Date Discussed by Leaders: 30 October 2015

Title: Business Rates Pooling 2016/17

Portfolio Leader: Cllr Kieran Quinn (Leader of Tameside MBC)

GMCA and AGMA Treasurer: Richard Paver

Summary:

Leaders discussed the attached paper proposing an outline proposal for the operation of a Business Rates Pool covering the 10 GM Districts, Cheshire East and, possibly, Cheshire West and Chester for the 2016/17 financial year.

Status:

Leaders supported the approach and noted that a formal report will be submitted to the Joint GMCA and AGMA Executive in December on the assessed position and outlining the process to reach a final decision on pooling for 2016/17 decision and the next steps in the process.

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INFORMAL LEADERSHIP MEETING

Date: 30th October 2015
Subject: Business Rates Pooling 2016/17
Report of: Richard Paver, Treasurer to GMCA/AGMA

PURPOSE OF REPORT
To inform Members of the proposal to submit an outline proposal for the operation of a Business Rates Pool covering the 10 GM Districts, Cheshire East and, possibly, Cheshire West and Chester for the 2016/17 financial year.

Members are asked to comment on the proposed approach and in particular:

1. Note that conversations have taken place with Cheshire West and Chester as to their possible inclusion in the pool for 2016/17 on the same basis as Cheshire East.

2. Note the report and that the individual districts, via their S151 Officers, will be asked to signify that they are prepared to enter into a Business Rates Pooling agreement for 2016/17 and to confirm that they estimate that there is no risk of triggering a safety net claim.

3. Note that a further report will be brought back in December to the Joint GMCA and AGMA Executive Board meeting as to the then assessed position and outlining a process to reach a final decision on pooling for 2016/17.

4. Note that a final decision on whether to confirm participation in the Business Rates Pool for 2016/17 will need to be taken by individual districts at the time of the consultation on the provisional 2016/17 Settlement.

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1 INTRODUCTION

1.1 With the changes to the local government finance system in 2013/14 and particularly the retention of (generally) 50% of the business rates income locally, there has been the possibility of applying to the Secretary of State for Communities and Local Government to pool business rates income across a range of local authorities.

1.2 Under the new arrangements, authorities were either identified as ‘top up’ or ‘tariff’ councils and receive either additional support to make up for a low level of business rates income or pay over a proportion of local income where they are ‘resource rich’ in business rates terms. For authorities in this latter category they also pay over a further proportion of any business rates growth through a ‘levy’ payment.

1.3 The benefit of a pooling agreement is to allow for the retention within the pool of some or all of the levy payments which might be due thereby increasing the total of business rates retained within an area. In order for a pool to operate, there needs to be a mix of top-up and tariff authorities which is provided for in the pooling scenario below.

1.4 Whilst pooling provides for a potential upside in terms of retaining levy amounts, there is a risk that if an individual pool member’s business rates falls significantly it would be unable to call on the Government’s safety net arrangements and, rather, be faced with calling on other pool members to contribute to their shortfall.

2 THE POSITION TO DATE

2.1 For 2013/14, nine of the ten GM districts submitted an outline pooling application (Wigan remained outside due to possible risks of calling on the safety net). However, by the time of the provisional RSG Settlement for that year the risks around volatility in business rates income arising from backdated appeals against both the 2005 and 2010 rating lists led to the assessment that there was a real possibility of safety net levels being breached by one or more of the nine districts. If this was to happen, the risk of the pool actually ‘losing’ monies was real and, in consequence, the initial application was withdrawn.

2.2 In the event, the process of finalising the 2013/14 accounts saw both Manchester and Trafford submit large safety net claims thereby confirming the wisdom of not entering into formal pooling arrangements for that year.

2.3 For 2014/15, an initial pooling application was submitted covering the ten GM districts and Cheshire East. The latter came on board since, as a levy paying authority, they needed to join with authorities in a net ‘top up’ position in order to allow retention of the levy payment they would otherwise have to pay within the expanded pool

BOLTON  MANCHESTER  ROCHDALE  STOCKPORT  TRAFFORD
BURY    OLDHAM    SALFORD    TAMESIDE    WIGAN
2.4 By the time of the provisional Settlement for 2014/15, there were still perceived risks around the varying approaches being taken by the eleven authorities to account for appeals and the national rules were still unclear. Moreover, the approach to be adopted by external auditors in agreeing collection fund accounts had still to be tested and the collective view was that the possible risks were too great and the proposal was withdrawn.

2.5 For 2015/16 an initial assessment by the 11 Authorities was that there was confidence that safety net claims would not be required and that there was a realistic prospect of levies being paid by a number of tariff authorities and consequently an initial application was made at this stage last year. At the time of the 2015/16 Settlement there was still confidence amongst Treasurers that continuing with the pool would be beneficial and the pool was subsequently confirmed.

2.6 As part of the agreement between authorities as to how any proceeds would be utilised, AGMA Leaders agreed that Cheshire East would retain 50% of any levy generated by that District, Trafford and Stockport would retain one-third of any local levy with the remainder accruing at a GM level. Initial forecasts of overall income and its distribution were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Overall Levy</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheshire East</td>
<td>1.344</td>
<td>0.672</td>
</tr>
<tr>
<td>Trafford</td>
<td>1.702</td>
<td>0.567</td>
</tr>
<tr>
<td>Stockport</td>
<td>0.070</td>
<td>0.023</td>
</tr>
<tr>
<td>GM share</td>
<td>3.116</td>
<td>3.116</td>
</tr>
</tbody>
</table>

2.7 Monitoring of business rates income so far to date has shown that those still remain the best estimates although it is not until year end and a full assessment of the impact of appeals has taken place that there can be any realistic estimate made. In budget terms, therefore, the prudent view is that no account should be taken of any income at this time.

2.8 It may be that an update will be available by the time of the meeting.

3 POOLING FOR 2016/17

3.1 As at mid-October, CLG have yet to release any details of the approach to pooling for 2016/17 but, on past practice, initial expressions will need to be submitted by the end of October 2015. Consequently discussions have taken place with Treasurers of the 11 current participants and with Cheshire West. In the latter case, they are a levy paying authority and there would be mutual benefit of their inclusion. If agreement could be reached to include them, it seems sensible to extend the current Cheshire East income sharing arrangement.
3.2 Latest intelligence is that Ministers have not yet decided whether they will want to create new pools/amend existing pools for 2016/17 so there is a need to keep options open at this stage such that it may/may not be possible to extend the pool to include Cheshire West.

3.3 Final decisions regarding any pool operation will be needed at the time of the 2016/17 Settlement and a further paper will be brought to Leaders, likely in December, to confirm or otherwise. It will, of course, be for each authority, individually, to agree to participate at that stage.

3.4 Until such time as CLG make clear what, if any, arrangements there will be for pooling in 2016/17, it seems premature to consider how any such retained levies might be utilised. The report to Leaders in December will address this aspect along with any early thoughts about the benefits of the Business Rates pilot and how those monies might accrue.

3.5 Decisions on the future operation of the pool do not impact on the current agreed Business Rates pilot which would remain for the 10 GM districts and Cheshire East.