

**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 Marcus Hart, as Strong Leader, delegate the decision to decide on the Business Rate Pooling Arrangements for 2024-25 report, to the Cabinet Member detailed below:

Cabinet Member for Finance and Capital Portfolio, Councillor David Ross

Dated: 27.09.2023

Signed: *M. J. Hart* .....

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:

Subject	Decision	Reason for decision	Date for Decision to be taken
Business Rate Pooling Arrangements for 2024-25	Each year DLUHC invites proposals from authorities wishing to work together in a business Rates Pool. A decision to be part of the Herefordshire and Worcestershire Business Rates pool proposal need to be notified to DLUHC by 10 <sup>th</sup> October 2023. The final decision to join a Business Rates Pool for 2024-25 is delegated to the Head of Resources/S.151 Officer in consultation with the Cabinet Member for Finance and Capital Portfolio after the Local Government Finance Settlement is received..	A decision on whether or not to join a business rates pool for 2024-25 needs to be made. Membership of the Business Rates pool proposed will result in more business rates growth to be retained locally. The proposed delegation allows this decision to be progressed.	27.09.2023

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

Dated: 27<sup>th</sup> September 2023

Signed:



Councillor: Cllr. David Ross .....  
Cabinet Member for Finance and Capital Portfolio

**WYRE FOREST DISTRICT COUNCIL**  
**STRONG LEADER CABINET REPORT**  
**SEPTEMBER 2023**

**Business Rates Pooling Arrangements for 2024-25**

<b>OPEN</b>	
<b>CABINET MEMBER:</b>	Councillor David Ross Cabinet Member for 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 The report considers the Council's continued participation in a Business Rates Pooling arrangement for 2024-25. The deadline for submitting proposals for revised pooling arrangements or confirmation of continuation of existing proposals is 10<sup>th</sup> October 2023.

**2. RECOMMENDATION**

The Cabinet is asked to **DECIDE:**

- 2.1 **the final decision to continue participation in a Business Rates Pooling arrangement for 2024-25 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 Herefordshire and Worcestershire 50% Business Rates Pool but these arrangements will cease on 31<sup>st</sup> March 2024 unless confirmation is made to DLUHC of the pool's intention to continue in 2024-25 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, 2024-25.
- 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 2024-25, the Department must make the necessary designations by the time of the 2024-25 provisional Local Government Finance Settlement. Unless designations are made by this date, a pool cannot be brought into existence for 2024-25.
- 3.6 The deadline for submission of proposals for 2024-25 pools is 10<sup>th</sup> October 2023.
- 3.7 For 2024-25 it is proposed that the pool would continue to 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 £4.3m 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 2024-25.
- 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. Herefordshire joined the pool in 2023-24.

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

- 4.1 We now need to consider our membership of a Herefordshire and Worcestershire pool for 2024-25. All of the other Worcestershire Councils, Hereford and Worcester Fire Authority and Herefordshire Council have indicated that they wish to continue with either the existing or an expanded Business Rates Pool arrangement.
- 4.2 LG Futures have been commissioned to undertake detailed financial modelling of the potential Pooling proposals for 2024-25. This showed that it is unlikely that continuation of the current Pool would not be beneficial.
- 4.3 The benefits of being in a Pool in terms of levy being retained locally are currently forecast to continue but this will be kept under close review due to current economic volatility and high inflation.
- 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 former 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 2024 is our view on the probability of further significant business rate losses in Wyre Forest due to economic pressures. 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.

Herefordshire receive 50% of the pooling gain increase achieved due to its membership. The remaining gains are split:

60% to the districts based on growth (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 10<sup>th</sup> October 2023. 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 impact on Council finances is estimated to be circa £267k but cannot be predicted with certainty as it will vary depending on a range of factors including the ongoing impact of the economic conditions, 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 2023-24 and will reassess our position before the final decision is agreed in January 2024.
- 5.3 The Government is still planning to make changes to the business rates system, but this has been further deferred. Our active participation in the Herefordshire and Worcestershire Business Rates Pool so far will inform and influence this process.
- 5.4 Based on the information available to date forecasts indicate that the Council's position will be protected by joining the proposed 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 2024-25 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 2024-25, 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 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. Analysis by LG Futures indicates that business rates will need to fall by 11% for Wyre Forest District Council to require a safety net payment.
- 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 Herefordshire and Worcestershire Business Rates Pooling arrangement for 2024-25 needs to be made by the DLUHC deadline of the 10<sup>th</sup> October 2023. 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.