

**CABINET
22 OCTOBER 2020**

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: BUSINESS RATES POOLING 2021/22

REPORT OF THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER FOR FINANCE AND IT

COUNCIL PRIORITY: ENABLE AN ENTERPRISING AND CO-OPERATIVE ECONOMY

1. EXECUTIVE SUMMARY

- 1.1 The Ministry for Housing, Communities and Local Government (MHCLG) have issued an invitation for groups of Authorities to become Business Rate pools. The deadline for applications is 23rd October 2020. Urgent work needs to be carried out to determine whether it is worth Hertfordshire Authorities forming a pool and then who the optimum members of that would be. The economic impacts of Covid-19 make it very difficult to determine Business Rate forecasts for future years. Any gains from pooling will be significantly less than they have in previous years, and also subject to much greater risk. If relevant, an addendum report will be provided in advance of the Cabinet meeting to update on the latest position.

2. RECOMMENDATIONS

- 2.1. That Cabinet approve that the Council is part of a Hertfordshire Business Rates pool in 2021/22 (subject to confirmation that the Council is part of an optimum pool for Hertfordshire).

3. REASONS FOR RECOMMENDATIONS

- 3.1 Subject to further forecasts and analysis, it is possible that the Council could benefit financially from being part of a Business Rates pool.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 NHDC could choose not to be part of a Business Rate Pool, even if it would have been an optimum member. A Hertfordshire pool could still be formed by the County Council and a selection of other Districts/ Boroughs, that might still allow them to benefit from being part of a Pool.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. Hertfordshire County Council (HCC) are collecting information from all the Districts and Boroughs, that will be used to determine the optimum pool. The results of this will be discussed between the Chief Finance Officers. If relevant, the results of this will be provided as part of an addendum report.

6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key Executive decision, which has not been notified to the public in the Forward Plan. It is not possible to defer consideration of this decision because of the deadline for Pool submissions set by the Ministry for Housing, Communities and Local Government (MHCLG). The Chairman of the Overview and Scrutiny Committee has been informed and notice of the recommendation has been available at the Council Offices in Gernon Road, Letchworth for three clear working days prior to the date of this meeting.

7. BACKGROUND

- 7.1. A Business Rate Pool allows the Authorities within the pool to reduce the amount of levy payable to the MHCLG on any business rate growth above a baseline. A pool can be made up of any Authorities, although it does need to include at least one top-up Authority (i.e. the County Council). To provide the optimum financial gains they usually include the Districts/ Boroughs with the highest forecast Business Rate growth. NHDC has been part of a pool in all 4 years that they have been in Hertfordshire (i.e. 2015/16, 2016/17, 2018/19 and 2020/21).

8. RELEVANT CONSIDERATIONS

- 8.1. On 9th September 2020, the MHCLG wrote to Authorities to invite them to form Business Rate Pools for 2021/22. HCC sought initial advice from a consultancy firm that specialise in advising Local Authorities on whether there would be any benefits from forming a Pool. This was in the context of Covid-19 and the significant impact it has had on Business Rate income and the ability to forecast future income. The initial advice was that it would not be beneficial. It has recently been decided that it is worth looking in to again and therefore opens up the potential that there could be a viable Hertfordshire pool and that NHDC could be an optimum member.
- 8.2. HCC have asked all the Districts and Boroughs to provide forecasts of Business Rate income and highlight any specific risks. The information that the Council has provided includes the pending closure of the Morrisons store in Royston, which depending on future use of the building could have a relatively significant impact on Business Rate income. This information is being collected at a very late stage as it might allow for a slightly better forecast. This information will be analysed to determine whether:
- There is a viable Pool based on forecasts
 - The risks associated with that Pool
 - Which Districts and Boroughs would be in an optimum Pool
- 8.3. If relevant an update on the above will be provided as an addendum report. It could be that there is not a viable pool or the Council would not be an optimum member. In that event there would not be a decision for Cabinet to make.

9. LEGAL IMPLICATIONS

- 9.1. Cabinet's terms of reference in the Council's constitution include at paragraph 5.6.1 "to prepare and agree to implement policies and strategies other than those reserved to Council".
- 9.2. Business Rate Pools are established under paragraph 34 of Part IX Schedule 7B of the Local Government Finance Act 1988 (as inserted by Schedule 1 of the Local Government Finance Act 2012).

10. FINANCIAL IMPLICATIONS

- 10.1 The current system is 50% Business Rates Retention. However, this does not mean that an Authority retains 50% of the Business Rates income that it collects, but instead means that 50% of total Business Rates income is retained within Local Government overall. For example, in previous years it has been assumed that NHDC will collect around £38 million in Business Rates income. NHDCs share of this is 40%, which is just over £15m (10% goes to HCC and 50% goes to MHCLG). However, it is assessed that NHDC only needs £2.6m of this income, so is required to pay a further £12.5m to MHCLG as a tariff. If NHDC has any growth in its business rate income above the baseline of £2.6m, then it has to pay 50% of this to the MHCLG and 10% to HCC. So that leaves 40%, but this is then further reduced by a levy. The levy is calculated so that the increase in the income received is proportionate to the growth in total Business Rates. Being part of a Pool allows the Council to pay a lower levy.
- 10.2 If NHDCs Business Rate income falls such that its share of what it collects is less than the baseline, then this is reduced funding income to the Council. If the shortfall is greater than 7.5% (around £200k) in the example above then any shortfall above the 7.5% is paid by Government as a safety net. If the Council is part of a Pool then the 7.5% is assessed at a Pool level, and the Council may end up having to fund another Pool members losses. The pool overall does still have a safety net level of its losses.

11. RISK IMPLICATIONS

- 11.1. The financial risk that the Council faces is detailed in paragraph 10.2 above. This needs to be compared against any potential gain.

12. EQUALITIES IMPLICATIONS

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 There are no equalities implications in relation to this report.

13. SOCIAL VALUE IMPLICATIONS

- 13.1. The Social Value Act and "go local" requirements do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

14.1. There are no known Environmental impacts or requirements that apply to *this report*.

15. HUMAN RESOURCE IMPLICATIONS

15.1 There are no HR implications in relation to this report.

16. APPENDICES

16.1 None

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

18.1 None