

POLICY AND RESOURCES COMMITTEE

2 DECEMBER 2024

BUSINESS RATE POOLING 2025/26

(DoF)

1. Summary

- 1.1. To seek delegated approval to enter into a business rates pool with Hertfordshire County Council (HCC) and a number of other Districts within the County for 2025/26.

Details

Introduction

- 1.2. 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.
- 1.3. The Council has previously been a member of the Hertfordshire Business Rates Pool. The Hertfordshire Councils have come together to form a new pool for 2025/26 and an application has been made to MHCLG. Hertfordshire authorities take advice from LG Futures as to whether pooling will be advantageous and which authorities should form part of the pool to maximise benefits and minimise risk. Three Rivers has usually been part of the pool but the risk of appeals was too high in 2024/25 as a result of business rate revaluation. This risk has now diminished as the VOA have reviewed the revaluation and additional provision has been made for appeals.
- 1.4. If the application is approved then the pool members can withdraw from the pool within 28 days of the publication of the Provisional Local Government Finance Settlement if they feel that it would no longer be of benefit to them. Though it should be noted that the effect of any local authority within that pool deciding to leave is that the entire pool is revoked, with no option to form a new pool until the following financial year. The Fair Funding Review will be implemented from 2026/27 and at present there is no indication of whether pooling will remain or whether this will be of benefit to Hertfordshire.

2. Options/Reasons for Recommendation

- 1.5. 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.
- 1.6. The Districts will continue to retain 70% of the growth. The County Council will continue to receive 30% of the growth. As has been the arrangement since

2016/17 when the County's share increased from 20% to 30%, the County will place 50% of its 30% 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.

1.7. A key principle of the pooling arrangement is that, subject to available resources, pool members should be no worse off than they would be outside of the pool.

1.8. If the new pool is not accepted by the DLUHC then there will be no pooling for 2025/26.

3. **Risks**

1.9. 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.

1.10. 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.

4. **Timeline**

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

Date	Action
December 2024	Provisional Local Government Settlement announced
January 2025	Local Authorities to notify DLUHC of their intention not to proceed.
April 2025	Pool commences

5. **Policy/Budget Implications**

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

1.13. Legal Implications

1.14. Legal comments to be obtained.

1.15. Financial Implications

1.16. These are included in the report.

1.17. Equal Opportunities Implications

1.18. Relevance Test

Has a relevance test been completed for Equality Impact? There is no proposed change to current policy.	No
--	----

1.19. Risk Management Implications

1.20. This risk of being a member of the pool is not specifically 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.

1.21. 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 (tolerate, treat terminate, transfer)	Risk Rating (combination of likelihood and impact)
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

6. **Recommendation**

1.22. That Council agrees in principle that Three Rivers District Council enters into the Hertfordshire Business Rates Pool, subject to the Government accepting its application to form a pool.

1.23. That Council delegate authority to the Chief Executive and the Director of Finance to sign up to the Hertfordshire Business Rates Pool, within 28 days of the Local Government Finance Settlement.

Report prepared by: Alison Scott, Director of Finance

Data Quality

Data sources: LG Futures and Department for Levelling Up, Housing and Communities

Data rating:

1	Poor	
2	Sufficient	
3	High	✓

Background Papers

No background papers have been used in the preparation of this report.

APPENDICES / ATTACHMENTS

none