

RECORD OF DECISION MADE UNDER DELEGATED AUTHORITY

*PART 1 – PUBLIC DOCUMENT

SERVICE DIRECTORATE: *Resources*

1. DECISION TAKEN

That North Hertfordshire District Council (NHDC) should be part of an application for a Business Rates pool in 2020/21. 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:

24th October 2019

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 very 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 very 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 18th September 2019.

8. RELEVANT CONSIDERATIONS

8.1 On 17th September 2019, the Ministry for Housing, Communities and Local Government (MHCLG) 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 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 include the Districts/ Boroughs with the highest forecast Business Rate growth.

- 8.2 On 24th September, Cabinet agreed in principle to being part of a Business Rate Pool, and delegated the final decision to the Service Director: Resources in consultation with the Executive Member for Finance and IT.
- 8.3 Since then, Hertfordshire County Council (HCC) have collated forecasts from all the Districts and Boroughs on Business Rate income for 2020/21. This has been used to determine the optimum Pool. This was completed on 22nd October and e-mailed to all Authorities on the same day. 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 2020/21.
- 8.4 Pooling gains also enable the creation of a Hertfordshire investment fund. It is forecast that this could be around £700k. An element of this will be notionally allocated to NHDC to identify a suitable project that it can be used for.
- 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 the MHCLG. 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 24th September resolved that:
1. Approved in principle that the Council is part of a Hertfordshire Business Rates pool in 2020/21.
 2. If it is proposed that the Council would be part of an optimum pool, that the authorisation for the final agreement be delegated to the Service Director-Resources in consultation with the Executive Member for Finance and IT.
- 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 22nd October. The Pool application had to be submitted to the MHCLG by 25th 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 Chairman of the Council has been consulted and agreed to this (Constitution 6.3.11 (b) (i)).

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 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. For

example, a 1% increase in Business Rate income would be around £380k and NHDC would retain 40% of this which is around £150k. However as a proportion of the baseline amount of £2.6m, £150k is almost 6%, so this needs to be reduced down to £26k (i.e. 1% of £2.6m) by applying a levy.

- 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 the MHCLG. 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 the MHCLG. 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.
- 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 far more likely.

12. EQUALITIES IMPLICATIONS

- 11.1 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.
- 11.2 This paragraph should identify the equalities implications of the subject of the record; include reference to any Equalities Impact Assessment carried out; or state that there are no equalities implications.

12. SOCIAL VALUE IMPLICATIONS

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

13. HUMAN RESOURCE IMPLICATIONS

- 13.1 There are no Human Resources implications arising from this report.

14. BACKGROUND PAPERS

Cabinet Report, 24th September 2019, <https://democracy.north-herts.gov.uk/documents/s8468/Business%20Rate%20Pooling%20202021.pdf>

15. APPENDICES

None

NOTIFICATION DATE:

Executive Member ConsultedCllr Ian Albert.....

Date24th October 2019.....

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

Urgency provisions apply to this decision and therefore it is not subject to call-in.