



TRAFFORD
COUNCIL



Business Rates Retention Update Scrutiny Committee March 2017



Current Schemes in GM



Business Rates – Current Schemes

Greater Manchester and Cheshire Pool

- Operates under the existing 50% retention scheme
- Tariff authorities within the Pool are Trafford, Stockport, Cheshire East and Cheshire West and Chester
- The Purpose of a Pool is not to alter individual authorities income levels but to retain some/all of any levy that might be payable to Central Government within the Pool
- There will be an initial call on this retained levy in the following proportions: Cheshire East, Cheshire West and Chester retain 50%, Trafford retain one-third with the remainder being pooled at GM level.
- All twelve authorities in the Pool have signed up to continuing with the Pool for 2017/18.

Business Rates – Current Schemes

Greater Manchester and Cheshire 100% growth pilot

- A pilot to retain 100% of additional business rate growth in Greater Manchester and Cheshire.
- 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 DCLG
- It has not been decided yet how whole the growth monies will be applied

Business Rates – Current Position

2016/17 Estimated Outturn

P10 forecast shows an projected overall gain of £2.83m, however this is £2.23m lower than the budgeted gain of £5.06m

TMBC MONITORING SUMMARY:	<u>Budget</u> £m	<u>Actual</u> £m	<u>Variance</u> £m
Individual Authority Business Rates Baseline	77.839	77.839	0.000
Tariff Payment	-44.509	-44.509	0.000
Baseline Funding Level	33.329	33.329	0.000
Growth Above Baseline Funding Level	5.511	1.908	3.603
Locally Retained Rates	38.840	35.237	3.603
Section 31 Compensation Grants	1.692	1.916	-0.224
SAICA Renewable Energy	0.078	0.078	0.000
NET GM Pool Levy	-2.219	-1.070	-1.149
TMBC EST YE POSITION	38.391	36.161	2.230
<i>Net Inc/(Dec) to Baseline Funding Level</i>	<i>5.061</i>	<i>2.831</i>	<i>2.230</i>

Business Rates – Current Position

Issues:-

Level of Appeals (*) £225m out of a total RV of £390m (58%) is subject to appeal - significant unprecedented level of new appeals not budgeted for

Empty Property Relief cases...Bad Debt Provisions

**Collection Performance – as at 1 March – Target=94.19%,
Actual = 94.23%**



100% Business Rates Retention National Picture



National Move to 100% Business Rates Retention

- In the 2015 spending review and autumn statement the government committed that local government should retain 100% Business Rates raised locally by the end of this Parliament (Originally 2020/21).
- To ensure that the reforms to business rates are fiscally neutral some existing central government grants will be replaced by additional retained business rates. (It will not provide extra funding for local Government)
- Over the past year government has been working closely with local authorities, their representatives and representatives of business to shape the design of the reforms.



National Move to 100% Business Rates Retention

Jointly chaired Local Government Association (LGA) and DCLG steering group

A set technical working groups are currently reviewing every aspect of how the new system should work and which responsibilities should be devolved, to include:

- Technical Working Group on Needs and Redistribution – undertake the fair funding review to establish the funding baselines & distribution of funding for new responsibilities
- Responsibilities Working Group - determine the package of responsibilities to be devolved
- Systems Design Working Group – determine the mechanisms needed to setup & run the new 100% retention i.e. the technical operational and accounting processes



National Move to 100% Business Rates Retention

LOCAL GOVERNMENT FINANCE BILL 2016-17

The government has now published and introduced into Parliament primary legislation which is intended to provide a framework for the reformed 100% Business Rates Retention System

BUSINESS RATES RETENTION: FURTHER CONSULTATION (FEB 17)

This publication now confirms government intention to introduce the new 100% retention system in 2019/20 and seeks the views on some of the detailed aspects on the design of the 100% retention system to include:

- Partial resets - redistributing business rates to meet relative need and providing an incentive for retaining growth
- Business rates pooling - the secretary of the state to designate pools of authorities by removing the requirement for local authority consent
- Managing the impact of successful appeals - centrally managing appeals through making 'loss payments' in relation to valuation errors
- Safety nets - mechanism used to support those local authorities who experience shocks to their lists, currently set at 92.5%
- Central list policy

100% Business Rates Retention GM Pilot



National Move to 100% Business Rates Retention

- Pilots in place from 1 April 2017 in Cornwall and the combined authority areas GM and Liverpool City Region, West Midlands and West of England.
- Pilots will operate on a 'no detriment' basis i.e. the pilot is to be without detriment to resources that would have been available to individual authorities under the current local government finance regime
- Guidance produced by DCLG sets out the 'no detriment' calculation, going forward this will now require two set of figures being calculated of (A) under the existing 50% retention system and (B) under the new 100% rates retention pilot



GM Pilot

Element	A - Existing 50%	B - Pilot 100%
Local Share	49% NNDR1&3	99% NNDR1&3
Baseline Funding Level	As per Finance Settlement	Adjusted - to include RSG & Public Health Grant
Tariff/Top-up	As per Finance Settlement	Adjusted - for new baselines
Levy	Levy Rate 0.50	Levy Rate 0
Safety Net	92.5% of Baseline Funding Level	97% of Baseline Funding Level
S31 Grants	49% NNDR1&3	99% NNDR1&3
RSG	As per Finance Settlement	Not Paid - included within Baseline Funding Level (above)
Public Health	As per Grant Allocation	
GM Pool Levy/Rebate	As per the existing GM & Cheshire pool arrangements	N/A No Levy

- Overall individual authorities within the GM pilot will retain **no less** than that figure currently calculated under (A) existing 50% retention system.
- The table on the next slide demonstrates that the 100% rates retention GM Pilot only results in a presentational change to both the net budget and funding

GM Pilot

100% Retention GM Pilot	2017/18		
Proposed Budget	100% (£'000)	50% (£'000)	Changes (£'000)
Service:			
Children's Services	31,960	31,960	0
Adult Services (incl. Public Health)	58,210	45,492	12,718
Economic Growth, Environment & Infrastructure	38,579	38,579	0
Transformation & Resources	16,535	16,535	0
Total Service Budgets	145,284	132,566	12,718
Council-wide Budgets	15,541	15,541	0
Proposed Net Budget	160,825	148,107	12,718
Funding:			
Council Tax	88,630	88,630	0
RSG	0	15,276	15,276
Business Rates: Local Share	139,403	68,998	(70,405)
Business Rates: Tariff Payment	(77,399)	(34,988)	42,411
Business Rates: Assumptions, Growth, S31 Grants, GM Pilot	5,458	5,458	0
Prior Year: Collection Fund Surplus/(Deficit) & GM Pool (Levy)/Rebate	1,675	1,675	0
Proposed Funding	157,767	145,049	(12,718)
Reserves			
Budget Support Reserve	3,058	3,058	0
Use of Reserves	3,058	3,058	0
Total Budget Gap	0	0	0