

# Record of Urgent Decision taken by the Leader

APPENDIX A

**Decision title: Business Rates Pool 2022/23 Financial Year**

**Executive Councillor making the decision: Cllr Federica Smith-Roberts**

**Author Contact Details: Paul Fitzgerald, [S151@somersetwestandtaunton.gov.uk](mailto:S151@somersetwestandtaunton.gov.uk)**

**Date of Decision: 7 October 2021**

## **Details of decision:**

The decision is for Somerset West and Taunton Council to withdraw from the Business Rates Pool in 2022/23, to reduce risk and optimise retained business rates funding within the Somerset. In so doing the continuing Pool members have agreed to allocate a proportion of pooling financial benefits in 2022/23 to SWTC in recognition of decision to optimise financial performance of the Pool and support funding retention across the County.

## **Reasons for proposed decision:**

The County Council and four District Councils in Somerset currently form the Somerset Business Rates Pool. This pooling arrangement seeks to retain a greater proportion of business rates funding within the county, through combining the authorities' funding baselines to reduce the amount of levy on funding growth that would otherwise be paid to central government. This reduction in levy represents the gain from pooling, and is shared between the five councils on an agreed basis. Pooling gains arise when business rates income is above the Funding Baseline, as is currently the case in all four districts.

The Government issued a request to all local authorities on 13 September 2021 with a deadline of 8 October 2021 to inform Government of the proposed pooling arrangements for 2022/23 financial year. The options available are:

- Continue with the current pool membership (County plus four districts)
- Vary the authorities in the pool (ins and outs)
- Dissolve the pool

The estimated amount of business rates to be collected within Somerset West and Taunton next year will reduce significantly when Hinkley Point B nuclear power station ceases production and commences decommissioning, which is expected to happen no later than July 2022. This creates a very high risk that SWTC share of business rates income will fall below the Funding Safety Net and at the same time create an excessive risk of adverse financial impact on the Pool. The pooling authorities' Section 151 Officers agreed to commission financial modelling to support the decision using up to date information, with different scenarios regarding when Hinkley B business rates would potentially reduce, and the estimated benefits of alternative pooling arrangements.

In order to de-risk the Pool it has been agreed that SWTC will leave the pool at the end of the current financial year, and that the Pool will continue in 2022/23 with Somerset County Council plus Mendip, Sedgemoor and South Somerset district councils only. This seeks to optimise the funding benefits within Somerset, and in lieu of this the Pooling proposal for 2022/23 includes agreement of the continuing pool members that an element of the

pooling gain share still being distributed to SWTC for that year, in order to continue sharing funding benefit across the four district areas within Somerset.

**Alternative funding options sourced:**

Not applicable

<b>The below has been completed:</b>	<b>Name(s)</b>	<b>Date</b>
Relevant ward councillor(s) consulted	Cllr Henley, Portfolio Holder for Corporate Resources – decision applies to whole district funding.	6/10/2021
<b>The following are if appropriate / applicable: Yes/No. If yes the implications should be attached to this decision notice.</b>		
Finance implications	Yes	
Legal implications	No	
Links to corporate aims	Yes	
Climate and Sustainability implications	No	
Community Safety Implications	No	
Equalities Impact	No	
Safeguarding Implications	No	
Risk management	Yes	
Partnership implications	Yes	

**Any conflicts of interest declared by Leader or Executive Members consulted on the proposed decision. If Yes provide confirmation from Chief Executive to grant dispensation for the Leader's / Executive Member's views to be considered.**

**Decision Maker**

**I am aware of the details of this decision(s), considered the reasons, options, representations and consultation responses and give my approval / agreement to its implementation.**

**Signed:**

**Name: Cllr Federica Smith-Roberts**

**Date: 14 October 2021**

Note – This decision record is for decisions taken by Executive Councillors. The decision(s) can be implemented following publication and the period for any call-in has expired.

**Note:** A copy should also be sent to the Governance Team – [governance@somersetwestandtaunton.gov.uk](mailto:governance@somersetwestandtaunton.gov.uk)

## **Financial Implications**

The county and district councils in Somerset have benefited from pooling their business rates baselines and targets for several years, with business rates net income exceeding the combined target set by Government through the Finance Settlement.

Hinkley Point B nuclear power station provides around 20% of business rates income collected within Somerset West and Taunton, and it is anticipated this will reduce significantly when the power station ceases production, which is not expected to be any later than July 2022. There is also a wider economic risk to business rates income following the COVID pandemic and as government support reduces, placing increased risk to collection rates.

Whilst there is a possibility SWTC will remain above the business rates retention baseline, and then contribute 'growth funding' into the pool, it is equally possible that rates income will fall below the safety net and require top up funding. When operating within the pool this top up to the safety net is funded by growth in other districts, whereas outside the pool this top up is funded by central Government thus increasing growth funding retained within Somerset.

The S151 Officers have reviewed scenarios to assess the risk and reward of pooling with and without SWTC given the impact of Hinkley Point B ceasing production. By exiting the Pool it is estimated that SWTC's 'best case' funding projection is reduced by c£150k, but protects the Pool from funding a potential safety net payment to SWTC of c£250k. Equally the Pool members retain more growth funding through the pooling mechanism as the benefit is shared between four authorities rather than five.

In lieu of derisking the pool by exiting, the remaining Pool members have agreed that a proportion of retained growth funding in 2022/23 will be paid to SWTC proportionate to the funding baseline, ensuring additional growth funding retained continues to benefit across the County. It is estimated this could be in the range £250k-£350k for SWTC, and would represent an improvement on SWTC's 'worst case' funding position.

On balance it is therefore recommended by the S151 Officer that SWTC exits the Pool for 2022/23 to minimise risk to funding for the Council and for the greater benefit to the combined funding position across Somerset.

## **Link to Corporate Aims**

The decision directly relates to funding estimates that can be included within the Council's budget, and the recommendations seeks to provide a prudent and beneficial contribution to the Council's financial sustainability.

## **Risk Management**

Business Rates Retention funding is volatile, and the decision to Pool each year takes into an assessment by the S151 Officers of relative risks and rewards of pooling. Risks for 2022/23 are explained above. Outside the Pool the minimum funding position is protected by Government through the Safety Net mechanism. SWTC also mitigates risk through a

contingency held within the Business Rates Volatility Reserve to underwrite large variations to budget estimates.

### **Partnership Implications**

The current Somerset Business Rates Pool includes the County Council and four District Councils in Somerset. The implications and risks for all five councils has been considered in reaching this decision.