

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 14 OCTOBER 2020
REPORT OF THE CORPORATE DIRECTOR (RESOURCES, ENVIRONMENT AND
CULTURAL SERVICES)

BUSINESS RATES POOLING

1 Executive Summary

- 1.1 Hertfordshire was designated by the Government as a business rates pooling arrangement for 2020/21, which allows authorities to retain 50% of the growth in business rates within the area.
- 1.2 By law, all existing pool designations continue in force from year to year unless they are revoked by the Ministry of Housing, Communities and Local Government (MHCLG). On 9 September 2020, MHCLG confirmed that it is their intention, for 2021-22, not to revoke existing designations unless requested to do so by authorities. Under the legislation, MHCLG must revoke designations and dissolve existing pools if requested to do so by one, or more, of the pool members.
- 1.3 The business rates pooling application is currently being worked through the Hertfordshire Chief Finance Officer group and as the deadline for submission is due to close on 23 October, the purpose of this report is to seek delegated authority to enter into a business rates pooling arrangement with other authorities in Hertfordshire, if there is a financial case for doing so.
- 1.4 Due to the current pandemic and the impact on business rates liabilities and collection rates, unlike in previous years, there is a possibility that there may not be a strong business case to create a pooling arrangement at all within Hertfordshire for 2021/22.

2 Recommendation(s)

- 2.1 That Cabinet agrees to give delegated authority to the Section 151 Officer, in consultation with the Executive Member for Resources, to submit an application for the 2021/22 Business Rates Pooling arrangement for Hertfordshire, if after full consideration, there is a financial case for doing so.

3 Explanation

- 3.1 Under the current Business Rates Retention scheme, income is shared between:
Central Government (50%),
County Council (10%) and
District Councils (40%).

- 3.2 All Shire District authorities such as Welwyn Hatfield are classified as “tariff”, where business rates income is higher than our assessed need, the difference being paid to Central Government.
- 3.3 Growth in business rates income above a baseline figure is shared in the same proportion as 3.1, but tariff authorities also pay a levy on their share of growth, currently 50%, to central government. Therefore under the current system, the council only retains 20% of growth above the business rates baseline.
- 3.4 The Government has been consulting in the past few years on the reform of the business rates retention system and the operation of a 75% business rates retention system. The reform looked at a number of the key factors, such as the frequency at which the system should be ‘reset’, the level at which safety net is set, and the apportionment of income between preceptors. In April 2020, the government announced that the 75% business rates retention system will not be implemented in 2021/22.
- 3.5 The Business Rates pooling arrangement allows 50% of the growth being retained in the pooling area. It should be noted that Welwyn Hatfield, along with 5 other authorities in Hertfordshire were in a pooling arrangement in 2020/21. The principle that was previously agreed by all Hertfordshire authorities was that the Business Rates Pooling arrangement should be based on the combination of authorities that gives the greatest potential pooling gain. It is therefore no guarantee that the Borough Council would be selected in the pool.
- 3.6 Officers from all the Hertfordshire authorities are currently carrying out detailed analysis along with advice from LG Futures, which is a consultancy firm that successfully supported Hertfordshire’s business rates pilot and pooling submissions in previous years. It is expected that the proposal will be developed into draft stage to be discussed by Hertfordshire Chief Finance Officers in the coming weeks.
- 3.7 If agreement is achieved from all Hertfordshire Authorities, an application for the Business Rates pool will need to be signed off and submitted by all Section151 officers of the prospective pool authorities by 23 October 2020. Given the short timescale, it is therefore necessary to seek delegated authority and agreed for the Council to enter into a Business Rates pooling scheme for 2021/22, if there is a financial case for doing so.

Implications

4 Legal Implication(s)

- 4.1 Formal agreements for sharing of business rates income will need to be in place should Hertfordshire authorities agree to proceed with a pool scheme. These will need to be submitted to the Government as part of the application process.

5 Financial Implication(s)

- 5.1 Application to enter into a business rates pool scheme for 2021/22 will only be made if the Council’s S151 Officer, in consultation with the Executive Member for Resources is satisfied the Councils funding levels are protected under the pooling arrangements. Although based on past experience the council is likely to gain financially if selected in a business rates pool, there is a possibility that a pool may not be created at all for 2021/22 due to the impact of the pandemic on

Business Rates. It is difficult to quantify the any values at this stage until the detailed analysis is completed.

- 5.2 Should the pooling scheme be successful, any additional business rates income to be retained locally at Borough level will be considered as part of the budget setting process for 2021/22.

6 Risk Management Implications

- 6.1 Risks around business rates volatility will be modelled through sensitivity analysis prior to the application stage. Should the application proceed, risk will be shared with the other Hertfordshire authorities.

7 Security & Terrorism Implication(s)

- 7.1 There are no security or terrorism implications.

8 Procurement Implication(s)

- 8.1 There are no procurement implications arising from this report.

9 Climate Change Implication(s)

- 9.1 There are no direct climate change implications to consider.

10 Health and Wellbeing Implication(s)

- 10.1 There are no direct health and wellbeing implications to consider.

11 Link to Corporate Priorities

- 11.1 The subject of this report is linked to the following Council's Corporate Priorities:

- "Our Economy – Promoting Investment and Regeneration"
- "Our Economy – Supporting Sustainable Economic Growth"
- "Our Council – Achieving Value for Money"

12 Communications Plan

- 12.1 Officers will be working with the Communications team if the business rates pooling application is successful.

13 Equality and Diversity

- 13.1 An Equality Impact Assessment (EIA) has not been carried out in connection with the proposals as there are no equalities or diversities issues arising from the report.

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Date 16 September 2020