

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO POLICY AND FINANCE COMMITTEE

DECISION

Agenda Item No 12

meeting date: 26 JANUARY 2016
title: BUSINESS RATE POOLING IN LANCASHIRE
submitted by: DIRECTOR OF RESOURCES
principal author: JANE PEARSON

1 PURPOSE

- 1.1 To update members regarding the latest position on Business Rate Pooling in Lancashire.
- 1.2 Agree that Ribble Valley Borough Council is the lead authority for the Lancashire Business Rates Pool for three complete years.

2 BACKGROUND

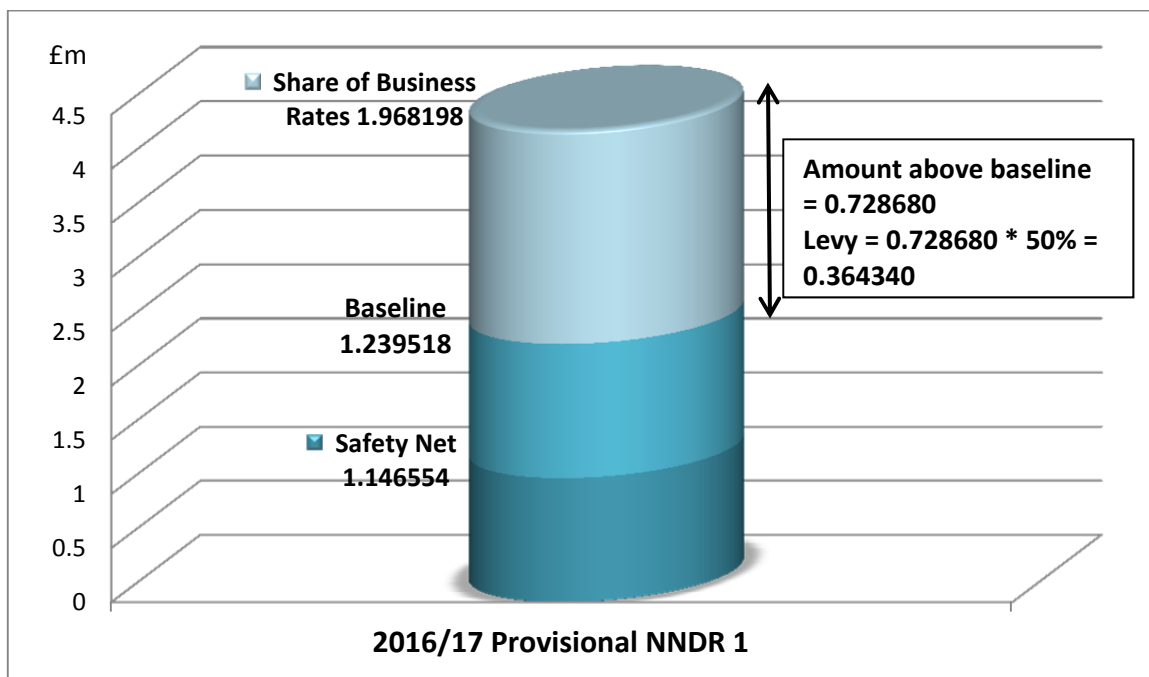
- 2.1 At your meeting on 8 September 2015 you agreed to this Council joining a Business Rates Pool for Lancashire.
- 2.2 As explained at that time there was considerable uncertainty with regard to;
 - Whether Business Rates Pooling would carry on in 2016/17
 - Whether there would be changes to how the levy would be calculated which could impact on the financial benefits of pooling.
 - Whether new pools would be invited to form, given the absence of any Pooling Prospectus normally issued by the Government each Autumn.
- 2.3 Contact was made with DCLG in October who stated that given the absence of decisions about pooling for 2016-17, they would receive requests for new pools to be formed, to include amongst other things, the following information:
 - Whether a new pool would have broad support in that area
 - The Draft pooling agreement stating how the pool would operate
 - The identity of the lead authority
- 2.4 They added that since statute requires designations regarding Business Rate Pools to be made before the draft local government finance settlement would be announced, applications for new pools should be made to them before 6 November 2015.

3 A LANCASHIRE BUSINESS RATE POOL

- 3.1 A number of meetings were held involving Lancashire S151 Officers to progress pooling. Also a sub-group (consisting of S151 Officers from Ribble Valley BC, Pendle BC, Rossendale BC, Chorley & South Ribble BC and Lancashire CC) met on a number of occasions to agree a draft scheme and key principles.
- 3.2 The draft scheme was agreed and also authorities were asked to confirm whether they formally wished to join the pool. The following authorities agreed to join:
 - Lancashire County Council
 - Burnley Borough Council
 - Chorley Borough Council
 - Hyndburn Borough Council

- Pendle Borough Council
 - Ribble Valley Borough Council
 - Rossendale Borough Council
 - South Ribble Borough Council
 - West Lancashire Borough Council
 - Wyre Borough Council
- 3.3 Prior to submitting our case to DCLG bids were invited from district members to act as lead authority for the pool.
- 3.4 As the pool is treated as a single body for the purposes of the rates retention scheme the Government calculates only one number for the sum that is owed by the pool as a tariff payment, or owed to the pool as a top-up payment. Similarly, there is a single number calculated as the sum owed to, or by the pool in respect of safety net or levy payments. Pools need to identify a Lead Authority through whom payments due to and from the Government can be channelled. This can be any one of the pool members, though in Lancashire it was felt this should be a district authority. The Government agree a schedule of payments with the Lead Authority setting out the in-year payments of tariff, or levy payments, to be paid by the pool, and top-up and safety net payments due to the pool.
- 3.5 In the absence of any other bids I volunteered Ribble Valley BC to be lead authority, subject to this Committee's approval. For this a fee of £20,000 per annum would be received i.e. £2,000 payable per pool member including ourselves.
- 3.6 Annex 1 shows the draft agreement agreed to be submitted for Lancashire.
- 3.7 The bid was submitted to DCLG on 5 November 2015 and on 8 December 2015 we received notification from the Government that they had formally designated the Lancashire Pool for local business rate retention purposes under the Local Government Finance Act 1988. A copy of this letter is attached at Annex 2.
- 3.8 Authorities named in the designation were given 28 days from the date of the Provisional Local Government Finance Settlement to decide if they wished to continue to be a member of the Lancashire pool. This deadline for withdrawing was Friday 15 January 2016.
- 3.9 No member of the Lancashire pool has withdrawn and hence the pool will go ahead for 2016/17.
- 4 POOL BENEFITS
- 4.1 As reported previously this Council would benefit from retaining 90% of any levy payable for 2016/17. Based on our provisional NNDR 1 for 2016/17 we estimate the levy would be £364,340, hence under pooling we would benefit by extra income of £328,000. The County Council will receive the remaining 10% of retained levies for all pool district members.
- 5 POTENTIAL RISKS
- 5.1 As stated previously, central government provides a safety net facility for authorities who fail to achieve their baseline funding level. The government recompenses authorities to bring them up to 92.5% of their baseline funding level.
- 5.2 Under pooling, because the overall position of the pool is considered, a safety net trigger would only apply if the combined business rate income failed to reach 92.5% of the total business rates baselines. Some pools therefore build in their own protection by way of setting aside retained growth in the first instance to pay for this.

- 5.3 Under a Lancashire pooling arrangement however it has been accepted that no such protection would be provided within the pool and hence each individual authority will have to agree to forfeit their right to a safety net as a condition of joining the pool.
- 5.4 For authorities who estimate they will make losses in the following year however it is possible to withdraw from the pool which would then re-engage the government's safety net facility for that particular authority
- 5.5 Our provisional calculations (as referred to above) based on our NNDR1 for 2016/17 show that we are considerably above the safety net position by £728,680.



6 NEXT STEPS

- 6.1 Each member of the pool will need to ensure the pooling agreement is signed by their S151 officer.
- 6.2 Upon receiving the schedule of payments from DCLG we will need to ensure direct debits are set up to safeguard against any negative cash flow implications arising from carrying out our lead authority role

7 RECOMMENDATION

- 7.1 Note the Council is now formally a member of the Lancashire Business Rate Pool.
- 7.2 Committee agree to Ribble Valley Borough Council acting as lead authority for the Lancashire Business Rates Pool.

DIRECTOR OF RESOURCES

PF15-16/JP/AC
19 January 2016

Lancashire Business Rate Pool Agreement

This pooling agreement sets out the Governance Arrangements that are voluntarily entered into by members of the Lancashire Business Rates Pool.

1. PURPOSE OF POOL

- 1.1 It is the intention of Pool Members to improve the well-being of the communities they serve. By working together they can retain a greater proportion of business rate growth within the Pool area therefore providing opportunities to promote further economic growth as well as building financial resilience.
- 1.2 The Pool is entirely voluntary and builds on the strong and well established partnership between the district councils and the county council within Lancashire. The Lancashire Business Rates Pool is a natural Pooling arrangement given our geography.
- 1.3 It is the purpose of this Agreement to act as a statement of intent that will support the realisation of the above benefits.

2. POOL MEMBERSHIP:

- Lancashire County Council
- Burnley Borough Council
- Chorley Borough Council
- Hyndburn Borough Council
- Pendle Borough Council
- Ribble Valley Borough Council
- Rossendale Borough Council
- South Ribble Borough Council
- West Lancashire Borough Council
- Wyre Borough Council

3. TERM OF AGREEMENT

- 3.1 This Agreement shall continue to be in place unless terminated in accordance with these terms.
- 3.2 This Agreement is subject to a further financial review after publication of the Draft Local Government Finance Report. Any decision not to proceed by an individual member must be made to DCLG within 28 calendar days of the publication of the Draft Local Government Finance Report. This will automatically dissolve the pool. In advance of any Pool Member notifying DCLG of their withdrawal they must give notice to the other Pool Members within 21 days of publication of the Draft Local Government Finance Report.
- 3.3 Any Pool Member can leave the Pool from 1 April of the following financial year providing:

Lancashire Business Rate Pool Agreement

- Written notice is given to other Pool Members and DCLG in at least sufficient time for the Pool to remain in place for the remaining Pool Members, should they wish it to continue. Sufficient time is taken to be at least two months in advance of the deadlines for renewals / applications specified by DCLG in regulations and/or guidance and no later than 31 August, whichever is the earlier.

4. GOVERNANCE

- 4.1 A Governing Body will consist of one representative from each member. This will be the Leader of each member organisation.
- 4.2 Each member will have one vote in relation to decisions to be taken by the Governing Body.
- 4.3 Meetings of the Governing Body will be chaired in turn by each Member. Meetings will be held at least twice a year.
- 4.4 If there is an equal number of votes for/against, the Chair will provide a casting vote.
- 4.5 An Executive Body will consist of the S151 Officers of the Pool Members. The Executive Body will make recommendations on operational matters to the Governing Body and prepare reports for the Governing Body.
- 4.6 Examples of operational matters to be considered by the Governing Body are:
- Changes in Pool Membership
 - Dispute resolution
 - Appointment of the Lead Authority and funding arrangements

5. LEAD AUTHORITY

- 5.1 The Governing Body will approve Ribble Valley Borough Council to act as Lead Authority for three complete financial years. Thereafter the Lead Authority will be reconsidered.
- 5.2 The Lead Authority is responsible for all accounting and administration of the Pool.
- 5.3 The Lead Authority is responsible for all auditing and accounting requirements as set out in legislation.
- 5.4 The Lead Authority will be responsible for producing as a minimum an annual report to the Governing Body or other such reports as required.
- 5.5 The Lead Authority will be paid £20,000 per annum for administering the Pool. The cost of which shall be borne equally by each pool member and paid direct to the Lead Authority (NB the Lead Authority will also be liable for a share of this cost). This will be payable on 1 April each year.

Lancashire Business Rate Pool Agreement

6. RESPONSIBILITIES OF POOL MEMBERS

- 6.1 To provide all relevant information to the Lead Authority as required to carry out its responsibilities in a timely manner including year end information to enable the Lead Authority to calculate the end of year accounting entries needed.
- 6.2 To make payments in a timely manner and in accordance with the agreed Schedule.
- 6.3 To provide such information as the Executive Body and Governing Body agree is reasonable and necessary.
- 6.4 Upon leaving the Pool, the Pool Member will be responsible for any sums due to the pool as a result of their membership.

7. KEY PRINCIPLES OF THE POOL

- 7.1 Each Member of Pool forfeits the right to safety net protection.
- 7.2 The retained levy will be distributed as follows
 - 90% of their levy will be retained by each Pool Member who would otherwise have paid a levy to DCLG
 - 10% of their levy will be paid by each Pool Member (who would otherwise have paid a levy to DCLG) in to the Pool to be redistributed to Lancashire County Council.
- 7.3 Any Pool Member who fails to reach their baseline level will bear the difference themselves such that this will not impact on other Pool members.
- 7.4 The collection of business rates will continue to be the responsibility of each billing authority.

8. STATUS OF THIS AGREEMENT

- 8.1 The Pool Members agree that this shall be a binding contractual relationship and mutual commitment between them created by this Agreement and shall from the date hereof be construed accordingly.

9. SIGNATORIES ON BEHALF OF THE POOL MEMBERS

Signed by S151 Officer for and on behalf of

Burnley Borough Council

Signature

Name

Position

Date

Lancashire Business Rate Pool Agreement

Signed by S151 Officer for and on behalf of

Chorley Borough Council

Signature

Name

Position

Date

Signed by S151 Officer for and on behalf of

Hyndburn Borough Council

Signature

Name

Position

Date

Signed by S151 Officer for and on behalf of

Lancashire County Council

Signature

Name

Position

Date

Lancashire Business Rate Pool Agreement

Signed by S151 Officer for and on behalf of

Pendle Borough Council

Signature

Name

Position

Date

Signed by S151 Officer for and on behalf of

Ribble Valley Borough Council

Signature

Name

Position

Date

Signed by S151 Officer for and on behalf of

Rossendale Borough Council

Signature

Name

Position

Date

Lancashire Business Rate Pool Agreement

Signed by S151 Officer for and on behalf of

South Ribble Borough Council

Signature

Name

Position

Date

Signed by S151 Officer for and on behalf of

West Lancashire Borough Council

Signature

Name

Position

Date

Signed by S151 Officer for and on behalf of

Wyre Borough Council

Signature

Name

Position

Date



Department for
Communities and
Local Government

Mr Paul O'Donoghue
Fylde Borough Council
The Town Hall
St Annes Road West
Lytham St Annes
Lancashire
FY8 1LW

30 November 2015

Dear Paul,

Further to your email of 05 November 2015 asking the Secretary of State to form the Business Rates Pool of Lancashire, in accordance with paragraph 34 of Schedule 7B to the Local Government Finance Act 1988 ("the 1988 Act"), the Secretary of State designates the following authorities as a pool of authorities for the purposes of the scheme for local retention of non-domestic rates under Schedule 7B to the 1988 Act:

- Lancashire County Council
- Burnley Borough Council
- Chorley Borough Council
- Hyndburn Borough Council
- Pendle Borough Council
- Ribble Valley Borough Council
- Rossendale Borough Council
- South Ribble Borough Council
- West Lancashire Borough Council
- Wyre Borough Council

All members of the pool have agreed to this designation.

The designation has effect for the year beginning 1st April 2016 and for each subsequent year, unless revoked.

This designation is made subject to the conditions below.

1. The authorities to which this designation relates must appoint a lead authority to exercise the following functions:
 - To make and receive, on behalf of the pool members, payments in respect of any top ups and tariffs, levy and safety net and safety net on account payments to and from the Department.

- To make and receive payments between members of the pool as determined by the governance agreements.
 - Administration (including the operation of the dissolution arrangements) of the pool in accordance with the governance arrangements.
2. If this designation is revoked, the authorities covered by this designation must take the following steps before the revocation takes effect:
- Comply with the dissolution arrangements established in the pool's governance agreement.

Local authorities in the pool will have 28 days beginning with the date on which the draft Local Government Finance Report is published to consider if they wish to continue to be designated as a pool. Provided that no authority within the pool requests the Secretary of State to make a revocation during that period, the pool will come into effect on 1 April 2016, meaning that all local authorities covered by the designation will remain in the pool for the full financial year.

If a member of the pool decides it no longer wishes to be designated as part of a pool for 2016-17 it must notify DCLG using the e-mail address in the following paragraph. If a local authority exercises this option to request revocation of the designation before the cut-off date the rest of the pool cannot continue. The Secretary of State will then revoke this designation and the local authorities identified as part of this pool will revert to being considered as individual authorities for the purposes of the business rates retention scheme.

If there are any questions about the content of this letter and the enclosed designation please contact Kate Henman on 0303 444 2873 or at kate.henman@communities.gsi.gov.uk as soon as possible.

Signed by authority of the Secretary of State for Communities and Local Government:



Matthew Style

A member of the Senior Civil Service in the Department for Communities and Local Government

30 November 2015

2016/17 Estimated safety net and levy calculator			
Please select a local authority from the green drop-down menu			
	Ribble Valley	E2340	
Input			
Please enter figures in the yellow boxes, in £m to 6 decimal places. Eg. £4325447 would be entered as 4.325447			
Line 1	Non-domestic rating income	14.738839	Enter outturn figure for 2016-17 NNDR1, Part 1 Line 12
Line 2	Small Business Rates Relief	2.048888	Enter outturn figure for 2016-17 NNDR1, Part 2 Line 12 Column 1
Line 3	Relief given to other ratepayers	0.000000	Enter outturn figure for 2016-17 NNDR1, Part 2 Line 32 Column 1
Line 4	Relief given to Case B hereditaments	0.000000	Enter outturn figure for 2016-17 NNDR1, Part 2 Line 34
Line 5	Discretionary reliefs funded through S31 grant	0.060945	Enter outturn figure for 2016-17 NNDR1, Part 2 Line 43 Column 1
Calculation			
Line 6	BA tier split	0.40	Local authority share
Line 7	Upper tier split	0.00	
Line 8	Baseline funding level 2016/17	1.239518	As set out in the 2016-17 Local Government Finance Report
Line 9	Safety Net Threshold	1.146554	= 0.925 x Line 9
Line 10	Total non-domestic rates income	14.738839	= Line 1
Line 11	LA share of NDR income	5.895536	= Line 6 x Line 10
Line 12	Total Small Business Rate relief	2.048888	= Line 2
Line 13	LA share of Small Business Rate Relief	0.409778	= 0.5 x Line 6 x Line 12
Line 14	LA share of relief to other ratepayers	0.000000	= Line 6 x Line 3
Line 15	LA share of relief given to Case B hereditaments	0.000000	= -1 x Line 6 x Line 4
Line 16	LA share of discretionary reliefs funded by Section 31 grant	0.024378	= Line 6 x Line 5
Line 17	Pre-levy income	6.329691	= Line 11 + Line 13 + Line 14 + Line 15 + Line 16
Line 18	Tariff/top up	-4.361493	As set out in the 2016-17 Local Government Finance Report
Line 19	Chosen to spread the cost of provision for backdated appeals via adjustment to Surplus/Deficit?	0	1 = yes, 0 = no
Line 20	Chosen to spread the cost of provision for backdated appeals via capital financing regs	0	1 = yes, 0 = no
Line 21	Total provision for backdated losses on appeal	0.000000	From 2013-14 NNDR3 form Part 2, line 5, column 1
Output			
Line 22	Retained rates income	1.968198	= Line 17 + Line 18
Line 23	Amount below safety net threshold	-0.821644	= Line 9 - Line 22
Line 24	Total safety net due to the authority1	0.000000	If Line 23 is greater than 0, = Line 23, otherwise = 0
Line 25	Levy rate	0.50	
Line 26	Levy due from the authority1	0.364340	If Line 22 is greater than Line 8, = (Line 22-Line 8) x Line 25, otherwise = 0