

Nottinghamshire Finance Officers Report

Nottinghamshire Business Rates Pool: future pooling arrangements (2026/27 and beyond)

Purpose of the Report

1. To determine whether the Nottinghamshire Business Rates Pool should continue to operate for 2026/27.

Background

2. The Nottinghamshire Business Rates Pool has operated since 2023/14 with all members of Nottinghamshire being part of the pool barring Nottingham City Council and the Nottinghamshire Fire Authority.
3. In that time (to 31st March 2025) £74.6m has been retained locally that would otherwise have been paid to MHCLG.
4. Pooling has been a lucrative option for Local Government and has been utilised across the Country since 2013/14. Initially the number of pools (and their size in terms of LAs) was low (less than 10). More recently, as there was a greater understanding of Business Rates Retention and a greater confidence that authorities were going to be above baseline, numbers increased to over 25 pools with nearly 200 local authorities included.
5. This number was drastically reduced to be provisionally continued for the 2026/27 financial year. Only 11 pools signalled their intent to continue prior to the provisional LGFS announcement. It is also anticipated that this would be reviewed further as more information regarding how the system would work was announced as part of the provisional LGFS.
6. As part of the provisional LGFS, the Business Rates system has been reviewed and revamped. Under the previous system as Nottinghamshire County Council's top-up status exceeded the sum of the District and Borough tariff's the pool's overall levy rate was 0%. This meant the 50% levy that would have been due to MHCLG, should there not have been a pool, that each individual District and Borough incurred, would remain within Nottinghamshire. Therefore, where authorities were collecting more in business rates than the set NNDR baseline this triggered a levy to be paid. As the levy rate for the pool was 0% this meant that that levy was not payable to MHCLG, enabling the funds to stay within Nottinghamshire as pooling gains.
7. For 2026/27 there are two significant changes in the Business Rate Retention (BRR) system that impact on the viability of business rate pools:
 - Full reset of the BRR system:- all authorities will have a new NNDR Baseline amount that is expected to be equal to the amount to be collected – hence there is unlikely to be significant variances between the amount to be collected and the baseline amount. These variances are just as likely to leave authorities above or below the NNDR baseline.
 - Reform to the levy/safety net system:- For 2026/27 onwards the levy rates have been changed. These are now uniform for all authorities, instead of being linked to top up/tariff status. The new rates being:

Stage	Business rates retention income as a % of a local authorities' Baseline Funding Level	Levy rate charged on business rates retention income over Baseline Funding Level
1. Initial growth	100% - 110%	10%
2. Further growth	110% - 200%	30%
3. High growth	200%+	45%

For the safety net, the level of support has increased in 2026/27 and 2027/28, from 92.5% of Baseline Funding Level (BFL), with the new rates being:

2026/27 safety net guaranteeing 100% of BFL

2027/28 safety net guaranteeing 97% of BFL

2028/29 safety net guaranteeing 92.5% of BFL.

Proposals

8. Due to the changes in the system, it is anticipated that the risks outweigh the rewards in respect of pooling. As baseline funding levels have been adjusted to be more accurate, it is more likely that authorities will need a safety net payment, which would need to be funded by the other authorities in the pool where a pool exists. MHCLG would fund any safety net payments for authorities where they are not in a pool. The example below demonstrates this.

Two authority pool:

Authority A – growth of £200k

Authority B – below baseline £100k

Where the authorities are pooled:

Add up, so effectively A gives B £100k as it is below the baseline (hence needs the safety net payment)

Total net growth of £100k, 10% levy, so £10k paid in levy to MHCLG

Total net growth retained of £90k

Where the authorities are not pooled

A has growth of £200k hence 10% levy payable to MHCLG – A retains £180k

B receives £100k from MHCLG in safety net payment

Total net growth retained of £180k (£90k better off not pooling)

9. Based on the above it is therefore proposed that Nottinghamshire would not operate a Business Rates pool for 2026/27. This decision could be reviewed as part of Q1 monitoring in order to understand what the impact of the changes have been on individual authorities, to determine pooling viability in 2027/28.

Recommendations

1. To note the significant benefits of operating the Nottinghamshire Business Rates pool since 2013/14
2. To agree the dissolution of the Nottinghamshire Business Rates pool at the end of 2025/26 and revoke the intent to pool in 2026/27 with MHCLG.
3. To review 2026/27 Business Rates Income levels after Q1 monitoring to determine potential pooling viability in 2027/28.