

Cabinet 25 October 2023	 TOWER HAMLETS
Report of: Julie Lorraine, Corporate Director of Resources	Classification: Open (Unrestricted)
Continuation of Business Rates Pooling	

Lead Member	Councillor Saied Ahmed, Cabinet Member for Resources and the Cost of Living
Originating Officer(s)	John Harrison, Interim Director of Finance, Procurement and Audit Chris Leslie – Head of Strategic and Corporate Finance
Wards affected	(All Wards);
Key Decision?	Yes
Reason for Key Decision	Financial threshold
Forward Plan Notice Published	20/09/23
Exempt information	N/A
Strategic Plan Priority / Outcome	Investing in Public Services

Executive Summary

By continuing in the business rates pool in 2024/25 the Council is projected to gain £2m in additional income.

Recommendations:

The Mayor in Cabinet is recommended to:

1. Continue the Council's participation in the 8 Authority Pool for Business Rates with seven other London Local Authorities for 2024-25.

1 REASONS FOR THE DECISIONS

- 1.1 Through membership of the business rates pool to date, the Council is projected to gain £5.1m (£3.5m in 2022/23 and £1.6m in 2023/24). It is expected that through continued membership in 2024/25 the Council would benefit from a further c£2m.

- 1.2 Each year the Government requires Local Authorities to confirm their membership of business rates pools. This report seeks approval for the London Borough of Tower Hamlets to continue in the 8 Authority Pool for Business Rates with seven other London Local Authorities.

2 ALTERNATIVE OPTIONS

- 2.1 The alternative is not to join the pool. As there must be geographical connections between pooling authorities there are no alternative pools to join currently.

3 DETAILS OF THE REPORT

- 3.1 A business rate pool is a voluntary arrangement between a group of local authorities whereby their combined business rates income and any growth is collected as one common fund or 'pool'. The pooling process which is a statutory mechanism is based on powers conferred by Part 9 of Schedule 7B to the Local Government Finance Act 1988 (inserted by Schedule 1 to the Local Government Finance Act 2012). Broadly the Act provides a mechanism for two or more authorities to pool business rates and that pools will start in each financial year from 1 April.
- 3.2 There is a strong incentive to pool because, in many cases, authorities that pool can be better off collectively. This is because the levy rate for a pool as a whole can be lower than that for individual pool members if they remained outside the pool.
- 3.3 When determining which set of authorities should form a pool the financial benefits of different groupings are assessed, and pools are largely based on this. This is why the current grouping exists and is not a wider London pool.
- 3.4 The Council entered a business rates pool with seven other neighbouring London Boroughs in 2022/23 (the 8 Authority Pool) and will continue in this pool arrangement for 2023/24. This enables the Council to retain some of the levy on growth that would otherwise be required to be paid to Central Government.
- 3.5 Members of the Pool are:
- Barnet
 - Brent
 - City of London
 - Enfield
 - Hackney
 - Haringey
 - Tower Hamlets
 - Waltham Forest
- 3.6 The pool uses LG Futures to support its projections and modelling. Based on past performance and current forecasts it is expected the Council could gain c£2m in levy payments through the pool in 2024/25, that would have been

paid to central government. Savings are based on actual business rates retained at the year end so are subject to change.

- 3.7 Each authority is required to renew their agreement to the pool every year so there is no guarantee the pool will be formed again in 2024/25. However, given the sizeable financial incentive and benefit to date it is likely that the pool will continue, and the Council will have the option to join it again.
- 3.8 Members of the pool have until 28 days after the provisional Local Government Finance settlement to withdraw from the pool. However, a withdrawal of any single member would cause the pool to end and therefore impact on all other members.
- 3.9 Membership of the pool does not impact on the Council's decision-making abilities, and there is an administrative change where payments are made/received from the pool administrator (City of London) instead of directly to Central Government.
- 3.10 A member of the pool is required to be the administrator, which comes with several responsibilities. This includes making payments, calculating amounts due or owed and being the main point of contact for government. The pool reimburses the City of London for the administrative costs incurred, which are expected to be c£62k in 2024/25.

4 EQUALITIES IMPLICATIONS

- 4.1 There are no equality implications directly resulting from this report.

5 OTHER STATUTORY IMPLICATIONS

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:
- Best Value Implications,
 - Consultations,
 - Environmental (including air quality),
 - Risk Management,
 - Crime Reduction,
 - Safeguarding.
 - Data Protection / Privacy Impact Assessment.

- 5.2 There are no other statutory implications contained in this report.

6 COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 Continued membership of the business rates pool is projected to save the Council £2m in payments to central government.

7 COMMENTS OF LEGAL SERVICES

- 7.1 The Council has the power to enter into the statutory pooling process under Part 9 of Schedule 7B to the Local Government Finance Act 1988 (inserted by Schedule 1 to the Local Government Finance Act 2012).
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Linked Reports, Appendices and Background Documents

Linked Report

None.

Appendices

None.

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

None.

Officer contact details for documents:

N/A