

Proposal for a Business Rates Pool in Derbyshire from April 2015

Membership

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None of the councils listed is either part of an existing pool or proposed pool.

Benefits of the pool

The make up of the proposed pool was agreed following consideration of a number of options. All eight shire districts in Derbyshire were invited to express an interest in joining the pool along with the county council, Derby City and Derbyshire Fire & Rescue.

[Add reasons for membership, contiguous or not etc.].

Members of the proposed pool believe that the arrangements will be an important enabler to drive forward economic growth and create a positive framework for investment across the county by improving business rates incentives and minimising the prospect of wasteful competition between authorities. It is the express intention of the pool members to improve the well being and prosperity of the communities we serve.

A pool also provides the intended benefits of sharing the benefit from economic development across a wider area and benefit the individual members but also spreading the risk of any volatility in business rates income.

Lead Authority

The lead authority will be Derby City Council.

Governance Agreement

1. Pool Membership

[xxx]

2. Introduction

This pooling proposal has been agreed by all pool members and signed by their Chief Executives and Section 151 Officers.

The proposal sets out various key principles and addresses the key governance areas to ensure that a robust framework is in place for the effective management of the pool. Governance arrangements will stay in place until the pool is fully dissolved.

Each time a new member joins or an existing member leaves the pool the governance arrangements will need to be reviewed, renewed and agreed with the Department for Communities and Local Government (DCLG and its successors).

3. Key principles of the pool

- The aim will be to ensure that no participant receives less funding than if they had not pooled
- Any dividend remaining or any shortfall will be calculated in accordance with the detailed clauses below
- Outside of this agreement, individual authorities will retain their decision making powers

4. Definition of Pooled Funds

Pooled funds will include monies involved in the Local Government Business Rates Retention Scheme. Subject to the requirements of the 2012 Local Government Finance Act and its related regulations which must take precedence, authorities involved will pay into the pool all the business rates collected by each authority EXCEPT the rates yield or growth from any local Enterprise Zone or from renewable energy schemes or similar exemptions, as set out in current or future legislation, where an individual authority is allowed to benefit directly without deductions for levies or others' shares.

5. Governance Structure

The key element in the governance structure will be the lead finance officers of the authorities that are in the pool. They will form a governance board and will be responsible for guiding and managing the operational day-to-day running of the pool. The officers will seek to find unanimous agreement on all issues involving the pool.

If unanimity cannot be reached after a number of options have been considered, the circumstances and difficulties arising will be reported to and guidance sought from the Chief Executives of the councils that are in the pool. If unanimity cannot be reached by the Chief Executives then a decision will be sought from the leaders of authorities that are in the pool.

An annual review of the pool arrangements will take place to determine whether the pool should be dissolved. For example one or more members may wish to

withdraw and the remaining members may wish to resubmit an amended pooling proposal.

6. Duration of the pooling agreement

Pooling is voluntary and members will be able to leave the pool in accordance with this agreement and the DCLG timescales that will be published from time to time.

7. Lead Authority

The Lead Authority for accounting purposes will be Derby City Council.

Responsibilities for the Lead Authority and individual pool members are outlined in Appendix 1.

8. Pool Administration Costs

Pool set-up and administration costs will be included within the share of any pooling benefit assigned to Derby City Council.

9. Pool 'Dividend'

The pool dividend is defined as the amount remaining in the pool after:

- Any tariff payment to Government
- Any levy payment to Government
- Any safety net payment from Government
- Payment to each participant of the amount they would have received should the pool not have existed
- Any interest payments to or from the pool
- Any agreed contribution to or from reserves

10. Allocating any Pool Dividend

Any pool dividend will be distributed on the following basis:

- £150,000 to Derby City Council

And from any remainder:

- 30% to the county council

- one-thirtieth to the Derbyshire Fire & Rescue Authority
- one-third to districts in proportion to their growth above the DCLG target. There will be no deduction for any district below its rates target
- one-third to districts in proportion to their funding targets

The pool will not retain a reserve. Instead, participants will maintain their own provision against future pool shortfalls.

11. Pool Shortfall

If there is a shortfall on the pool – i.e. there is insufficient funding to allow each authority to receive what it would have received outside the pool - it shall be met as follows:

- 30% from the county council
- one-thirtieth from the fire authority
- one-third from any district that failed to achieve its rates collection target. This shall be in proportion to the cash amounts that it/they is/are below the target
- one-third from all districts in proportion to their funding targets
- If this is insufficient then a further deduction will be made in proportion to each district's funding in excess of its safety net amount outside the pool
- No district shall receive less than its safety net level outside the pool from these three preceding steps
- If this is still insufficient then a further deduction shall be made pro rata to every authority's funding target. This is the only step at which an authority may receive less than its safety net level outside the pool

If a shortfall seems likely to continue, consideration will be given to the future of the pool, including dissolution.

12. Dissolution

The pooling arrangement will remain in place until any single authority or authorities say that they wish to leave the pool. Pool members should consider the impact on the remaining members when making this decision.

Pool membership will be reviewed on an annual basis to determine whether a significant change in business rates is expected and consequently whether the pool is still financially viable.

Authorities will be required to notify pool members of their decision to leave the pool in accordance with the notice period outlined below.

DCLG will be notified of any decision to dissolve the pool in accordance with their published process and timetable.

Any subsequent decision to re-form a pool, for example, if one member wishes to leave and the other authorities wish to continue in a new pool, will be made in a timely manner to ensure that a formal pooling proposal is submitted to the DCLG in line with their process and timetable.

13. Notice Period to Dissolve the Pool

Authorities will be required to advise the pool of their intention to leave and consequently dissolve the pool giving a minimum of one month's notice in advance of the DCLG deadline. This will allow remaining pool members to consider whether they wish to submit a new pooling application.

14. Requests to join the pool

If a new authority wishes to join the pool it will be required to provide three months' notice prior to the DCLG deadline. This will allow time for existing pool members to consider their continuing membership of the pool.

15. Distribution of Pool Assets / Liabilities on Dissolution

Pool members will be jointly and severally liable for the assets and liabilities of the pool. However this should not override any of the detail included in this agreement.

16. Payment schedules and cash flow

Payment schedules will need to be agreed and payments made on time so that the pool can meet the payments required by central government and to share business rates collected. Payments into the pool will include various payments and these will all need payment schedules as announced by DCLG or as agreed locally.

Payments to the lead authority will be made by direct debit on the day preceding the payment date to central government. All funds will be retained in the lead authority's own bank overnight.

The pool shall charge interest at a rate of four percentage points above the prevailing Bank of England base rate on all payments from participants that are received after the scheduled day.

Safety net payments are to be made in-year to provide some immediate protection to the authority involved. The pool will attempt to replicate the timing and amount of any safety net payment that would have been due to its members if there was no pool.

Levies are not finalised until after the year has ended. Thus any pool dividend or shortfall cannot be finalised until after the year has ended. Forecasts of various elements such as the likely levy payments and dividends will be needed so that authorities can make their decisions about whether to remain in the pool.

Costs (or benefits) may arise from the cash flow into and out of the pooling fund will be offset against (or added to) the pool dividend.

Appendix 1

Roles and Responsibilities

The Lead Authority will be responsible for the following:

- An estimate for consideration of the budget for setting up and administering the pool
- All finances in relation to the pool including payments to and from central government, the other members of the pool and preceptors
- Calculating the funding position if all councils had not been part of the pooling arrangement and any dividend or shortfall
- Agreeing the various schedules of payment with other pool members
- All communications with the DCLG including year-end reconciliations
- All information and external reporting requirements for the pool, details of which will be shared with all members of the pool
- The collation and submission of information required for planning and monitoring purposes by the governance structure, the DCLG or any other party
- All audit requirements in relation to the pool
- Year-end positions for the Statements of Accounts for each member authority
- The administration of the dissolution of the pool

Pool members (including the lead authority as appropriate) will be responsible for:

- The collection of relevant business rates to transfer to the pool run by the Lead Authority
- The implementation of their own collection funds
- The submission of NNDR forms to DCLG
- The provision of any information...