

# **North Oxfordshire Business Rate Pool Proposal**

## **Membership**

The members of this group are:

- Cherwell District Council
- West Oxfordshire District Council
- Oxfordshire County Council

## **Benefits**

West Oxfordshire and Cherwell District together form a North Oxfordshire sub area that links the county to the West and Midlands – bordering Gloucestershire, Warwickshire, Northamptonshire and Buckinghamshire.

Development is built around access to the M40 and roles in providing site for key military installations, whilst maintaining the attractive rural nature of much of both districts. The two districts recognise the resulting pressures and opportunities. The County Council provides an overall view and links to other developments in Oxfordshire, notably to Oxford, South Oxfordshire and the Science Vale enterprise zone in the Vale of White Horse.

Reducing the burden of levies paid by these areas will allow these funds to be targeted towards development and service priorities in these areas. It will encourage these districts and the county to work together to promote growth and service integration. Cash flows and the rewards of pooling will be managed to maintain and improve the position of all three participating authorities.

## **Lead Authority**

The lead authority for the pool will be Cherwell District Council.

# **Pooling Governance Arrangements**

## **North Oxfordshire Business Rates Pool**

### 1. Pool Membership

Members of the North Oxfordshire pool will include only:

Cherwell District Council;  
West Oxfordshire District Council; and  
Oxfordshire County Council

### 2. Introduction

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

The proposal sets out various key principles and addresses the key governance areas which we feel are needed 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

- Payments required by central government must be made by the pool subject to legislative requirements;
- The County Council will not receive less funding or payments than it would do if there was no pool and it will be given a share of any surplus on the pool or 'dividend'. This means that the County will continue to share in any growth or reduction in business rates income as it would outside the pool;
- Subject to the above requirement, the aim will be to ensure that no individual district will receive less funding than if they had not pooled;
- Thus safety net payments will be made where these would have been due if there was no pool, where funds allow;
- Any dividend remaining will be allocated;
- Any deficit on the pool will be funded by the district council pool members;
- District councils accept that pooling will increase their risk of losses as the level of the safety net for the pool as a whole will be lower than it is for individual districts; and
- 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 Government's 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 the following elements:

- The tariffs payable by each authority if there was no pool;
- The levies payable by each authority if there was no pool;
- All the business rates collected by each authority;
- Any amounts owed by districts to fund a deficit on the pool, and
- In addition, central government might conceivably pay a top up or safety net into the pool – although neither is expected.

Again, subject to the requirements of the 2012 Local Government Finance Act and its related regulations, which must take precedence, payments from the pool will include the following elements:

- The central share of business rates due to central government (currently 50%);
- The tariff due to central government;
- Any levy payment due to central government;
- The top up due to the County Council if there had been no pool;
- Possibly, safety net payments to members of the pool;
- The local share of business rates to the district (currently 40%) and to the county council (currently 10%); and
- Payments to all pool members to distribute any 'dividend' in the pool.

The pool will exclude the rates yield / growth in business rates from the Science Vale or any other local Enterprise Zone or from Renewable Energy schemes or similar exemptions, as set out in current or future legislation.

## 5. Governance Structure

The key element in the governance structure will be the members of the Oxfordshire Treasurer's Association (OTA) for the three authorities who 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 OTA pool members will seek to find unanimous agreement on all issues involving the pool. The requirement to find unanimity will increase the incentive for all authorities to remain in 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. They may meet as part of the regular series of meetings of all the Oxfordshire Chief Executives.

If unanimity cannot be reached by the Chief Executives, then a decision will be sought from the Leaders of councils that are in the pool, ensuring that they have appropriate delegations from their Councils. These Leaders may meet as part of the regular series of meetings of all the Oxfordshire Leaders.

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 or others 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 the agreed timelines set out below.

In the first instance the pooling agreement will be for 1 year only owing to the uncertainty relating to the scheme and its impact on individual pool members. Over time, the aim will be to move to a medium term commitment whilst retaining annual reviews.

7. Lead Authority

The Lead Authority for accounting purposes will be Oxfordshire County 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 estimated for the year and agreed by the OTA. Once agreed these will be paid over by the district councils to the Lead Authority irrespective of any pool dividend.

9. The Pool 'Dividend'

A **first priority** for the pool will be to ensure that the County Council will be no worse off than if there was no pool.

Subject to the first priority, the pool will aim to ensure that wherever possible no other authority in the pool will be worse off than if they had not pooled, subject to sufficient funds being available.

Thus the **second priority** for the pool funds will be that if any authority would have been eligible for a safety net payment if they had not pooled, they will be compensated for this. This will ensure that the "no worse off" principle is maintained (see paragraph 11 below).

The **pool dividend** is defined as funds left after these priorities and the 'no worse off' requirement has been met. This is the additional money that the pool will receive over and above the sum of the net figures that each member council would have received if there was no pool.

To ensure that in future years the 'no worse off' promise can be kept, a reserve fund may be established from the pool dividend as agreed by all pool members. The aim of this reserve fund will be to be of sufficient size to fund any administration and safety net payments that need to be made in future years.

The **Allocable Pool Dividend** will therefore be the pool dividend, less any contribution to the reserve.

10. Allocable Pool Dividend

The allocable pool dividend will be distributed on the following basis:-

**7.5%** to the County Council; and

- **92.5%** to the District Councils in the pool, allocated as agreed by members of the pool

#### 11. Insufficient dividend to support safety net payments.

If there is a shortfall on the pool, then this will be funded by the district councils. This will be in proportion to their business rate baselines, although particular circumstances and difficulties will be considered and may, with agreement, change the outcome,

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 agreed process and deadlines.

Any subsequent decision to form or re-form a pool, for example, if one member wishes to leave and the other authorities wish to continue or join 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 1 months notice in advance of the agreed 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 3 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.

Any reserves remaining at dissolution should be returned in a way that reflect how they were accumulated.

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, to share out business rates collected and to pay the county council's top up. Payments into the pool will include various payments such as tariffs, levy and business rates and these will all need payment schedules as announced by DCLG or as agreed locally.

Safety nets are to be paid 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 the pool dividend 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 cashflow into and out of the pooling fund. These 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.
- Calculating the 'reserve fund' amount as agreed with all members of the pool.
- 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 business rates to transfer to the pool run by the Lead Authority.
- The transfer of relevant funds to the Lead Authority for the payment of the central share, tariffs or levy etc.
- The implementation of their own collection funds.
- The submission of NNDR forms to the CLG.
- The provision of any information in relation to their own authority required by the pool for planning and monitoring purposes.

## Pooling Governance Arrangements

### Oxfordshire Business Rates Pool

#### Signatures

Authority.....Oxfordshire County Council

#### **Section 151 Officer**

Name.....Lorna Baxter

Signature.....LBaxter

Date.....30/10/2013

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25 October 2013