

**GM Combined Authority Meeting
14th December 2012**

BUSINESS RATES POOLING

Report Of	Richard Paver, GMCA Treasurer
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Purpose of the Report

To seek the agreement of the Combined Authority to the principle of participation in a Business Rates Pool comprising the Combined Authority and nine of the Greater Manchester Districts and to make arrangements for a decision to be made as to continued membership once the detail of the Local Government Finance Settlement has been received

Recommendations

1. That the Treasurer of the Combined Authority, in consultation with the Head of Paid Service and the Chair and Vice Chairs, be authorised to determine the future participation of the Combined Authority in a Business Rates Pool comprising the Combined Authority and nine of the ten District Councils.
2. To note that in the event of the Pool being agreed for 2013/14, the CA will act as host of the Pool and authorise the Treasurer to make the necessary practical arrangements in consultation with the District Council Treasurers.
3. To note that the individual Districts within the proposed pool will need to make arrangements to confirm, or otherwise, their continued participation during the 28 day period specified by CLG following the draft Funding Settlement.

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BACKGROUND DOCUMENTS

Letter from CLG to the lead Pool Authorities dated 13th August 2012.

RISKS/IMPLICATIONS	
Financial:	Before a final decision to seek a formal pooling designation, the CA and individual districts will need to assess the likelihood of Pooling leading to an increase or reduction in resources. A final decision will be needed after the draft Funding Allocations are received in mid-December.
Staffing:	None
Policy:	N/A
Equal Opportunities – Has a Diversity Impact Assessment been conducted?	N/A

TRACKING/PROCESS		
Does this report relate to a Key Decision, as set out in the GMCA Constitution or in the process agreed by the AGMA Executive Board		No
EXEMPTION FROM CALL IN		
Are there any aspects in this report which means it should be considered to be exempt from call in by the AGMA Scrutiny Pool on the grounds of urgency?		Yes, an appropriate delegation needs to be in place to make a final decision within 28 days of the draft Funding Settlement on 19 th December 2012.
AGMA Commission	TfGMC	Scrutiny Pool
N/A	N/A	N/A

Introduction

1. The key feature of the Local Government Resource Review proposals to be introduced in April 2013 is the retention of part of locally collected Business Rates by individual Local Authorities. As Councils will have differing abilities to generate such revenue locally, there will be a series of 'top-ups' or 'tariffs' calculated to ensure all Authorities are brought up to their baseline funding levels.
2. In respect of in-year growth in Business Rates above the baseline, top-up Authorities will retain the full local share whilst tariff Authorities will pay a proportionate levy (up to 50%) of what would have been the local share to Central Government. In Greater Manchester it is expected that Trafford will be a tariff Authority, Stockport possibly being subject to a small tariff, whilst the remaining eight will receive varying levels of top-up.

3. In order to encourage Local Authorities to work together, principally on the growth agenda, Government has introduced an arrangement to pool Business Rates across two or more Local Authority areas such that the tariff or top-up arrangements apply across the wider area and therefore give a mechanism to retain any levy payments locally for use on an agreed basis.

Proposal

4. The formation of a Pool clearly gives a potential benefit to the participating Local Authorities if one or more of the participants would otherwise face a levy payment which could then be retained providing that the overall Pool is in a 'top-up' position. However, the pool arrangements also provide that should any individual authority see a reduction in its rates collected by more than 7.5% of its baseline funding, the level at which the Government's safety net would operate, then any additional external support would not be forthcoming and the costs would need to be met with the pool's overall resources.
5. In the GM scenario, any prospects for a sizeable levy being generated will depend on Trafford's business rates income as they face a significant proportionate levy charge whilst all Authorities face the risk of triggering the safety net, particularly in the first year when estimating receipts is difficult particularly around the impact of outstanding appeals. At this stage the individual districts have made very preliminary assessment of whether there are any risks of triggering their safety net levels and all but Wigan have been able to confirm that this is not currently the case. The non-binding pooling proposal submitted to CLG therefore includes the Combined Authority, as host, and the individual districts excluding Wigan.
6. Once the draft Funding Settlement is received on 19th December 2012, each authority will be in a position to refine their estimates of income against the baseline funding levels specified and assess possible risks/benefits for pooling. Any Authority has, within 28 days of the draft Settlement, to indicate that they do not wish to proceed with the pool and in such an event, the pool would be dissolved for 2013/14. It is not possible, at that stage, to change the pool members until a new submission is made in a later year.
7. At a practical level, the pool would operate through the CA which would route payments to/from individual authorities and CLG. In order to manage cash flows etc, the CA or participating districts would need to agree practical arrangements including dates for paying over amounts to/from the pool, the Fire Authority and CLG.
8. As the next meeting of the Combined Authority is after the deadline for making a decision on participation in the pool, arrangements are proposed for a decision to be made after appropriate consultation. Such a decision will need to reflect the position of each of the nine Districts, and in the event of any risk that there will be no net resource benefit, it would be recommended not to proceed with the pool.
9. Each of the nine Districts will need to consider their own arrangements for assessing income levels and agreeing continued participation in the pool.