Report to:	**Cabinet**		
Date:	**14th January 2013**		
Report of:	**Deputy Chief Executive**	**Report No:**	
Contact Officer:	**S M Arnfield**	**Tele No:**	**1502**

Report Title:	**AGMA Business Rates Pooling**
Non Confidential:	This report does not contain information which warrants its consideration in the absence of the press or members of the public
Purpose:	To seek approval to the Council entering into a pooled business rates arrangement with other AGMA Authorities, should this be deemed appropriate.
Decision:	That approval be given to the Council entering into a pooled business arrangement with other AGMA Authorities for 2013/14.
Background Doc(s):	

1.0 Background

1.1 The Local Government Resource Review (LGRR) will result in significant changes to the methodology for funding local government, particularly in relation to Business Rates and the calculation of the council tax base. These changes will come into force from 1 April 2013.

1.2 National Non Domestic Rates were previously collected by local authorities and paid over to Central Government. By law, Government is obliged to use business rates to fund local authorities so NNDR was used to fund Formula Grant, alongside Revenue Support Grant (RSG). Formula Grant distributed funding to local authorities on the basis of their assessed need, and as such there was no direct link between the business rates collected within a local authority area and the funding they received. Further, the risk of any reduction in local NNDR yield due to closure of businesses or appeals against rateable values lay with Central Government, and similarly they benefitted from any increase in local NNDR yield.

1.3 Due to the reforms brought forward as part of the LGRR, from 1 April 2013 those risks and benefits will be shared between the Councils and Central Government. Each local authority will retain an element of the business rates they collect, and will retain an element of any growth in the business rates collected above an assumed baseline level. The retained business rates income will be subject to a safety net and local authorities will be protected at 92.5% of their base line funding which compares assumed NNDR income and any top up payments. This change in funding brings a higher level of uncertainty in Council resources and has implications for how the budget is set.

1.4 The localised Council Tax Support Scheme will also be implemented from 1 April 2013. Under the current Council Tax Benefit scheme, Central Government pays the authority directly for any council tax benefit claims, which means that the Collection Fund shows the gross amount of Council Tax due and the Council Tax benefits are shown as income within the Collection Fund. From 1 April 2013 Council Tax Benefit will be called Council Tax Support and it will be classed as a discount. This has implications for the calculation of the Council Tax Base as the Council Tax Support Scheme will result in the council tax base reducing to approximately 80% of its previous value.

1.5 Because of the new regulations around the setting of the Council Tax base and the Business Rates base, it will be necessary for the full Council to formally agree these before the 31st January 2013. It is therefore proposed to bring reports forward on the Council Tax base, the Business Rates base and at the same time to also formally approve the Council Tax Discount Scheme to the Cabinet on the 28th January 2013, which will be followed by a special Council meeting at 5.00 pm on the same day.

2.0 Pooling of Business Rates

2.1 Members will be aware that an application has been submitted on behalf of 9 of the Greater Manchester Council’s to the Department of Communities and Local Government on the pooling of business rates. Discussions on this proposal remain ongoing between the authorities. Each authority will need to make a decision on whether it wishes to be part of the pool within 28 days of the provisional Local Government Finance Settlement, ie the 16th January 2013 A copy of a report on Business Rates pooling agreed by the GMCA is attached for information.

2.2 The purpose of pooling rates across the individual authorities is not intended to alter individual authorities income levels but to retain any levy (payment made into Central Government) that might be payable by certain of the Greater Manchester authorities. Any sum gained would be retained by the Combined Authority for investment within Greater Manchester.

2.3 The advantage of pooling is that monies that may have flowed out of Greater Manchester can be retained. For example, Trafford are a tariff (they pay in) Council and if they increase their overall Business Rates income, 50% of that increase is paid into Government. Under the pooling arrangement 100% would be retained. The risk with pooling is that if an Authority loses a large amount of Business Rate within the year then it would hit what is called the "safety net". This safety net has been established by Government to limit any in-year losses by individual Councils. The safety net is currently triggererd when there is a loss of 7.5%. This figure for Bolton is a loss of Business Rates of £6m, which we consider is unlikely to arise in any one year as this would involve several large companies all going into administration at the same time.

2.4 On this basis, it is recommended that approval be given to the Council entering into a pooled business arrangement with other AGMA Authorities for 2013/14.