

Report to: Cabinet

Date: 12th January 2015

Report of: Borough Treasurer

Report No:

Contact Officer: S. Johnson

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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 AGMA and adjoining Authorities, should this be deemed appropriate.

Decision:

That approval be given to the Council entering into a pooled business arrangement with AGMA and adjoining Authorities for 2015/16.

Background Doc(s):

1. BACKGROUND

- 1.1 The Local Government Resource Review resulted 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 came into effect from 1st April 2013.
- 1.2 National Non Domestic Rates (NNDR) were previously collected by Local Authorities and paid over to Central Government. By law, the 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 in 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 1st April 2013 those risks and benefits are shared between Local Authorities and Central Government. Each Local Authority retains an element of the Business Rates they collect and will retain an element of any growth in Business Rates collected above an assumed baseline level. The retained Business Rate income is subject to a safety net and Local Authorities are protected at 92.5% of their baseline funding, which equates to assumed NNDR income and any top-up payments.

2. POOLING OF BUSINESS RATES

- 2.1 The LGRR introduced the option for Local Authorities to pool their Business Rates. The advantage of this arrangement is that monies which may have been paid over to Central Government can be retained within the pool. This levy payment is typically made by Authorities with high levels of Business Rate income and 50% of any growth in income would be paid to Central Government. The risk with pooling is that if an Authority loses a large amount of Business Rates within a year then it would be hit by a safety net. This safety net has been established by Government to limit any in-year losses by individual councils. The safety net is currently triggered when there is a loss of more than 7.5%. In a pooling arrangement the loss of income above this is supported by the pool and not an additional payment from Central Government. In establishing a pooling arrangement it is therefore important to establish that no Authorities are at risk of triggering a safety net claim.
- 2.2 A detailed analysis of the projected business rate position for AGMA authorities and Cheshire East has shown that no authorities are anticipating breaching the safety net in 2015/16. Therefore an application has been submitted to the Department for Communities and Local Government on the pooling of Business Rates. Each Authority will need to make a decision on whether it wishes to be part of the pool within 28 days of the Local Government Finance Settlement which was announced on 18th December 2014.
- 2.3 Any monies gained as part of this pooling arrangement will be retained by the pool for investment within Greater Manchester (through the existing governance structures of the Combined Authority) and the other Authority involved. This sum is currently estimated to be up to £3m for the 2015/16 financial year, but importantly the establishment of the pool keeps this money

within the region. Without the pool, this money would have been passed over to central government.

2.4 It is anticipated that the pool will be administered by Manchester City Council.

3. RECOMMENDATION

3.1 It is recommended that approval be given to the Council entering into a pooling arrangement with other AGMA and adjoining Authorities for 2015/16.