

MERSEYSIDE FIRE AND RESCUE AUTHORITY			
MEETING OF THE:	POLICY AND RESOURCES COMMITTEE		
DATE:	24 MARCH 2016	REPORT NO:	CFO/026/16
PRESENTING OFFICER	TREASURER		
RESPONSIBLE OFFICER:	IAN CUMMINS	REPORT AUTHOR:	IAN CUMMINS
OFFICERS CONSULTED:	CHIEF FIRE OFFICER, DEPUTY FIRE OFFICER, JANET HENSHAW		
TITLE OF REPORT:	BUSINESS RATES RETENTION - LIVERPOOL CITY REGION PILOT		
APPENDICES:	APPENDIX A:	TERMS OF AGREEMENT	

### Purpose of Report

1. To inform Members that the Liverpool City Region has accepted an offer from Government to pilot a scheme to develop the arrangements for local government funding based on a system of 100% Business Rates retention.

### Recommendation

2. That Members;
  - a. Note the Terms of the Agreement attached as Appendix A, and
  - b. Note that the Authority will be participating in the City Region's 100% Business Rates retention scheme, and
  - c. Note that the Government have provided assurances that by participating in the pilot scheme the Authority will **not be any worse off financially** than it was under the four-year funding position announced in the 2016/17 Local Government Finance Settlement.

### Introduction and Background

3. The Authority currently receives its income from Council Tax and Government funding. The Government funds local government (including Fire and Rescue Authorities) through the Business Rates Retention scheme and Revenue Support Grant. Under this scheme Local Authorities keep up to 50% of the local business rates revenue, the local share. The 50% local share is split 49% to the billing authorities and 1% to the Fire and Rescue Authority if applicable. For 2016/17 the revenue funding for MFRA is outlined below:

	2016/17 £'000
a. Council Tax:	
i. Council Tax	25,934
ii. Collection Fund	647
b. Government	
i. Baseline Funding:	
• Local Business Rates Share 1%	4,263
• Top-Up Grant	14,165
ii. Revenue Support Grant	<u>16,523</u>
	61,532

4. Under the current system if the local business rates income falls below the “baseline” level set by the Government, then a “top-up” grant is paid to cover any shortfall. The top-up grant is funded through the redistribution of business rates by charging a “tariff” to Authorities whose local business rates yield exceeds the baseline level set by the Government. All the City Region Authorities receive a top-up grant.
  
5. By the end of this Parliament the Government have committed to full localisation of business rates (increasing the local share from 50% to 100%) as the basis for the replacement of the Revenue Support Grant. Primary legislation will be needed before the Government can achieve this stated policy objective and therefore it is unlikely to be in place until 2018/19 at the earliest. A system of top-up grants and tariffs will still be required as not all Authorities will generate sufficient business rates yields to cover any baseline estimate.
  
6. The Government is therefore intending to use the intervening period to establish pilot areas to test how the new system will work in practice.
  
7. As part of the City Region’s ongoing discussions with the Government the Region (the 6 billing authorities and MFRA) was asked if it was interested in being a pilot area. The Chair of the Liverpool City Region Combined Authority and council leaders agreed to participate in the pilot.
  
8. The Government have announced that a 100% Business Rates Retention funding scheme will be introduced before the end of this Parliament so by participating in the pilot it offers the Region the opportunity to input into the development of the system.
  
9. Attached as Appendix A is the Terms of the Agreement with the Government and Region. The pilot approaches are to be without detriment to the resources that would have been available to individual authorities in the Region under the current local government finance regime. Therefore no individual Authority participating in the pilot will be financially worse off over the 2016/17 four-year financial settlement than under the current arrangements.

10. During 2016 the Region and Government will agree on how the pilot is to operate and it is anticipated that the scheme will commence from 2017/18. The Treasurer will bring further update reports to Members as the pilot scheme is developed.

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### **Equality and Diversity Implications**

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11. There are no equality and diversity implications contained within this report.

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### **Staff Implications**

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12. There are no staff implications contained within this report.

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### **Legal Implications**

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13. There are no legal implications contained within this report.

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### **Financial Implications & Value for Money**

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14. The Government have provided assurances that by entering into a pilot scheme for a 100% Business Rates Retained system the Authority will NOT be financially worse off over the 2016/17 four-year financial settlement than under the current arrangements.

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### **Risk Management, Health & Safety, and Environmental Implications**

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15. There are no risk management, health and safety or environmental implications contained within this report.

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### **Contribution to Our Mission: *Safer Stronger Communities – Safe Effective Firefighters***

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16. The achievement of a sustainable long term revenue funding streams is essential if the Authority is to achieve its Mission.

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### **BACKGROUND PAPERS**

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### **GLOSSARY OF TERMS**

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