

FORM 1

NOTICE OF DELEGATION OF DECISION TO CABINET MEMBER BY STRONG LEADER

Section 15(4) of the Local Government Act 2000, 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 1st 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).

I, M. Hart, as Strong Leader, delegate the decision to the Cabinet Member detailed below:

To support the proposal for a pan-Worcestershire pool for a 2018-19 pilot; to terminate current arrangements if the pilot is approved but to retain the existing pooling arrangements if the pilot is not approved.

The final decision to enter into a revised 100% Pilot status Worcestershire Business Rates Pool (WBRP) is delegated to the Corporate Director: Resources in consultation with the Cabinet Member for Resources.

Continued participation in the pool will be considered on an annual basis.

Cabinet Member for Resources

12th October, 2017.

Dated:.....

Signed.....


Leader of the Council

WYRE FOREST DISTRICT COUNCIL
STRONG LEADER CABINET REPORT
OCTOBER 2017

Business Rates Retention

OPEN	
CABINET MEMBER:	Councillor N J Desmond
DIRECTOR:	Corporate Director: Resources
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APPENDIX 1	Diagram illustrating share of growth

1. PURPOSE OF REPORT

- 1.1 This report considers the Council's membership of a proposed pan-Worcestershire Business Rates Pool (WBRP) that would apply for pilot status for the 100% Business Rate Retention for 2018-19 financial year.

2. RECOMMENDATION

The Cabinet is asked to DECIDE:

- 2.1 **to support the proposal for a pan-Worcestershire pool for a 2018-19 pilot; to terminate current arrangements if the pilot is approved but to retain the existing pooling arrangements if the pilot is not approved.**
- 2.2 **the final decision to enter into a revised 100% Pilot status Worcestershire Business Rates Pool (WBRP) is delegated to the Corporate Director: Resources in consultation with the Cabinet Member for Resources;**
- 2.3 **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 1st 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 impact on the Council.
- 3.3 As councillors will be aware, the Council is currently a member of the Worcestershire Business Rates Pool along with Worcester City Council, Wychavon District Council and Worcestershire County Council.
- 3.4 On 1 September, the Secretary of State published a prospectus inviting applications for pilots to be submitted by 27 October. The prospectus can be seen at this link www.gov.uk/government/publications/100-business-rates-retention-pilots-2018-to-2019-prospectus This will also be the deadline for councils to confirm what pooling arrangements they wish to see for 2018-19 – whether continuation of existing pools, changes to or formation of pools or abolition of pools.

4. KEY ISSUES

- 4.1 The Worcestershire Leaders Board considered a report from this Council's Chief Executive in liaison with Worcestershire S151 Officers on 13 September inviting them to consider if an application should be made for a Worcestershire wide Pool and if so what form that should take. The Leaders' view was that either an application should be submitted by all 7 councils or no application should be submitted.
- 4.2 The conditions for pilots in 2018-19 differ from the previous pilots and limit the options for Worcestershire. The Government wants local authorities interested in taking part in a pilot to "form pools" and will require agreement from all involved (paragraph 1.8 of the prospectus). Councils cannot apply to be a part of more than one pilot (paragraph 4.6). The prospectus therefore rules out the possibility of the county being a pilot on the basis of the current pooling arrangements because six Worcestershire councils are in two different pools and Malvern Hills is not a member of any pool. The constituent members of the West Midlands Combined Authority are participating in a pilot of 100% retention in 2017-18. This involves two of the members of the GBS business rates pool, of which Bromsgrove and Redditch are also members, but the two districts are not therefore involved in a pilot at present.
- 4.3 The prospectus gives a clear steer that the Government favours applications from a county council and all of its districts: "Accordingly, the Government encourages, in particular, areas to apply as pools (either on existing, or revised pool boundaries), which comprise county council(s) and all relevant district councils; groups of unitary authorities; or groups of county councils, all their districts and unitaries." (paragraph 2.3). We have checked with DCLG officials and they have confirmed that "the Government will look favourably on applications from groups of authorities who have committed to work together as part of a "pool", including groups of districts who are proposing to pool with their county and particularly, as set out in the prospectus, pilots where all the districts and county have come together."
- 4.4 Redditch and Bromsgrove Councils are currently members of the Greater Birmingham and Solihull Pool so they have taken reports and secured approval for relevant delegations for their participation in the pilot proposal in 2018-19 and, if the application for pilot status fails, nevertheless continue with membership of the GBS pool. Malvern Hills DC, Wychavon and Worcester City has also agreed to participate.
- 4.5 The Worcestershire pool has been in place for some years now and therefore has a good track record in respect of governance and operational arrangements. An application would meet one of the key criteria for the pilots as it involves both county and district councils and the Government intends to "focus on rural areas" (paragraph 3.3). The new cohort of pilots is intended to "test more technical aspects of the 100% business rates retention system, such as tier-splits...to evaluate how collaboration between local authorities works in practice" (paragraph 1.7); and "will test authorities' administration (e.g. how they tackle avoidance), technical planning for implementation, and look at system maintenance; how the accounting, data collection and IT system will work" (paragraph 1.9).
- 4.6 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

- 4.7 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 could be less than that would be available from the Government national safety net facility.
- 4.8 The most significant factor in the Council's decision regarding Pool membership from 1 April 2018 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. However the fact that the Valuation Office Agency is behind in providing information on appeals in relation to the new rating list is not helpful. 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 smaller Worcestershire Pool is performing well so far over the last two years, 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.
- 4.9 At this point in time, being part of a 100% Business Rates Pool proposal for Worcestershire in 2018-19 would seem to be in the Council's best interests. This position may change before the deadline for submitting an application to the Government. It may also be that an application to be a pilot cannot be submitted as a result of decision making at other councils. It is for this reason that delegated authority is sought to agree our membership and arrangements for a pan-Worcestershire Pool Pilot from 1 April 2018.

5. FINANCIAL IMPLICATIONS

- 5.1 Pilot status has the potential to increase resources received from the business rates retention scheme, early work on the proposal for Pilot status has indicated that the mid-range forecast for the overall Pool reward could be around £5m. Work to model how this potential Pilot gain could be shared between member Councils and used locally is in progress. However, there is also an increased risk from operating as a pilot, rather than individually.
- 5.2 The size of any gains / losses will be dependent on the amount of resources collected by member authorities. Gains should arise if the amount collected exceeds the NNDR baseline for the pilot area.
- 5.3 Losses could occur if one or more of pilot members were to require a safety net payment (which it would have received had it acted individually). The level of risk for a pilot is linked to the size of the forecast gain, with the higher the forecast gain, the lower the risk.
- 5.4 At the moment the Council receives 26% of the business rate growth through the Worcestershire Business Rates Pool. 20% is received automatically and 6 % through the pooling arrangements. A diagram illustrating this split is attached as Appendix 1.

- 5.5 A summary of the current distribution of the total business rate growth through the current WBRP is:-

Share of Total Growth within WBRP	%
District Councils	26
Risk Pot	10
Central Government	50
Worcestershire County Council	13
Hereford and Worcester Fire	1
Total	100

- 5.6 The additional growth retained as a result of Pooling after deduction of the administration costs paid to Worcestershire County Council is:-

Share of Extra Growth within WBRP	%
District Councils	30
Risk Pot	50
Worcestershire County Council	20
Total	100

- 5.7 The main potential benefit from the 100% business rate pilot is that the Government's 50% share is retained locally. The pilot requires an agreement on the tier splits between Districts and County and there is an expectation that the County will receive a greater share than at the moment to deal with pressures such as Adult Social Care. The Government will also want to see a top slice to encourage future business rate growth. However, there is scope for the Districts to receive more than the current arrangements and also to have more influence over the resources to encourage business rate growth.
- 5.8 LG Futures have been commissioned to prepare the Pilot application on behalf of Worcestershire on a "no-win, no fee" basis; if we are successful their fee is 0.5% of the Pilot Gain so could be around £25k across all Pool members; this fee would include technical support with the preparation of NNDR3 Return submissions to DCLG, and would be paid on actual results for 2018-19.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 Schedule 7B to the Local Government Finance Act 1988 provides the framework of the pooling arrangements including the designation of a lead authority and Governance requirements. There are currently five pilot pools, Greater Manchester, Liverpool City Region, the West Midlands, Cornwall and the West of England.
- 6.2 The new 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 As set out in the Financial Implications section, the objective of obtaining Pilot status is to retain additional resources retained within from the business rates retention scheme. Losses could however occur if one or more of pilot members were to require a safety net payment (which it would have received had it acted individually). The level of risk for a pilot is linked to the size of the forecast gain, with the higher the forecast gain, the lower the risk. The detailed proposal will consider the range of potential gains and losses that could occur.
- 7.2 There is a risk that any application to become a Pilot is not approved but the application process allows the possibility of councils agreeing to be part of a pool for the 2018-19 pilots but, if the application for a pilot is not successful, to retain their existing pooling arrangements. If this were to happen, Wyre Forest would default back to the existing or possibly extended Worcestershire business rates pool (with the County, Wychavon and Worcester City and possibly other Worcestershire districts if this is the preferred option).
- 7.3 If authorities act individually, any material adverse changes to forecast income will result in a safety net payment, resulting in resources equal to 92.5% of Baseline Need. i.e. this is the minimum amount of resources an authority can receive. However, if authorities act as a pool, the pool is treated as a single authority and the minimum it can receive is also 92.5% of Baseline Need. However, a pool changes the risks and rewards of authorities, as they are shared i.e. a material loss by one member will reduce the income of the others. If authorities act as a pilot, the pilot is treated as a single authority, but the minimum resources it can receive is 97% of the adjusted Baseline Need. This therefore represents a reduction in risk compared to the current arrangements.
- 7.4 The main risk with business rates is if there were successful business rate appeals or new mandatory rate relief applications. This could reduce business rate income and there is no Government safety net if a council is a member of a pool. For this reason pools set aside resources to cover this risk.
- 7.5 The Worcestershire Business Rates Pool currently holds circa £700k in a Risk Reserve that could potentially go towards mitigating appeals risk, although this would be subject to a consensus agreement as alternatively it could be shared amongst the four existing Pool members. If this Risk Reserve was taken across to a new Pool, it is reasonable to expect Bromsgrove, Redditch and Malvern Hills to make a proportionate contribution to mitigate the greater Risk. All of the Worcestershire Councils also hold separate Business Rates Equalisation Reserves to help mitigate the impact of appeals and/or smooth out deficits/shortfalls in growth. This Council holds a Business Rates/Regeneration Reserve which currently has £107k and will need to be replenished to at least £500k as a result of recent allocations to meet capital programme requirements.

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 participate in the proposal for a 100% Business Rates Pool Pilot for Worcestershire needs to be finalised by the DCLG deadline of the 27 October 2017. The proposed delegation allows this decision to be progressed. The application will be shared with all members if participation in the Pilot proposal is confirmed as part of the

publication of the delegated decision.

- 9.2 The governance arrangements will be considered and agreed 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./CLT

11. BACKGROUND PAPERS

11.1 Local Government Finance Act 2012.

11.2 Cabinet Report 18 December 2012.

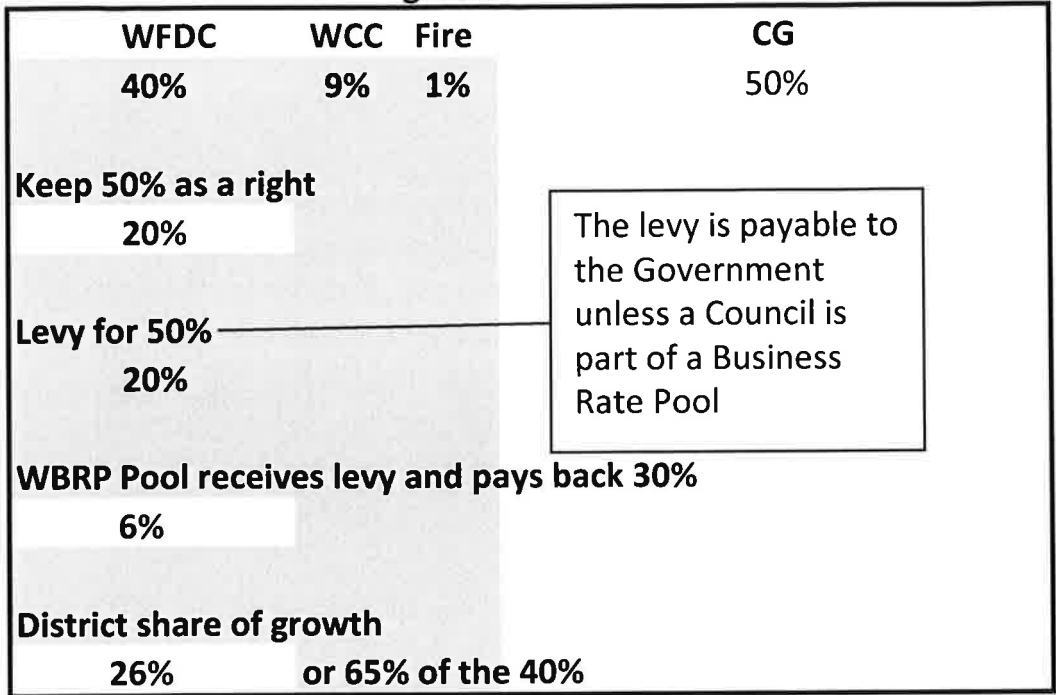
11.3 Cabinet Member for Resources Delegated Decision 15th January 2013.

11.4 Strong Leader Cabinet Report October 2015

11.5 Publication of Delegated Decision October 28 2015

Appendix 1- Diagrams Illustrating Share of Growth with/without a Pool

CURRENT - business rate growth



BUSINESS RATE PILOT - business rate growth

