority is starting from a similar position however:-

- The proxy for needs in the form of the 2012-13 Formula Assessment is flawed

  The inadequacies of the old Four Block Funding mechanism was exacerbated by arbitrary Concessionary Fares adjustments An equitable starting point is therefore required

- District Councils have born the brunt of the "front loading "in expenditure reductions

  2013-14 is the mid year of reductions arising from the 2010 CSR with Districts' facing an aggregate 25% reduction compared to the funding for 2010-11 funding. This compares to a maximum 18% reduction elsewhere in local government.

- Exposure to volatility in business rates differs from authority to authority

  A number of district councils have one or two industries or organisations which fundamentally underpin its business rates income.

- Budget Flexibility and reserves

  The reductions in Government Support arising from the Comprehensive Spending Review and restrictions on Council Tax increases means that the majority of districts have no room for flexibility . This is highlighted in the changes to the balance of funding between Government Support and Council tax which is forecast to move from 57: 43 (2010-11) to 45:55 (2014-15).

Furthermore the scale of the required reductions has resulted in working balances and reserves being already at their minimum level.

- Authorities that have previously delivered growth in both Business Rates and New Homes are being penalised

  A regime for Business rates growth in the form of the Local Authority Business Growth Incentive Scheme (LABGI) was in place from 2005-06 to 2007-08 and then with a reduced rate for 2009-10 before being abolished. This scheme created "winners and losers "and was flawed as some authorities were rewarded for notional growth. The proposed system ignores authorities who have recently strived for growth but have fallen into a "Black Hole" in terms of funding. Similarly authorities who achieved high levels of New Homes prior to 2011-12 have received no recognition or reward but as a result of their efforts have reduced their capacity to receive rewards in the future.

- Past growth rates are not sustainable

  Previous high achievers will be at a dis-advantage when compared to other authorities

- The ability to grow and the relative incentives is inequitable and greatly favours London and the South East to the detriment of other regions

  These two regions represent 43% of the Total Business Rates generated in the country. It is considered that as a result of their preferential location and link to existing businesses and infrastructure they will continue to attract new businesses and this results in a totally disproportionate incentive scheme.

  A 1% growth in Business rates in that region (see Table 1) will double the £per head of population reward as compared to the rest of the Country.

Table 1: **Disproportionate Impact of Business Rates Growth - London**

	Contribution to pool (£ million)	**Proportion of contribution to pool (%)**	**1% Growth (£ million)**	**Growth Per Head £**
North East	753	3.7	7.5	2.9
North West	2,328	11.5	23.3	3.4
Yorkshire & the Humber	1,673	8.2	16.7	3.2
East Midlands	1,322	6.5	13.2	2.9
West Midlands	1,783	8.8	17.8	3.3
East of England	1,999	9.9	20.0	3.4
London	5,667	27.9	56.7	7.2
South East	3,110	15.3	31.1	3.6
South West	1,652	8.1	16.5	3.1
Total England	**20,287**	**100.0**	202.9	3.9

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- Authorities with a high rural identity (Green Belt / Areas of Natural Outstanding Beauty) or in close proximity to Enterprise Zones are also penalised

The proposals are particularly acute for Cannock Chase Council.

An imbalance currently exists between needs and resources as demonstrated by need then resources.

A needs assessment highlights that -

- Cannock Chase Council is the most deprived district in Staffordshire. It is rated as 128 most deprived of 326 authorities in England and is in the top quartile of overall deprivation nationally.
- Its economy is influenced throughout by deprivation.
- Educational attainment is considerably lower than the average for the West Midlands, Staffordshire, and National levels.
- The number of 16-18 year olds not in education employment or training is the highest in Staffordshire.
- Qualification levels for working age population is below County, Regional and National Comparators.
- The authority has the largest proportion of benefit claimants in Staffordshire
- There is an over representation of skilled trades, service and elementary occupations and an under representation in professional; management and administrative employment.
- The authority is classed as one of the least resilient to withstand and respond to economic changes as determined by an analysis of four key themes; Business, Community; People and Place.
- The Council faces a number of health inequalities and combined with an ageing population this has a significant impact on the overall prosperity of the District

A resources assessment highlights that:

- The flawed 2011-12 and 2012-13 Formula Grant Assessment would have resulted in the 33rd highest reduction of the 201 shire districts if the floor safeguard had not been put in place.
- The authority continues to be exposed to the recession with income being £0.5 million down on two years ago.

In relation to the Business Rates proposals the authority would be exposed to

- **Volatility with a single Power station representing over 11% of its Business Rates**
  Exposure in this case would not be limited to closure but also to planned cyclical temporary closure and the potential for outages, all of which result in a reduction in business rates income.

- **Volatility with 9 Businesses representing 26% of Business Rates**

- **The potential for a key proportion of its core funding being cash limited**

- **Constraints in growth arising from**
  The Cannock Chase Area of Outstanding Natural Beauty which limits the area available for future growth Its proximity to Enterprise Zones in Birmingham and the Black Country

The Council will continue to work with its partners at County and Local Enterprise Level to regenerate the Cannock Chase Area. However a central Government role is required to ensure a standard protecting safety net is available to all authorities and not subject to voluntary arrangements.

A detailed response in accordance with the specific consultation questions is attached however Cannock Chase Council believes that if the Business Rates Retention model is to be implemented then.

1. **Baselines**
   The baseline should be inclusive of damping

   Tariffs and Top Ups

   Tariffs and Top ups should be index linked

2. **Two Tier Authorities**
   Due to the material exposure to volatility and its impact on core services, a revised approach whereby all Districts have first call on Business Rates should be adopted. This should include Tariffs and Top ups applied at a County Level

   The sharing of growth should provide an incentive for both tiers to grow

3. **Levy's**
   The treatment of London requires separate consideration and a unique levy to prevent disproportionate benefit.

   The nature of the City and its ability to attract growth means that with its Rate Yield of approximately 28% of the country they will be put at a material advantage.

4. **Safety Net**
   Special consideration is required for Councils with one or two key Business Rates providers and as a result a buoyancy factor should be built into the baselines determinations

   The approach of a threshold is not supported.

5. **New Homes Bonus**
   This is effectively a new funding regime which should be top sliced from the national surplus on Business Rates and not from the CSR10 overall control totals

6. **Pooling**
   Greater incentives are required to encourage authorities to pool at County, District or LEP. This would provide protection to authorities who have particular needs or who are exposed to volatility and would normally be classed as potential passenger authorities in a reward scheme.

Local Government Resource Review: Proposals for Business Rates Retention

A Plain English Guide

What are we changing and why?

- At the moment, local councils receive their funding from three main sources: grants from central government; council tax; and other locally generated income (such as fees and charges for services). Britain's local government finance system is one of the most centralised in the world and our councils get more than half of their income from central government grant.

- Central government grants can be received as 'specific grants', which can come with restrictions on what they can be spent on, or through 'formula grant', which has no restrictions and can be used by the authority for any purpose. The formula grant funds a wide range of local services, including children's services, adult social services, police, fire, and highways maintenance, and is distributed to all local authorities using a complex formula.

- One of the main components of formula grant is National Non-Domestic Rates, commonly known as business rates. Business rates are collected by local authorities from businesses in their areas like shops, offices, warehouses and factories, but they are currently paid into a central pool to be redistributed as part of formula grant.

- This system means that local authorities do not have any financial incentive to promote business growth in their area, as they will not receive any of the business rates receipts from new development.

- This dependence on central government funding also means there is a greater incentive to design services in order to secure government funding, rather than to respond to local communities' needs or align spending with citizens' service preferences; councils may feel they can generate better results for their area by lobbying government for more resources or demonstrating their need, rather than driving cost efficiencies or investing in local growth.

- The Government wants to change the current system by enabling councils to keep a share of the growth in business rates in their area. This will make councils more financially independent from central government and give them a strong incentive to promote local business growth.

- We are not proposing to make any changes to the way businesses pay tax or the way the tax is set. Rate setting powers will remain under the control of central government.

- Councils can already raise additional revenues from the rating system through a Business Rate Supplement in order to fund a specific project which promotes economic development, or they can encourage Business Improvement Districts to form – where businesses themselves agree to pay an additional amount to fund improvements in the area. In both these examples there are protections for businesses. There must be a referendum of local businesses before a Business Improvement District forms and the Localism Bill is changing the law so that the same applies for any Business Rate Supplement proposal, rather than a ballot of businesses happening only when certain criteria are met. The Localism Bill is also amending the law to allow councils to introduce local business rates discounts, funded by the council.

- There will be no changes to the existing reliefs available to eligible business ratepayers including small businesses, charities, rural businesses, sports clubs and the voluntary sector.

Our proposals for change

- If we allowed all councils to keep all of the business rates generated in their areas, some areas would have a much larger amount than they need to deliver their services whilst some others would have much less than they need.

- So, to ensure a fair starting position for the new system, we will take an amount of business rates away from those with too large an amount in comparison to their current spending (this is referred to as the “tariff” in the consultation document) and top up those authorities with too little, again in comparison to their current spending (this is referred to as the “top up” in the consultation document).

- In future years the amount of business rates that central government gives or takes from each local authority will remain fixed. This means that any growth in business rates an authority achieves will be kept by them. This creates a strong incentive effect to promote growth.

- There would be no fixed limit on the amount of business rates growth an authority can benefit from under the new system. The more any authority grows its business rates base, the better off it will become.

- However, some local authorities with large amounts of business property in their area and may stand to gain disproportionate amounts. Where this happens, we are proposing to take back a share of their growth (this is referred to as the “levy” in the consultation document).

- We are proposing to use the proceeds of this to give financial help to those authorities who experience significant drops in business rates, for example caused by the closure or relocation of a major business. We are also proposing to protect those authorities who are less able to grow. Depending on the amounts raised, the proceeds could also be redistributed to authorities with lower growth, or fund schemes, for example, for regeneration, in areas with high growth potential.

- In the future, the Government may judge that the level of a number of councils’ business rates no longer meet changing pressures on local services. In this situation, we could choose to ‘reset’ the fixed amounts of business rates that were either taken from councils with too high levels of business rates or given to those with too low levels. This would probably involve a new assessment of local authorities’ need.

- The whole system could also work for groups of councils working together, for example those in local enterprise partnerships or districts and counties, who want to form voluntary groups, allowing them to collaborate to promote growth and share in the benefits.

What do these proposals mean in practice?

- **Members of the general public** will find their local council's budget is more strongly linked to local business growth. In general terms, the more new business premises are developed in your area, the more funding (outside of council tax, fees and charges) your local council will have to provide local services and investment, as well as having positive impacts on employment and the local economy more widely. The proposals include protections to ensure that local authorities are able to meet local service needs in their area.

- **Business rates payers** see no change in the way in which their business rates bills are calculated. The Government is not proposing to change the way that properties are valued or business rates levels are set. However, it should mean that the rates you pay have more impact on local authority budgets in your local area, and that your local authority has more incentive to work closely with the Valuation Office Agency to ensure that all businesses in your area have their properties valued correctly and are paying the right amount of tax.

- **Developers** will find local authorities have greater incentives to grant planning permissions for appropriately-sited and well-planned non-residential development and go for growth. This is especially true of new renewable energy projects that start paying business rates from year one of the system, as councils would keep all of the business rates paid by such projects. Local authorities would also be able to choose to borrow against future growth in business rates, through Tax Increment Financing schemes, to help fund the provision of infrastructure.

- **Billing authorities** (district councils, unitary authorities) still bill and collect business rates, as now. But instead of contributing all business rates into the central pool and receiving formula grant, under these proposals, some of your business rates would be retained locally. Your baseline level of funding would be set so that at the start of the system, your budget is equivalent to what it would have been under the current system. From then on your funding would grow if the business rates base in your area grows, but could fall if your business rate base declines. You are likely to want to respond to the consultation, and/or feed into wider responses from representative organisations.

- **County councils** will receive a share of business rates revenues from the districts in your area (and a top up from other areas if relevant), rather than receiving formula grant. Your baseline level of funding would be set so that at the start of the system your budget is equivalent to what it would have been under the current system. From then on, your funding would grow if the business rates base in your area grows, but could fall if your business rates base declines. You will want to consider with your districts, and possibly neighbouring areas/your local enterprise partnership, whether you could form a pool to make decisions about the distribution of funding locally. You are likely to want to respond to the consultation, and/or feed into wider responses from representative organisations.

- **The police and fire sectors** will receive the level of funding for 2013-14 and 2014-15 that was agreed as part of the 2010 Spending Review. Your funding will therefore not be affected by fluctuations in business rates in your area. The way in which you are funded will be fully reviewed in time for changes to be made at the next Spending Review, from 2015-16. You might want to respond to this consultation.

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