

**FORM 2**

**NOTICE OF DECISION OF CABINET MEMBER**

Pursuant Section 15(4) of the Local Government Act 2000, as amended by section 63 of the Local Government and Public Involvement in Health Act 2007, the senior executive member may discharge any of the functions that are the responsibility of the Cabinet or may arrange for them to be discharged by another member of the Cabinet or Officer. On 1<sup>st</sup> December 2010, the Council adopted the Strong Leader Model for Corporate Governance 2011 as required under Part 3 of The Local Government and Public Involvement in Health Act 2007 (The 2007 Act).

In accordance with the authority delegated to me, I have made the following decision:

Subject	Decision	Reason for decision	Date for Decision to be taken
<b>Business Rates Retention</b>	The final decision to enter into a revised Worcestershire Business Rates Pool (WBRP) is delegated to the Chief Financial Officer in consultation with the Cabinet Member for Resources;  Continued participation in the pool will be considered on an annual basis.	A decision on whether or not to join the revised WBRP for 2016/17 needs to be finalised by the assumed DCLG deadline of the 31 <sup>st</sup> October 2015. The proposed delegation allows this decision to be progressed.	13 October 2015

**I confirm that the appropriate statutory officer consultation has taken place with regard to this decision.**

Dated: 13.10.15

Signed:   
Councillor Marcus Hart, Leader of the Council

**WYRE FOREST DISTRICT COUNCIL**  
**STRONG LEADER CABINET REPORT**

**OCTOBER 2015**

**Business Rates Retention**

<b>OPEN</b>	
<b>CABINET MEMBER:</b>	Councillor N J Desmond
<b>DIRECTOR:</b>	Chief Financial Officer
<b>CONTACT OFFICER:</b>	Tracey Southall Ext. 2100 Tracey.southall@wyreforestdc.gov.uk
<b>APPENDICES:</b>	None

**1. PURPOSE OF REPORT**

- 1.1 This report considers the Council's membership of a revised Worcestershire Business Rates Pool (WBRP) for 2016/17 financial year.

**2. RECOMMENDATION**

**The Cabinet is asked to DECIDE that:**

- 2.1 **The final decision to enter into a revised Worcestershire Business Rates Pool (WBRP) is delegated to the Chief Financial Officer in consultation with the Cabinet Member for Resources;**
- 2.2 **Continued participation in the pool will be considered on an annual basis.**

**3. BACKGROUND**

- 3.1 The Local Government Finance Act 2012 introduced new arrangements for business rates from 1<sup>st</sup> April 2013. This allowed a proportion of any growth in business rates raised to be retained locally. It also means that any reduction in business rates will also impact on the Council.
- 3.2 Cabinet received a report in December 2012 explaining that the Council could join a Pool for business rates which would allow volatility risks to be shared with other councils and would have additional financial benefits in terms of levy on business rates growth being retained locally rather than paid over to the Government. Such a Pool would help to drive forward economic growth given that all the partners, particularly if they were from the same LEP area, would be encouraged to adopt a wider approach to inward investment and could make available resources to support economic development initiatives. Pool membership, however, means that access to the Government's national safety net facility is less likely in the event of business rates losses.
- 3.3 The Council subsequently became a member of the Worcestershire Business Rates Pool along with Malvern Hills District Council, Worcester City Council, Wychavon District Council and Worcestershire County Council. This delegated decision was reported to members in January 2013.

3.4 In the first year of operation 2013/14, all members of the Worcestershire Pool benefitted from membership. Retained levy paid into the Pool amounted to £396,000 and this allowed additional payments to members totalling £193,000 and safety net payments of £193,000. One of the members would have received a Government safety net payment of £56,000 had they not been in the Pool, so the overall gain to Worcestershire councils as a result of Pool membership was £340,000.

The detail of the 2013/14 WBRP position is shown in the Table below:

Retained Levy paid into Pool	£396,000	
Additional Payments to Members		£193,000
Safety Net Payments Paid by the Pool of which £82,000 was to WFDC		£193,000
Admin Fee paid to County		£10,000
Government Safety Net Payment forgone	£56,000	
<b>Net Gain from WBRP</b>	<b>£340,000</b>	

3.5 A similarly positive outcome would have again occurred in 2014/15 year had it not been for the impact of successful valuation appeals by GP surgeries in Worcestershire. The councils in the Worcestershire Pool have made provisions for these appeals totalling £10.6m in 2014/15 and are expecting a reduction in ongoing business rates of around £1.7m per year. Had the Worcestershire district councils not been members of the Pool in 2014/15, then Government safety net payments totalling around £3m would have been made. The tables below show the before and after GP Surgery appeals position for 2014/15 together with details of appeals refunds

Retained Levy paid into Pool	£378,000	
Additional Payments to Members		£184,000
Safety Net Payments Paid by the Pool		£184,000
Admin Fee paid to County		£10,000
Government Safety Net Payment forgone	£61,000	
<b>Net Gain of WBRP</b>	<b>£317,000</b>	

<b>Table 3.5.2 Refund Payments for GP Surgery Appeals paid for 2014/15</b>	
<b>Authority</b>	<b>£m</b>
Malvern Hills	3.0
Worcester City	3.3
Wychavon	3.5
Wyre Forest	0.75
<b>Total Refunds</b>	<b>10.55</b>

<b>Table 3.5.3 Summary of WBRP Performance 2014/15 After GP Surgery Appeals Impact</b>		
Retained Levy paid into Pool	£0	
Additional Payments to Members		£0
Safety Net Payments Paid by the Pool		£0
Admin Fee paid to County		£0
Government Safety Net Payment forgone (WFDC element £47,000)	£3,000,000	
<b>Net Loss of WBRP</b>	<b>£3,000,000</b>	

- 3.6 For Wyre Forest, the total refund amount for GP surgeries' appeals in 2014/15 is around £750,000 and the annual reduction in business rates payable is £338,000. Wyre Forest's local share is 40% of these amounts, or £300,000 and £133,000 respectively. If the Council had been outside the Pool in 2014/15 then we would have been able to access the Government's safety net and approximately £47,000 would have been payable to offset the 2014/15 refund (see table above). It should be noted that Wyre Forest has not been hit as hard by GP Surgery appeals as Wychavon, Worcester City and Malvern Hills who all suffered appeals dating back to 2005 resulting in far more significant impacts for 2014/15 as shown in table 3.5.2 above. For Wyre Forest appeals were backdated to 2010 and the total impact was circa £750,000 for 2014/15. The estimated ongoing loss of income due to these appeals across the Pool is shown in the table below:

<b>Table 3.6 Estimated ongoing loss of income from GP Surgery Appeals</b>	
<b>Authority</b>	<b>£m</b>
Malvern Hills	0.400
Worcester City	0.350
Wychavon	0.660
Wyre Forest	0.338
<b>Total Refunds</b>	<b>1.748</b>

3.7 For Wyre Forest for the first two years' operation of the WBRP we have received an overall benefit. For 2013/14 although the Council was below baseline, business rates income did not fall as far as safety net so without the Pool the Council would not have received a payment from Government. The WBRP paid us circa £82,000 from its Risk Reserve. This more than outweighs the forgone safety net of around £47,000 in 2014/15.

#### 4. KEY ISSUES

4.1 We now need to consider our membership of a Worcestershire or any other business rates pool for 2016/17. We understand that Malvern Hills District Council will be considering their position at a meeting of their Executive Committee on 27 October 2015. Given other business rates changes in Malvern Hills since April 2013, they are likely to be much closer to accessing the Government safety net next year than other Pool members and so being outside of a Pool, for now at least, is a potentially more attractive prospect. If any of the Pool members decide to leave then the Pool is automatically disbanded and an application to form a new Pool would need to be made to the Government by the end of October (although the deadline has not yet been formally communicated).

4.2 For Wyre Forest, the circumstances are somewhat different to Malvern Hills. After a disappointing year in 2013/14 where we fell below baseline due mainly to the business failures of Sealine and Lawrence's, our 2014/15 performance showed marginal growth of just over £30,000. Our business rates yield is showing signs of slow growth since 2014 and even including the ongoing impact of the GP Surgery appeals, current forecasts show growth and therefore retained levy by the Pool of circa £200k is estimated for 2015/16. This also means that Wyre Forest is less likely to access the Government safety net. In other words, a more significant loss in income is required to achieve our threshold for triggering Government safety net payments.

4.3 The benefits of being in a Pool in terms of levy being retained locally remain. Pool membership also allows for a degree of risk sharing between Pool members, provided losses are not significant and that there are sufficient resources within the Pool risk reserve to compensate councils with business rates losses. In summary, Pool membership benefits are:

- to drive forward economic growth through increased collaboration amongst members
- to allow local retention of levy on business rates growth which would otherwise be paid to Government
- to provide a degree of protection against business rates losses through a risk reserve

4.4 As a general principle the Worcestershire Pool and other Pools locally operate on the principle that no council is worse off in the Pool than outside the Pool. This means that amounts paid into the Pool by councils are limited to the levy amount that they would have otherwise paid to the Government. However, in the event of widespread significant losses, as in the case of the revaluation of GP surgeries,

then the amount available from the Pool risk reserve will be less than that would be available from the Government national safety net facility.

- 4.5 The most significant factor in the Council's decision regarding Pool membership from 1 April 2016 is our view on the probability of further significant business rates losses in Wyre Forest. Based on current appeals outstanding we have no reason to suspect that there will be such losses. We have already made reasonable provision for outstanding appeals and we are not aware of any changes which would lead to further significant losses. The Pool is performing well so far in the current year 2015/16 with an estimated levy saving for the year of over £600,000 in total across the Pool and all members being better off in the Pool. Malvern Hills are likely to receive a risk reserve payment from the Pool greater than they would have received from the Government's safety net.
- 4.6 At this point in time, being part of a revised Worcestershire Pool for business rates in 2016/17 would seem to be in the Council's best interests. This position may change before the deadline for seeking re-designation from the Government. It may also be that Pool membership is different to that currently envisaged and this is down to decision making at other councils. It is for this reason that delegated authority is sought to agree our membership and arrangements for a Worcestershire Pool from 1 April 2016.
- 4.7 Consideration has been given to joining the Greater Birmingham and Solihull Business Rates Pool but its member councils have indicated that they expect membership to remain unchanged for 2016/17, so this is not currently an option.
- 4.8 The Chancellor's latest announcements made on 5 October 2015 will be reported as part of Financial Strategy 2016/19 when the more is understood about the impact on this Council. As things stand, none of the announcements seems to affect 2016/17. Due to the pace of change around Devolution, Combined Authorities and also the Chancellor's recent announcement of changes to the business rates system it is recommended that consideration be given to reviewing membership of the revised WBRP on an annual basis.

## **5. FINANCIAL IMPLICATIONS**

- 5.1 The arrangements for the revised WBRP business rates will continue to mitigate some but not all of the financial risk of the current business rates system. Based on information known at this point in time the new smaller Pool remains of overall financial benefit to this Council. The precise impact on Council finances cannot be known as this will vary depending on a range of factors including whether business rates grow or contract and future appeals.
- 5.2 The Government is currently making changes to the business rates system but these have only recently been announced and the impact on this council will not be known until the Autumn Statement on the 25 November and full Finance Settlement later in the year.
- 5.3 Based on the information available to date, the Council's position will be best protected by joining the revised WBRP.

- 5.4 The revised WBRP is only concerned with the money which is generated through the levy which would have been paid to central Government if the Pool members were not in the WBRP. Therefore there is no initial impact on the underlying finances of WFDC as a result of being in the revised WBRP.
- 5.5 The revised Pool is designed to continue to protect member authorities from the small ups and downs that are likely to arise in Business Rate Income in the future. These will have a direct impact on the amount of funding from the Council. By remaining in a pool, albeit a slightly smaller one, the Council can better protect against these smaller variations and thus provide some protection to its base funding.

## **6. LEGAL AND POLICY IMPLICATIONS**

- 6.1 The arrangements for business rates are set out in the Local Government Finance Act 2012. Part 9 of Schedule 1 deals with pooling of authorities. Under paragraph 34, the Secretary of State may designate a pool only if each authority concerned has agreed to it. The Act makes no provision for agreement to designation for pooling to be given by full Council and, in the absence of such explicit statutory provision; it is therefore an executive responsibility.

## **7. RISK MANAGEMENT**

- 7.1 Key risks surrounding the pool include:

- The Government not accepting the revised WBRP as a pool;
- A member of the pool not deciding to go ahead with the Pooling by the prescribed deadline (currently assumed to be the 31 October 2015);
- Due to our total lack of control or influence over decisions by the Valuation Office Agency (VOA) on Business Rate appeals the risk of there being insufficient money in the Pool, generated by the levy to fully cover any losses incurred by the member's remains. Whilst withdrawal from the Pool could be considered in this instance, experience has shown that timescale and late notification from the VOA may prevent this working in practice.
- Regeneration takes time to reap the business rate benefits. Together with any fragility in the local business economy, there is a risk the current positive trend for business rates for Wyre Forest may not continue. Subject to overall Pool performance, the smaller WBRP may be unable to compensate the Council for any forgone safety net

## **8. EQUALITY IMPACT ASSESSMENT**

- 8.1 The revised arrangements for business rates do not affect services or facilities for individual members of the public, and therefore there is no requirement to undertake an Equality Impact Assessment.

## **9. CONCLUSION**

- 9.1 A decision on whether or not to join the revised WBRP for 2016/17 needs to be finalised by the assumed DCLG deadline of the 31 October 2015. The proposed delegation allows this decision to be progressed.
- 9.2 The current governance arrangements will be reviewed and refreshed as part of this delegation to allow WFDC to continue to work effectively with the other partners.

## **10.1 CONSULTEES**

- 10.1 Corporate Leadership Team.
- 10.2 Cabinet.

## **11. BACKGROUND PAPERS**

- 11.1 Local Government Finance Act 2012.
- 11.2 Cabinet Report 18 December 2012.
- 11.3 Cabinet Member for Resources Delegated Decision 15<sup>th</sup> January 2013.