

BROMSGROVE DISTRICT COUNCIL

RECORD OF DECISION TAKEN UNDER URGENCY PROCEDURES

Subject: WORCESTERSHIRE BUSINESS RATES POOL 2020/21

Brief Statement of Subject Matter:

To request approval of Bromsgrove District Council joining the Worcestershire Business Rates Pool for 2020/21, following the recent Government announcement that the Worcestershire Business Rates Pilot Pool will not continue into 2020/21.

Briefing note below

Decision:

That Bromsgrove Council joins the Worcestershire Business Rates Pool for 2020/21 and authority for the decision on the 2020/21 final arrangements be delegated to the Executive Director Finance and Resources in agreement with the Portfolio Holder for Finance and the Leader.

Date: 23/10/19

RESOLVED:

That Bromsgrove Council joins the Worcestershire Business Rates Pool for 2020/21 and authority for the decision on the 2020/21 final arrangements be delegated to the Executive Director Finance and Resources in agreement with the Portfolio Holder for Finance and the Leader.

Grounds for Urgency:

Announcement made in the Government proposed Settlement that the current Worcestershire Pilot Pool will not continue into 2020/21 and therefore a decision needs to be made urgently to join the Worcestershire Pool to ensure that any share of Business Rates growth for 2020/21 is not returned to Central Government but remains in Worcestershire. Financial projections are still being calculated to estimate the potential benefit to the Council and the wider County area.

DECISION APPROVED BY:

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Chief Executive

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Dated

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Section 151 Officer

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Dated

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Monitoring Officer

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Dated

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Leader

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Dated

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Chairman, Overview & Scrutiny Board

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Dated

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Chairman

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Dated

BACKGROUND

The Council is currently a member of the Pan- Worcestershire 75% Pilot Business Rates Pool but these arrangements will cease on 31st March 2020. The Spending Round 2019 confirmed that the Business Rates Reset and the Fair Funding Review will be deferred until 2021-22. It also confirmed that 75% Business Rates Pilots will come to an end in March 2020 and there are no new pilots planned for 2020-21. The Ministry of Housing, Communities and Local Government has invited Councils to indicate their preferred pooling arrangements for the financial year, 2020-21, with the deadline for submission of proposals for 2020-21 pools being 25th October 2019. Therefore the Council needs to make an urgent decision as to the option of joining the Worcestershire Pool.

The pan- Worcestershire 75% Pilot is proving to be beneficial, enabling additional levy to be retained locally, estimated to be circa £5m for the year. This will be used to help relieve funding pressures on the County wide services of adult social care. These arrangements are for one year only and the Council must now make a decision for 2020-21.

The Council was previously part of the Greater Birmingham and Solihull Pool. It has been confirmed that this Pool will not be re-established for 2020/21. The options available to the Council are:

- to join the Worcestershire Business Rates Pool for 2020/21
- to not be in a Business Rates Pool and return a higher proportion of business rates growth (levy) to Central Government.

It is understood from other Districts that the previous Worcestershire Pool operated successfully from 2013-14 to 2018-19, 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.

KEY ISSUES

The Council therefore needs to determine whether it wishes to continue to participate in a Worcestershire wide pool for the year 2020/21 only, pending the introduction of the 75% scheme.

The benefits of being in a Pool in terms of levy being retained locally remain, albeit that the benefit of 75% retention will be reduced to the former 50% retention basis.

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 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 through a provision in the Governance Arrangements

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.

The most significant factor in the Council's decision regarding Pool membership from 1 April 2020 is our view on the probability of further significant business rate losses in Bromsgrove. Based on current appeals outstanding we have no reason to suspect 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. Uncertainty around the claims for mandatory business rates relief for NHS Hospital Foundation Trusts remains; this is a national issue and is very unlikely to be settled in the timeframe for the proposed Pool. The claims are strongly refuted with the LGA working closely with Councils and as such are not recognised within the accounts.

The proposal for the governance arrangements is that there is a similar position for the shares of the retained levy as for the former WBRP but without a Risk Reserve as this Pooling arrangement is for one year only. However there will be provision within the governance arrangements 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 higher retained growth of fellow Pool members.

Notifications of new pilots must be received by the Government by 25th October 2019. The section 151 officer for each council is required to sign off proposals before they are submitted.

FINANCIAL IMPLICATIONS

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 whether business rates grow or contract, future appeals and mandatory reliefs.

The Government is currently making changes to the business rates system that have now been deferred until April 2021 and our participation as a pilot last year will inform and influence this process. However the detail and impact on this council will not be known until further information is made available.

Based on the information available to date, the Council's position together with the overall position of the wider Worcestershire family will be best protected by joining the proposed revised WBRP.

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 deferment of the Funding Reforms, including the business rates baseline reset, and the opportunity to enter into a further Pooling arrangement for 2020-21 should be of financial benefit to this Council.

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.