



**Oldham**  
Council

**Delegated Decision**

# **Oldham Council's Inclusion within the Greater Manchester, Cheshire East, Cheshire West and Chester Business Rates Pool 2019/20**

**Portfolio Holder:** Cllr. Abdul Jabbar MBE – Deputy Leader and Cabinet Member for Finance and Corporate Resources

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**Ext. 1323**

**3 January 2019**

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## **Reason for Decision**

Further to the report "Council Tax Base and Non-Domestic Rates Tax Base Forecast 2019/20" approved by Cabinet on 17 December 2018, this report seeks formal approval for the Council's inclusion in the Greater Manchester, Cheshire East and Cheshire West and Chester Councils Business Rates Pool for the financial year 2019/20.

## **Executive Summary**

Following changes to the Local Government finance system in 2013/14, and particularly the retention of (generally) 50% of the Business Rates income locally, the possibility of applying to the Secretary of State for Housing, Communities and Local Government to pool Business Rates income across a range of Local Authorities became an option for Councils.

Pooling agreements under the national 50/50 rates retention arrangements allows for the retention within the pool of some or all of the levy payments which might otherwise be due to the Ministry of Housing, Communities and Local Government (MHCLG), thereby increasing the total of Business Rates retained within an area. In order for a pool to operate, there needs to be a mix of top-up authorities (such as Oldham) and tariff authorities (such as Cheshire West and Chester) which is provided for in the grouping of the 10 Greater Manchester (GM) Councils, Cheshire East and Cheshire West and Chester Councils.

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On 27 September 2018, an application, setting out an initial expression of interest in the creation of a pool for 2019/20, was submitted to the MHCLG covering GM, Cheshire East and Cheshire West and Chester Councils.

The Business Rates pooling proposal is such that no Local Authority should be worse off by pooling than it would be if it did not pool. Therefore, if there is any growth in Business Rates as a result of the economic regeneration activity planned within the borough, the Council would be able to retain its share of that benefit also benefiting from a share in any levy payment that any other levy paying Authority in the pool would normally pay to Central Government.

As GM Districts are currently piloting 100% Business Rates Retention, the primary purpose of pooling is to strengthen what is referred to as the 'no detriment' position of the pilot area. The principle of no detriment ensures districts participating in the 100% Rates Retention Pilot Scheme can be no worse off than they would have been had they continued to operate under the national 50/50 retention arrangements. Pooling potentially improves the baseline against which no detriment would be determined.

The inclusion of the two Cheshire authorities (that do not participate in the 100% Rates Retention Pilot Scheme) also means that the Greater Manchester Combined Authority (GMCA) will share 50% of any levy retained within the pool that is derived from these two authorities.

The Provisional Local Government Finance Settlement published on the 13 December 2018 signifies the start of the 28-day period during which Councils are required to consider if they wish to confirm membership of the pool. The Business Rates position of the Council has been reviewed and it is considered that the Council should join the pool for 2019/20.

Given the timelines for the response to the MHCLG, the Cabinet report of 17 December 2018 delegated the pooling decision to the Deputy Leader and Cabinet Member for Finance and Corporate Resources in consultation with the Deputy Chief Executive for Corporate & Commercial Services and the Director of Finance.

### **Recommendation**

That approval is given to the Council's membership of the Greater Manchester Councils, Cheshire East and Cheshire West and Chester Councils Business Rates Pool for the financial year 2019/20.

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## **Oldham Council's Inclusion within the Greater Manchester, Cheshire East and Cheshire West and Chester Councils Business Rates Pool 2019/20**

### **1 Business Rates Pooling**

- 1.1 Following changes to the Local Government finance system in 2013/14 and particularly the retention of (generally) 50% of the Business Rates income locally, the possibility of applying to the Secretary of State for Housing, Communities and Local Government to pool Business Rates income across a range of Local Authorities became an option for Councils. The Council has participated in Business Rates pooling every year since 2015/16.
- 1.2 The benefit of a pooling agreement under national 50/50 rates retention arrangements is to allow for the retention within the pool of some or all of the levy payments which might otherwise be due to the Ministry of Housing, Communities and Local Government (MHCLG), thereby increasing the total of Business Rates retained within an area. In order for a pool to operate, there needs to be a mix of top-up authorities (such as Oldham) and tariff authorities (such as Cheshire West and Chester) which is provided for in the grouping of the 10 Greater Manchester (GM) Councils, Cheshire East and Cheshire West and Chester Councils. As GM is piloting 100% Business Rates Retention, the purpose of pooling is to improve the area's no detriment position and to allow the Greater Manchester Combined Authority (GMCA) to share 50% of any retained levy derived from the two Cheshire authorities. This is explained further in Section 3 below.
- 1.3 Whilst pooling provides for a potential upside in terms of retaining levy amounts, there is a risk that if an individual pool member's Business Rates income collection falls significantly, it would be unable to call on the Government's safety net arrangements (a guarantee that income expected from Business Rates will not fall below 92.5% of the expected level without compensation from Central Government. This figure increases to 97% of the expected level under 100% retention rate arrangements). Where Business Rates income falls below safety net level in an individual authority, it would be up to other members of the pool to address the shortfall from pool receipts.
- 1.4 On the basis of the currently agreed accounting position of each of the twelve Authorities (GM's 10 members, Cheshire East and Cheshire West and Chester), Chief Finance Officers have confirmed that they are confident that their Authorities will not be in a position whereby there is a call on the safety net arrangements. In addition there is a realistic prospect of Cheshire East and Cheshire West and Chester Councils generating sufficient Business Rate growth which would otherwise lead to levies being paid to MHCLG.
- 1.5 On 27 September 2018, an application was submitted to the MHCLG setting out an initial expression of interest in the creation of a Business Rates pool for 2019/20 for a GM, Cheshire East and Cheshire West and Chester Councils. Receipt of this expression of interest has since been acknowledged by the MHCLG and the provisional designation of the pool was announced as part of the Provisional Local Government Finance Settlement published on the 13 December 2018.

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- 1.6 As with previous pooling arrangements, it is proposed that Manchester City Council will again administer the pool and be responsible for the various flows of money between the participants and with the MHCLG. It is agreed that Manchester as the Lead Authority can allocate all reasonable and agreed costs of administration to the pool (including initial set up costs). These will normally be first priority call on the pool before any other distributions are made. Administration costs will be funded from the top-slicing of pool receipts. The GMCA cannot act as lead for the pool as it is not a Billing Authority.

## **2 Current Business Rates Pooling Position**

- 2.1 Oldham Council has reviewed its own forecasts of Business Rates Income for 2019/20 and is confident that its income will be sufficient so that it does not require support from the Government's safety net arrangements. These forecasts are based on a prudent assessment of collection rate, business growth and the required appeals provision.
- 2.2 The Business Rates pooling proposal is such that no Local Authority should be worse off by pooling than it would be if it did not pool. Therefore, if there is any growth in Business Rates as a result of the economic regeneration activity planned within the borough, the Council would be able to keep its share of that benefit also benefiting from a share in any levy payment that any other levy paying Authority in the pool would normally pay to Central Government.
- 2.3 In relation to 2019/20, all twelve districts have considered Business Rates estimates and all are expected to be clear of the threshold for triggering safety net payments.
- 2.4 As was the case in 2018/19, Cheshire East and Cheshire West and Chester Councils will continue to retain 50% of any levy that they generate. This is accepted as an equitable approach where the parties (GM, Cheshire East, Cheshire West and Chester) could only benefit through mutual co-operation and that a 50/50 share would be appropriate. The remaining 50% will be allocated to the GMCA.
- 2.5 The Provisional Local Government Finance Settlement published on the 13 December 2018 signifies the start of the 28-day period during which Councils are required to consider if they wish to confirm membership of the pool. If any one of the twelve participant districts decided to withdraw from the pool, the area pooling application cannot proceed.
- 2.6 Each Council has to make a formal decision to commit to the pooling arrangement. This decision for Oldham was delegated by Cabinet on 17 December 2018 to the Deputy Leader and Cabinet Member for Finance & Corporate Resources, in consultation with the Deputy Chief Executive for Corporate & Commercial Services and the Director of Finance. The approval of this report enables Oldham Council to formally commit to the proposed Business Rates pool.

## **3 Implications for 100% Business Rates Pilot**

- 3.1 As GM Districts are currently piloting 100% Business Rates Retention, the primary purpose of pooling is to strengthen what is referred to as the 'no detriment' position of the pilot area. The principle of no detriment ensures districts participating in the

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100% Rates Retention Pilot Scheme can be no worse off than they would have been had they continued to operate under the national 50/50 retention arrangements. Pooling potentially improves the baseline against which no detriment would be determined.

- 3.2 The inclusion of the two Cheshire authorities (that do not participate in the 100% Rates Retention Pilot Scheme) also means that the GMCA will share 50% of any levy retained within the pool that is derived from these two authorities.

#### **4 Options/Alternatives**

- 4.1 **Do not agree to pool** – The Council would continue to receive the benefits of any local growth, however no benefit would be gained from a share of the GM, Cheshire East and Cheshire West and Chester retained levy. Furthermore, non-participation of one district at this stage would mean the pool would not proceed at all for the remaining districts for 2019/20.

- 4.2 **The Council agrees to become a member of the GM, Cheshire East and Cheshire West and Chester Councils Business Rates pool for 2019/20** - The Council would continue to receive the benefits of any local growth. In addition, the Greater Manchester region could benefit from an improved no detriment position as explained in Section 3 of the report. The GMCA will also share 50% of any retained levy derived from the two participating Cheshire authorities.

#### **5 Consultation**

- 5.1 Consultation has taken place with other potential pooling partners as to their pooling and pilot scheme intentions.

#### **6 Financial Implications**

- 6.1 As advised in the body of the report, inclusion in a GM/Cheshire East/Cheshire West and Chester Councils Business Rates pool should be beneficial as levy payments will be retained for the region for the purposes of measuring no detriment as explained in Section 3 of the report. The GMCA will also share 50% of any retained levy derived from the two participating Cheshire authorities.

(Andy Moran, Assistant Director of Finance)

#### **7 Legal Services Comments**

- 7.1 The legal issues are contained in the body of the report (Paul Entwistle)

#### **8 Co-operative Agenda**

- 8.1 There are no implications.

#### **9 Human Resources Comments**

- 9.1 There are no Human Resource implications as a result of this.

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10 **Risk Assessments**

10.1 The major risks associated with the proposal are as follows –

**Financial Risk** – If any one of the twelve members of the GM, Cheshire East and Cheshire West and Chester Councils Business Rates Pool suffers collection losses that would normally trigger safety net payments from MHCLG, the Pool would have to fund the shortfall from its projected retained levy. This would worsen the no detriment position for GM Councils currently piloting 100% Business Rates Retention and/or lead to the GMCA surrendering its share of retained levy derived from the two participating Cheshire authorities.

**Reputational Risk** – The GM, Cheshire East and Cheshire West and Chester Pool contains twelve members, all of which have submitted projections stating their Business Rates Collection Rates will be in excess of the Safety Net thresholds. These projections have guided the pooling decision. Subsequently, there would be an adverse impact on any Authority's reputation were these forecasts deemed to be incorrect and thus resulting in a triggering of the Safety Net payments.

11 **IT Implications**

11.1 There are no implications.

12 **Property Implications**

12.1 There are no property implications

13 **Procurement Implications**

13.1 There are no Procurement implications

14 **Environmental and Health & Safety Implications**

14.1 There are no environmental and health and safety implications

15 **Equality, community cohesion and crime implications**

15.1 There are no implications

16 **Equality Impact Assessment Completed?**

16.1 There are no implications

17 **Key Decision**

17.1 Yes

18 **Key Decision Reference**

18.1 FCR-27-18

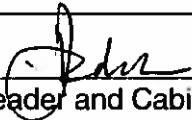
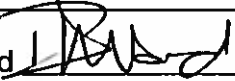
19 **Background Papers**

19.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act.

File Ref: Background papers are contained in the Report to Cabinet of 17 December 2018 – Council Tax Tax Base and Non-Domestic Rates Tax Base Forecast 2019/20  
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20 **Appendices**

20.1 There are no appendices to this report.

Signed <u></u> Deputy Leader and Cabinet Member for Finance and Corporate Resources	Dated <u>21/01/2019</u>
Signed <u></u> Deputy Chief Executive – Corporate and Commercial Services	Dated <u>10/1/19</u>
Signed <u>A.T. Ryans</u> Director of Finance	Dated <u>10/1/19</u>

