SELF REGULATION SELECT COMMISSION

Venue:	**Town Hall, Moorgate Street, Rotherham.**	**Date:**	**Wednesday, 12th October, 2011**
		Time:	**12.30 p.m.**

A G E N D A

1. To determine if the following matters are to be considered under the categories suggested in accordance with the Local Government Act 1972.

2. To determine any item which the Chairman is of the opinion should be considered as a matter of urgency.

3. Declarations of Interest.

4. Questions from Members of the Public and the Press.

For Discussion:-

5. Draft Response to Government Consultation on the Localisation of Business Rates (report herewith) (Pages 1 - 14)

   This is the report which is being presented to the Cabinet on 19th October, 2011 and is for discussion ready for submission on the 24th October, 2011.

6. Date and Time of Next Meeting - 27th October, 2011 at 3.30 p.m.

Members of the Self-Regulation Select Commission:-
Councillor Hughes (Chairman)
Councillor J. Hamilton (Vice-Chairman)
Councillors Atkin, Beck, Currie, Donaldson, Ellis, Foden, N. Hamilton, Mannion, Parker, Sharman, Swift and Tweed.

ROTHERHAM BOROUGH COUNCIL – REPORT TO CABINET

1	**Meeting:**	**CABINET**
2	**Date:**	**19th October 2011**
3	**Title:**	**Draft Response to Government Consultation on the Localisation of Business Rates**
4	**Directorate:**	**Financial Services**

5 Summary

The report summarises the Government's proposals for the Localisation of Business Rates and their implications for Rotherham. Attached as an appendix are the Council's proposed response to the Consultation papers issued in July and August.

6 Recommendations

Cabinet is asked to:

- **Note the contents of this report; and**
- **Approve the draft response to the DCLG Consultation Paper on the Localisation of Business Rates.**

7 Proposals and Details

7.1 The DCLG published a Consultation Paper outlining Proposals for Business Rates Retention on 18th July followed by a series of 8 technical papers on 19th August. The Consultation Paper requested responses by 24th October and the Council's draft response is attached as an appendix to this report. The response has been considered by the Self Regulation Select Commission (12th October) prior to being submitted to the DCLG.

7.2 **The Present System -** Business Rates are calculated based on a rateable value using a rates multiplier - currently 43.3p - which is set nationally by the Government and increased annually in line with RPI. Rateable values are re-assessed every 5 years (by the Valuation Agency) - the next review is due in 2015. **The current proposals do not change the way that business rates are calculated. The proposals should not affect businesses paying rates**.

7.3 **Proposed Changes -** The Government's stated policy objective is to provide a financial incentive for councils to promote local economic growth over the long term - under the new regime authorities with increases in their rates tax base and revenues should gain from the scheme whilst those with declining business rates income will lose.

7.4 Currently, all business rates income collected by billing authorities, like the Council, is pooled nationally and redistributed to authorities as part of the Formula Grant System. **Under this System, the Council receives more from the rates pool than it pays in** - as the table below shows.

Rotherham	2009/10 £m	2010/11 £m	2011/12 £m (est.)
Payment to the National Business Rates Pool	64.9	64.4	64.6
Payment received from the National Business Rates Pool	96.6	107.7	94.1
Difference	**-31.7**	**-43.3**	**-29.5**

7.5 Previous, preliminary concerns that the Council could lose out have been allayed by guarantees that authorities will, initially, receive the **same level of funding** as at present. The proposed scheme will take effect from 2013/14 - for the first 2 years the national spending control totals announced in the Comprehensive Spending Review (CSR) 2010 will continue, which planned for reductions in Formula Grant in both 2013/14 and 2014/15.

7.6 The proposed business rates scheme will operate as follows:

Funding Baseline - The scheme will provide authorities with an initial baseline level of funding derived from the 2012/13 Formula Grant allocations. In determining the National Baseline Government will make an adjustment to fund the **New Homes Bonus Scheme** and continue to provide Police Authorities with a Formula Grant allocation which includes a payment from the National Business Rates Pool. Fire Authorities may also be treated this way.

Tariffs and Top-ups – a system of tariffs and top-ups will be introduced. Authorities with business rate income greater than their funding baseline will pay a tariff and for those authorities whose income is below the baseline will receive a top-up to bring there income up to the level of their assessed need i.e., the baseline. **Rotherham will fall into the top up category.**

The Consultation Paper sets out options for adjusting tariffs / top ups over time – e.g., indexing them to movements in the RPI (which would broadly benefit top-up authorities) or fixing them in cash terms - which generally benefits tariff authorities.

The actual funding a council will receive will, however, be dependent upon whether the Council collects more or less business rates than that assumed in the baseline.

Resetting the system - the baseline figure could (over time) no longer reflect service needs in an area (e.g. as a result of population movements). Having a reset mechanism should help keep resources broadly in line with need (the baseline). The Government is seeking views on how this mechanism should work.

A safety net – will be in place to protect authorities from year on year volatility or longer term decline in Business Rates income (for example due to the loss of a major business). This will be funded by **a levy system** on disproportionate growth in rates, which would scale back the amount of resources that can be retained locally. The levy may also be used to fund other grants to authorities. A range of options for both the levy and the safety net are being considered.

Pooling - There is also provision for authorities to form pools with each other voluntarily on a regional basis. Pools would be able to decide for themselves how they distribute revenue amongst their members. The potential benefits of pooling include:

- Enabling groups of authorities to collaborate to achieve additional increases in growth by taking advantage of economic efficiencies:
- Minimise the risk of developments being transferred between authorities; and
- Helping authorities manage volatility in income by sharing budget fluctuations across a wider area.

Other features of the scheme – there are arrangements for protecting Government Approved Enterprise Zones to retain all business rates growth within the zone, for 25 years, to support the LEP priorities.

Tax Increment Financing (TIF) - although there will still be provision for TIF within the system, the current proposals could make it less attractive as resetting the baseline and placing a levy on rates growth to fund the safety net could reduce the longer term income streams available to support TIF schemes.

7.7 Initial implications for Rotherham

As authorities' funding levels for 2012/13 were guaranteed in the 2010 Spending Review, **the proposals do not at present affect the Council's 2012/13 budget projections.** With respect to later years (2013/14 onwards), the proposals are complex with many issues and options interacting to give a wide range of possible funding allocations, which will need to be **fully assessed** and fed into the Council's MTFS once the Scheme details are finalised.

Based on Rotherham being a **top up** authority, it has been possible to date to carry out some initial modeling based on 2 options:

1. **Indexing the baseline top up by RPI; and**
2. **Fixing the baseline top up as a cash amount that does not change.**

The Government is seeking views on these options.

Under Option 1, first estimates suggest that the Council over the financial years 2013/14 and 2014/15 could receive up to £12m more than under the current Formula Grant System and up to £4m more under Option 2.

Based on historic business rate growth patterns Rotherham is unlikely to be affected by either the levy on disproportionate growth or the safety net payment mechanism.

7.8 Significant Issues and concerns for Rotherham

Damping Mechanism - a key element of the baseline calculation is the level of need within an authority. It is planned to continue to use Formula Grant to assess this. However, the current Formula Grant system operates a system of floors and ceilings to damp year on year grant changes.

Rotherham's grant increase is capped to fund guaranteed minimum increases in funding for other authorities. It is estimated that Rotherham has lost **£2.3m** to the damping mechanism in the current financial year and that it will lose **£2.0m** in 2012/13. The DCLG is currently "not minded" to adjust the business rates localisation to remove the effect of the damping mechanism. **This will lock Rotherham into a reduced needs assessment that means the funding baseline for the Scheme will not fully reflect a fair assessment of need.**

Under the proposals a reset mechanism should ensure resources and need do not move out of alignment. Details of how this mechanism may work are not known.

Enterprise Zones - The treatment of Enterprise Zones may also disadvantage Rotherham – the recently announced zone in the borough will be excluded from the new system at a time when it is likely that the majority of the growth in rates income will occur within the zone. Any business rates growth within the zone will be retained by the LEP.

Other potential concerns –

- The timescales for the introduction of the new system are too short and that a major change in local authority funding is being rushed.
- The proposals leave many significant decisions: (for example the timing of resets, the amount of rates income set aside to pay for other grants) to the discretion of ministers.
- An authority's potential to generate rates income does not necessarily relate to its service need. Furthermore the model does not take account of other income sources such as Council Tax, fees and charges and

New Homes Bonus and there is a risk that authorities may be disadvantaged on all counts - in terms of rates growth, Council Tax and New Homes Bonus.

- The current proposals lack provisions to support growth in weaker economies and regions.

7.9 Response to Consultation

The initial consultation paper and further 8 technical papers have asked 96 questions of local government - attached as an appendix is the Council's response to the consultation. The Council's response highlights the issues and concerns with the overall operation of the scheme outlined above, rather than addressing technical issues which will be the subject of further discussions as the new system is implemented.

- **The new system should not be based on damped grant** - as this is not a fair assessment of spending need.

- **Assessed Need should be re-assessed and baselines updated on a regular basis** allowing the system to be "reset" and avoiding a divergence between resources and spending requirements. The timing of resets should be agreed and fixed.

- **Tariffs and top-ups should be up-rated in line with RPI increase** in the rates multiplier.

- **The scheme should include measures to assist areas of need and limited potential to generate economic growth.**

- **Police and Fire Authorities should continue to receive Formula Grant allocations for the present.**

- **The Council supports the proposed levy on business rates growth** in order to support the overall system and to assist authorities with restricted capacity to generate rates growth.

8. Finance

The financial issues are discussed in section 7 above.

9 Risks and Uncertainties

As indicated, the proposals are complex and set out a range of options which interact to generate a spectrum of possible funding levels which will need to be fully assessed once final details of the new scheme are determined by Ministers' following the consultation.

.

10. Policy and Performance Agenda Implications

Redistributed Business Rates from the National Pool currently comprise the largest element of Formula Grant funding received by the Council - changes in their distribution could have significant implications for the Council's future financial position.

11. Background Papers and Consultation

- Consultation Paper Localising support for council tax in England DCLG 2nd August and Technical Papers
- Briefings from the Local Government Association, SIGOMA and Local Government Futures.

Contact Name: *Anne Ellis, Financial Services - Finance Manager (Financial Strategy), anne.ellis@rotherham.gov.uk*

ROTHERHAM MBC

LOCAL GOVERNMENT RESOURCES REVIEW CONSULTATION – PROPOSALS FOR BUSINESS RATES RETENTION

Rotherham MBC welcomes the opportunity to comment on the proposals for the retention of Business Rates. The Council is an active member of bodies like SIGOMA and Local Government Yorkshire and Humber and would broadly endorse their comments on the proposals.

Although the Council is supportive of the objectives of increasing local financial autonomy and promoting local decision making and accountability, the current proposals give rise to significant concerns on the Council's part.

Firstly, as the proposed system stands, the Council has significant worries about its fairness, believing that there is a substantial risk that economically and socially challenged areas will be disadvantaged as the link between resources and need is not robustly established at the centre of the system and will not be regularly reviewed and maintained over time.

Secondly, the measures consider only one element of local government funding in isolation and do not take into account authorities' capacity to generate income from other sources such as the Council Tax and fees and charges. It should also be noted that authorities' need to spend on services is not linked to their capacity to generate economic growth; indeed the most needy authorities are most likely to have the lowest potential to generate additional rates income.

Thirdly, as the current proposals represent a major change in the way that local government is financed and are complex, the Council would ask that further time is allocated to assess the impact of such a substantial change and to avoid perverse incentives and unexpected results.

Fourthly, as currently constructed the measures allow ministers significant discretion (for example on the timing of re-equalisations), which runs counter to the claimed objectives of promoting local autonomy.

In the light of these general concerns the remaining comments follow the question format set out in the appendix to the report issued in July

Component 1: Setting the baseline

Q1: What do you think that the Government should consider in setting the baseline?

The Council believes that it is essential that any baseline reflects key authorities' spending needs and their capacity to generate income from all sources, Business Rates, Council Tax and fees and charges etc. It will also be vital that this relationship is maintained over time and that measures are set in place to avoid a divergence between resources and need. Otherwise the proposals will have a significantly detrimental effect on disadvantaged areas and regions.

Q2: Do you agree with the proposal to use 2012-13 formula grant as the basis for constructing the baseline?
If so, which of the two options at paragraphs 3.13 and 3.14 do you prefer and why?

The Council does not consider that 2012/13 Formula Grant allocations represent a valid basis for the construction of a baseline. It is important that the baseline reflects the most up to date assessment of need. Current allocations have been subject to the “floors and ceilings” damping mechanism which diverts funds from authorities like Rotherham with high levels of need to areas with lower need and lower deprivation. Failure to adjust for damping would effectively lock in shortfalls in funding for areas with high levels of assesses need, fixing their disadvantage under the current system.

Component 2: Setting the tariffs and top ups

Q3: Do you agree with this proposed component of tariff and top up amounts as a way of re-balancing the system in year one?

The proposed method would appear logical, providing the right option is chosen regarding the annual adjustment of the tariff and top-up amounts. i.e. in order not to penalise top-up authorities, the top up needs to be increased by RPI.

It is important to note that there is unlikely to be a correlation between the level of need in an authority and its capacity to generate economic growth, which means that the proposed system carries a substantial risk that any balance between need and resources (and any resource equalisation between authorities) will not continue and over time, a mismatch will develop between spending need and funding.

Q4: Which option for setting the fixed tariff and top up amounts do you prefer and why?

The only option which offers any protection to the most vulnerable communities is to increase the top-up and tariffs by RPI. As Business Rates are increased in line with the RPI annually without any input from local authorities any additional resources generated by this increase in rates charges should be used to ensure that resources remain in line with need. Without such an up-rating the level of resources available to tariff and top-up authorities would diverge, disadvantaging top-up authorities. The Council is therefore opposed to option 2 and supports option 1 - to up-rate the year one tariff and top-up amounts by the Retail Price Index.

Component 3: The incentive effect

Q5: Do you agree that the incentive effect would work as described?

The Council is unclear how the incentive effect would operate. Rotherham has always been eager to encourage business growth (as our work on the newly announced South Yorkshire Enterprise Zone shows) but the Council recognises that success in achieving such growth is often as much due to market forces as to local authority activity. The current proposals do not allocate resources to support weaker economies and to assist infrastructure investment and other developments which would support private sector development.

The Council is also concerned that the proposals would favour development in the business sectors which generate larger rate incomes (such as retail) rather than supporting longer term sustainable growth.

Component 4: A levy recouping a share of disproportionate benefit

Q6: Do you agree with our proposal for a levy on disproportionate benefit and why?

A levy on growth in order to support the system overall would appear essential if the system is to operate in a fair way.

Q7: Which option for calculating the levy do you prefer and why?

The proportional levy would ensure there is a more even level of incentive to all authorities. The flat rate levy favours tariff authorities, whilst the banded level creates cliff edges and fails to take into account the variation within each band. The Council would prefer the proportional levy, but with an amendment for top up authorities.

The amendment would, be effectively a negative levy, in order to ensure the ratio between rates growth and budget growth is maintained for all authorities for any level of growth. For example, (for a 1 to 1 ratio) for tariff authorities a 1% growth in NDR would trigger a 1% growth in budget. However, for top-up authorities a 1% growth in NDR will only yield a 1% of the needs baseline as a proportion of NDR baseline. This, depending on the authority, will range somewhere between 0% and 1% of budget growth. Without adjustment top-up authorities are disadvantaged. The resources for this adjustment would be raised from the levy.

Q8: What preference do you have for the size of the levy?

The levy must be at a level to provide stability and certainty. It might be preferable to be prudent and initially set a higher stable/fixed levy, which would avoid the need for increases in future years. However, if an adequate incentive is to be provided, it is accepted that the levy must be set to allow growth generated by genuine effort to deliver additional resources, whilst still raising adequate resources for the safety net.

Q9: Do you agree with this approach to deliver the Renewable Energy commitment?

The Council would favour encouraging Renewable Energy projects, however as stated above there are concerns that the business rate yield from such projects in comparison to other infrastructure developments may provide a perverse disincentive.

Q10: Do you agree that the levy pot should fund a safety net to protect local authorities:
i) whose funding falls by more than a fixed percentage compared with the previous year (protection from large year to year changes);
or
ii) whose funding falls by more than a fixed percentage below their baseline position (the rates income floor)?

The present system of floors and ceilings adjustment to formula grant has set a precedent and protection for those authorities who's business rate income fluctuates annually – frequently as a result of factors outside their control – must be a fundamental element of the proposed system if some fairness is to be included and the most vulnerable of our communities protected.

Q11: What should be the balance between offering strong protections and strongly incentivising growth?

Rotherham Council believes that the users of local services should not be penalised through falling funding (and subsequently reduced quality and provision of vital services) for the failure of their area to increase rates income. The current system of floors and scaling of formula grant has set a precedent in stressing the importance of stability at the cost of those authorities like Rotherham with increasing relative need.

The new rates retention system should be consistent in terms of priorities and place stability (for local service provision) over incentives that may only benefit a relatively low number of high growth authorities. Therefore, we support a system which offers strong protection to local service users.

Q12: Which of the options for using any additional levy proceeds, above those required to fund the safety net, are you attracted to and why?

The Council believes that it is essential that any remaining monies need to be returned to local government; however the Council recognises that all the options outlined in the consultation paper have some merit.

That said, the Council would prefer to see the resources used to support revenue expenditure in areas of low growth - this should be done via a formula, rather than a bidding/projects based approach that allocates resources based on subjective decisions. This would provide some much needed funding to authorities that could see a longer term decline in central government support, due to factors largely beyond their control i.e. government decisions around Enterprise Zones, growth areas and national and international economic conditions.

Q13: Are there any other ways you think we should consider using the levy proceeds?

If this issue is not addressed in setting the baseline, the proceeds of any additional levy pot could be used to compensate authorities that are currently above the floor for the loss in resources that will be incurred if the needs baseline is determined after floors and scaling. This would provide support for those authorities with resource allocations which do not currently match their needs. As these councils are also those with lower tax bases such investment would provide additional resources to support a focus on economic regeneration.

Component 5: Adjusting for revaluation

Q14: Do you agree with the proposal to readjust the tariff and top up of each authority at each revaluation to maintain the incentive to promote physical growth and manage volatility in budgets?

As there is no connection between the level of NDR and needs for services in areas it would be unfair for such changes - imposed on local authorities – not to be adjusted for within the overall system. There is at the same time a strong case for reviewing and updating the needs of authorities regularly.

Q15: Do you agree with this overall approach to managing transitional relief?

It is accepted that the general principle should be that a local authority should not be disadvantaged from transitional relief provided by Government determination.

DRAFT

Component 6: Resetting the system

Q16: Do you agree that the system should include the capacity to reset tariff and top up levels for changing levels of service need over time?

The Council considers there is a need to realign the system over time to reflect changing NNDR growth patterns and levels of service need. Given that, it is therefore essential that the proposed system include the capacity for regular resetting. Without regular resets, the gap between levels of resources compared with need will only widen and place at risk the delivery of services.

It is important that these resets occur with sufficient frequency to prevent the turbulence that may occur through realigning need and resources representing a problem - every three years would appear reasonable.

The Council also favours SIGOMA's suggestion that such resets should, as a matter of principle, also include the ability to generate resources locally from Council Tax

Q17: Should the timings of reset be fixed or subject to government decision?

In order to promote certainty, resets should be undertaken around a set timetable, which should be included within the legislation. This would minimise the risk of resets being undertaken for political reasons that would undermine the localisation agenda.

Fixing the reset period would allow all authorities to benefit from growth over time but offer the certainty for areas with slow growth (which may be beyond their control) that they will not suffer unduly and protect services.

Q18: If fixed, what timescale do you think is appropriate?

The Council supports resetting the system every three years which would be in line with recent multi-year settlements. An alternative would be to align resets with the Government's spending reviews and the revaluation timeframe to ensure minimal turbulence at other points in the cycle.

Q19: What are the advantages and disadvantages of both partial and full resets? Which do you prefer?

A partial reset would allow local government to retain the gains it has achieved through NDR growth and spread those gains more evenly across local authorities. However, over time this risks of giving the strongest economic areas an advantage over those with weaker growth. A full reset would offer the stability needed nationally, while also allowing those who do experience growth to benefit. The most important aspect of the reset will be to update the needs baseline, in order to reflect changes to relative need during the period when the system was fixed and ensure that resources and need remain in balance.

Q20: Do you agree that we should retain flexibility on whether a reset involves a new basis for assessing need?

No, as indicated, the updating of the needs baseline is an essential element of any reset. A commitment from government to undertake this adjustment would provide greater certainty to local authorities and would reduce the element for ministerial discretion and political decisions in the system.

DRAFT

The current basis for assessing need has developed through intense scrutiny from local and central government (at Settlement Working Group and Consultations). Whilst the system is not without flaws, and there are always improvements to be made, to move away from the current system would result in a significant change to the ability to determine relative need in the intervening period. The Council would prefer to see the current system of making adjustments to the formulae based on emerging evidence to be maintained.

Component 7: Pooling

Q21: Do you agree that pooling should be subject to the three criteria listed at paragraph 3.50 and why?

The criteria would appear logical and reasonable. Rotherham Council believes that it is particularly important pooling should be voluntary.

Q22: What assurances on workability and governance should be required?

Aside from assurances regarding systems etc, it is important that all members of the pool can demonstrate a thorough understanding of the consequences of the various scenarios that could occur.

Q23: How should pooling in two tier areas be managed? Should districts be permitted to form pools outside their county area subject to the consent of the county or should there be a fourth criterion stating that there should always be alignment?

Rotherham Council does not have a particular view on this matter but would, as a matter of principle, wish to see maximum flexibility for two tier areas to determine what is appropriate for them.

Q24: Should there be further incentives for groups of authorities forming pools and if so, what would form the most effective incentive?

There should be no additional incentives attached to pooling. Authorities that choose to pool will benefit from reducing their own risk of lower NDR receipts due to volatility and increases in economic activity and growth which will bring additional resources. Encouraging pooling through incentives may result in pools being created only to exploit the incentives rather than to encourage authorities to work together to achieve growth and share the associated risks.

Impact on non-billing authorities

Q25: Do you agree with these approaches to non-billing authorities?

The proposed treatment of Police Authorities in Metropolitan arrears appears reasonable and the Council would argue that single purpose Fire and Rescue Authorities should be treated in a similar way.

DRAFT

CHAPTER 4: INTERACTIONS WITH EXISTING POLICIES AND COMMITMENTS

New Homes Bonus

Q26: Do you agree this overall approach to funding the New Homes Bonus within the rates retention system?

Given the constraints of the new system, the approach proposed would appear logical, however the proposals have the capacity to significantly disadvantage areas with constraints on development. Areas where new homes are built will receive a double reward, increases in Council tax and New Homes Bonus payments whilst areas with limited developments will not benefit form additional Council Tax income and will have a reduction in core funding.

Whatever approach is used it will be important that the timing of announcements regarding funding is linked to other announcements, in order to provide local authorities with sufficient time to set budgets.

Q27: What do you think the mechanism for refunding surplus funding to local government should be?

The distribution through the baseline is a fair method that brings certainty and stability to funding projections.

Q28: Do you agree that the current system of business rates reliefs should be maintained?

If the localisation of Business Rates is to have no impact on Business Ratepayers, it would seem reasonable not to make changes to the current system of rates reliefs. Maintaining the current system would provide certainty and consistency for ratepayers. The Council would however agree with the caveat raised by SIGOMA that the Government should provide assurances that no local authority will lose resources as a result of Government decisions on rates reliefs.

CHAPTER 5: SUPPORTING LOCAL ECONOMIC GROWTH THROUGH NEW INSTRUMENTS

Rotherham Council would urge that the interaction of the proposals on business rates with other means of supporting local economic growth should be considered carefully. For example, the treatment of Enterprise Zones: rates growth in these areas will be excluded from the new system and retained by LEPs. However, it is likely that the majority of the growth in rates income in areas with Enterprise Zones will occur within the zone, limiting those authorities' ability to benefit from the current proposals.

Q29: Which approach to Tax Increment Financing do you prefer and why?

Rotherham Council favours Option 2. If TIFs are to succeed, authorities need assurances that revenues will be protected. However, it is recognised that the potential exists for authorities to exploit TIFs in order to avoid the levy on disproportionate growth. To counter this, restrictions on the number and value of TIFs nationally should be put in place. For example, no authority could exceed more than a set percentage of its baseline within a TIF scheme.

DRAFT

Q30: Which approach do you consider will enable local authorities and developers to take maximum advantage of Tax Increment Financing?

As indicated option 2 would be the most effective - however there is a need to ensure that any system balances interaction with other incentives for growth with the need to ensure that authorities' income streams are in balance with their need to spend.

Q31: Would the risks to revenues from the levy and reset in option 1 limit the appetite for authorities to securitise growth revenues?

The levy and reset proposals are essential elements of the scheme which enable resources and need to be kept in balance and provide support to disadvantaged areas.

Q32: Do you agree that pooling could mitigate this risk?

Pooling would mitigate some risks associated with the rates retention scheme, but the extent to which it would offset option 1 is questionable. It should also be noted that the benefits of pooling would be there for authorities with or without TIFs.

Q33: Do you agree that central government would need to limit the numbers of projects in option 2? How best might this work in practice?

The Council would support limiting the number of projects under option 2, possibly by no authority being allowed to exceed more than a set percentage of its baseline within a TIF scheme. Such opportunities could also be targeted at low growth/low tax base Authorities.

DRAFT