

GREATER MANCHESTER COMBINED AUTHORITY

Date: 22nd March 2024

Subject: Retained Business Rates Update

Report of: Councillor David Molyneux, Portfolio Lead for Resources & Investment and Steve Wilson, GMCA Treasurer

Purpose of Report

The report provides the Combined Authority with an update on the position in respect of the 100% retained business rate pilot. It includes the latest position on the current GM business rates funded schemes, the latest forecasts for 2023/24 and 2024/25 income and seeks support for proposed 2024/25 schemes, funded from the income expected to be received in 2023/24.

The paper also considers the future of the retained business rates in light of the new 10-year scheme secured in the GM Devolution Trailblazer which commences in 2024/25; the proposed Investment and Growth enhanced business rates zones; the GM Partial Reset and the future interaction between the retained business rates scheme and the Trailblazer devolution deal single settlement.

This paper also references further work proposed to consider the future approach to business rates growth stimulated directly or indirectly through GM investment.

Recommendations:

The GMCA is recommended to:

1. Note the forecast, as at the end of quarter 3, for 2023/24 business rates income
2. Note the planned income for 2024/25.
3. Approve the proposed 2024/25 GM use of the 2023/24 business rates income
4. Note the position in respect of the future developments in relation to retained business rates, including:
 - Trailblazer Devolution (TDD) 10-year business rates retention scheme
 - TDD Growth Zones enhanced business rates areas.
 - Investment Zone enhanced business rates areas.
 - GM Partial Reset
 - Future approach to GM investment

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Equalities Impact, Carbon and Sustainability Assessment:

N/A

Risk Management

An assessment of the major risks faced by the authority is carried out quarterly as part of the reporting process. Specific risks are identified in the report.

Legal Considerations

There are no specific legal implications with regards to this report

Financial Consequences – Revenue

The revenue finance implications are set out in detail in the report.

Financial Consequences – Capital

There are no capital expenditure implications of the issues contained in the report.

Number of attachments to the report:

Comments/recommendations from Overview & Scrutiny Committee

Paper to be presented to GMCA Overview and Scrutiny Committee on 20th March 2024

Background Papers

- GMCA 24th March 2023 “Retained Business Rates Update”

Tracking/ Process

Does this report relate to a major strategic decision, as set out in the GMCA Constitution.

No

Exemption from call in.

Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?

No

GM Transport Committee

N/A

Overview and Scrutiny Committee

To be considered in March

Retained Business Rates Update 2024/25

1. Introduction

- 1.1 The report provides members with an update on the position in respect of the 100% retained business rate pilot including the current GM business rates funded schemes and the latest forecasts for 2023/24 and 2024/25 income. It seeks support for proposed 2024/25 schemes funded from the income expected to be received in 2023/24.

2. Background

- 2.1 The 100% business rates retention pilot was part of the Greater Manchester Devolution Deal and was introduced in 2017/18 with the stated intention of:
- Giving GM authorities an incentive to grow local tax bases by ensuring they see long term rewards from growth.
 - Maintaining a predictable income stream against which authorities can take long term investment decisions; and
 - Ensuring that GM authorities can continue to provide a full range of local services, whilst recognising that decisions about spending priorities should be made locally by locally elected representatives accountable to local taxpayers.
- 2.2 Under the scheme GMCA and the ten GM local authorities retain 100% of business rates growth from the base year (2015/16). The benefits are calculated on the basis of a no detriment formula. This is calculated by comparing the difference between the authorities retained business rates under the 50% scheme (including Section 31 payments and grant which would have been payable) to the retained business rates actually retained, (including Section 31 grants). If the former is higher at GM level the government will reimburse the difference. If the latter is higher this is retained within GM and recorded as the benefit of the pilot participation.
- 2.3 The agreement between GM partners was that the benefits of the scheme, to the extent that there should be any, would be shared for investment both at individual district level and for GM wide initiatives. Under the original agreement districts would receive at least 50% of the benefit with up to 50% being invested in GM schemes.

- 2.4 The initial operation of the scheme saw 50% of the income transferred to the combined authority for potential investment in GM wide schemes with subsequent decisions made to return some of that funding back to districts. In 2020/21 during the peak of the financial impact from the coronavirus pandemic, the full 100% benefit of the pilot was retained by districts to support their response to Covid-19.
- 2.5 In 2022/23, as part of the consideration of proposed GM investments utilising the income derived from the 2021/22 financial year, it was agreed that the benefits of the pilot would be split on a 75:25 basis in favour of the ten GM local authorities.
- 2.6 Prior to 2020/21 funding decisions were effectively taken two years in arrears, allowing for the income for any individual year to be confirmed following the end of the financial year in questions and the conclusion of audit processes. Following the retention of 100% of the funding by districts in 2020/21 we moved to considering GM proposals one year in arrears. The income received in 2022/23 was committed to GM schemes for the 2023/24 financial year at the GMCA meeting of 24th March 2023 based on forecast income as at the end of quarter three of the financial year.

3. Existing Commitments

- 3.1 Table 1 below shows the current position on agreed commitments to be funded from the 25% of funding held at the CA from income up to the end of 2022/23 (based on the Q3 forecast).
- 3.2 The table shows that based on the estimated income as at the end of Q3 all but £19k of the funding was allocated.

Table 1 – 2021/2022 – 2024/25 Existing Business rates Commitments

Description	Planned Spend 2021/22	Planned Spend 2022/23	Planned Spend 2023/24	Planned Spend 2024/25	Total Planned Spend
	£'000s	£'000s	£'000s	£'000s	£'000s
Funding					
Funding Carried Forward	(36,465)	(20,302)	(11,319)	(4,219)	(36,465)
Audit Adjustment	(1,243)				(1,243)
Income @25%		(16,317)	(18,704)		(35,021)
Year end adjustment					
Annual Funding Available	(37,708)	(36,619)	(30,023)	(4,219)	(72,729)
Commitments					
Greener					
Districts low carbon - Renewables and Retrofitting		1,600	1,600		3,200
Support for Net zero		400	800		1,200
Journey to Net Zero		484			484
Net Zero Social Homes		80	300		380
Flood Risk Management		80	250		330
5 Year Environment Plan	958	515	628		2,101
GM Resilience Officer	120				120
Fairer					
Election	3,800			4,200	8,000
Employment Charter	274	987	545		1,807
Full Fibre Revenue Costs	158				158
GM Digital Strategy	551	250			801
GM Digital Transformation			900		900
GM Digital Inclusion, Growth and Places			650		650
Unified Architecture	990	1,190	523		2,703
Good Landlord Charter		150			150
Employment legal advice service		100			100
Skills & Work / Apprenticeships		1,800	500		2,300
Youth Combined Authority	50	13			63
Cricket Strategy	200	200	200		600
GMHSCP		480			480
More Prosperous					
GM Productivity programme	4,748	4,220	9,281		18,249
Industrial Strategy	793	2,727	602		4,122
Support for Growth and International Engagement		1,170	930		2,100
Marketing Manchester and MIDAS	750	750	750		2,250
GM Frontier sector FDI Attraction and Promotion			1,750		1,750
Development of Growth Locations		1,200	1,800		3,000
Business Angels		1,000			1,000
International Rebound Programme		150			150
International Partnerships		150			150
Enterprising You		650			650
Growth Company Other		350			350
GM Information Strategy			280		280
Trailblazer Implementation			1,000		1,000
Place Based					
Cultural and Social Impact Fund	1,000	1,100	1,125		3,225
Places for Everyone	264	2,425	250		2,939
Reform Investment Fund - Youth Homelessness Prevention	750	750	1,000		2,500
One Public Estate - OPE Support Officer		56			56
Residents' Insight survey		250	70		320
Night Time Economy			70		70
Other					
Cheshire Business Rates for Bus Reform	2,000	23			2,023
Total Income	17,406	25,300	25,804	4,200	72,710
Closing Position	(20,302)	(11,319)	(4,219)	(19)	(19)

4. 2023/24 Retained Business Rates Income

- 4.1 2023/24 is the final year of income accruing through the original GM 100% business rates retention pilot. From 2024/25 the scheme will be replaced with the new 10-year TDD 100% business rates retention scheme (see below for more information).
- 4.2 It is proposed that, similar to 2023/24 we base our allocation of funding for 2024/25 on the forecast 2023/24 income as we now have confirmation of not only a final year of income under the current scheme in 2024/25 (for spending in 2025/26 and beyond) but also 10 years further funding under the new TDD scheme.
- 4.3 The forecast benefit of the pilot for 2023/24, as at quarter 3, broken down by district, is shown below and totals £88.96m with the 25% retained by GMCA standing at £22.04m.

Authority	Net Rates income 50% scheme	Net Rates income 100% scheme	100% Pilot Benefit	75% Retained by Authority	25% Retained by GMCA
	£000	£000	£000	£000	£000
Manchester	359,370	377,384	18,014	13,511	4,504
Bolton	130,404	136,087	5,683	4,262	1,421
Bury	65,760	67,729	1,969	1,477	492
Oldham	120,914	125,223	4,309	3,232	1,077
Rochdale	121,269	129,402	8,133	6,100	2,033
Salford	150,026	164,547	14,522	10,891	3,630
Stockport	89,262	99,190	9,928	7,446	2,482
Tameside	108,883	117,263	8,380	6,285	2,095
Trafford	72,227	80,386	8,159	6,119	2,040
Wigan	141,335	150,412	9,077	6,808	2,269
GM	1,359,450	1,447,623	88,174	66,130	22,043

- 4.4 The planned income for **2024/25** currently stands at £93.05m with GMCA retaining £23.23m This is only a planning figure at this stage and no commitments will be made from this income until 2025/26.

Authority	Net Rates income 50% scheme	Net Rates income 100% scheme	100% Pilot Benefit	75% Retained by Authority	25% Retained by GMCA
	£000	£000	£000	£000	£000
Manchester	380,466	400,391	19,926	14,944	4,981
Bolton	142,300	152,778	10,478	7,859	2,620
Bury	69,641	71,872	2,231	1,673	558
Oldham	127,946	132,602	4,656	3,492	1,164
Rochdale	129,385	139,342	9,957	7,468	2,489
Salford	159,108	174,934	15,826	11,869	3,956
Stockport	90,878	98,006	7,128	5,346	1,782
Tameside	111,922	117,519	5,597	4,198	1,399
Trafford	73,618	79,569	5,952	4,464	1,488
Wigan	150,785	162,081	11,297	8,473	2,824
GM	1,436,049	1,529,096	93,047	69,785	23,262

5. Proposed 2024/25 Schemes

- 5.1 The proposals for schemes to be delivered in 2024/25 are largely related to ongoing programmes of work including picking up the 2024/25 costs of schemes that were funded, up to this point, by multi-year commitments from the original “up to 50%” funding available to GMCA in the early years of the scheme.
- 5.2 For this reason, the original proposals for the available funding in 2024/25, significantly outstripped the 2023/24 forecast income.
- 5.3 As this is the final year before the start of the new 10-year RBR scheme and the commencement of the GM Trailblazer single settlement, a pragmatic approach has been taken, working with stakeholders to ensure proposals can be funded within the available envelope. Funding decisions from 2025/26 will be subject to a more strategic evaluation alongside the emerging approach to discretionary funding available within the GM single settlement (see below).
- 5.4 An overall funding pot totalling £27.5m has been identified for commitment against a list of proposed schemes for 2024/25. All bidders have been asked to review their proposals and reduce, rephrase or if possible replace some or all of their funding requests with alternative sources and this has enabled a final set of proposals to be developed which can be met from this allocation.
- 5.5 The final funding is made up of three sources in addition to the current forecast of £22m income. These are:

(i) Additional Q4 2022/23 Income not committed (£2m).

The final income for 2022/23 was £1.958m higher than the Q3 forecast and leaves available funding to be carried forward against the previously agreed commitments.

(ii) Deposit Interest accrued (£1.7m)

In 2023/24 the funding held in the business rates reserve has generated a significant level of deposit interest. Average deposit levels of c£35m have generated interest back into the business rates reserve of c£1.7m which is now available alongside the 23/24 income.

(iii) Additional Q4 Income

Previous years have seen consistent increases in Q4 income compared with the Q3 forecast. It is proposed historic trends are used to assess a likely increase in 2023/24. This is assessed to be in the region of £1.8m. Given funding is committed a year in arrears there is no risk to this approach as any shortfall in the final figure will be the first call on 2024/25 income.

5.6 A final set of proposals is shown below, the proposed schemes total £27.5m

Table 2 – Proposed 2024/25 Business Rates Commitments

Description	Revised 2024/25
	£'000s
Funding	
Funding Carried Forward	(1,958)
Income @25%	(22,043)
Interest Receivable	(1,700)
<i>Additional funding at risk</i>	<i>(1,815)</i>
Annual Funding Available	(27,516)
Commitments	
Greener	
Districts low carbon - Renewables and Retrofitting	1,704
Journey to Net Zero	480
Flood Risk Management	250
5 Year Environment Plan	1,070
SOBC	500
Fairer	
Employment Charter	600
GM Digital Transformation	1,400
GM Digital Inclusion, Growth and Places	1,250
Good Landlord Charter	250
Skills & Work / Apprenticeships	500
GM System Programme - Multiple Disadvantage and Complex Needs	1,572
Live Well Joint Investment Fund	500
More Prosperous	
GM Productivity programme	6,900
Support for Growth and International Engagement	1,500
GM Frontier sector FDI Attraction and Promotion	2,750
Development of Growth Locations	2,650
Business Angels	250
GM Information Strategy	280
Place Based	
Cultural and Social Impact Fund	1,100
Places for Everyone	250
Reform Investment Fund - Youth Homelessness Prevention	300
Systematic Public Participation	200
Night Time Economy	90
Housing Stock condition survey & Research	225
Prosperous and Connected Places	515
Housing Delivery - NEW	350
GM Music Commission - NEW	80
Total Income	27,516
Closing Position	(0)

- 5.7 As stated above, the majority of the proposed commitments are a continuation of existing schemes including some, such as the GM Productivity Programme that were provided with multi-year funding at the start of the pilot period which has come to an end during 2023/24.
- 5.8 Ongoing funding to support the GM cultural fund has already been approved by the CA and is included within the table above for completeness.

6. Future of Retained Business Rates and Associated Schemes

- 6.1 As already detailed 2023/24 is the final year of the current GM 100% retained business rates pilot, however the benefits of business rates growth will continue to accrue to GM through the new 10-year business rates retention scheme which will operate from 1st April 2024.
- 6.2 This new scheme gives a much higher level of certainty to future income levels and will allow GM to once again take a more strategic approach to funding following a number of single year extension decisions.
- 6.3 Furthermore, the announcement of the 10-year schemes comes alongside further government proposals affecting both business rates income and the wider funding approach for combined authorities in England.
- 6.4 Whilst these new arrangements will be subject to more detailed discussions in the coming months, it is important to highlight them now as important context for the future of the current business rates scheme, the key elements are detailed below:

(i) Trailblazer Devolution Single Settlement

Following approval of the current business rates proposals, decisions for future years (from 2025/26 onwards) will be made alongside the spending decisions relating to the GM single settlement secured through the trailblazer devolution deal.

Business rates investments will need to be considered alongside wider investment decisions as the level of flexibility available to GM increases. The requirement for short term discrete decision making in relation to retained business rates will reduce and the opportunity for longer term, outcome based marginal spending decisions optimising the benefits of business rates funding alongside the single settlement will start to grow.

The 2025/26 business rates investment decisions will form part of this broader approach to budget setting in the evolving era of the single settlement.

(ii) 10-Year Business Rates Retention Scheme

The trailblazer devolution Deal confirmed a new 10-year 100% business rates retention scheme from 2024/25. This would see 100% of business rates growth from the 2016 baseline continue to be retained locally compared with the standard 50%.

The new scheme will operate largely in line with the current arrangements and an MOU has been agreed with Government to this effect and shared with GMCA members. Locally it is proposed that the 75:25 split of the benefits of the scheme between GM local authorities and GMCA respectively continues.

The scheme will be subject to the national business rates reset if and when it is enacted but this will not be earlier than 2025/26 and the previously agreed GM partial reset has been maintained (see below)

(iii) Enhanced Business Rates Areas

Alongside the new 10-year business rates retention scheme, a number of specific geographical areas with Greater Manchester will benefit from an enhanced business rates retention scheme. These “**enhanced business rates areas**” will operate for 25 years without any reset, although they will be subject to a new baseline set at the start of the scheme.

The areas are:

- **Two GM Growth Zone Enhanced Business Rates Areas** - In addition to the 10-year deal the TDD conferred on GM, the ability to designate two areas totalling 600 hectares in aggregate, as growth zones
- **Three GM Investment Zone Enhanced Business Rates Areas** - Alongside the proposals contained in the GM TDD a further three enhanced business rates areas, again totalling 600 hectares, were confirmed for GM through the national investment zone policy. These will operate in the same way as growth zones with additional requirements to invest the benefits of the schemes in line with the investment plan priority sector of advanced manufacturing and materials.

Maps detailing the precise boundaries all five geographical areas covered by both the growth and investment zone enhanced business rates areas were approved by the GMCA in January.

The five designated enhanced zones will operate without detriment or benefit to the local authorities within which they are located. With the host authorities retaining the equivalent benefit that they would have accrued from a non-enhanced area with only the additional benefit of the enhanced status being held for investment at a GM level.

(iv) Approach to GM Investment

Alongside discussions regarding the new landscape for business rates retention in GM, treasurers and place directors have held preliminary discussions about an approach to recycling the benefit of GM investment through an approach that would capture the additional business rate benefit created by the investment (through the 10-year standard approach or the 25-year enhanced regime) at a GM level for re-investment.

This recycling of funds would allow for potential borrowing against future business rates income for capital investment, bringing forward the potential benefit of the investment.

(v) Partial Reset

When the original GM 100% business rates pilot MOU was agreed it contained a provision known as the “Partial Reset”.

This mechanism allowed for “some or all” of the business rates growth generated by investment undertaken directly by GM authorities to be “disregarded” in the event of a national business rates reset, thus creating additional incentives for local public sector investment.

The partial reset has been confirmed through the TDD and the subsequent business rates MOU has agreed it will be set at £23m, based on the GM authorities’ assessment of c50% of the growth they have directly created.

This amount will be retained in GM through this mechanism in the event of a national reset.

7. Recommendations

7.1 The GMCA is recommended to:

- (i) Note the forecast, as at the end of quarter 3, for 2023/24 business rates income including the 75:25 split between districts and GM investment.
- (ii) Note the planned income for 2024/25.
- (iii) Approve the proposed 2024/25 GM use of the 2023/24 business rates income (set at 25% of total benefit).
- (iv) Note the position in respect of the future developments in relation to retained business rates, including:
 - Trailblazer Devolution (TDD) 10-year business rates retention scheme
 - TDD Growth Zones enhanced business rates areas.
 - Investment Zone enhanced business rates areas.
 - GM Partial Reset
 - Future approach to GM investment

Appendix 1 – Business rates commitments 2021/22 – 2024/25

Description	SLT Lead	Planned Spend 2021/22	Planned Spend 2022/23	Planned Spend 2023/24	Proposed 2024/25 Spend	Total Spend
		£'000s	£'000s	£'000s	£'000s	£'000s
Funding						
Funding Carried Forward		(36,465)	(20,302)	(11,319)	(6,158)	(36,465)
Audit Adjustment		(1,243)			0	(1,243)
Income @25%			(16,317)	(20,643)	(22,043)	(59,003)
Additional funding at risk					(1,815)	(1,815)
Interest Receivable					(1,700)	(1,700)
Annual Funding Available		(37,708)	(36,619)	(31,962)	(31,716)	(100,226)
Commitments						
Greener						
Districts low carbon - Renewables and Retrofitting	Mark Atherton		1,600	1,600	1,704	4,904
Support for Net zero	Mark Atherton		400	800		1,200
Journey to Net Zero	John Wrathmell		484		480	964
Net Zero Social Homes	John Wrathmell		80	300		380
Flood Risk Management	Andrew McIntosh		80	250	250	580
5 Year Environment Plan	Mark Atherton	958	515	628	1,070	3,171
SOBC	Mark Atherton				500	500
GM Resilience Officer	Andrew Lightfoot	120				120
Green Spaces Fund (NEW)	Mark Atherton				0	0
Fairer						
Election	Steve Wilson	3,800			4,200	8,000
Employment Charter	John Wrathmell	274	987	545	600	2,407
Full Fibre Revenue Costs	Phil Swan	158				158
GM Digital Strategy	Phil Swan	551	250			801
GM Digital Transformation	Phil Swan			900	1,400	2,300
GM Digital Inclusion, Growth and Places	Phil Swan			650	1,250	1,900
Unified Architecture	Phil Swan	990	1,190	523		2,703
Good Landlord Charter	Andrew McIntosh		150		250	400
Employment legal advice service	John Wrathmell		100			100
Skills & Work / Apprenticeships	Gemma Marsh		1,800	500	500	2,800
Youth Combined Authority	Gemma Marsh	50	13			63
Cricket Strategy	John Wrathmell	200	200	200		600
GMHSCP	Steve Wilson		480			480
GM System Programme - Multiple Disadvantage and Complex Needs	Jane Forrest				1,572	1,572
Live Well Joint Investment Fund	Jane Forrest				500	500

Description	SLT Lead	Planned Spend 2021/22	Planned Spend 2022/23	Planned Spend 2023/24	Proposed 2024/25 Spend	Total Spend
More Prosperous						
GM Productivity programme	John Wrathmell	4,748	4,220	9,281	6,900	25,149
Industrial Strategy	John Wrathmell	793	2,727	602		4,122
Support for Growth and International Engagement	John Wrathmell		1,170	930	1,500	3,600
Marketing Manchester and MIDAS	John Wrathmell	750	750	750		2,250
GM Frontier sector FDI Attraction and Promotion	John Wrathmell			1,750	2,750	4,500
Development of Growth Locations	Andrew McIntosh		1,200	1,800	2,650	5,650
Business Angels	John Wrathmell		1,000		250	1,250
International Rebound Programme	John Wrathmell		150			150
International Partnerships	John Wrathmell		150			150
Enterprising You	John Wrathmell		650			650
Growth Company Other	John Wrathmell		350		0	350
GM Information Strategy	John Curtis			280	280	560
Trailblazer Implementation	John Wrathmell			1,000		1,000
Place Based						
Cultural and Social Impact Fund	Andrew McIntosh	1,000	1,100	1,125	1,100	4,325
Places for Everyone	Andrew McIntosh	264	2,425	250	250	3,189
Reform Investment Fund - Youth Homelessness Prevention	Jane Forrest	750	750	1,000	300	2,800
One Public Estate - OPE Support Officer	Andrew McIntosh		56			56
Residents' Insight survey	Claire Norman		250	70		320
Systematic Public Participation	Claire Norman				200	200
Night Time Economy	Andrew McIntosh			70	90	160
Housing Stock condition survey & Research	Andrew McIntosh				225	225
Prosperous and Connected Places	Phil Swan				515	515
Housing Delivery - NEW	Andrew McIntosh				350	350
GM Music Commission - NEW	Andrew McIntosh				80	80
Other						
Cheshire Business Rates for Bus Reform	Steve Wilson	2,000	23			2,023
Total Expenditure		17,406	25,300	25,804	31,716	100,226
Closing Position						
		(20,302)	(11,319)	(6,158)	(0)	(0)