

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, Cllr Marcus Hart, as Strong Leader, delegate the decisions for the Business Rates Retention 75%– Pilots for 2019-20 – Pan Worcestershire Bid to the Cabinet Member detailed below:

Cabinet Member for Resources

To join a proposal for a pan-Worcestershire pool for a 2019-20 pilot; to terminate current arrangements if the pilot is approved but to retain the existing pooling arrangements, with the potential addition of Malvern Hills District Council, if the pilot is not approved.

The final decision to enter into a 75% 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 pooling arrangements will be considered on an annual basis, taking into account relevant key issues set out in Section 4.

Dated:

11th September, 2018.

Signed:


.....
Cllr Marcus 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 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).

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 Rates Retention 75%– Pilots for 2019-20 – Pan Worcestershire Bid	To join a proposal for a pan-Worcestershire pool for a 2019-20 pilot; to terminate current arrangements if the pilot is approved but to retain the existing pooling arrangements, with the potential addition of Malvern Hills District Council, if the pilot is not approved.	A decision on whether or not to participate in the 75% Business Rates Pool Pilot for Worcestershire needs to be finalised by the MHCLG deadline of 25 th September 2018. The proposed delegation allows this decision to be progressed. The governance arrangements will be considered and agreed to allow WFDC to continue to work effectively with the other partners.	September 12 th 2018

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

Dated: 11/09/18
Signed: 
Councillor: N - DESMOND
Cabinet Member for Resources

WYRE FOREST DISTRICT COUNCIL
STRONG LEADER CABINET REPORT
SEPTEMBER 2018

Business Rates Retention 75%– Pilots for 2019-20 – Pan Worcestershire Bid

OPEN	
CABINET MEMBER:	Councillor N J Desmond
DIRECTOR:	Corporate Director: Resources
CONTACT OFFICER:	Tracey Southall Ext. 2100 tracey.southall@wyreforestdc.gov.uk
APPENDICES	None

1. PURPOSE OF REPORT

- 1.1 This report considers the Government’s invitation to all English local authorities to pilot 75% business rates retention in 2019-20 and a proposed Worcestershire-wide submission to be a pilot. The deadline for submitting applications is 25th September 2018.

2. RECOMMENDATION

The Cabinet is asked to DECIDE:

- 2.1 **to join a proposal for a pan-Worcestershire pool for a 2019-20 pilot; to terminate current arrangements if the pilot is approved but to retain the existing pooling arrangements, with the potential addition of Malvern Hills District Council, if the pilot is not approved.**
- 2.2 **the final decision to enter into a 75% 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 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 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 also impact on the Council.
- 3.2 the Council is currently a member of the Worcestershire Business Rates Pool along with, Worcester City Council, Wychavon District Council and Worcestershire County Council.

- 3.3 It will be recalled that the Worcestershire councils submitted an application to become a pilot for 100% rates retention in 2018-19. This application was unsuccessful but feedback from the Government suggested that this should not deter the Worcestershire councils from submitting applications for subsequent pilots.
- 3.4 Following this, in December 2017, the Government announced the aim of increasing the level of business rates retained by local government from the current 50% to the equivalent of 75% from April 2020. In order to test increased business rates retention and to aid understanding of how to transition into a reformed business rates retention system from April 2020, the Government is inviting local authorities in England to apply to become 75% business rates retention pilots in 2019-20. Pilots will last for one year and councils included in the pilot programme will be expected to work closely with MHCLG officials during the year see [Invitation to Local Authorities in England to Pilot 75% Business Rates Retention in 2019/20](#) (MHCLG, July 2018).
- 3.5 As part of the move towards the reformed business rates retention system in 2020-21, Revenue Support Grant and Rural Services Delivery Grant will cease and the relevant amounts will be incorporated within the new system. To ensure that piloting in 2019-20 closely reflects the Government's current proposals, authorities selected as pilots for 2019-20 will be expected to forgo Revenue Support Grant and Rural Services Delivery Grant (RSDG). For context, Wyre Forest does not receive RSDG and no RSG is forecast for 2019-20.

4. KEY ISSUES

- 4.1 The Government is interested in exploring how 75% rates retention can operate across more than one authority to promote financial sustainability and to support coherent strategic decision making across functional economic areas. Accordingly the Government would like to see authorities form pools (either on existing or revised boundaries) and to apply jointly for pilot status. For Worcestershire, the Government would expect the proposed pool to comprise the County Council and all of the associated district councils.
- 4.2 Applications will need to explain how the pilot will manage risk and reward, paying regard to the financial sustainability of all councils involved, as well as laying out how any potential growth in business rates may be spent. The Government has decided that a "no detriment" clause which was applied to previous pilots will not be applied to 2019-20 pilots. Instead, the pool's safety net threshold will be set at 95% of the baseline funding level, rather than 92.5% for non pilot areas. This reflects the additional risk of 75% retention. Whilst we would have preferred a "no detriment" clause, given the general buoyancy of business rates income in Worcestershire currently, then this represents a small risk to the councils.
- 4.3 It has been estimated that the additional business rates retained locally within Worcestershire in 2019-20 if we were a pilot compared to current arrangements would be in the region of £4.5m. Current arrangements include a Worcestershire Pool for Worcester City, Wyre Forest and Wychavon district councils and Worcestershire County Council. Bromsgrove and Redditch councils are members of the Greater Birmingham and Solihull Business Rates Pool and Malvern Hills is not currently in a pool for business rates. Membership of these pools has minimised levy payable to the Government and the £4.5m estimated gain from being a pilot is in

addition to that benefit, and largely represents the increase from 50% to 75% local retention, after the loss of Revenue Support Grant and Rural Services Delivery Grant.

- 4.4 The Leaders of all 7 councils have recently met and agreed in principle to proceed with a Worcestershire-wide bid to be a pilot for 2019-20. It was also agreed that no authority would gain from being a pilot unless all authorities were at least in the position they would have enjoyed if the 50% retention arrangements, including payment of Revenue Support Grant and Rural Services Delivery Grant, had continued. Finally, it was agreed in principle that the collective gain from being a pilot should be invested in district and county services that prevent or reduce the cost of social care.
- 4.5 If the application to be a pilot in 2019-20 is unsuccessful then councils will be allowed to retain their existing pool arrangements or any alternative pooling arrangements they put forward. These need to be set out in the bid to be a pilot pool. We would look to retain the current Worcestershire Pool in order to minimise levy payments to the Government along with the other benefits of being in a pool. It is understood that Malvern Hills District Council may be considering re-joining the Worcestershire Pool. The fallback position without a pilot may therefore be the present pool with the addition of Malvern Hills, subject to decision making within the tight timeframe.
- 4.6 It is important that all 7 councils are committed to the pilot application. If one of the councils does not want to proceed then an application will not be submitted. Furthermore, if any council wants to withdraw from the pilot following a successful bid, then it would not be possible for any of the councils to be in a pool next year and each would need to operate individually for business rates matters.
- 4.7 Whilst there are some additional risks, there are also very clear financial benefits of becoming a 75% business rates retention pilot for Worcestershire as a whole. In addition, this is a valuable opportunity to influence the new business rates retention system and work with Worcestershire councils to share risks and rewards and work even more closely on key issues.
- 4.8 Applications for new pilots must be received by the Government by 25th September 2018 and successful applications will be announced before or alongside the draft local government finance settlement, expected in December 2018. Subject to all Worcestershire councils agreeing to participate, a significant amount of work will be required to produce a Worcestershire proposal. The section 151 officer for each council is required to sign off proposals before they are submitted.
- 4.9 Proposals will need to set out how the additional income from growth will be invested to promote financial sustainability.

5. FINANCIAL IMPLICATIONS

- 5.1 There are potential significant financial benefits for Worcestershire as a whole from the retention of 75% of business rates growth, namely the retention of £4.5m additional business rates growth within Worcestershire.
- 5.2 The arrangements for the pilot 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 pilot 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 whether business rates grow or contract and future appeals.
- 5.3 The Government is currently making changes to the business rates system and participating as a pilot will inform and influence this process however the detail and impact on this council will not be known until further information is made available.
- 5.4 Based on the information available to date, the Council's position will be best protected by joining the proposed 75% Business Rates Pilot.
- 5.5 The pilot 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. Therefore there is no initial impact on the underlying finances of WFDC as a result of being in the pilot.
- 5.6 The pilot 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, whether as a result of the pilot or through retention of the current pooling arrangements,, the Council can better protect against these smaller variations and thus provide some protection to its base funding.
- 5.7 The Risk Reserve of the existing pool stood at £1.9m at the end of 2017-18; the Governance rules say that any excess over the £2m is available for investment in joint economic development initiatives and the current forecast is that it will reach well in excess of this at the end of 2018-19. Proposals to invest these funds will be considered by the Leaders of the pool member councils, regardless of the outcome of the Pilot bid.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 The new arrangements for business rates are set out in the Local Government.
- 6.2 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 There is a risk that any application to become a Pilot is not approved but, as set out above, the application process allows for councils to retain their existing pooling arrangements if the bid fails. Thus WFDC would default back to the existing Worcestershire business rates pool (with the County, Wychavon and Worcester City).
- 7.2 There are some additional risks of 75% rates retention associated with volatility of business rates income but these risks would be shared with the other Worcestershire councils and the pool as a whole would be protected by an enhanced Government safety net.
- 7.3 The higher safety net threshold of 95% of the baseline funding level, rather than 92.5% for non pilot areas, reflects the additional risk of 75% retention. Given the general buoyancy of business rates income in Worcestershire currently, then this represents a small risk to the councils.

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 participate in the proposal for a 75% Business Rates Pool Pilot for Worcestershire needs to be finalised by the DCLG deadline of the 25th September 2018. 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.

12. BACKGROUND PAPERS

- 12.1 Local Government Finance Act 2012.
- 12.2 Cabinet Report 18 December 2012.
- 12.3 Cabinet Member for Resources Delegated Decision 15th January 2013.
- 12.4 Strong Leader Cabinet Report October 2015
- 12.5 Publication of Delegated Decision October 28 2015
- 12.6 Strong Leader Report October 2017
- 12.7 Publication of Delegated Decision October 2017
- 12.8 [Invitation to Local Authorities in England to Pilot 75% Business Rates Retention in 2019/20](#) (MHCLG, July 2018).