



REPORT TO: COUNCIL

DATE: 9 JANUARY 2014

REPORT OF THE: CORPORATE DIRECTOR (s151)
PAUL CRESSWELL

TITLE OF REPORT: BUSINESS RATE POOLING

WARDS AFFECTED: ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

1.1 This report updates Members on the proposals for the Council to join a Business Rates Pooling arrangement with other Authorities. Such an arrangement would relate to the 'retained' element of the business rates which is now part of the Local Government Finance System.

2.0 RECOMMENDATION

2.1 It is recommended that members note the updated position and that the Corporate Director (s151) will decide on Business Rate Pool membership by the 14 January 2014.

3.0 REASON FOR RECOMMENDATION

3.1 Whilst progress has been made the final decision to join a pool will take place on or before the 14 January 2014.

4.0 SIGNIFICANT RISKS

4.1 There are no significant risks in considering this update report.

5.0 POLICY CONTEXT AND CONSULTATION

5.1 This issue impacts on the overall financial position of the Authority as part of its budget setting process and consequently the Financial Strategy. This is a key strategy document that affects all service delivery. It links to the Corporate Plan and all other strategic plans as well as providing the means for attaining the Council's objectives and priorities.

REPORT

6.0 REPORT DETAILS

6.1 Council on the 5 September 2013 after considering the report on pooling of business rates members resolved:

That:

- (i) delegated authority be given to the Corporate Director (s151) in consultation with the Group Leaders to join a business rate pool for 2014/15 should he be satisfied that such an arrangement is likely to be in the financial interests of the Council;
- (ii) delegated authority be given to the Corporate Director (s151) in consultation with the Resources Working Party to respond to the consultation document 'New Homes Bonus and the Local Growth Fund'; and
- (iii) a report on business rates proposals be brought to January Full Council.

6.2 An update report on Business Rate Pooling was sent to the Group Leaders on the 11 October 2013. This was ahead of the 31 October deadline for the formal joint application to the Department for Communities and Local Government (DCLG).

6.3 The main benefit of pool membership is reducing the amount the Government takes from authorities who are receiving business rates above their target. The current levy rate for RDC is 50%, therefore 50% of any growth goes to Government. RDC then gets 40% of the remainder, so the marginal benefit of increases in business rates to RDC is only 20%.

6.4 A Business Rate Pool as proposed reduces the levy rate payable to government from 50% to 0%. The total amount saved, based on current year figures across the proposed pool area would be c£900K.

6.5 As detailed in the report in September the Business Rate Pool works as the County Council is in the opposite position to Districts in that its Business Rates income (9% of the total of each district) is insufficient for its to qualify for the Government's specified start up funding position and it therefore receives a 'top up' payment. Without North Yorkshire County Council there would be no benefit to Business Rate Pooling for the Districts.

6.6 To reflect this the County Council need to take some reward and risk of the Business Rate Pool. The County Council share in the 13 Business Rate Pools which presently operate range from 5% to 60%. Officers have been in negotiations with the other proposed partners and agreed the following sharing arrangement for any surplus:

- Host authority costs (not expected to exceed £20k per annum).
- The first £250k or 20% (whichever the lower) is set into a shared pot and made available to the Leaders and Chief Executives Group to allocate to economic Development Spend across the Business Rate Pool area. This money would not be available until 2015/16, then:

• NYCC	30%
• District share proportionate to growth	35%
• District share proportionate to funding target	35%

6.7 Should there be any deficits on the pool the above percentages would also apply.

6.8 Following Council further meetings, negotiations and risk management work was

undertaken between the prospective Business Rate Pooling partners. Part of this work involved a review of the highest business rates payers within each District area. Early in this process it became clear that Selby DC did bring an element of increased risk. The rates income from the top 10 rates payers from the 5 Districts (excluding Selby) totals c£25m. The top 10 for Selby DC total approximately the same figure.

- 6.9 Within the Selby figures are two large power stations Drax and Eggborough. Both have plans for a switch to renewable energies which would bring their rates income outside of a pooling arrangement (although Selby were prepared to look at a mechanism to make good Business Rate Pool losses arising from the conversion). A review of the rates income over the years from the two sites also showed significant variability. Taking all relevant information into account it was decided that the Business Rate Pooling application would only cover Ryedale, Scarborough, Craven, and Richmondshire, Hambleton Districts plus the County Council. Without Selby there was no financial benefit to the inclusion of the North Yorkshire Fire Authority in the pool. For information Harrogate Borough Council are already part of the Leeds City Region Business Rate Pool.
- 6.10 The Councils received notification that the Business Rate Pooling application had been successful on the 17 December 2013, the day before the Local Government Finance Settlement. The Authorities have to confirm by the 14 January 2014 that they would like to proceed with the Business Rate Pool. If any single authority chooses not to proceed the pool will not be formed.
- 6.11 The difficulty in taking this forward is the uncertainty over the retained business rates for each Authority. The key document in determining the benefits of Business Rate Pooling is the completion of the NNDR1 return which estimates within each district their forecast business rate income for 2014/15. The DCLG has not yet released the form (which is complex and had over 40 cells to complete for 2013/14) or the guidance to complete the form. There are key issues around the provision for appeals and the accounting treatment for the first year of the scheme (2013/14) has yet to be resolved.
- 6.12 Initial projections were that Business Rate Pooling could benefit RDC by c£60k; however the benefits cannot be recalculated until the form and guidance are received. This may or may not be before the 14 January 2014 deadline.
- 6.13 Notwithstanding this the fact that all Districts are predicted to be ahead of their 'target' and the work undertaken so far indicates that pooling is likely to be beneficial financially to all of the partners. There is no certainty with this decision; it is a judgement at a point in time informed by the work undertaken so far.

7.0 IMPLICATIONS

- 7.1 The following implications have been identified:
- a) Financial
There are no new financial implications highlighted in this report.
 - b) Legal
There are no new legal implications in this report.
 - c) Other
There are no new other implications in this report.

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Background Papers:
None.