

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
3 September 2013

Subject: BUSINESS RATE POOLING

**All Wards
Portfolio Holder for Support Services and
Economic Development: Councillor P R Wilkinson**

1.0 PURPOSE AND BACKGROUND:

1.1 The purpose of this report is for Cabinet to recommend to Council that Delegated Authority be given to the Director of Resources in consultation with the Portfolio Holder for Support Services and Economic Development, to enter into a pooling arrangement for business rates within North Yorkshire, if such an arrangement is considered financially beneficial.

2.0 BUSINESS RATE POOLING:

2.1 The finance settlement for 2013/14 introduced the new Business Rate Retention Funding Mechanism for Local Government. The purpose of this mechanism is to incentivise Local Government to stimulate economic growth in their locality. Allowing them to retain a proportion of the business rates generated in their area which is above the target set for them by Central Government.

2.2 In 2013/14 it is expected that the Council will generate £0.4m more in business rates than the target set by Central Government. £0.2m (50%) of this additional income will be paid to Central Government as a levy.

2.3 The creation of a North Yorkshire pool for business rates which includes North Yorkshire County Council and North Yorkshire Fire and Rescue Service will reduce the levy rate paid to Central Government to 0%, thus allowing the additional income to be targeted towards local priorities.

2.4 North Yorkshire County Council and North Yorkshire Fire and Rescue Service currently do not generate additional business rates, however, their inclusion in the pool is essential in reducing the levy paid to Central Government. Both organisations will require a share of the increased business rates to make joining the pool worthwhile. This share will be subject to negotiation but will cost the Council significantly less than the 50% (anticipated £0.2m in 2013/14) currently being paid to Central Government.

2.5 Under the Business Rate Retention Scheme the Council is afforded some protection in respect of a reduction in business rates due to a major employer going out of business or relocating out of the area. This protection, known as the 'safety net', is set at 7.5%, meaning that if business rates fall below 93.5% of the Government's target the Government will give the Council additional grant to make up the difference between the business rates collected and the 'safety net' threshold.

2.6 When Councils choose to pool business rates they give up this 'safety net' protection. However, the only organisations in North Yorkshire that generates over 7.5% of the County's business rates is the Drax Power Station in Selby. Also, the pool can be dissolved at the end of each financial year allowing Councils to exit the pool. This would go some way to mitigate the financial risk of such a closure.

3.0 LINK TO COUNCIL PRIORITIES:

3.1 The retention of additional business rates would increase the Council's financial resilience, a key priority of the Council.

4.0 RISK ASSESSMENT:

4.1 Risk in approving the recommendation

| Risk | Implication | Prob* | Imp* | Total | Preventative action |
|--|--|--------------|-------------|--------------|---|
| Major businesses close reducing business rates below the Government's 'safety net' threshold | The Council loses business rate income | 3 | 4 | 12 | Should this happen an exit strategy will be in place to dissolve the Business Rate Pool |

Prob = Probability, Imp = Impact, Score range is Low = 1, High = 5

5.0 FINANCIAL IMPLICATIONS:

5.1 It is anticipated that the Council will retain significantly more business rates by entering a North Yorkshire Business Rate Pool. Initial estimates are around £0.2m per year.

6.0 RECOMMENDATIONS:

6.1 It is recommended to Council that Delegated Authority be given to the Director of Resources, in consultation with the Portfolio Holder for Support Services and Economic Development, to enter into a pooling arrangement for business rates within North Yorkshire if it is considered financially beneficial.

JUSTIN IVES

Background papers:

Author ref: JI

Contact: Justin Ives
Director of Resources
Direct Line No 767022