

RATES RETENTION SCHEME:

POOLING GOVERNANCE ARRANGEMENTS

Pool Title:

Gloucestershire

Lead contact for Pool:

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Objectives

The aim of the Gloucestershire Pool is to maximise the financial resources that can be retained for the benefit of the County of Gloucestershire. Gloucestershire as a whole could benefit from offsetting top ups and tariffs and pay a reduced levy on disproportionate growth.

The overarching aim of the Pool will be to ensure that no authority within the Pool should be worse off than if it were not in the Pool.

Additional resources generated would be used to; help Gloucestershire authorities manage volatility in business rates collection and the increased risk that would now be carried locally as a result of the safety net being harder to trigger and to promote local economic growth.

Pooling is a voluntary arrangement between the councils within the Pool and in order to be successful strong governance arrangements are required. Clear guidelines outlining how the Pool works will allow all Pool members and their elected representatives to see the benefits of the partnership working and promote shared strategic priorities for economic growth.

Membership

The Pool includes all the major local authorities within the Gloucestershire area as stated below:

Cheltenham Borough Council
Cotswold District Council
Forest of Dean District Council
Gloucester City Council
Gloucestershire County Council
Stroud District Council
Tewkesbury Borough Council

The proposed Pool aligns with the Gloucestershire Local Enterprise Partnership (LEP). It includes all 6 Districts and the County Council, all of whom have made a clear decision to endorse and form the Gloucestershire LEP.

The Pool aims to make the link between retaining resources locally within Gloucestershire and reinvesting in the local economy. The Pool will set aside funding for a Strategic Economic Development Fund, where funding could be accessed to support shared economic strategic priorities within Gloucestershire.

Duration

The Pool is a voluntary arrangement and hence Members will be able to terminate their Membership on an annual basis in accordance with Communities and Local Government (CLG) deadlines, and the termination requirements of the Pool as detailed in the Dissolution Section. Thus the Pool may dissolve after year one if the forecasting suggests that continuing the Pool would result in a deficit position.

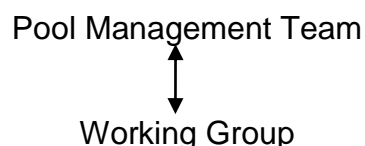
However the rationale for the Pool is to deliver sustained economic growth. In order to do this with a viable Investment Strategy that continually re-invests in Gloucestershire, a longer term view of potential benefits is being taken. Regular reviews will be undertaken to understand the assessment of any surplus / deficit on the Pool, and hence the continuing viability of the Pool.

These Governance arrangements will be updated annually to ensure that they continue to meet the evolving needs and requirements of the Pool.

Management of the Pool

Stroud District Council is nominated to act as the Lead Authority for the Pool. All correspondence with CLG will be directed via this lead authority, and it will report regularly to the Pool Management Team and copy in participants to any communications from or to CLG. Any additional costs associated with this Lead Authority status, will be absorbed by the Lead Authority, and no additional payment can be claimed from the Pool. In the event the Lead Authority wishes to cease being the Lead Authority they will be required to give a minimum of 3 months notice to other Pool members who can then discuss alternatives. They will also be required to undertake a hand-over to ensure a smooth transition to the next Lead Authority.

The following Management Structure of the Pool is recommended:



It is recommended that the Working Group meet quarterly. Membership will be drawn from revenue and benefits teams across the District Councils, and Technical Officers, drawn from representatives at both District and County level. This working group will produce intelligence to feed into modelling undertaken by the Technical Officers. This will include business rate projections, liaison with Planning and Development Control Teams to inform

forecasting, and Collection Fund analysis following year end to determine the surplus / deficit to be declared.

The Technical Officers will produce updated modelling on performance projections of the Pool. These projections will feed into the meetings of the Pool Management Team, and aid decision making on the performance of the Pool and the distribution of any surplus / deficits on the Pool.

The Pool Management Team will consist of all s151 officers (or their deputies) from each member authority. They will meet regularly as part of the normal cycle of Chief Financial Officer Meetings with Pooling becoming a regular agenda item on a quarterly basis. The meeting timetable will be agreed before the start of the financial year and is attached as an appendix to this document. The Management Team will agree how Pool surpluses / deficits are distributed and the value of the Pool reserve in accordance with the distribution of the risk / reward section.

It is recommended that each member authority be responsible for reporting as appropriate to their members as part of the normal cycle of budgetary reporting.

Distribution of Risk / Reward

It is the aim of the Pool that no member will be any worse off than if they had not joined the Pool. Therefore before any additional money is distributed the Pool will provide funding based on the original pre-Pooling allocations. Councils in the Pool will use this funding for the normal budget setting priorities that they have.

Pool Deficits

It may be the case that the Pool has insufficient funds to bring each member authority up to pre-pooling positions. If this occurs and the deficit cannot be met from any Pool reserve, the deficit will fall on each member on the following basis:

- The County Council will incur 20% of the loss,
- Each District will incur the remaining 80% loss allocated in proportion to baseline funding.

If a Pool dissolves and a deficit exists, this deficit will be shared as per the above methodology.

Pool Reserve

Where the Pool generates funds in excess of the pre-pooling position, these amounts will be treated as a surplus on the Pool. In the first instance, a pool reserve will need to be established using these surplus funds.

From year one, a minimum of £300,000 up to a maximum of £500,000 per annum will be set aside in this reserve until the reserve value reaches £1m. This represents approximately 1% of the total business rates in Gloucestershire. The actual amount paid into the reserve each year will be dependent on the annual surplus achieved. Any balance left after this reserve has been established will be redistributed back to authorities as set out in the Pool Surplus Distribution section.

It is recognised that the pooling arrangement offers opportunities to invest growth in business rates to support the County's wider economic policies and the pool members are keen to ensure that additional resources are used in this way. The purpose of the reserve is purely to manage the risks that being in a pool will create, in particular managing safety net payments, appeals and losses. The need for and the level of the reserve will be kept under review by the Pool Management Team to ensure it reflects the risks of the Pool.

Pool Surplus Distribution

1. Once the appropriate amount has been set aside in the reserve, the remaining surplus will be split **20/80**.
2. 20% will be paid into a Strategic Economic Development Fund.
3. The remaining 80% will be split again **20/80** with 20% being allocated to the County Council and 80% being split across District Councils;
4. Of the amount allocated to district councils:
 - 50% will be divided **equally** between the 6 district councils. This will ensure that all members of the pool see a benefit from pooling.
 - 50% will be allocated to those districts that have grown, based on growth generated as a proportion of total growth.

This distribution methodology will ensure that all participants benefit from pooling.

Where a surplus exists at the end of the year and the Pool is dissolved, this surplus will be split in the same way as illustrated above for the pool surplus position. Any balance in the reserve or in the Strategic Economic Development Fund will be distributed in proportion to the total surplus distributed over the life of the pool. For example if the pool is dissolved at the end of 4 years, any surplus achieved in year 4 will be distributed as described in the Pool Surplus Distribution above. Then the total of the balance on the reserve and in the Strategic Fund will be distributed in proportion to the total distributed to the pool members over the 4 years.

Access to the Strategic Economic Development Fund

This fund will be for the benefit of the whole of Gloucestershire. It will facilitate more collective work on the Economic Development agenda and reflects the commitment of the pool participants to drive economic investment, which also links to the planning and infrastructure process. Criteria will need to be established and agreed by all participants against which bids for funding can be assessed. The Pool Management Team will liaise with Chief Executives and Leaders from each of the participating authorities to agree the approach.

The award of funds must be agreed unanimously by each of the members of the pool.

Dissolution

The Government is clear that Pooling should be voluntary, and this means that members of the Pool should be able to leave should they decide it is no longer in their best interests.

There will be a cooling off period before the initial Pool is finalised and designated by CLG. This will occur within 28 days of the draft Local Government Finance Report being published in December. During this period any authority can withdraw from the Pool.

Under these governance arrangements it is recommended that an authority wishing to exit the Pool gives other members at least 4 months notice of their intention to leave. This will allow the Pool Management Team sufficient time to assess the impact on the Pool, and to allow members to discuss the reasoning behind this wish to leave the Pool, to see if a solution could be reached. This will also give the Management Team sufficient time to submit a new pooling proposal for the following financial year should they wish to do so.

If a solution cannot be reached and dissolution is confirmed, the Lead Authority will notify CLG as soon as possible that the existing Pool will dissolve. CLG will then carry out a consultation exercise with remaining members of the pool on the impact of this decision. The Pool will be dissolved effective from the following financial year.

Once a Pool has been designated and the Local Government Finance Report laid, it is indissoluble for the entire period of the financial year.

After the dissolution of the Pool any surpluses or deficits on the Collection Fund will be shared at year end as agreed within the terms of this document (Distribution of Risk / Reward).

Operation of the Pool

The Collection Fund for Business Rates will operate as normal at each individual Council level. Payments will be made to / from the Lead Authority who will hold a Pool Collection Fund. All payments to / from CLG will now pass through this Pooled Collection Fund. This will ensure that each Council remains in a position whereby it is no worse off by the pooling arrangement. It is recommended that the following apply:

- i. Each District will maintain its own Collection Fund for the purposes of collecting Business Rates.
- ii. Each Council will receive and make the same payments to / from the Pool from the individual Collection Funds as though they had not pooled. It is envisaged that this will involve fortnightly payments in accordance with the national scheme.
- iii. Should a delay occur in passing over payments to / from the Lead Pool, any interest incurred as a result will be charged at the LA 7 day rate.
- iv. Should a District experience a fall in business rates, it will have to absorb that fall initially, and may be required to borrow in the short term to fund the shortfall.
- v. Should a District trigger a safety net payment during the year, the Working Group will inform the Pool Management Team who will then authorise the Lead Authority to make a payment.
- vi. The lead authority will receive all payments from the Districts and pay the net balance to Central Government.
- vii. At year end all Districts will calculate the surplus / deficit on the individual Collection Funds. This will be paid over to the Lead Authority Collection Fund Pool, supported by pre-audited NNDR3 forms.
- viii. The retained balance will be the net benefit of Pooling. This will be distributed as per the Distribution of Risk / Reward section.
- ix. Any retained surplus kept in a Pool reserve will be invested in accordance with the Lead Authority's investment strategy in its Treasury Management Strategy with interest accrued to the Reserve.

The Lead Authority will supply information to CLG on behalf of the Pool in connection with the operation of the rates retention scheme. This will include any returns or statements as required.

The Lead Authority will be responsible for all accounting and administration of the Pooled Fund, the Reserve and the Strategic Economic Development Fund. All funds relating to the Pool including the reserve and the Strategic Economic Development Fund will accrue interest. The Lead Authority will also be responsible for all auditing and financing requirements as set out in legislation.

Timetable

The following timetable is proposed:

Key Timeline	Detail	Comment
Early December 2012	Initial NNDR 1 forecast produced by Billing Authorities for consideration by the Technical Team	Technical Team meet to model NNDR 1 projections
Mid December 2012	Draft LG Finance Report Published	Authorities have 28 days within which to withdraw from Pool arrangements. Technical Team to model impact of LG Settlement on proposed Pool, taking account of NNDR 1 estimates.
February 2013	Pool Designated	The Pool cannot now be dissolved for a minimum period of one year
February 2013	Final Allocation Figures Provided for the Pool	Working Group to review and update forecasts as necessary
April 2013	Pool Management Team (PMT) Meet	This will be a quarterly requirement.
July 2013	Working Group (WG) meet	First assessment of performance on Collection Fund (CF)
July 2013	PMT Meet	
October 2013	WG meet	Second assessment of performance on CF
October 2013	PMT Meet	
January 2014	WG meet	Third assessment of performance on CF
January 2014	PMT Meet	
April 2014	WG meet	Fourth assessment of performance on CF
April 2014	PMT Meet	
June 2014	Final NNDR3 produced	Working group meet to assess final position on Pool
Sept 2014	Notice given on intent to leave Pool	If an Authority wishes to leave the Pool notice should be given to allow sufficient analysis on the impact on other members of the pool

Agreement to Pooling Governance Arrangements

We, the undersigned, agree to the Pool Governance Arrangements across the local authorities of Gloucestershire.

Cheltenham Borough Council

Andrew North
Chief Executive

Mark Sheldon
Director of Resources (S151Officer)

Cotswold District Council

David Neudegg
Chief Executive

Jenny Poole
Chief Finance Officer (S151Officer)

Forest of Dean District Council

Sue Pangbourne
Head of Paid Services

Derek Broom
Group Manager, Finance & Property
(S151Officer)

Gloucester City Council

Julian Wain
Chief Executive

Peter Gillett
Corporate Director of Resources
(S151Officer)

Gloucestershire County Council

Pete Bungard
Chief Executive

Jo Walker
Strategic Finance Director
(S151Officer)

Stroud District Council

David Hagg
Chief Executive

Sandra Cowley
Head of Finance (S151 Officer)

Tewkesbury Borough Council

Mike Dawson
Chief Executive

George Hill
Director of Resources (S151 Officer)