

**POLICY AND RESOURCES COMMITTEE – 9 DECEMBER 2019
COUNCIL – 10 DECEMBER 2019**

PART I – NOT DELEGATED

**5. BUSINESS RATES POOLING
(DoF)**

1. Summary

- 1.1. To seek approval to enter into a business rates pool with Hertfordshire County Council (HCC) and a number of other districts within the County for 2020/21.

2. Details

Introduction

- 2.1. Under the business rates retention scheme local authorities are able to come together on a voluntary basis to pool their business rate income. A pooling arrangement will allow the Council greater scope to generate additional business rates growth across a wider geographic area.

The Council is currently a member of the Hertfordshire Business Rates Pilot. The Pilot will end at the end of March and there will not be any Pilots for 2020/21. The Hertfordshire Councils have come together to form a new pool for 2020/21. An application has been made to MHCLG on 25 October 2019.

- 2.2. The memorandum of understanding which sets out the workings of the pool, the allocation of any running costs associated with operating the pool and the methodology for apportioning any gains achieved by the pool has been agreed as part of the application to the MHCLG and is included at Appendix 1. A lead authority will be appointed (it is anticipated that this will be HCC).
- 2.3. If the application is approved then the pool members can withdraw from the pool within 28 days of the publication of the Local Government Finance Settlement if they feel that it would no longer be of benefit to them.

3. Options/Reasons for Recommendation

- 3.1. The financial benefit of forming a pool is derived by reducing the amount of levy paid to central government on business rates growth. LG Futures have undertaken financial modelling to determine the optimum combination of Hertfordshire councils to form the pool. The authorities who would gain most financial benefit from a pool would be those who have the highest level of growth and therefore the highest value of levy payments.
- 3.2. The results of the modelling have indicated that the most beneficial combination of councils would be HCC, Broxbourne, Hertsmere Borough Council, Three Rivers District Council and Welwyn Hatfield Borough Council and that the financial benefit to Three Rivers District Council could be additional income in the region of £450,000.
- 3.3. The Districts will now retain 75% of the growth (80% 2015/16). The County Council will now receive 25% of the growth (20% in 2015/16). In return for the increased allocation the County will place 32% of its 25% share in an Economic Growth Fund which will be allocated to projects and initiatives that support economic development and growth of the NNDR tax base in Hertfordshire. This will enable the retained income to be shared across the county and the benefit to be shared with those Councils which are not in the pool.

- 3.4. Bids to the Economic Growth Fund may be made by any local authority within Hertfordshire. Decisions on the allocation of funds will be made by the S151 Officer of Hertfordshire County Council and Pool Members, which may be in consultation with the Hertfordshire LEP and with the S151 Officers of all District Councils within Hertfordshire. If agreement cannot be reached on the allocation of the Economic Growth Fund, such will be resolved in accordance with the Dispute resolution provisions set out in the Memorandum of Understanding.
- 3.5. Any balance in the Economic Growth Fund will be invested in accordance with the Lead Authority's Treasury Management Strategy and interest will be allocated on the basis of average interest earned by the Lead Authority.

Pooling Governance Arrangements

- 3.6. The governance arrangements for the pool are contained in Appendix 1. The key proposals are outlined below:
- The main objective of the pool is to generate increased resources for the region;
 - Pool members agree to protect and mitigate as far as possible the risks associated with business rate income;
 - The pool members agree to share costs, risks and benefits proportionately;
 - Subject to available resources pool members should be no worse off than they would be outside of the pool;
 - Pool members will be open and trusting in their dealings with each other
 - Decisions will be made in the pool members acting reasonably and in good faith.
 - That an Economic Growth Fund is established
- 3.7. If the new pool is not accepted by the DCLG then there will be no pooling for 2020/21.

Risks

- 3.8. Pooling business rates does bring with it some risks. The Government will make a safety net payment to authorities who see their income from Business Rates drop by a set percentage below their baseline funding level. In a pool the safety net payment is calculated on the pool as a whole. It is therefore unlikely that the Hertfordshire pool would ever trigger this payment.
- 3.9. The localisation of business rates already carries an element of risk as it is impacted by many factors, most of which are outside of the Council's control. These are already acknowledged in the Council's risk management strategy.

Timeline

- 3.10. The timeline for establishing the pool is set out below:

Date	Action
December 2019	Local Government Settlement announced
January 2020	Local Authorities to notify MHCLG of their intention not to proceed.
April 2020	Pool commences

4. Policy/Budget Implications

4.1 The recommendations in this report are within the Council's agreed policy and budgets.

5. **Legal, Staffing, Environmental, Community Safety, Customer Services Centre, Communications & Website Implications**

5.1. None specific.

6. **Financial Implications**

6.1. These are included in the report.

7. **Equal Opportunities Implications**

7.1. Relevance Test

Has a relevance test been completed for Equality Impact? <i>There is no proposed change to current policy.</i>	No
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8. **Risk Management and Health and Safety Implications**

8.1 The Council has agreed its risk management strategy which can be found on the website at <http://www.threerivers.gov.uk>. In addition, the risks of the proposals in the report have also been assessed against the Council's duties under Health and Safety legislation relating to employees, visitors and persons affected by our operations. The risk management implications of this report are detailed below.

8.2 This risk of being a member of the pool is not yet contained within the existing risk register but the general risk around the fluctuations in the level of business rates is already included. Any risks resulting from this report will be included in the risk register and, if necessary, managed within these plans.

8.3 The subject of this report is covered by the Finance and Revenue and Benefits service plans. Any risks resulting from this report will be included in the risk register and, if necessary, managed within this/these plans.

Nature of Risk	Consequence	Suggested Control Measures	Response <i>(tolerate, treat, terminate, transfer)</i>	Risk Rating <i>(combination of likelihood and impact)</i>
The pool may fall into a safety net position due to a reduction in business rates in one or more of the member authorities	Income from business rates may be less than budgeted	Regular monitoring of the pool.	Tolerate	2

8.4 The above risks are scored using the matrix below. The Council has determined its aversion to risk and is prepared to tolerate risks where the combination of impact and likelihood scores 6 or less.

Very Likely ----- Likelihood ----- ▼ Remote	Low	High	Very High	Very High
	4	8	12	16
	Low	Medium	High	Very High
	3	6	9	12
Low	Low	Medium	High	
2	4	6	8	
Low	Low	Low	Low	
1	2	3	4	
Impact Low -----► Unacceptable				

Impact Score

- 4 (Catastrophic)
- 3 (Critical)
- 2 (Significant)
- 1 (Marginal)

Likelihood Score

- 4 (Very Likely (≥80%))
- 3 (Likely (21-79%))
- 2 (Unlikely (6-20%))
- 1 (Remote (≤5%))

8.5 In the officers’ opinion none of the new risks above, were they to come about, would seriously prejudice the achievement of the Strategic Plan and are therefore operational risks. The effectiveness of the management of operational risks is reviewed by the Audit Committee annually.

9. Recommendation

9.1 That Council agrees that, subject to a final review following the Local Government Settlement for 2020/21, Three Rivers District Council enters into the Hertfordshire Business Rates Pool.

9.2 Recommend Council delegate authority to the Chief Executive and the Director of Finance, in consultation with the Chairman and Vice Chairman of the Policy and Resources Committee to sign up to the Hertfordshire Business Rates Pool, within 28 days of the Local Government Finance Settlement.

Report prepared by: Joanne Wagstaffe – Director of Finance

Data Quality

Data sources: LG Futures and Ministry of Housing, Communities and Local Government

Data rating:

1	Poor	
2	Sufficient	
3	High	✓

Background Papers

APPENDICES / ATTACHMENTS

Memorandum of Understanding