Cheshire East Council

Cabinet Member for Finance and Assets

Date of Meeting:	10th March 2016
Report of:	Chief Operating Officer (Section 151 Officer)
Subject/Title:	Business Rates Pooling 2016/17
Portfolio Holder:	Cllr Peter Groves

1. Report Summary

1.1. To determine whether the Council should continue to be part of a business rates pooling arrangement under the Business Rates Retention Scheme with the local authorities in Greater Manchester and Cheshire West and Chester Council.

2. Recommendation

2.1 That the Cabinet Member for Finance and Assets, in consultation with the Chief Operating Officer:

2.1.1 Endorses the application for Cheshire East Council to form a business rates pool with the ten Greater Manchester authorities and Cheshire West and Chester Council from 1st April 2016.

2.1.2 Agrees that Manchester Council should continue to act as the lead authority for the pool.

3. Other Options Considered

3.1. Three options were available to the Council:

3.1.1. Continuing with the current arrangements with Cheshire West and Chester Council also joining the pool.

3.1.2. Dissolving the pool and not entering into pooling arrangements for 2016/17 – this would result in a less favourable funding position for the Council as any levy payments due would go to government and not be retained locally by the pool.

3.1.3. Consider joining a different pool, however, no such approaches or options materialised.

4. Reasons for Recommendation

4.1. The Council could benefit financially from a pooling arrangement and agreement is sought to confirm the arrangements.

4.2. For 2016/17 the financial benefit has been estimated at £0.75m in terms of a share of levy retained locally being returned to the Council.

5. Background / Chronology

5.1. As part of the Business Rates Retention Scheme, authorities are able to come together, on a voluntary basis, to pool their business rates. This gives them scope to generate additional growth through collaborative effort and to smooth the impact of volatility in rates income across a wider economic area. It also ensures that members of the pool are treated as if they were a single entity for the purposes of calculating levy and safety net payments under the scheme.

5.2. Each authority must decide whether such pooling is appropriate for them. The consequences of forming a pool are different in each case, depending on other members of the pool, the individual circumstances (i.e. the balance of top-up and tariffs) and the rate of growth in business rates income over the life of the pool. Local authorities therefore need to undertake their own due diligence, modelling their individual position alongside the pool position. This has been undertaken.

5.3. As highlighted above, the main reason pooling can be beneficial is when the pool levy rate (i.e. the proportion of rates that has to be paid over to the government on above average growth) may be lower than the levy rates that would have been paid by members individually. This increases the amount of rates income kept locally by the pool.

5.4. The situation for the proposed pool suggests that the levy rate will be reduced to zero therefore benefitting the pool as a whole. By comparison, Cheshire East Council's levy rate would be 43p in the pound paid over to central government.

5.5. While pooling business rates is not intended to alter individual authorities income levels but to retain any levy that might be payable there are some risks in pooling.

5.6. Local authorities need to consider the impact of fluctuation in business rates income. There is a risk that some local authorities may find that a reduction in their local business rates income, which would otherwise have qualified for a safety net payment (paid in the event of a significant reduction) from Government, will no longer do so because overall the pool is above its safety net threshold.

5.7. In these circumstance local authorities in the pool need to decide whether and how they support members seeing significant reductions in their business rates. It needs to be noted that if levy amounts saved do not cover safety net payments then the net loss will be shared in proportion to each members spending baselines for the year in question.

5.8. The 2014/15 accounts for each of the twelve authorities have now been approved by the respective external auditors. Each authority has also provided a forecast position for 2015/16 and 2016/17 and does not anticipate calling upon the safety net.

5.9. On the basis of the current position of each of the twelve authorities, there is a realistic prospect of Trafford, Stockport, Cheshire East and Cheshire West and Chester generating sufficient business rates growth which would otherwise lead to levies being paid to DCLG should the business rates pool not exist.

5.10. An application was submitted on behalf of the Greater Manchester Council's, Cheshire East and Cheshire West and Chester to the Department of Communities and Local Government on the pooling of business rates.

5.11. Each authority had 28 days from the release of the provisional Local Government Finance Settlement announced on 17th December 2015 to reconsider. None of the authorities which had expressed an interest decided to withdraw, therefore the pool will become operational from 1st April 2016 unless the Council or another member opts out.

6. Wards Affected and Local Ward Members

6.1. Not applicable.

7. Implications of Recommendation

7.1. **Policy Implications**

7.1.1. There will be an on-going relationship with the Greater Manchester authorities and Cheshire West and Chester on this issue and expected economic growth.

7.2. **Legal Implications**

7.2.1. Membership of the pool is for 2016/17 and is expected to continue.

7.3. **Financial Implications**

7.3.1. As set out in sections 4 and 5.

7.4. **Equality Implications**

7.4.1. None.

7.5. **Rural Community Implications**

7.5.1. None.

7.6. **Human Resources Implications**

7.6.1. None.

7.7. **Public Health Implications**

7.7.1. None.

7.8. **Other Implications (Please Specify)**

7.8.1. None

8. Risk Management

8.1.1. The risk of not creating a pool is that resources that could have been retained within the local area will be paid to central government as a levy payment.

8.2. Other risks considered include:

8.2.1. The risk that the pool is dissolved as another member leaves.

8.2.2. A reduction in business rates in one local area means the pool has to make up the funding to that council to replace a safety net payment.

8.3. However, this will be the second year of the pool and those risks are considered acceptable at this point in time.

9. Access to Information/Bibliography

Business Rates Prospectus from DCLG

Cabinet Report on Pooling and Delegation of Authority – January 2015 Item 112

10. Contact Information

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