Report to: Strategy, Performance & Finance Portfolio

Decision Date: 12 January 2026

Portfolio Holder: Councillor Paul Peacock

Director Lead: Sanjiv Kohli, Deputy Chief Executive & Director – Resources

Lead Officer: Nick Wilson, Business Manager – Financial Services. Ext 5317

Report Summary	
Type of Report	Open Report / Non-Key Decision
Report Title	Non-Domestic Rates Pooling Arrangements
Purpose of Report	To determine whether the Council should continue as a member of the Nottinghamshire Business Rates Pool for 2026/27
Recommendations	To agree that the Nottinghamshire Business Rates pool should be dissolved at the end of 2025/26 and revoke the intent to pool in 2026/27 with MHCLG.
Alternative Options Considered	To continue with the current pooling arrngements in 2026/27
Reason for Recommendation	Due to the changes in the system, it is anticipated that the risks of remaining in the Nottinghamshire Business Rates Pool outweigh the rewards and as such the Council could be at risk of being adversely impacted financially
Decision Taken	To withdraw the Councils membership of the Nottinghamshire Business Rates pool from 1st April 2026

1.0 Background

1.1 The Nottinghamshire Business Rates Pool has operated since 2023/14 with all Councils and Boroughs in Nottinghamshire being part of the pool barring Nottingham City Council and the Nottinghamshire Fire Authority.

1.2 In that time (to 31st March 2025) £74.6m has been retained locally that would otherwise have been paid to MHCLG.

1.3 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) nationally 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 funding levels, numbers increased to over 25 pools with nearly 200 local authorities included.

1.4 This number of pools was drastically reduced, for provisional continuance ,for the 2026/27 financial year. Only 11 pools (including Nottinghamshire) showed an intent to continue prior to the provisional LGFS announcement. It was anticipated that this would reviewed as more information regarding how the system would work, from 2026/27, was announced as part of the provisional LGFS.

1.5 As part of the Local Government Finance Settlement, the Business Rates system has been reviewed and revamped. Under the current pooling rules, a levy on growth is only due from authorities with a tariff charged on business rates income. In a business rates pool all authority income is treated as a single figure. As Nottinghamshire County Council's top-up exceeded the sum of the District and Borough tariffs, the pool's was treated as a top-up authority and the overall levy rate was 0%. This meant the 50% levy that would have been due to MHCLG should there not have been a pool, remain within Nottinghamshire. 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 MHGLG, enabling the funds to stay within Nottinghamshire as pooling gains.

1.6 For 2026/27 there are two significant changes in the 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 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.

2.0 Proposal/Options Considered

2.1 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)

2.2 Based on the above it is proposed that the Council withdraws for the Nottinghamshire Business Rates pool for 2026/27.

3.0 Implications

Implications Considered Yes – relevant and included / NA – not applicable			
Financial	Yes	Equality & Diversity	N/A
Human Resources	N/A	Human Rights	N/A
Legal	N/A	Data Protection	N/A
Digital & Cyber Security	N/A	Safeguarding	N/A
Sustainability	N/A	Crime & Disorder	N/A
LGR	N/A	Tenant Consultation	N/A

Financial Implications

3.1 Financial implications are difficult to measure, as Business Rates Retention reset has removed all existing growth from the system. All authorities should have had their Business Rates Baselines adjusted to remove all prior growth. Given the changes to levy rates (identified earlier in this report) the risk of pooling in year one of the resets period outweighs the potential rewards.

The example shown at paragraph 2.1 shows that through pooling the area would be worse off by £90,000 if pooling were to have gone ahead. Other scenarios where multiple authorities pool together have indicated a similar outcome except where all authorities experience growth.

The MTFP budget assumptions for 2026/27 did not include any allowance for pooling related income as part of its production in March 2025. As such this decision does not have a material impact on the 2026/27 budget and beyond.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

Pooling in Nottinghamshire 2026/27