

**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 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).

I, Cllr Helen Dyke, as Strong Leader, delegate the decision to decide on the Business Rate Pooling Arrangements for 2023-24 report, to the Cabinet Member detailed below:

Cabinet Member for Finance and Capital Portfolio, Councillor Mary Rayner

Dated: 21-09-2022

Signed:

A handwritten signature in black ink that reads "H.E. Dyke". The signature is written in a cursive style with a large, looped 'D'.

Leader of the Council

**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 by the Leader, I have made the following decision:

<b>Subject</b>	<b>Decision</b>	<b>Reason for decision</b>	<b>Date for Decision to be taken</b>
Business Rate Pooling Arrangements for 2023-24	The final decision to join a Business Rates Pool for 2023-24 is delegated to the Head of Resources/S.151 Officer in consultation with the Cabinet Member for Finance and Capital Portfolio.	A decision on whether or not to join a business rates pool for 2023-24 needs to be made by the DLUHC deadline of the 22 <sup>nd</sup> September 2022. The proposed delegation allows this decision to be progressed	By September 22 2022

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

Dated: 21 September 2022

Signed: 

Councillor: Mary Rayner, Cabinet Member for Finance and Capital Portfolio

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

**21 SEPTEMBER 2022**

**Business Rates Pooling Arrangements for 2023-24**

<b>OPEN</b>	
<b>CABINET MEMBER:</b>	Councillor Mary Rayner Cabinet Member of Finance and Capital Portfolio
<b>CORPORATE LEADERSHIP TEAM MEMBER</b>	Head of Resources and s151 Officer
<b>CONTACT OFFICER:</b>	Helen Ogram <a href="mailto:helen.ogram@wyreforestdc.gov.uk">helen.ogram@wyreforestdc.gov.uk</a>
<b>APPENDICES</b>	None

**1. PURPOSE OF REPORT**

- 1.1 This report considers the Council's continued participation in a Business Rates Pooling arrangement for 2023-24. The deadline for submitting proposals for revised pooling arrangements or confirmation of continuation of existing proposals is 22<sup>nd</sup> September 2022.

**2. RECOMMENDATION**

The Cabinet is asked to **DECIDE:**

- 2.1 **the final decision to continue participation in a Business Rates Pooling arrangement for 2023-24 is delegated to the Head of Resources and s151 Officer in consultation with the Cabinet Member for Finance and Capital Portfolio;**
- 2.2 **continued participation in pooling arrangements will be considered on an annual basis, taking into account relevant key issues set out in Section 4.**

**3. BACKGROUND**

- 3.1 The Council is currently a member of the Worcestershire 50% Business Rates Pool but these arrangements will cease on 31<sup>st</sup> March 2023 unless confirmation is made to DLUHC of the pool's intention to continue in 2023-24 with the current membership.
- 3.2 The Government is still planning to make changes to the business rates system, but this has been further deferred. The delayed fundamental review of the Business Rates system and local government funding generally means continued uncertainty for all Councils.

- 3.2 The Department for Levelling Up, Housing and Communities (DLUHC) has invited Councils to indicate their preferred pooling arrangements for the financial year, 2023-24.
- 3.4 Part 9 of Schedule 7B to the Local Government Act 1988 states that the Secretary of State can designate two or more local authorities as a “pool” for the purposes of the business rates retention scheme, providing that those authorities agree to the designation.
- 3.5 By law, if pools are to be created for 2023-24, the Department must make the necessary designations by the time of the 2023-24 provisional Local Government Finance Settlement. Unless designations are made by this date, a pool cannot be brought into existence for 2023-24.
- 3.6 The deadline for submission of proposals for 2023-24 pools is 22<sup>nd</sup> September 2022.
- 3.7 For 2023-24 it is proposed that a request to designate a new expanded pool is submitted with Worcestershire County Council to continue as the lead authority. The expanded pool would include all of the Worcestershire Councils, Hereford and Worcester Fire Authority and Herefordshire Council.
- 3.7 Current forecast of the combined pooling benefit is circa £5.9m across all prospective pool members. This will be used to help relieve funding pressures across the two county areas. These arrangements are for one year only and the Council must now make a decision for 2023-24.
- 3.8 The Business Rates Pooling arrangements in Worcestershire have operated successfully since 2013-14, enabling volatility risks to be shared with other councils and also additional financial benefits in terms of levy on business rates growth that was retained locally rather than paid over to the Government.

#### **4. KEY ISSUES**

- 4.1 We now need to consider our membership of a Worcestershire or any other business rates pool for 2023-24. All of the other Worcestershire Councils and Hereford and Worcester Fire Authority have indicated that they wish to continue with either the existing or an expanded Business Rates Pool arrangement. An invitation has been extended to Herefordshire Council to join the pool as this will be financially beneficial to all members.
- 4.2 LG Futures have been commissioned to undertake detailed financial modelling of the potential Pooling proposals for 2023-24. This showed that it is unlikely that continuation of the current Pool would not be beneficial and that additionally circa £1.5m would be retained across Herefordshire and Worcestershire if membership was expanded to encompass Herefordshire.
- 4.3 The benefits of being in a Pool in terms of levy being retained locally are currently forecast to continue despite the potential impact of recession. This will be kept under close review due to current economic volatility, high inflation and increase in cost of energy.

4.4 Pool membership also allows for a degree of risk sharing between Pool members, provided there are sufficient resources within the overall retained levy to compensate councils with business rate 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 appropriate provision in the Governance Arrangements

4.5 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 the 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 significant losses, as in the case of the revaluation of GP surgeries, then the amount available from the Pool may be less than would be available from the Government National safety net facility.

4.6 The most significant factor in the Council's decision regarding Pool membership from 1 April 2023 is our view on the probability of further significant business rate losses in Wyre Forest due to economic pressures particularly as the significant reliefs provided by Central Government in response to the covid pandemic fall away. Based on current forecasts we are not predicting such losses. The Pool has performed well previously with all members being better off in the Pool.

4.7 The proposal for the governance arrangements is that there is a similar position for the shares of the retained levy for Worcestershire authorities as for the current Business Rates Pool as set out below. Herefordshire would join on a different share basis, retaining 60% of the additional growth generated by their collaboration. The governance arrangements will include provision to ensure there is protection for Pool Members if they do not hit their baseline income figures by means of a pro rata contribution from the overall pooling benefit from higher retained levy, of fellow Pool members. This protection was triggered for 2020-21 for Redditch Borough Council.

60% to the districts based on levy share

40% to the county / fire based on Top Up Amount

If there is a pooling loss by one or more authorities:

- Where there is still a net gain, no authority to receive less than if not in the pool (with those gaining scaled back by the same percentage)
- Where there is an overall loss, all authorities will have their allocation scaled back by the same percentage

- 4.8 Notifications of new pilots must be received by the Government by 22<sup>nd</sup> September 2022. The section 151 officer for each council is required to sign off proposals before they are submitted.

## **5. FINANCIAL IMPLICATIONS**

- 5.1 The arrangements for the business rates pool 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 pooling arrangements (if approved) remain 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 the ongoing impact of the economic factors, whether business rates grow or to what extent they contract, future appeals and mandatory reliefs. Prospective Pool Members will continue to monitor the benefits of the proposed Pool for 2022-23 and will reassess our position before the final decision is agreed in January 2023.
- 5.3 The Government is still planning to make changes to the business rates system, but this has been further deferred given the ongoing impact of the COVID-19 pandemic on the business and property sector. Our active participation in the Worcestershire Business Rates Pool so far will inform and influence this process.
- 5.4 Based on the information available to date and despite the uncertainty around ongoing impact of the current pandemic, forecasts indicate that the Council's position together with the overall position of the wider Worcestershire family and Herefordshire, will be protected by joining the proposed revised business rates pool.
- 5.5 The proposed pool 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 pool. The opportunity to enter into a further Pooling arrangement for 2023-24 should be of financial benefit to this Council.
- 5.6 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 for the Council. By remaining in a pool, 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 By law, existing designations continue in force from year to year unless they are revoked by the DLUHC. It is the DLUHC's intention, for 2023-24, not to revoke existing designations unless requested to do so by authorities; under the legislation, it must revoke designations and dissolve existing pools if requested to do so by one, or more, of the pool members.
- 6.2 The arrangement 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 proposal include:

- The uncertainty surrounding the ongoing economic impact of geopolitical events.
- A member of the Pool not deciding to go ahead with the Pooling by the prescribed deadline, this risk increases as the number of member authorities in the pool increases.
- Due to our total lack of control or influence over decisions by the Valuation Office Agency (VOA) on Business Rates appeals, the risk of there being insufficient money in the Pool generated by the levy to fully cover any losses incurred by the members 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.
- It takes time to reap the business rate benefits from regeneration. Together with any fragility in the local business economy, there is a risk the current positive trend compared to baseline for business rates for Wyre Forest may not continue. Subject to overall Pool performance the revised business rates pool may be unable to compensate the Council for any forgone safety net.

## **9. EQUALITY IMPACT ASSESSMENT**

9.1 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.

## **10. CONCLUSION**

10.1 A decision on whether or not to join the revised Worcester Business Rates Pooling arrangement for 2023-24 needs to be made by the DLUHC deadline of the 22<sup>nd</sup> September 2022. The proposed delegation allows this decision to be progressed.

10.2 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.

## **11.1 CONSULTEES**

11.1 Corporate Leadership Team.

11.2 Cabinet.

11.3 Worcestershire Treasurers and LG Futures

## **12. BACKGROUND PAPERS**

12.1 Local Government Finance Act 2012.

12.2 Letter from DLUHC Business Rate Operations Team - BRR – Invitation to Pool received by Email from DLUHC 18<sup>th</sup> August 2022.