



# **Business Rates Retention Update**

## **Accounts and Audit Committee September 2016**

Planning



# Current Schemes in GM

## Business Rates – Current Schemes

### Greater Manchester and Cheshire East Pool

- Current system is 50% retention with a system of top ups and Tariffs
- Within GM Trafford and Stockport are a tariff authorities and Cheshire east are also a tariff authority
- GM and Cheshire East formed a pool which allows top-ups, tariffs and levy's to be calculated at a pool level. This allows the tariff and levy payments to be retained in GM.
- Trafford are paid a proportion of their levy back as a benefit of being in the pool.

## Business Rates – Current Schemes

### Greater Manchester and Cheshire East 100% growth pilot

- a pilot to retain 100% of additional business rate growth in Greater Manchester and Cheshire East.
- The scheme started on 1 April 2015, as a pilot, and allows local authorities to retain 100% of “additional growth” in business rates.
- The final amount of growth achieved for 2015/16 is still being confirmed with CLG
- It has not been decided yet how the growth monies will be applied

# **100% Business Rates Retention National Picture**

# National Move to 100% Business Rates Retention



- The government has committed to delivering 100% Business Rates retention for local authorities by the end of this Parliament.
- Pilots in place from 1 April 2017 in a number of areas including GM and Liverpool City Region.
- Move will be fiscally neutral and so new responsibilities will be moved to councils to absorb the extra retained business rates.
- It will not provide extra funding for local Government – tariffs and top-ups will be adjusted so that the funding remains the same.





# National Move to 100% Business Rates Retention

- All authorities will have a new power to reduce the business rates multiplier. Authorities with elected mayors will have the power to levy a 2p in the pound to fund new infrastructure projects
- The design of the new system will take account of the changing shape of local government, including the role of Combined Authorities
- To help design the system, DCLG and Local Government Association (LGA) established a Members task and finish group, a technical steering group and three sub-groups:
  - Technical Working Group on Needs and Redistribution – ie the new funding distribution formula for local government
  - Responsibilities Working Group - develop options for the devolution of responsibilities and funding
  - Systems Design Working Group – looking at the technical operational and accounting processes

# **100% Business Rates Retention GM Pilot**



# GM Pilot

- From April 2017
- 4 main focus areas with DCLG:
  - Incentivising economic growth – in particular how growth can be incentivised and headroom for investment created
  - Creating a stable funding stream – addressing issues such as how risk, particularly that associated with appeals is dealt with and how a new safety net arrangement to protect local authorities from the increased levels of volatility in their funding, should operate
  - Transfer of Functions – which functions will transfer to being funded from business rates income. It is given that Revenue Support Grant will cease and be funded via business rates income
  - System design - in particular how revaluations, resets and tariffs and top ups will operate
- 10 GM Authorities and the GMCA
- **DCLG have guaranteed “no detriment “ at a district as well as GM level**

# Timetable for Implementation

Summer 2016	Consultation on the approach to 100 per cent business rates retention. Deadline for responses to this consultation by 26 September 2016. Those responses will help shape specific proposals across all aspects of the reforms.
Autumn 2016	It is expected that Government will undertake a more technical consultation on specific workings of the reformed system.
Early 2017	As announced in the Queen's Speech, the Government will introduce legislation in this Parliamentary session to provide the framework for these reforms. We expect the legislation to be introduced later in the Parliamentary session.
April 2017	Piloting of the approach to 100 per cent business rates retention to begin.
By end of the Parliament	Implementation of 100 per cent business rates retention across local government.