

## **Delegated Cabinet Member Decision Report**

<b>Decision Maker and Portfolio area:</b>	<b>Councillor Abdul Jabbar MBE – Deputy Leader and Cabinet Member for Finance and Corporate Services</b>
<b>Date of Decision:</b>	<b>16<sup>th</sup> January 2020</b>
<b>Subject:</b>	<b>Oldham Council’s inclusion within the Greater Manchester, Cheshire East and Cheshire West &amp; Chester Business Rates Pool 2020/21</b>
<b>Report Author:</b>	<b>John Hoskins (Finance Manager)</b>
<b>Ward(s) Affected:</b>	<b>All</b>

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**Reason for the decision:** Further to the report “Council Tax Tax Base and Non-Domestic Rates Tax Base Forecast 2020/21” approved by Cabinet on 16 December 2019, 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 2020/21.

**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.

On 20 September 2019, an application, setting out an initial expression of interest in the creation of a pool for 2020/21, 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 20 December 2019 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 2020/21.

Given the timelines for the response to the MHCLG, the Cabinet report of 16 December 2019 delegated the pooling decision to the Deputy Leader and Cabinet Member for Finance and Corporate Services in consultation with the Deputy Chief Executive for Corporate & Commercial Services and the Director of Finance.

***What are the alternative option(s) to be considered? Please give the reason(s) for recommendation(s):***

**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 2020/21.

**The Council agrees to become a member of the GM, Cheshire East and Cheshire West and Chester Councils Business Rates pool for 2020/21** - 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 earlier in the report. The GMCA will also share 50% of any retained levy derived from the two participating Cheshire authorities.

**Recommendation(s):**

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 2020/21.

**Implications:**

*What are the **financial** implications?*

As advised in the earlier in the report, inclusion within the 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. The GMCA will also share 50% of any

retained levy derived from the two participating Cheshire authorities.

What are the **procurement** implications?

There are no Procurement implications

What are the **legal** implications?

The legal issues are contained in the body of the report.

What are the **Human Resources** implications?

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

**Equality and Diversity Impact Assessment** attached or not required because (please give reason)

There are no implications

What are the **property** implications

There are no property implications

**Risks:**

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 finance 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.

**Co-operative agenda**

There are no implications.

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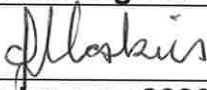
Has the relevant Legal Officer confirmed that the recommendations within this report are lawful and comply with the Council's Constitution? Yes

Has the relevant Finance Officer confirmed that any expenditure referred to within this report is consistent with the Council's budget? Yes

Are any of the recommendations within this report contrary to the Policy Framework of the Council? No

### List of Background Papers under Section 100D of the Local Government Act 1972:

Title	Available from
Council Tax Tax Base and Non-Domestic Rates Tax Base Forecast 2020/21	Cabinet Meeting – 16 <sup>th</sup> December 2019

<b>Report Author Sign-off:</b>	
	
<b>Date: 16<sup>th</sup> January 2020</b>	

There are no appendices to this report.

### Background:

#### 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 20 September 2019, an application was submitted to the MHCLG setting out an initial expression of interest in the creation of a Business Rates pool for 2020/21 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 20 December 2019.
- 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 2020/21 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 2020/21, 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 2019/20, 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 20 December 2019 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 16 December 2019 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 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.

#### **Proposals:**

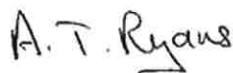
To approve Oldham Council's inclusion within the Greater Manchester, Cheshire East, Cheshire West & Chester Business Rates Pool 2020/21

#### **Conclusions:**

That the Deputy Leader and Cabinet Member for Finance & Corporate Services approves Oldham Council's inclusion within the Greater Manchester, Cheshire East, Cheshire West & Chester Business Rates Pool 2020/21

In consultation with

Anne Ryans (Director of Finance)



Date: 16<sup>th</sup> January 2020

