

Local Government North Yorkshire and York**8 July 2016****North Yorkshire Business Rate Pool
Allocation of Economic Development Fund 2015/16****Report of Scarborough Council
(Lead Authority for the Business Rate Pool)****1.0 Purpose of the Report**

- 1.1 To note the financial benefits to North Yorkshire from operating North Yorkshire Business Rate Pool (NYBRP), and
- 1.2 To recommend a contribution to Welcome to Yorkshire of £250,000 from the NYBRP - Economic Development Fund.

2.0 Background

- 2.1 In 2014/15 North Yorkshire County Council, Scarborough, Ryedale, Craven, Hambleton and Richmondshire District Councils entered into a Business Rate Pool. This pooling arrangement has been extended to cover the 2016/17 year. Scarborough Council is the lead authority for the pool.
- 2.2 Under the pooling regime authorities included within a pool are treated as a single authority for the localised business rate scheme. This has the benefit that any deficit relating to a Council's share of business rates could be offset by surpluses achieved by other pool members rather than from an individual Council's own resources; however if a Council makes a surplus on its own scheme then this could be more than offset by deficits arising on other pool members schemes.
- 2.3 Individually a Council would be required to pay a levy of 50% on its share of surplus business rate income under the localised scheme. The major advantage of creating a pool is that the pool levy rate is reduced to nil when each of the authorities are treated collectively as a single authority. The levies saved through pooling are then distributed back to pool members through a pool dividend.
- 2.4 The key financial aim of the North Yorkshire pool is that no participant will receive less funding than if they had not pooled. The first call on any net pool surplus will be to put each authority in the position it would have been in had the pool not existed. Any residual surplus will be distributed as follows:

- 20%, up to a maximum of £250k, will be allocated to an Economic Development Fund.

Any remaining pool dividend will be distributed as follows:

- 30% to NYCC
- 35% to districts in proportion to their growth above DCLG baselines
- 35% to districts in proportion to their funding targets

- 2.5 The NYBRP was established as an important enabler to drive forward economic growth and create a positive framework for targeted investment across North Yorkshire. It is the express intention of the NYBRP to improve the wellbeing and prosperity of the communities it serves
- 2.6 Specifically the NYBRP has an important role in providing additional financial resources with a view to enabling NYCC to invest into the local economic environment. This is complimented by a commitment to allocating 20% (up to a maximum of £250k) of any gains to the Economic Development Fund, to be administered by the Chief Executives and Leaders as a function of an established subgroup of the North Yorkshire Local Enterprise Partnership.
- 2.7 In 2014/15 it was agreed that the balance held in the Economic Development would be committed to support Welcome to Yorkshire (WtY). A similar agreement was made with WtY by the West Yorkshire business rate pool.

3.0 Business Rate Pool Financial Outturn 2015/16

- 3.1 Appendix A details the 2015/16 financial outturn for the NYBRP by each individual authority.
- 3.2 In summary, all Council's within the NYBPR generated a surplus against baseline. The levies payable on those surpluses equated to £1.563 and would have been repayable to Central Government rather than being retained in North Yorkshire had the Pool not existed.
- 3.4 The balance held in the Economic Development Fund is £250,000.

3.0 Proposal – Economic Development Fund £250,000

- 3.1 Last year the Economic Development Fund totalled £140k and it was eventually resolved that it would be used as a further contribution towards Welcome to Yorkshire (WtY) particularly given the Tour de Yorkshire. In addition, a number of Councils paid one-off supplementary contributions of £67k on the basis that the Economic Development Fund had originally been expected to be higher in value (ie £250k). The West Yorkshire Business Rates Pool also provided an additional £630k.
- 3.2 WtY carried out a review of their finances in early 2015 culminating in a financial review by KPMG and a Financial Recovery Plan was subsequently approved for 2015/16 to 2018/19. This Plan attempts to increase commercial income (including a two year funding contribution from the two BRPs) and reduce overheads such that the deficit incurred as a result of the Tour de Yorkshire is

recovered. A new Chair is now in place at WtY and strengthened financial governance has been put in place within WtY. In addition, the two BRPs introduced some strengthened financial oversight given the value of contributions from Councils.

- 3.3 WtY have just provisionally reported that they are ahead of their Recovery Plan for the year 2015/16 and the position looks positive for future years at this stage. The West Yorkshire BRP are also due to consider their contribution but the recommendation from officers is to approve the allocation given the support for WtY and the profile it brings to Yorkshire, not least the Tour de Yorkshire. It is therefore recommended that LGNYY support the allocation of the Economic Development Fund to WtY to support tourism and the Yorkshire brand.
- 3.4 At this stage there are no immediate plans for deployment of any Economic Development Fund for 2016/17 should a surplus arise but the government's review of business rates is likely to have some material impact on future year's arrangements. It is therefore proposed that North Yorkshire Finance Officers monitor the situation through the summer and bring back further proposals in late autumn pending any outcome of the review and the Autumn Statement.

4.0 Recommendation

- 4.1 To approve a contribution of £250,000 from the 2015/16 NYBRP Economic Development Fund to WtY.
- 4.2 Delegate authority to North Yorkshire County Council to agree governance arrangements with WtY on payment of the Fund.

Report of:

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(S151)**

28 June 2016

2015/16 – NORTH YORKSHIRE BUSINESS RATES POOL OUTTURN POSITION

		Craven 40%	Hamb'ton 40%	Ryedale 40%	Rich'shire 40%	S'boro 40%	N Yorks 9%	Pool Total
Authority's Share of Retained Business Rates Income	Est	7,302,482	11,574,593	7,022,695	5,303,086	14,553,960	19,914,482	65,671,298
(Tariff)/Top Up (as per Local Government Finance Settlement)	Fixed	(5,827,409)	(8,861,141)	(5,131,040)	(3,731,324)	(9,093,070)	42,587,901	9,943,916
Retained Business Rates Income + / - Tariff / Top Up	Est	1,475,073	2,713,451	1,891,655	1,571,761	5,460,890	62,502,383	75,615,214
Business Rates Baseline (as per Local Government Finance Settlement)	Fixed	1,348,300	1,894,767	1,487,258	1,365,290	3,890,121	61,460,766	71,446,502
Surplus / (Deficit) against Funding Baseline	Est	126,773	818,684	404,397	206,471	1,570,770	1,041,617	4,168,712
Levy Rate	Fixed	50.00%	50.00%	50.00%	50.00%	50.00%	0.00%	0.00%
Levy Retained by North Yorkshire Business Rates Pool		63,387	409,342	202,199	103,236	785,385	0	0

NET BENEFIT DERIVED FROM POOLING

1,563,548

DISTRIBUTED AS FOLLOWS:								
Pool Administration Costs								(20,000)
LEP								(250,000)
NYCC	30%						(388,064)	(388,064)
Districts in proportion to growth above DCLG target	35%	(18,354)	(118,529)	(58,549)	(29,893)	(227,416)	0	(452,742)
Districts in proportion to funding targets	35%	(61,130)	(85,907)	(67,431)	(61,901)	(176,374)	0	(452,742)
TOTAL DIVIDEND DISTRIBUTION		(79,485)	(204,436)	(125,979)	(91,794)	(403,790)	(388,064)	(1,563,548)