



PART B:	RECOMMENDATIONS TO COUNCIL
REPORT TO:	POLICY & RESOURCES COMMITTEE
DATE:	23 NOVEMBER 2017
REPORT OF THE:	RESOURCES & ENABLING SERVICES LEAD (s151) PETER JOHNSON
TITLE OF REPORT:	APPLICATION TO THE DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT FOR A NORTH YORKSHIRE AND EAST RIDING 100% BUSINESS RATES RETENTION PILOT IN 2018/19.
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 To seek Member confirmation for Ryedale District Council to be part of an application to the Department for Communities and Local Government (DCLG) for a North Yorkshire & East Riding 100% Business Rates Retention Pilot in 2018/19.

2.0 RECOMMENDATIONS

- 2.1 Members agree with the action taken that Ryedale District Council, as a member of the North Yorkshire Business Rates Pool, is part of the North Yorkshire & East Riding submission to the Department for Communities and Local Government to become a 100% Business Rates Pilot in 2018/19.
- 2.2 Should the application be successful, delegated authority be given to the s151 Officer in conjunction with the Chair of the Policy and Resources Committee to formalise the pilot pool governance arrangements highlighted within the application.

3.0 REASON FOR RECOMMENDATIONS

- 3.1 The pilot will highlight the unique issues faced within North Yorkshire in order to help inform Central Government decisions on the design of a final scheme.

4.0 SIGNIFICANT RISKS

- 4.1 Applying to be a pilot is not without risk and the risks have been factored in as far as possible to the decision to proceed or not.

4.2 Government has recently confirmed that the 2018-19 business rate pilots will operate with “no detriment”. This news is very much welcomed; whilst rigorous financial modelling has been undertaken, a no detriment clause provides assurance that the local authorities within the pilot will not be financially worse-off, providing much needed stability for financial planning purposes. The no detriment clause is particularly relevant to this specific pilot application given the inclusion of Selby’s power stations within the pool’s overall tax base.

5.0 POLICY CONTEXT AND CONSULTATION

5.1 Business rates income is an important revenue stream to support all the priorities of the Council. The outcome of the 100% Business Retention Rates Pilots will inform how this major income receipt for the Council is shaped in the future.

5.2 Consultation has taken place with Chief Finance Officers and Chief Executives from North Yorkshire County Council, North Yorkshire District Councils, East Riding of Yorkshire Council and the Chair of Ryedale DC Policy and Resources Committee.

REPORT

6.0 REPORT DETAILS

6.1 The Government through the DCLG has extended the opportunity to all local authorities to become 100% Business Rates Retention Pilots in 2018/19. An invitation was issued in early September with a deadline for submission of 27 October 2017. The pilot is for one year only.

6.2 100% pilots will retain all locally-collected business rates and the intention is that they would will receive additional responsibilities in return (see para 6.6). As a minimum, authorities will forego Revenue Support Grant and Rural Services Delivery Grant (this will be adjusted for from the rates retained). . The creation of the pilots will be “fiscally neutral” at baseline, but authorities will gain from retaining 100% of any above-baseline growth – we currently retain 50%.

6.3 The DCLG is looking for a wide spread of different types of pilot. There will be particular focus on applications from rural areas and from two-tier areas. This is a major opportunity for authorities in these areas, who are clearly going to be at the front of the queue.

6.4 It is very unlikely that all applications for pilot status will be successful because of affordability constraints. There is likely to be a competitive process, with applications measured against the following criteria:

- **Applications should cover a functional economic area.** The invitation talks about covering a “functional economic geography”. This might be a current pool area or county, but could also extend further than this (for instance, to include counties and contiguous unitaries, or potentially even two or more counties).
- **Preference for applications from two-tier areas.** Pilots will not be limited to two-tier areas, although the split between counties and districts is something the DCLG wants to explore. The 2017-18 pilots only included single-tier authorities.

- **Proposals would promote financial sustainability.** The DCLG wants pilots to show how they can be more self-reliant and require less support from the national safety net. Furthermore, the DCLG is proposing that the safety net will apply at the pilot level rather than individual authority level (as it does for the first round of pilots).
 - **Evidence of how pooled income from growth will be used across the pilot area.** The DCLG wants to see how financial gains will be used. Of principal concern, is that gains are used within the pilot to mitigate risk, and to reduce the reliance of individual authorities on the national safety net. Applications for pilot status will need to demonstrate that there would be arrangements in place to share risk and reward. Additionally, the DCLG wants to see how pilots would invest “some retained income from growth to encourage further growth across the area”. This was not something that the first round of pilots were asked to demonstrate, but clearly the DCLG wants the next round of pilots to deliver something more to justify their existence.
- 6.5 Pilots will have a safety net at 97% of Baseline Funding Level we currently have 92.5% as an individual authority. No levy will be payable by the pilot or the individual authorities.
- 6.6 Very little is said in the invitation about transfers of funding streams or new responsibilities. Potentially, the DCLG has decided that it will take too long to negotiate anything new, with the deadlines being so short. Experts had thought that this would be an opportunity for authorities to show a “unique selling point” but the DCLG might now view a ground-breaking transfer as something that might cause a hold up.
- 6.7 All authorities covered by the proposed pilot will have to give their agreement. This has implications for how the pilot is developed by a group of authorities: every authority needs to have an incentive to join the pilot. Governance is also important to the DCLG because they will want to ensure that prospective candidates will deliver.
- 6.8 Decisions about successful pilots will be announced in December, which is also when the Provisional Settlement information is expected. If our application is unsuccessful then we will continue with the North Yorkshire rates pool (under the current 50% system), and those arrangements will be made in parallel.
- 6.9 The North Yorkshire Chief Finance Officers decided at their meeting on 29 September 2017 that the opportunity and benefits of applying to be a Pilot should be investigated with a view that if it was beneficial then an application should be made.
- 6.10 The services of Pixel Financial Management were commissioned to provide advice and also to undertake the financial modelling required. Pixel already provides advice to the North Yorkshire Rates Pool, and is well placed to understand the complexities that we have. They are also advisors to the Rural Services Network (SPARSE).
- 6.11 The proposal covers the existing members of the North Yorkshire Business Rates Pool (NYCC, Ryedale, Hambleton, Richmondshire, Craven and Scarborough) plus Selby and the East Riding of Yorkshire. Harrogate and City of York are part of the Leeds City region pool and wish to continue with that. Pixel advice is that without Selby the area would not be attractive to the DCLG and we would be very unlikely to be accepted as a pilot.

- 6.12 Participating pools will be treated as one entity by the Department for the purposes of business rates retention and one calculation will be made regarding top-up/ tariff and the safety net payment. Therefore, the pool must nominate a Lead Authority to receive payments from and make payments to the Department on behalf of the entire pool. Any authority within the pool is eligible to fulfil this role. Applications must state which authority will be acting as the Lead Authority for the duration of the pilot. For North Yorkshire this will be Scarborough BC
- 6.13 The financial appraisal calculations have taken a worst case scenario and a likely scenario. The figures are based on the 2017/18 Non Domestic Rates Returns (NNDR1) that each district billing authority completed in January 2017
- 6.14 At the time of writing the report the initial calculations show that, based on a likely scenario of Ryedale DC in the current rates pool the Council could be £79k better off with the 100% rates retention pilot. Under the worst case scenario the 'no detriment' clause will be invoked.
- 6.15 The Actual submission to Government is included at Annex A

7.0 IMPLICATIONS

7.1 The following implications have been identified:

a) Financial

The precise implications will not be available until the NNDR1 returns for 2018/19 are prepared in January 2019, however the council will be no worse off as a result of participating in the 100% Business rates Pilot.

b) Legal

The offer for the pilots from the DCLG for 2018/19 is made on the understanding that agreement has been secured locally from all relevant authorities to be designated as a pool (in accordance with Part 9 of Schedule 7B to the Local Government Finance Act 1988) and that local arrangements are put in place to pool the additional business rates income.

Pools are required to submit a governance agreement setting out how the pooling arrangements will work in terms of financial distribution and service provision and evidencing how business rates income growth will be shared. The governance agreement should also include how balances and liabilities will be treated if the pool were to be dissolved.

The s151 officer of each authority has to sign off the proposal before it is submitted. DCLG will work closely with all successful applicants to support the implementation and running of the pilot.

c) Other
None

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Background Papers:

Department for Communities and Local Government (DCLG) prospectus and supporting documents for 2018/19 pilots. <https://www.gov.uk/government/publications/100-business-rates-retention-pilots-2018-to-2019-prospectus>