

LOCAL GOVERNMENT NORTH YORKSHIRE AND YORK

28 September 2012

BUSINESS RATES POOLING IN NORTH YORKSHIRE**1. Introduction**

1.1 A key feature of the new Business Rates (BR) Retention funding system being introduced from 1 April 2013 is the opportunity for a cluster of local authorities to join together in a pooling arrangement. The initial deadline for expressions of interest to DCLG expired on 27 July 2012 and those who registered an interest now have until 19 October to work up their proposed scheme. Craven, Harrogate and York Councils have expressed an interest in the Leeds City Region BR Pool and there are a number of 2 tier County schemes also being pursued nationally.

2. Key principles of pooling

- There is no uniform model. It is for the members of the pool to determine how best a pool might work. There is a need to agree the way in which the benefits of pooling (or losses from BR decline) are shared between members
- Pooling is voluntary so members should be able to leave should they decide it is no longer in their interests to be a member of it
- Authorities in a pool would be treated as a combined entity for the purpose of calculating BR baseline tariffs and top ups as well as levy and safety net payments

3. Benefits and issues of pooling

3.1 The key initial suggested benefit of pooling was that authorities could come together to generate additional growth through collaborative effort and to smooth the impact of BR volatility across a wider economic area. It was identified however that there was another financial benefit relating to the 'levy' that will be paid to the Govt. by some Councils who have higher levels of business rates.

3.2 A pool is treated as a single body and depending on future BR growth prospects for each authority in the pool, there can be significant financial advantage, compared to a stand alone arrangement. Based on modelling using historical BR levels, exemplifications suggest that a North Yorkshire (7 Districts + County) pool could potentially gain by £3.8m in 2013/14 and £4.4m in 2014/15. Although these figures should be treated with caution due to data and assumptions used, it is clear that there is a potential financial gain from a pooling arrangement. These areas could be tested further in a modelling exercise.

4. New Pools beyond 2013/14

4.1 Whilst the deadline for this year has passed, DCLG have suggested that future pooling proposals for 2014/15 could be accepted, although no formal arrangements have yet been drawn up. It was also suggested that timescales could be less tight so authorities would be in a better position to assess benefits and see the impact of pooling in action.

5. Recommendation

5.1 That further research is undertaken to explore the merits of a North Yorkshire pooling arrangement for the 2014/15 financial year and that a report be brought back to LGNY for consideration.

Paul Shevlin
Chief Executive, Craven District Council

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