

# Key Decision

Made by an Executive Member or Chief Officer



MANCHESTER  
CITY COUNCIL

## Notice of Key Decision Made

Decision maker	Carol Culley, Deputy Chief Executive and City Treasurer	
Date of decision	31 January 2023	
What is the decision?	Determine the Business Rates element of the estimated Collection Fund 2022/23 year-end surplus or deficit	
Reasons for the decision (but excluding any exempt or confidential information)	Requirement to notify Central Government and the Greater Manchester Combined Authority (for the Fire and Rescue element) by 31 January 2023	
Alternatives considered and rejected	Not applicable	
Interests Declared	None	
Officer contact details For any further information	Name: Tel: Email	Neil Doherty 07854 995540 <a href="mailto:neil.doherty1@manchester.gov.uk">neil.doherty1@manchester.gov.uk</a>

## Register of Key Decisions

Register of Key Decisions Reference	2022/11/11/C	(date of plan & page number)
<b>OR – if not published in the Register of Key Decisions</b>		
Reasons for <b>special urgency</b> such that this was not published in a Register of Key Decisions		

## Scrutiny Call In

Call-in deadline	
<b>OR – if Exempt from Call-in</b>	
Advice as to how any delay would seriously prejudice the legal or financial position of the Council	Following a report to Resources and Governance Scrutiny Committee on 6 December 2022 the Chair of the committee has agreed to exempt this decision from call in.

<b>Scrutiny Chair</b> who agreed the urgency	Councillor Andrew Simcock Chair of Resource and Governance Scrutiny
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Date this notice was published	
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Carol Culley  
Deputy Chief Executive and City Treasurer  
31.1.2023

**MANCHESTER CITY COUNCIL  
KEY DECISION PROCESS**

**REPORT TO:** Deputy Chief Executive and City Treasurer and Executive Member  
for Finance and Resources

**DATE:** 31 January 2023

**SUBJECT:** Determining the Business Rates element of the estimated Collection Fund  
year-end surplus or deficit for 2022/23.

**REPORT OF:** Corporate Finance

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**PURPOSE OF REPORT:**

To determine the Business Rates element of the estimated Collection Fund year-end surplus or deficit for financial year 2022/23.

**RECOMMENDATIONS**

The City Treasurer, in consultation with the Executive Member for Finance and Resources, agrees under delegated powers to estimate the 2021/22 Business Rates Surplus of £28.398m.

**FINANCIAL CONSEQUENCES FOR THE REVENUE BUDGET**

The Manchester City Council element of the 2022/23 Collection Fund balance will inform the 2023/24 revenue budget.

**FINANCIAL CONSEQUENCES FOR THE CAPITAL BUDGET:**

There are no direct consequences for the Capital Budget.

<b>CONTACT OFFICER</b>	<b>Tel Number</b>	<b>E-Mail Address</b>
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**BACKGROUND PAPERS**

Local Government Finance Act 1992

The Non-Domestic Rating (Rates Retention) Regulations 2013

## Introduction

1. Billing authorities are required under section 32 of The Local Government Finance Act 1992 to estimate any surplus/deficit on their collection fund for the year relating to business rates. Any such estimated surplus or deficit is shared between the billing authority and its major precepting authorities.
2. The City Council has to inform Central Government and the Greater Manchester Combined Authority Mayoral General (including Greater Manchester Fire and Rescue element) by 31 January 2023 of its forecasted Business Rates Collection Fund surplus or deficit.
3. The estimated total surplus / reduced deficit is £28.398m and is made up of two parts; the 2021/22 adjusted deficit from that estimated and declared in January 2022 to Outturn in March 2022; shown in the table below:

<b>2022/23 as at January 2023</b>	<b>Manchester City Council (99%)</b>	<b>GM Fire &amp; Rescue (1%)</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Previous Year Adjustments (2021/22)</b>			
Final 2021/22 Business Rates reduced deficit	12,826	130	12,956
Final 2021/22 reduced deficit due to unawarded ERR	3,905	39	3,945
Final 2021/22 reduced deficit due to unawarded CARF	23,753	240	23,993
<b>Total 2021/22 adjustment – surplus / (deficit)</b>	<b>40,485</b>	<b>409</b>	<b>40,894</b>
<b>Current Year Estimates (2022/23)</b>			
Estimated 2022/23 surplus	11,382	115	11,497
Estimated 2022/23 deficit due to awarded of CARF	(23,753)	(240)	(23,993)
<b>Total 2022/23 estimate - surplus / (deficit)</b>	<b>(12,371)</b>	<b>(125)</b>	<b>(12,496)</b>
<b>Total included in January 2023 declaration - surplus / (deficit)</b>	<b>28,114</b>	<b>284</b>	<b>28,398</b>

Previous year adjustmenst (2021/22): Movement between the 2021/22 estimated position as at January 2022 to that at outturn on 31 March 2023 – reduced deficit of £40.894m

4. This relates to the improved position between the estimated deficit declared in January 2022 of £89.845m and the actual deficit at 31 March 2022 of £48.951m. The Council's share of the estimated deficit was included in the 2022/23 budget.
5. This is made up of three elements as follows:
  - A business rates deficit reduction of £12.956m. This was mainly due to a reduction in the provision requirement for non-collection (£13.337m) offset by increase in appeals provision (£0.978m) relating to stadia and offices, along with other movements (increasing collection by £0.597m);
  - A reduced deficit caused by lower award of Extended Retail Relief (ERR) than forecast of £3.945m. ERR was announced after the business rates budgets were set and has resulted in a relief caused deficit in 2020/21 and 2021/22. This is fully funded by Section 31 grant, but caused a reduction in collectable rates and a Collection Fund deficit. ERR was designed to support retail, hospitality and leisure businesses

through the pandemic offering 100% relief in 2020/21 and a reduced offer in 2021/22 with national caps depending on whether a business was operation during the final national lockdown in January 2021. This relief cap has resulted in fewer businesses accessing relief than forecast; and

- A reduced deficit caused by no award of COVID Additional Relief Fund (CARF) totalling £23.993m. In late December 2021, after business rates budgets were set, government allocated £1.5bn of funding nationally to provide relief to businesses that were adversely and economically affected by the pandemic but were not eligible for ERR. The Council's share of CARF was £23.993m and authorities were required to design and implement local policies and award relief by 31 March 2022. At January 2022 it was forecast full allocation would be achieved. However, the late announcement and time required to enliven local schemes resulted in very few authorities awarding any CARF in 2021/22. In March 2022, government advised CARF could instead be awarded by councils in 2022/23, in respect of 2021/22 liabilities. This shift has led to a reduced deficit in 2021/22 and increased deficit in 2022/23 with the Council expected to fully allocate the award this year.
6. Of the £40.894m reduced deficit, Manchester City Council share is £40.485m and the Greater Manchester Combined Authority (Fire and Rescue Service) is £409k

Current year estimate (2022/23): estimated based on information to 31 December 2022 - deficit of £12.496m

7. This reflects the estimated business rates position in 2022/23 and along with the adjustment will be taken to the 2023/24 budget.
8. This is made up of two elements
- A business rates surplus of £11.497m. This surplus is mainly due to £10.847m less ERR being awarded than forecast. In 2022/23 the ERR offer was reduced to 50% capped at £110k per businesses, and at budget setting the Council based the estimated award level on all eligible businesses accessing the relief in Manchester. However, this is not the case and most authorities, along with Manchester, are reporting significant reductions in award levels. ERR is fully funded by S31 grant that was paid on account based on budgeted levels. The unapplied grant will returned to government at the end of the year. Other movements show an increase in mandatory reliefs, including empty property relief offset by base growth and reduced appeal provision as appeals are settled lower than expected; and
  - A relief caused deficit of £23.993m due to CARF. The shift to award CARF in 2022/23 was not budgeted for and has resulted in a collection deficit of £23.993m. The Council will fully award this relief in 2022/23 in respect of 2021/22 liabilities.
  - ERR was built into the budget process in 2022/23 so will not cause a deficit.
9. The in-year estimated deficit is £12.496m where the Manchester City Council share is £12.371m and the Greater Manchester Combined Authority (Fire and Rescue Service) share is £125k.

Reliefs funded by Section 31 Grants and impact on the City Council's budget in 2022/23 and 2023/24

10. The deficits and deficit reductions that relate to reliefs announced by central government after the business rates budget was set have been or will be reconciled at the relevant year end. The associated increase in rates income, due to lower relief, will be offset by a repayment of the Section 31 grant, and conversely, a reduction in rates income will result in additional Section 31 grant being provided to the Council.
11. Therefore, the Council's overall budget impact should consider both business rates income and Section 31 grant. The table below compares the budgeted 2022/23 surplus compared to the estimate as at January 2022, which gives a £15.465m increase and is offset by lower Section 31 grants of £8.869m, resulting in a net budget surplus of £6.596m.
12. Forecast rates income in 2023/24 is up by £8.867m due to a reduction in ERR award estimate, offered at 75% with a £110k cap, and a reduced Small Business Rates Relief (SBRR); this is offset by lower than budget Section 31 grant of £15.692m, mainly driven by a reduction in these two reliefs with SBRR being partly funded, and results in a net deficit of £6.825m. When considered over 2 years the net budget impact is £229k.

Budget Impact	2022 / 23	2023 / 24
	£000	£000
<b>Business Rates Income</b>		
2022/23 Budgeted surplus / 2023/24 rates income (budgeted)	12,649	332,800
2022/23 Estimated surplus / 2023/24 rates income (NNDR1)	28,114	341,667
Net surplus / (deficit) on rates income	15,465	8,867
<b>Section 31 Grant income</b>		
Budgeted S31 income	92,583	133,121
NNDR1 S31 income and forecast	83,714	117,429
Net surplus / (deficit) on Section 31 Grant	(8,869)	(15,692)
Total Net surplus / (deficit) on Business Rates related income	6,596	(6,825)
Net budget impact over 2 years		(229)

13. The 2023/24 budget also reflects one third of the estimated 2020/21 deficit as declared in January 2021. Following changes to the Government regulation any 2020/21 estimated deficit was to be spread over 3 years. The total deficit was estimated at £41.454m, of which the final third will be reflected in 2023/24 at £13.818m. This is allocated as £13.680m to Manchester City Council, and £138k to Greater Manchester Combined Authority.
14. Due to the requirement to notify Central Government and the Greater Manchester Combined Authority (Fire and Rescue) by 31 January 2023 the Chair of the Resources and Governance Scrutiny Committee will be requested to exempt this decision from call in.

### **Recommendation :**

15. Business Rates Collection Fund Estimated total deficit for 2022/23 of £28.398m is agreed.



Carol Culley  
Deputy Chief Executive and City Treasurer

Date

31.1.2023



Cllr Rabnawaz Akbar  
Executive Member for Finance and Resources

Date

31.1.2023