



Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING

FINANCE & PERFORMANCE SCRUTINY 21 November 2016

WARDS AFFECTED: All Wards

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## **BUSINESS RATES AND POOLING UPDATE QUARTER 2 - 2016/17**

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### **Report of Interim Head of Finance**

#### 1. PURPOSE OF REPORT

- 1.1 To inform the committee of business rates performance from 1 April – 30 September 2016 and to provide an update on pooling arrangements for 2016/2017.

#### 2. RECOMMENDATION

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

#### 3. BACKGROUND TO THE REPORT

- 3.1 Before 1 April 2013, business rates were collected by local authorities from businesses, before being paid into a central pool to be redistributed as part of grant funding. From 2013/14, billing authorities paid over 50% of collected business rates to government. The remaining 50% is split between the billing authority (80%) and the precepting authorities (20%).
- 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 £557,125 of “section 31 grant” income. The allocated grant was based on the level of reliefs that were forecast to be granted in 2016/2017 in the submitted business rates budget form (the NNDR1). The actual grant that can be “banked” as retained rates will be determined based on the actual reliefs awarded by 31<sup>st</sup> March 2017. Therefore in order to be prudent, this income has been placed into the Business Rates reserve pending until this level is known.

3.4 The budgeted business rates performance for this council, along with the forecast as at September 2016 is summarised below.

|        | Rates Forecast 2016/17 | Localism Autumn Statement Reliefs | Cost of SBRR Extension | Tariffs | Retained Rates Income | Funding Baseline | Total Growth | Levy & Retain Growth | Mvt   |
|--------|------------------------|-----------------------------------|------------------------|---------|-----------------------|------------------|--------------|----------------------|-------|
|        | £'000                  | £'000                             | £'000                  | £'000   | £'000                 | £'000            | £'000        | £'000                | £'000 |
| NNDR   | 13,370                 | 45                                | 476                    | -9,042  | 4,849                 | 2,378            | 2,471        | 1,235                | -     |
| Jun-16 | 13,452                 | 52                                | 482                    | -9,042  | 4,944                 | 2,378            | 2,566        | 1,283                | 48    |
| Sep-16 | 12,914                 | 57                                | 482                    | -9,042  | 4,411                 | 2,378            | 2,033        | 1,016                | -219  |

3.5 The above table shows that as at 30<sup>th</sup> September 2016, the council is forecasting £1,016,000 of retained growth for 2016/2017 that, if realized, will be available to the General Fund.

3.6 Although this is 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 redevelopment of the town centre for instances may have an impact on the rates for the council whilst development takes place
- Awards of reliefs; most significantly charitable reliefs for schools which are awarded Academy status
- Results of appeals lodged by businesses against their liabilities
- Due to these factors we have not included the current relatively small growth movement in budget changes.

#### Pooling

3.7 The Local Government Finance Act 2012 also allows local authorities to form pools for the purposes of business rate retention. Practically, pooling means that any levy payments (50% of growth) are made into a local pool rather than paid to central government. Correspondingly, losses will be funded from the pool. The amount at which levies and safety nets are triggered is also set at the cumulative level for the pool.

3.8 As members will be aware, the council is a member of the Leicestershire pool. The early indications are for a forecast surplus of £4.2m for the pool. Members should note that by entering into the Leicestershire Pool there is no detrimental impact on the funding to this council but there are potentially significant benefits to Leicestershire as the levy payment that council would have to pay to Central Government under current arrangements would be paid to the Leicester and Leicestershire Enterprise Partnership under the Pooling arrangements.

3.8.1 There are changes planned to the business rates retention scheme due to proposals by government for the implementation of 100% business rates retention by local authorities by 2020. Central Government, via DCLG, is to carry out consultation on the proposed changes to the local government finance system to prepare for implementation of 100% business rates retention by the end of the current parliament. The consultation is also addressing potential future changes to how risk is managed via pooling arrangement. It notes that “local authorities could be better

off by pooling their risk, setting aside appropriate provisions at a wider geographical level to cover all authorities within the pool. This could be combined with ‘area lists’ for businesses as set out above, allowing a wider geographical area to share both risk and reward.”

- 3.8.2 The Government propose that 100% business rates retention will have some strong similarities with the existing system. For example, there will continue to be a level of redistribution between authorities similar to the current system of tariffs and top-ups. In addition, there will continue to be protection in the system to insulate authorities from shocks or significant reductions in their income. However, they do want to provide incentives to encourage growth and have set out the key questions for consultation.

Timetable for consultation

|                                  |  |
|----------------------------------|--|
| Timetable for reform Summer 2016 | Consultation on the approach to 100% business rates retention. We are inviting responses to this consultation by 26 September 2016. Those responses will help shape specific proposals across all aspects of the reforms.              |
| Autumn 2016                      | We expect that Government will undertake a more technical consultation on specific workings of the reformed system   |
| Early 2017                       | As announced in the Queen’s Speech, the Government will introduce legislation in this Parliamentary session to provide the framework for these reforms. We expect the legislation to be introduced later in the Parliamentary session. |
| April 2017                       | Piloting of the approach to 100% business rates retention to begin.  |
| By end of the Parliament         | Implementation of 100% business rates retention across local government.   |

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 Council’s will be governed by a legal agreement between the parties.

7. CORPORATE PLAN IMPLICATIONS

- 7.1 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 future operation from 2016/17 onwards. The Pool was agreed to be extended for 2016/17 and the contingency held with the pool increased from £0.7m to £2m. This is created from amounts not returned to DCLG, but held within the pool to guard against future appeals. There is no reduction on the council's share of retained rates.

## 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.

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.

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

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Background Papers: Revenues and Benefits Monitoring Reports  
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