

**Local Government North Yorkshire and York  
16 September 2011**

**LOCAL GOVERNMENT RESOURCE REVIEW; PROPOSALS FOR BUSINESS RATE RETENTION AND LOCALISING SUPPORT FOR COUNCIL TAX**

**Business rates**

1. All will be aware of the consultation and the accompanying technical papers. LGYH are active in developing a regional position and responding to the consultation in addition to the activities of individual authorities.
2. Government seem intent on the changes which represent a different set of central controls in the way of distributing rate income that 'incentivises economic growth'. Consultation responses will deal with the principles and the main issues of:
  - 'luck' i.e. the influence LAs have over business growth, type of businesses etc and hence impact on rates income,
  - establishing baselines for funding and
  - prospects for future growth etc.

However, we should start to consider the impact of the proposals as they are currently known.

3. The Governments starting point is that there should not be winners and losers from a set baseline using the 2012/13 formula grant (which also takes account of the spending control envelope for the rest of the CSR period through to 2015). The County area also has the issue of finance distribution within a two tier area as part of this. Authorities could take positions on being a 'top up' or 'tariff' which does not recognise our economic drivers and key growth areas/shocks as individual districts/city, county or sub region (LEP area). Further down stream there will be potential issues of having achieved some growth, who gets the benefits – i.e. would this support increasing requirements on LA spending or future economic growth. There are a complex mix of issues. There is a strong emphasis in the technical papers about pooling. We can go our own ways or at least undertake some work in partnership that can inform future approaches.
4. Independent analysis may be necessary to help us work through these issues and particularly to unpack the detail in the eight technical papers that have now been published.
5. The proposal is therefore to establish an officer project group to scope and commission a piece of work on behalf of LGNY&Y that provides some independent analysis to include:
  - What each billing and precepting authority might perceive as an equitable baseline
  - An interpretation of current NNDR to show how current income relates to sectors of the economy by billing authority
  - The mix and impact of likely top up and tariff authorities in the county and York
  - The advantages and disadvantages of each district billing authority working on its own and the consequences for the County Council

- The advantages and disadvantages of billing authorities in the county area pooling rate income
  - The advantages and disadvantages of billing authorities – districts and York pooling (i.e. LEP area excluding East Riding)
  - Etc
6. There may be some shared costs involved in this work but it is felt important enough to encourage all Councils to participate. These will be better understood when the work is scoped and authorities would be informed before final commitments are made.
7. Chief Executives have considered this and agreed the project team should comprise:

Peter Simpson, Hambleton and Richmondshire  
 Nick Edwards, Scarborough  
 Paul Cresswell, Ryedale and Chair – North Yorkshire Finance Officers Group.  
 Peter Yates, NYCC  
 John Murray, Harrogate  
 Keith Best, York

## **8. Recommendation**

- That a project group be formed to develop terms of reference for and commission an independent analysis of the consequences of the proposals for localisation of business rates as currently set out

## **Council Tax Benefits**

9. All will be aware of the consultation about localising support for Council tax benefits from 2013 to 90% of the current budget with protection for pensioner claimants. The LGA has commented that protecting those on 100% Council Tax Benefit and also pensioners is certainly in the challenge category. The LGA has modeled some results that show 80% of total CTB is paid out to those who receive 100% entitlement with 35% of the total paid to pensioners. If all on 100% and pensioners are excluded the 10% cut would be restricted to about 9% of the total paid out which is a financial impossibility. In practical terms it means changes principally affecting working age claimants who could see 25-40% reductions in this benefit. Again we should start to consider the impact of the proposals as they are currently known particularly as they relate to:
- Possibilities for a common scheme or common elements of a scheme across the county area or sub region
  - Possibilities on pooling across the county area or sub region.
10. Again some analysis is needed to help inform choices. The proposal is therefore to ask the same project team (para 7) to commission a piece of work on our behalf that provides some independent analysis to include:
- The make up of current CTB claimants and projections on increasing pensioner numbers to inform future scheme design and options for common scheme elements

- The advantages and disadvantages of each billing authority working on its own – districts and York
- The advantages and disadvantages of billing authorities in the county area pooling future CTB income
- The advantages and disadvantages of billing authorities in the sub region – districts and York – pooling CTB income
- etc

#### **11. Recommendation**

- That a project group be formed to develop terms of reference for and commission an independent analysis of the consequences of the proposals for localisation of Council tax benefits as currently set out

Peter Simpson