

RECORD OF DECISION MADE UNDER DELEGATED AUTHORITY

*PART 1 – PUBLIC DOCUMENT

Any interest to declare/ or conflict and any dispensation granted *[if applicable]*

SERVICE DIRECTORATE: *Resources*

1. DECISION TAKEN

That North Hertfordshire District Council (NHDC) should be part of an application for a Business Rates pool in 2022/23. This pool would be made up of NHDC, Hertfordshire County Council and 4 other districts.

2. DECISION TAKER

Ian Couper, Service Director: Resources

3. DATE DECISION TAKEN:

8th October 2021

4. REASON FOR DECISION

There are forecast to be significant gains for NHDC from being part of a Business Rates Pool. The risks are considered to be low.

5. ALTERNATIVE OPTIONS CONSIDERED

NHDC could choose not to be part of a Business Rate Pool. A Hertfordshire pool could still be formed by the County Council and a selection of other Districts/ Boroughs, and they would still benefit from being part of a Pool. This option was rejected as it would not allow the Council to take advantage of additional funding that could be around £600k. The risk of being part of the Pool is considered to be low.

6. CONSULTATION (INCLUDING THE EFFECT ON STAKEHOLDERS, PARTNERS AND THE PUBLIC)

There is no duty to consult. There has been consultation with the other Hertfordshire Authorities, both those who will be part of the Pool and those that will not be part of it

7. FORWARD PLAN

7.1 This decision is a key Executive decision that was first notified to the public in the Forward Plan on the 20 August 2021.

8. BACKGROUND/ RELEVANT CONSIDERATIONS

8.1 On 14th September 2021, the Ministry for Housing, Communities and Local Government (now the Department for Levelling Up, Housing and Communities) invited Local Authorities to apply to become part of a Business Rate Pool. A Business Rate Pool allows the Authorities within the pool to reduce the amount of levy payable to Government 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

include the Districts/ Boroughs with the highest forecast Business Rate growth. The applications to be part of a Pool need to be submitted by Friday 8th October.

- 8.2 On 21st September, Cabinet agreed to delegate the decision as to whether to be part of a Business Rates pool to the Service Director: Resources in consultation with the Executive Member for Finance and IT. This was due to the lack of information available at the time of the meeting and that there were no scheduled meetings of Cabinet before the submission deadline.
- 8.3 Since then, Hertfordshire County Council (HCC) have collated forecasts from the Districts and Boroughs on Business Rates income. This has been used to determine the optimum Pool, and assess the risks of being part of a Pool. This was completed on 6th October and e-mailed to all Authorities on the same day. It was discussed at a meeting of Chief Finance Officers on 7th October. This determined that NHDC is part of the optimum pool and is forecast to gain by around £600k from being part of a Pool. The exact amount of gain will depend on actual Business Rates receipts during 2022/23
- 8.4 Pooling gains also enable the creation of a Hertfordshire investment fund. It is forecast that this could be around £700k. This funding will be managed through the Hertfordshire Growth Board.
- 8.5 There is a very small risk that NHDC could be worse off under a Business Rate Pool. This would happen if one or more Authorities in the Pool saw a significant decline in Business Rates income. The other members of the Pool would then have to provide funding to that Authority/ Authorities to bring their Business Rate income back up to a certain level (known as a Safety-Net). Outside of a Pool this funding would have been provided by Government. This risk is considered to be very low as the Pool has deliberately been formed from those Districts with the highest level of Business Rate income above this Safety Net level.

9. LEGAL IMPLICATIONS

- 9.1. The Cabinet meeting on the 21st September 2021 resolved “That Cabinet delegates to the Service Director: Resources (in consultation with the Executive Member for Finance and IT) authority to enter in to a Business Rate Pooling arrangement (if available) if it is estimated that it will be in the financial interests of the Council”.
- 9.2. A Business Rates Pool would operate under a binding Memorandum of Understanding with the other Authorities involved.
- 9.3. Urgency provisions have been applied to this decision. Details of the optimum Pool membership and forecast gains were not available until 6th October. The Pool application had to be submitted to Government by 8th October. Therefore it was considered that “any delay likely to be caused by the call-in process would seriously prejudice the Council’s... interests”, in that it would prevent the Council being able to take advantage of the gains available. The Chair of the Council has been consulted and agreed to this (Constitution 6.3.11 (b) (i)). The use of this provision will be reported to the next available meeting of Council.

10. FINANCIAL IMPLICATIONS

- 10.1 These are generally covered in section 8. 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. The funding formula is based on the expectation 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 Government). However it is assessed that NHDC only needs £2.6m of this

income, so is required to pay a further £12.5m to Government 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.

- 10.2 A Business Rate Pool provides the opportunity for most of the levy to be avoided.
- 10.3 Where Authorities have a decline in Business Rates below the baseline, they are required to fund the first 7.5% of this fall. Outside of a Pool arrangement, any drop in excess of 7.5% is then funded by Government. This is known as a safety-net. Where Authorities are acting as a Pool, the Pool overall has a safety-net and drops in overall Pool income below the safety-net are funded by Government. However if there were drops in Business Rate income for one (or more) Authorities within a pool, these would need to be funded by the other members of the Pool that had Business Rate gains.
- 10.4 As detailed in paragraph 8.3, the forecast gains from being part of a Pool are £600k. The additional funding would be one-off in nature and there will be delays as to when it can be spent as the Business Rates position is generally not resolved until the end of the year, and most of the funding flows through the Collection Fund.
- 10.5 There are no specific capital implications arising from this decision. As with any revenue funding, it can be used towards capital projects.

11. RISK IMPLICATIONS

- 11.1 The amounts quoted are based on forecasts and are therefore subject to uncertainty as a result of the premises that Businesses use and also appeals over their rateable value. The impacts of Covid-19 add to this uncertainty
- 11.2 As described in paragraph 8.5, NHDC could be taking on greater risk by potentially having to fund a safety-net. However the potential benefits are considered to be more likely

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 arising from this decision.

13. SOCIAL VALUE IMPLICATIONS

- 13.1 The Social Value Act and “go local” policy do not apply to this decision.

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that apply to this decision.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 There are no HR implications arising from this decision.

16. BACKGROUND PAPERS

16.1 Cabinet decision 21st September 2021 <https://democracy.north-herts.gov.uk/ieListDocuments.aspx?CId=133&MId=2596&Ver=4>

17. APPENDICES

17.1 None

NOTIFICATION DATE

8th October 2021

Executive Member Consulted ...Cllr Ian Albert.....

Date8th October 2021.....

Signature of Decision Taker  **.....**

Please Note: that *unless urgency provisions apply* EXECUTIVE decisions cannot be implemented until 5 clear working days have elapsed after the decision has been taken to allow for scrutiny call-in. Urgency provisions have been applied to this decision.