



Hinckley & Bosworth Borough Council

FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING

FINANCE & PERFORMANCE SCRUTINY 17 DECEMBER 2018

WARDS AFFECTED: All Wards

BUSINESS RATES AND POOLING UPDATE QUARTER 2 - 2018/19

Report of Head of Finance

1. PURPOSE OF REPORT

- 1.1 To inform the committee of business rates performance from 1 April – 30 September 2018 and to provide an update on pooling arrangements for 2018/2019.

2. RECOMMENDATION

- 2.1 That the committee notes the contents of the report.

3. BACKGROUND TO THE REPORT

- 3.1 Hinckley and Bosworth BC as a billing authorities pay 50% of collected business rates to government. The remaining 50% is split between the billing authority (40%) and the precepting authorities (10%).
- 3.2 Following these payments, the retained business rates of billing authorities are subject to a tariff set out in the respective Local Government Finance Settlement. Any growth in business rates over the set baseline will be subject to a “levy” payment of 50%, with the remaining half retained by the host Council. Correspondingly, if a Council loses 7.5% of their set threshold, a “safety net” payment will be triggered to compensate for the loss.
- 3.3 The Council will receive “section 31 grant” income. The allocated grant was based on the level of reliefs that were forecast to be granted in 2018/2019 in the submitted business rates budget form (the NNDR1) as noted in the table below. The actual grant will be determined based on the actual reliefs awarded by 31st March 2019, therefore is reduced in relation to the level of relief awarded.

- 3.4 The budgeted business rates performance for this council, along with the forecast as at March 2019 is summarised below.

	NDR1 Rates Forecast 2018/19	Jun-18	Sep-18
	£'000	£'000	£'000
NNDR collected (net of reliefs)	32,640	31,755	31,686
Less:			
Central Government share	-16,320	-15,878	-15,843
County Council share	-2,938	-2,858	-2,852
Fire Authority Share	-326	-318	-317
HBBC notional share	13,056	12,702	12,674
S31 Grant compensation	1,203	1,159	1,246
Total before tariff	14,259	13,861	13,920
Tariff charged on HBBC	-9,278	-9,278	-9,278
Levy charged on growth 50%	-1,241	-1,042	-1,071
Retained income total	3,740	3,541	3,571
The retained income is made up of:			
Baseline funding	2,500	2,500	2,500
Total growth	2,482	2,083	2,142
Less 50% Levy	-1,241	-1,042	-1,071
Total	3,741	3,541	3,571
Movement	0	-200	-170

- 3.4.1 The above table shows that as at 30th September 2018, the council is forecasting £3,571,000 of retained business rate income for 2018/2019, which is down £170,000 on the original budget. Because the expected income on the submitted NDR 1 is higher than the actual in year income, this also means the forecast deficit on the collection fund for business rates, is expected to be £0.5m, which is £0.2m higher than forecast. This is due to businesses that had been expected to locate to the area, not yet doing so. This will also affect future expectations on the level of income forecast to include in the MTFS.
- 3.5 Although this is a still a positive position, it is important to acknowledge the volatility of business rates which can be impacted negatively by many factors including:
- Companies going out of business or moving from the area,
 - Empty properties – The economic climate and the move to on line shopping may increase the level of empty properties and the time they remain empty,
 - Awards of reliefs; most significantly changes to the small business rate level expected to be funded by central government, but the details are not yet known, and
 - Results of appeals lodged by businesses against their liabilities.

Pooling

- 3.5.1 The Council continues to be member of the Leicestershire pool for 2018/19, this enables funds that are normally paid to central government to be retained and used by the LLEP locally.
- 3.5.2 HBBC in the process of approving a business rates pilot bid based on 75% local retention. This will lead, if successful, to an overall forecast benefit to the Leicester and Leicestershire area of £13.7m if successful. Of the £13.7m estimated, £9.2m relates to the two-tier area, of which approximately £3m will be distributed to the district councils in the area. The announcement if successful pilot bids is expected on the 6 December 2018.

4. EXEMPTIONS IN ACCORDANCE WITH THE ACCESS TO INFORMATION PROCEDURE RULES

- 4.1 Report to be taken in open session

5. FINANCIAL IMPLICATIONS (AW)

- 5.1 Contained in the body of the report.

6. LEGAL IMPLICATIONS (MR)

- 6.1 Section 59A of the Local Government Finance Act 1988 allows local authorities to pool business rates. The pooling between the Leicestershire Councils will be governed by a legal agreement between the parties

7. CORPORATE PLAN IMPLICATIONS

- 7.1 To ensure the Council's governance arrangements are robust

8. CONSULTATION

- 8.1 All members of the Business Rates Pool were included in decisions made on its operation for 2018/19.

9. RISK IMPLICATIONS

- 9.1 It is the council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.
- 9.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.
- 9.3 The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
None		

10. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

Various reliefs are available for businesses and charities under the business rate regulations.

11. CORPORATE IMPLICATIONS

By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

Background Papers: Revenues and Benefits Monitoring Reports
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