

BROMSGROVE DISTRICT COUNCIL

RECORD OF DECISION TAKEN UNDER URGENCY PROCEDURES

Subject: WORCESTERSHIRE BUSINESS RATES POOL 2021/22

Brief Statement of Subject Matter:

To request approval of Bromsgrove District Council joining the Worcestershire Business Rates Pool for 2021/22.

Briefing note below

Decision:

That Bromsgrove Council joins the Worcestershire Business Rates Pool for 2021/22 and authority for the decision on the 2021/22 final arrangements be delegated to the Head of Finance and Customer Services in agreement with the Portfolio Holder for Finance and the Leader.

Date: 22/10/2020

RESOLVED:

That Bromsgrove Council joins the Worcestershire Business Rates Pool for 2021/22 and authority for the decision on the 2021/22 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 Pool will not continue automatically into 2021/22 and therefore a decision needs to be made urgently to join the Worcestershire Pool to ensure that any share of Business Rates growth for 2021/22 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 Ministry of Housing, Communities and Local Government has invited Councils to indicate their preferred pooling arrangements for the financial year, 2021-22, with the deadline for submission of proposals for 2021-22 pools being 23rd October 2020. Therefore the Council needs to make an urgent decision as to the option of joining the Worcestershire Pool.

These arrangements are for one year only and the Council must now make a decision for 2021-22.

The Council was previously part of the Worcestershire Pool so this would be a continuation. The other option the council has is:

- 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 across Worcestershire that they will be entering the Worcestershire Pool for 2021-22, 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 2021/22 only.

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 2021 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, however there is material uncertainty with regards to the impact of Covid on businesses and their viability. 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 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 to ensure that there is no detriment to their position comparative to had they not joined the pool.

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.

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 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 Pool is designed to continue to protect member authorities from the 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 variations and thus provide some protection to its base funding.