

Agenda Item No 5

Executive Board

24 September 2012

**Report of the
Deputy Chief Executive**

**Business Rate Retention Scheme:
Pooling Proposal**

1 Summary

- 1.1 This report proposes that the Council participates within a Business Rate Retention Pool along with all other Warwickshire District Councils, Warwickshire County Council and Coventry City Council from 1 April 2013.

Recommendation to the Council

- a To agree to participate within the Warwickshire and Coventry Pool in 2013/14 and subsequent years, subject to an annual review to ensure that membership of the Pool remains in the best interests of the Authority; and**
- b To give the Deputy Chief Executive delegated powers to agree the terms in the Memorandum of Understanding, in consultation with the Leader of the Council and the Leader of the Opposition.**

2 Background

- 2.1 The government is currently legislating for changes to the arrangements for the allocation of Business Rates income. These changes are due to come into effect from 1 April 2013. This report identifies the rationale for proposing that under these new arrangements the 5 district councils in Warwickshire, along with the County Council and Coventry City Council establish a Business Rate Pool. This would include the following authorities:

- Coventry City Council
- North Warwickshire Borough Council
- Nuneaton and Bedworth Borough Council
- Rugby Borough Council
- Stratford-on-Avon District Council
- Warwick District Council
- Warwickshire County Council

- 2.2 Currently billing authorities (district councils in two tier areas) collect the business rates and then pay all of these receipts across to central

government. Central government then apportion some funding back as part of the local government financial settlement.

- 2.3 Under the current arrangements if the business rate income collected by the billing authorities is higher or lower than anticipated, it is central government that either benefits from the additional receipts or has to fund any shortfall.
- 2.4 Under the new proposals within the Local Government Finance Bill to be implemented from 1 April 2013 a proportion (50%) of Business Rates collected by the billing authority will be retained locally, the other 50% will continue to be paid to Government.
- 2.5 The locally retained business rate will then be split - 80% will be provided to the district councils and 20% to the County. In Coventry all of the local share will be retained by the city council.
- 2.6 However, the level of income each council receives from business rates will then be compared to the level of support required by each council within the local government finance settlement. This comparison will lead to a determination of which type of council each authority is, either a “tariff” or a “top-up”:
- Tariff – every District Council in Warwickshire (probably the whole of the UK) will be determined as a tariff authority. This means that the amount of business rate income provided through the above, would be higher than the level that government suggests is required within the local government financial settlement. The **surplus** is then **paid to central government** as a “tariff” payment;
 - Top-up – both the County Council and Coventry City Council are expected to be large “top up” authorities. In this scenario the value of business rate income will be insufficient and a “top up” payment will be **made from central government** to fund the **deficit**.

Tariffs and top-ups will be fixed before the start of a financial year and will be paid or received, regardless of the level of business rate income collected.

- 2.7 The categorisation of authorities is important when considering whether to create a local pool for business rates. If a pool is created within the Warwickshire and Coventry area this will enable a greater proportion of growth generated locally to be retained locally. The reason for this relates to the arrangements surrounding “levy” payments.
- 2.8 If Business Rates grow by more than an RPI increase, “tariff” authorities are able to keep a proportion of this additional growth. However the majority of the additional growth will be top sliced by way of a “levy” payment to central government. The table below identifies an estimate of how much of this additional growth would be paid to central government by way of such “levy” payments if there was no pool in place.

Table 1 – Estimated Levy Rate by District – no pool

Authority	Estimated Levy Rate
North Warwickshire	88.81%
Nuneaton and Bedworth	74.85%
Rugby	85.86%
Stratford-on-Avon	88.47%
Warwick	87.47%

2.9 The tables below use some indicative figures to illustrate the impact on North Warwickshire:

	£m
Business Rates Baseline (based on NDR 07/08 – 11/12)	16.288
Less Tariff	14.465
NWBC Spending Baseline	1.823

If business rates grew above the baseline, the position would be as follows:

	£m
Business Rates Collected	17.834
Less Tariff	14.465
Net Business Rates	3.369
Less Spending Baseline (retained by NWBC)	1.823
Additional Rates Received	1.546
Less Levy to be Paid (88.81% of additional rates)	1.373
Additional Rates Retained by NWBC	0.173

3 Position Using a Local Pool

3.1 The table in paragraph 2.8 demonstrates that in the absence of a pool the “tariff” authorities are required to pay central government between 74.85% to 88.81% of their locally-generated business rate growth in the form of a “levy”.

3.2 The level of this “levy” gave rise to the proposal to consider a Business Rate pool with the view of enabling growth generated locally to be retained locally. For there to be any benefit for the district councils to pool, the Pool would need to include at least one “top-up” authority. If only the County Council was included the levy rate of the Pool would reduce to around 39%. The inclusion of Coventry City Council, in addition to Warwickshire County Council, means that although in total the pool will pay a net “tariff”, the overall levy rate for the pool is reduced to around 18%.

3.3 In addition to the benefits of reducing the “levy” payments there is a further advantage of being within a pool when faced with the position where the income from business rates actually declines. Under the new proposals if business rate income declined in any area the individual council would have to

suffer the first 7.5% - 10% reduction in income before any safety net payments are made from central government. It is proposed within the Coventry and Warwickshire Business Rate Pool that a local safety net is created which would provide support from the local Pool at an earlier level of decline, say 5%.

- 3.4 As explained above, under a pool arrangement the vast majority of the business rate growth would be retained locally, with only a small proportion of the growth being paid as a levy. It will be for pools themselves to decide how to distribute the additional revenue from growth within the pool. Initial discussions have been based around a 'no worse off' approach, whereby members of the pool would be no worse off inside a pool than had they been treated as individual authorities. The draft Memorandum of Understanding (MoU) attached as Appendix 1 also includes initial proposals for allocating the retained growth. Beyond this starting point there will be further discussions on how any retained income would be allocated.
- 3.5 It is very difficult to predict the precise financial impact of the pooling arrangement. Some indicative modelling has been undertaken, using current expectations of the Governments proposals and the initial allocation proposals included within the Memorandum of Understanding, and this is summarised in Appendix 2. The model shows the potential for all of the Council's to retain additional business rates, and in the case of the tariff authorities, set aside a provision in case of future reductions in rate income. Using the standstill position, North Warwickshire would retain income of £242,000 and have a provision of £220,000 to offset against future reductions in rate income. This compares to the retention of £173,000 shown in paragraph 2.9 if we opt out of the Pool.

4 **Timetable**

- 4.1 Earlier this year an expression of interest was submitted to the Department of Communities and Local Government (CLG) to establish a Coventry and Warwickshire Business Rate Pool. Whilst this expression of interest did not commit any authority to participate, it was an indication to Government that it was being considered. Under the Government's timetable some additional information was sent to CLG on 10 September 2012 on some more of the benefits and outline potential governance arrangements covering the proposed pool. A copy of this submission is attached at Appendix 3.
- 4.2 Previously it was understood that whilst it may have submitted an expression of interest in joining the pool, an authority could withdraw when the local government finance settlement was made with no implications for the partners of the pool. On the 23 August 2012, CLG clarified the rules in relation to the options available to councils. Whilst CLG would still allow an authority to withdraw from a pool after 19 October 2012 until the date of the final local government finance settlement, if they did so this would trigger the collapse of the **entire** pool.
- 4.3 It is therefore imperative that a firm decision is made by each authority within the proposed pool as to whether they are fully committed to participating in

2013/14. No further review of the decision to be in the pool could take place for a further 12 months and reviews would be annual thereafter.

- 4.4 A number of governance issues will still need to be finalised between the participating authorities. Authorities within the proposed pool are asked to sign up to the draft principles identified in the draft Memorandum of Understanding to determine the actual administrative and governance arrangements.

5 Options Available

- 5.1 To agree to participate within the proposed Coventry and Warwickshire Business Rate Pool to commence from 1 April 2013 and to endorse the wording within Appendix 1;
- 5.2 To agree to participate within the proposed Coventry and Warwickshire Business Rate Pool to commence from 1 April 2013 and to amend the wording within Appendix 1;
- 5.3 To agree to not participate within the proposed Coventry and Warwickshire Business Rate Pool to commence from 1 April 2013.

6 Conclusion

- 6.1 Under the government's proposal for the retention of business rates there are clear benefits surrounding maximising the potential reward and reducing the collection risk in establishing a pool.
- 6.2 The proposed pool which covers the whole of the Coventry and Warwickshire LEP area seeks to maximise the benefits. However, each authority needs to be certain of its desire to join the pool for 2013/14 due to the impact on the pool if a decision is taken to withdraw after 19 October 2012.

7 Report Implications

7.1 Finance and Value for Money Implications

- 7.1.1 This report identifies the additional benefits that would be expected to be available to all participants within a Coventry and Warwickshire Business Rate Pool. It is expected that the Provisional Local Government Finance Settlement will be released in late November / early December 2012. This would confirm the position in relation to the "tariff" and "top up" authorities.

7.2 Legal and Human Rights Implications

- 7.2.1 The legislation in relation to the Pooling of Business Rates is contained within the Local Government Finance Bill. This bill has cleared the Committee Stage in the House of Lords and is expected to reach the Report Stage by 10 October 2012.

7.3 Risk Management Implications

- 7.3.1 Under the new Business Rate Retention proposals there is a financial risk that the business rate income for any “tariff” authority will decline. Councils have not been subject to this risk in the past, however under the Government’s proposals this reduction would need to amount to 7.5% - 10% before any help is provided from central government. Under the proposed pool, options are being investigated to lower the “local” safety net payment to 5%.
- 7.3.2 There is an additional risk under a pool proposal that the contributions to the local safety net are insufficient. This is unlikely to be an issue where there are a mix of gaining and losing authorities, but could be the case if all of the participating authorities showed a decline in business rate income. If this is the case then it would be in the best interests of all parties to dissolve the pool.

7.4 Links to Council’s Priorities

- 7.4.1 Priority 1 of the Corporate Plan seeks to protect public services for local people. Participating in the Warwickshire and Coventry Pool reduces the collection risks for the Council, which will help to protect services. It will also provide some ability to retain more resources locally.
- 7.4.2 Priority 2 of the Corporate Plan seeks to bring more jobs to North Warwickshire, whilst seeking to protect existing jobs and developing our workforce. The participation within the proposed Business Rate pool will support this outcome.

The Contact Officer for this report is Sue Garner (719374).

Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date

Coventry and Warwickshire Business Rate Pool

Memorandum of Understanding

This memorandum of understanding is made between Coventry City Council, North Warwickshire Borough Council, Nuneaton and Bedworth Borough Council, Rugby Borough Council, Stratford-on-Avon District Council, Warwick District Council and Warwickshire County Council. (Together referred to as the 'Pool' or 'Pool Members').

1. Purpose

- 1.1. It is the express intention of the Pool Members to improve the well-being of the communities we serve. By working together we can retain a greater proportion of any business rate growth within the Pool area, providing an opportunity to promote further economic growth as well as building financial resilience.
- 1.2. It is the purpose of this Memorandum of Understanding (MoU) to act as a Statement of Intent that will support the realisation of these benefits. The Pool Members have agreed to enter into this MoU to formalise their commitment and to set out their respective roles and responsibilities.

2. Glossary of Key Terms

- 2.1. There are a number of technical terms used throughout this document. The meanings of these terms are as follows:

Levy	The excess business rates generated locally compared to the need to spend that have to be paid over to central government. Calculated using a nationally set formula.
Pool	A voluntary arrangement amongst a group of local authorities to pool the business rates generated locally to ensure at least some of any levy is retained locally.
Net Retained Levy	The amount of levy retained locally. This is calculated at the sum of levies to be paid by individual Pool members if the Pool did not exist less the levy to be paid by the Pool less any safety net funding that would have been due to individual Pool members if the Pool did not exist and less the administrative costs of the Pool.
Safety Net	The additional funding received by an authority, from central government, if the decline in business rates in any year would leave an authority with insufficient resources. Calculated using a national formula.

Local Volatility Fund	An element of the Net Retained Levy set aside in a Fund to provide protection for Pool members from falls in business rate income. Calculated using a local formula.
Memorandum Local Volatility Fund	The amount of the Local Volatility Fund contributed by or paid out to individual Pool members. To be used as the basis for distributing any retained resources or deciding outstanding liabilities consequent on a change in the pools membership.
NNDR1	A central government form used to estimate of future year's business rates. Prepared on an annual basis by all billing authorities and used as the basis for allocations.
Lead Authority	The Pool member who will act as the lead in managing the Pool's resources and being the key contact between central government and the Pool.

3. Key Principles

3.1. The Pool Members agree that they will operate the Pool in accordance with the following principles:

- **Risk Management**
The Pool Members agree to protect and mitigate as far as possible the risks associated with the responsibility for collecting business rate income. Income streams to the Pool Members will be more volatile, whether as the result of a one-off event (for example a successful large appeal) or something structural within an area (for example the closure of a major plant. The pooling arrangements should reduce this volatility.
- **Fairness**
The Pool Members agree to share the costs, risks and benefits of local business rate retention proportionately. Pool Members should be no worse off than if they were outside the Pool.
- **Transparency, Openness and Honesty**
Pool Members will be open and trusting in their dealings with each other, make information and analysis available to each other, discuss and develop ideas openly and contribute fully to all aspects of making the Pool successful. It also includes sharing data and intelligence outside of the formal reporting mechanisms on any substantive issues relating to business rate retention within their area.
- **Reasonableness of Decision-Making**
Pool Members agree that all decisions made in relation to this MoU generally shall be made by them acting reasonably and in good faith.

4. Binding Memorandum

- 4.1. This MoU is produced as a Statement of Intent and is not intended to be legally binding.
- 4.2. Sections 10 and 11 are intended to be legally binding and to create obligations between Pool Members with immediate effect from the execution of this MoU.

5. Term of Memorandum

- 5.1. This MoU shall continue to be in place unless terminated in accordance with these terms.
- 5.2. Any Pool Member can leave the Pool from 1 April of the following financial year providing:
 - Six months written notice is given to other Pool Members and DCLG in sufficient time for the Pool to remain in place for the remaining Pool Members.
 - All liabilities to the Pool are paid.

6. Decision-Making

- 6.1. The Section 151 Officers shall be responsible for overseeing the operation of the Pool and making recommendations to their respective authorities about the way forward.
- 6.2. The Lead Authority shall ensure that reports are sent to the Section 151 Officers of each Pool Member at least on a quarterly basis updating them of the performance of the Pool and advising them of any issues. These reports should be available within six weeks of the quarter end.
- 6.3. As joint working in this area progresses it is envisaged that a Coventry and Warwickshire Business Rates Pool Strategic Board, comprised of representatives from Pool Members, will be established. Once established the Strategic Board will become the decision-making body, with the Section 151 Officers operating as a Technical Advisory Group.
- 6.4. Each Pool Member will be able to decide whether to participate in any shared arrangements. Any such decision will not prejudice the allocation of resources (see Section 11).
- 6.5. For the avoidance of doubt, any substantive decision e.g. commitment of resources, changes in governance or major operational changes shall be referred to each Pool Members' decision-making regime.

7. Dispute Resolution

- 7.1. The Pool Members shall attempt in good faith to negotiate a settlement to any dispute arising between them arising out of or in connection to this MoU. If this cannot be resolved by the Section 151 officers it will be referred to the Strategic Board or, if the Board has yet to be established, to each authority's Chief Executive for resolution.

8. Resourcing

- 8.1. Each Pool Member will provide the appropriate resources and will act with integrity and consistency to support the intention set out in this MoU.
- 8.2. £30,000 a year is allocated to the Lead Authority in recognition of the additional workload the administration of the pool places on the Lead Authority. This allocation will be the first call on the Net Retained Levy before any allocations are made.

9. Lead Authority

- 9.1. ??? will act as the Lead Authority for the Coventry and Warwickshire Pool.
- 9.2. The responsibilities of the Lead Authority are:
 - To liaise with and complete all formal returns to central government on behalf of Pool Members,
 - To keep Pool Members informed of all communications with central government,
 - To manage the resources of the Pool in accordance with this MoU,
 - To consult Pool Members prior to taking decisions on behalf of the Pool,
 - To prepare quarterly monitoring reports and consolidate intelligence on future resource levels on behalf of the Pool,
 - To prepare the annual report of the Pool's activity,
 - To co-ordinate the annual review and refresh of the Pool's governance arrangements and the methodology for the allocation of resources,
 - To consult on and administer the schedule of payments between Pool Members in respect of all financial transactions that form part of the Pool's resources, and
 - To lead on the timely provision of the information required, by Pool Members, in preparing their annual Statement of Accounts in relation to the activities and resources of the Pool.
- 9.3. To assist the Lead Authority in fulfilling this role, the responsibilities of individual Pool Members are:
 - To provide accurate, timely information to the Lead Authority to enable consolidated returns to central government to be completed,
 - To inform the Lead Authority, as soon as is practical, of any intelligence that may impact of the resources of the Pool either in the current year or in future years,

- To provide such information as the Section 151 Officers agree is reasonable and necessary to monitor/forecast the Pool's resources within the timescales agreed,
- To provide such information as the Section 151 Officers agree is reasonable and necessary on the use of the Pool's resources for inclusion in the Pool's annual report, and
- To provide accurate and timely information on the end of year financial performance of the business rates collection fund to enable the Lead Authority to calculate the end of year accounting entries needed.

10. Cash Management

- 10.1. The governing principle for the cash management of the Pool is that no individual Pool Member, including the Lead Authority, should incur a treasury management gain or loss as a result of the transfer of funds between Pool Members.
- 10.2. The Pool will receive/pay interest annually on any retained resource at the average interest rate of the Lead Authority.
- 10.3. Interest will be calculated on an annual basis and allocated to Pool Members in proportion to the balances on the Memorandum Local Volatility Fund.

11. Allocation of Pool Resources

11.1. Principles

The allocation of resources will be based on the following principles:

- No authority will receive a lower level of funding than they would have received without the Pool
- Any additional resource is generated because of the Pool and therefore the benefits will be shared across the Pool
- A balance between the level of risk and reward for individual Pool members will be maintained
- The allocation of any retained resource will reflect where the growth occurred and the relative spending need of Pool Members.
- The rationale for the Pool is to encourage economic growth therefore Pool members are encouraged to use the additional resource to promote further economic growth

11.2. Basis of Allocation

The underlying basis of allocation is half to the authority generating the growth and/or requiring safety net support and half to be shared proportionately across all pool members. The detailed process through which this will operate comprises three elements:

- The allocation of any retained levy,

- The assessment of when an allocation from the Local Volatility Fund is due and how much any allocation will be, and
- How the Local Volatility Fund will be shared should any authority decide to leave the pool or the pool is dissolved.

11.3. **Allocation of the Net Retained Levy**

The allocation of the retained levy will be calculated as follows:

- 25% of the Net Retained Levy will be allocated to the Local Volatility Fund
- 25% of the Net Retained Levy will be allocated to Pool Members in proportion to their share of the gross levy
- 50% of the Net Retained Levy will be allocated to Pool Members in proportion to their spending baseline

11.4. Subject to budgetary constraints, Pool Members intend to allocate a significant proportion of the Net Retained Levy allocated to them for projects that support:

- the creation of an environment where it is easy for businesses to start, locate and thrive,
- acceleration of the growth of our economy through targeted support in our key strategic sectors, and
- tackling the skills problems by aligning supply and demand.

In making these allocations Pool Members are emphasising their commitment to at least maintaining their underlying business rate base in real terms.

11.5. When the Local Volatility Fund has sufficient resource to meet any reasonable downwards volatility in local business rate income it is the intention of Pool Members that the 25% of the Net Retained Levy allocated to the Local Volatility Fund is redirected to economic development across the Pool area.

11.6. **Allocation of the Local Volatility Fund**

Allocations from the Local Volatility Fund will be made on the following basis:

- The Pool will operate with a local safety net of –5%.
- Allocations to fund an authority up to the level of the local safety net will be made directly from the Pool Local Volatility Fund net of any of the Net Retained Levy share allocated to the authority in that year.
- A Memorandum Local Volatility Fund will be maintained for each Pool Member recording their allocations to and from the Local Volatility Fund.
- Where a Pool Member would have received an allocation from the National Safety Net if they had remained outside the Pool their Memorandum Local Volatility Fund will be credited with resources in lieu of receiving the National Safety Net as a first call on the Net Retained Levy.
- 100% of any National Safety Net funding received by the Pool will be allocated to the Pool Local Volatility Fund.
- Where the need for an allocation from the Local Volatility Fund is identified on the NNDR1 return prior to the start of the financial year, payments will be made to Pool Members on the same schedule of payments dates agreed for tariff and top-up payments.

11.7. **Allocation of the Memorandum Local Volatility Fund**

When a Pool member leaves or the Pool is dissolved each authority will refund the Pool or receive from the Pool the balance in their Memorandum Local Volatility Fund.

12. Review Arrangements

- 12.1. A review and refresh of the Pool’s governance arrangements and the methodology for the allocation of resources will be undertaken on an annual basis. It will be co-ordinated by the Lead Authority on behalf of the Section 151 Officers and in sufficient time for any changes in Pool Membership to be in place before the start of the following financial year.

13. Signatories on behalf of the Pool Members

On behalf of **Coventry City Council**

Signed:	Signed:
Name: Martin Reeves	Name: Chris West
Position: Chief Executive	Position:
Date:	Date:

On behalf of **North Warwickshire Borough Council**

Signed:	Signed:
Name: Jerry Hutchinson	Name: Chris Brewer
Position: Chief Executive	Position: Deputy Chief Executive
Date:	Date:

On behalf of **Nuneaton and Bedworth Borough Council**

Signed:	Signed:
Name:	Name:
Position: Chief Executive	Position: Section 151 Officer
Date:	Date:

On behalf of **Rugby Borough Council**

Signed:	Signed:
Name:	Name:
Position: Chief Executive	Position: Section 151 Officer
Date:	Date:

On behalf of **Stratford-on-Avon District Council**

Signed:	Signed:
Name:	Name:
Position: Chief Executive	Position: Section 151 Officer
Date:	Date:

On behalf of **Warwick District Council**

Signed:	Signed:
Name:	Name:
Position: Chief Executive	Position: Section 151 Officer
Date:	Date:

On behalf of **Warwickshire County Council**

Signed:	Signed:
Name: Jim Graham	Name: John Betts
Position: Chief Executive	Position: Head of Finance
Date:	Date:

Financial Impact of Pooling Model

2013/14				
Funding Without Pool £m	Funding With Pool £m	Variation	Variation	Cumulative Local Volatility Fund £m

2014/15				
Funding Without Pool £m	Funding With Pool £m	Variation	Variation	Cumulative Local Volatility Fund £m

Annual 0% Growth

Warwickshire County	58.461	59.149	0.688	1.18%	0.000
North Warwickshire	1.996	2.238	0.242	12.12%	0.220
Nuneaton and Bedworth	3.502	3.626	0.124	3.54%	0.084
Rugby	2.348	2.511	0.163	6.94%	0.136
Stratford-on-Avon	2.548	2.796	0.248	9.73%	0.219
Warwick	3.349	3.571	0.222	6.63%	0.184
Coventry City	72.478	73.320	0.842	1.16%	0.000
Total	144.682	147.211	2.529		0.843

Warwickshire County	59.854	60.579	0.725	1.21%	0.000
North Warwickshire	2.046	2.299	0.253	12.37%	0.450
Nuneaton and Bedworth	3.590	3.721	0.131	3.65%	0.173
Rugby	2.407	2.578	0.171	7.10%	0.279
Stratford-on-Avon	2.611	2.871	0.260	9.96%	0.449
Warwick	3.433	3.669	0.236	6.87%	0.379
Coventry City	74.264	75.150	0.886	1.19%	0.000
Total	148.205	150.867	2.662		1.730

Annual 1% Growth

Warwickshire County	58.698	59.487	0.789	1.34%	0.000
North Warwickshire	2.016	2.284	0.268	13.29%	0.243
Nuneaton and Bedworth	3.536	3.682	0.146	4.13%	0.100
Rugby	2.371	2.559	0.188	7.93%	0.157
Stratford-on-Avon	2.573	2.854	0.281	10.92%	0.248
Warwick	3.381	3.644	0.263	7.78%	0.219
Coventry City	73.056	74.021	0.965	1.32%	0.000
Total	145.631	148.531	2.900		0.967

Warwickshire County	60.342	61.275	0.933	1.55%	0.000
North Warwickshire	2.086	2.394	0.308	14.77%	0.521
Nuneaton and Bedworth	3.661	3.837	0.176	4.81%	0.221
Rugby	2.454	2.677	0.223	9.09%	0.344
Stratford-on-Avon	2.662	2.991	0.329	12.36%	0.538
Warwick	3.500	3.819	0.319	9.11%	0.486
Coventry City	75.455	76.596	1.141	1.51%	0.000
Total	150.160	153.589	3.429		2.110

Annual 1% Decline

Warwickshire County	58.224	58.811	0.587	1.01%	0.000
North Warwickshire	1.977	2.193	0.216	10.93%	0.197
Nuneaton and Bedworth	3.468	3.570	0.102	2.94%	0.068
Rugby	2.325	2.463	0.138	5.94%	0.115
Stratford-on-Avon	2.523	2.737	0.214	8.48%	0.190
Warwick	3.316	3.498	0.182	5.49%	0.149
Coventry City	71.900	72.618	0.718	1.00%	0.000
Total	143.733	145.890	2.157		0.719

Warwickshire County	59.370	59.889	0.519	0.87%	0.000
North Warwickshire	2.006	2.206	0.200	9.97%	0.380
Nuneaton and Bedworth	3.520	3.607	0.087	2.47%	0.125
Rugby	2.360	2.480	0.120	5.08%	0.215
Stratford-on-Avon	2.560	2.753	0.193	7.54%	0.361
Warwick	3.366	3.519	0.153	4.55%	0.273
Coventry City	73.085	73.720	0.635	0.87%	0.000
Total	146.267	148.174	1.907		1.354

**Resources Group**

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10 September 2012

Dear Elizabeth,

Coventry and Warwickshire Pooling Expression of Interest

I am writing on behalf of the local authorities in Coventry and Warwickshire in response to your letter dated 13 August 2012.

Following the submission of the Expression of Interest, we have undertaken further financial modelling and held discussions about the governance arrangements most suitable to our local circumstances.

The outcome from these discussions is that the membership of our proposed pool will be the seven local authorities that comprise the geographic coverage of the Coventry and Warwickshire Local Enterprise Partnership (LEP). The proposed member authorities are:

- ❖ Coventry City Council
- ❖ North Warwickshire Borough Council
- ❖ Nuneaton and Bedworth Borough Council
- ❖ Rugby Borough Council
- ❖ Stratford-on-Avon District Council
- ❖ Warwick District Council
- ❖ Warwickshire County Council

As outlined in our initial Expression of Interest the aim of the Pool is to maximise the retention of locally generated business rates to further support cross-boundary economic regeneration activity across the Coventry and Warwickshire LEP region and to protect against significant volatility in the level of resource of individual pool members.

Our emerging governance arrangements do not change this approach. Our first priority will be to ensure that authorities are more financially stable and face a lower risk to their core public service offer than would otherwise be the case. However, the governance arrangements also recognise that local economic growth is key, as the greater proportion of people in secure employment, the lower the demand for the services we provide. We envisage that over time the Pool will play an important role

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in reinvesting the additional local financial benefits back into the local economic environment.

We are still in the process of negotiating our detailed governance arrangements. Draft proposals, for 2013/14, covering the principles of operation of the pool, the identification of strategic priorities and approach to investment decisions, options for the use and distribution of pool resources, governance arrangements for the management of the pool and decision-making, investment procedures for cash resources, reporting requirements and processes for either dissolution of the pool, changes to membership and for an annual review of governance arrangements are in place.

These will be subject to reflection and refinement by the Chief Executives and Section 151 officers over the next three weeks before going through the formal approval processes of the individual member authorities in early October. To this end, further meetings of all pool members have been arranged, with a final sign-off meeting on 17 October 2012.

We recognise that before designation of a pool of authorities can be made, the Department will consult other parties that may be affected by our proposal. The remainder of this letter therefore provides our consideration of the impact of the Pool on neighbouring authorities. At this stage, when both the level of additional retained resource that will be generated by the Pool and the proportion of that additional resource needed to protect against increased volatility and risk to authorities core service offer is unclear, these considerations can only be very general in nature.

We believe Coventry and Warwickshire is a natural location for business growth and the Pool will enable this to be supported more effectively. Where the level of additional resources generated allow, the allocation of any benefit will be consistent with the Coventry and Warwickshire LEP's three key ambitions for the local area of: creating an environment where it is easy for businesses to start, locate and thrive; accelerating the growth of our economy through targeted support in our key strategic sectors and tackling the skills problems by aligning supply and demand.

The long term objective of the Pool will be to improve the job density of the Pool area from 0.81 (in 2010) to a job density of 1 or above. We will seek to do this by working with the direction of travel of the market and using any resource to provide the investment in infrastructure and skills needed locally. Through this approach we see the outcomes of the Pool's activity being consistent with the current functional economic geography of Coventry and Warwickshire.

The core of our Pool area is already very self-contained in terms of commuting (85% of people living in this area also work in the core area), labour movement, housing (with over 90% of house moves beginning and ending in the same area) and retail and leisure activity. The northern part of North Warwickshire and the north-western part of Stratford district have stronger connections in terms of commuting flows, housing markets, and retail and leisure activities with the wider Birmingham sub-region.

Beyond this the consideration of economic similarities suggests that there is a much larger "area of economic interest" that the Pool area is rooted within. This wider area

of economic interest extends northwards to Leicester, eastwards to Northampton and Milton Keynes, southwards to include the upper part of Oxfordshire, the eastern part of Worcestershire, Birmingham and the southern part of Staffordshire (Tamworth and Lichfield).

Whilst the Pool area does have commuting links outside of its geographical boundaries, these are perhaps not as strong as expected given our substantial boundaries with other regions. Data from the Annual Population Survey does, however, suggest that commuting distances are increasing, meaning that the Pool area is becoming less self-contained and a little more connected to surrounding areas. In particular the sub-region is seeing stronger links between North Warwickshire and Tamworth; between Nuneaton and Bedworth and south Leicestershire and between the east of the region and Northamptonshire. Anecdotally there is also evidence of stronger links with London and the south East, with train use of lines connecting the sub-region and the south east seeing increased patronage, particularly at peak times. We would expect these trends to continue and potentially accelerate if there is rapid economic growth.

Over the past 10 years the Pool area has seen much stronger employment and business growth than the regional average and particularly has seen an increase in private sector employment. The Pool area has a strong shared presence (and historical relationship) in automotive manufacturing, along with wider high and medium technology manufacturing; business and professional services; computing (particularly software development); transport and logistics and the creative/cultural sector.

However, within the Pool area there are some significant variations which largely relate to a north-south split. The south of the Pool area is more dominated by business and professional services; knowledge intensive services and occupations and cultural and creative industries. The north of the Pool area is more dominated by manufacturing industries; transport and logistics, retail and wholesale.

There are clear similarities in terms of high concentrations of employment in business services and private sector knowledge intensive industries between the Pool area and areas to the south and east (moving south through Northamptonshire to Milton Keynes).

In terms of the cultural sector employment there is a closer relationship between the south of the Pool area and northern Gloucestershire and Oxfordshire. The transport and logistics sector, as you would expect, is based around the strategic motorway network and so there is a relationship between the north of the sub-region and surrounding areas to the north and east along the M1 (particularly), M42/A42 and A38 corridors.

In terms of manufacturing generally and high and medium-high technology manufacturing more specifically there is a much less discernible relationship between the Pool area and surrounding areas. The significant concentrations of high and medium-high manufacturing include the core of the Pool area but extend northwards up to Leicester, eastwards to Northampton, westwards to Birmingham and the A38 corridor into Worcestershire and north westwards up the M6 corridor into Staffordshire. The main concentrations of manufacturing employment in the Pool

area are largely located on the eastern and northern sides perhaps suggesting slightly stronger links to the north and east midlands area.

The Pool area is well located on the strategic transport network and is therefore well connected. In terms of links to major areas of employment and business activity (generally urban areas), the Pool Area is well linked to Leicester (M69); Northampton and Milton Keynes (M1); Banbury and Oxford and the wider southeast (M40) and Birmingham (M6, M40 and M42).

We believe that the Pool and the investment in economic growth as a result of retaining additional business rate resources locally is possible with no perverse incentives for neighbouring authorities. They are also accessible and buoyant areas with the potential to grow. The focus of investment will be on delivering high value added employment and business solutions which serve a much broader labour market and supply chains across the region and also deep into adjacent areas. The principles of collaboration and shared strategies, efforts and good practice to support mutual ambitions of economic growth apply equally to other parties and neighbouring authorities as to the individual members of the Pool.

Yours

Virginia Rennie
Group Accountant
Warwickshire County Council