



Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Finance & Performance Scrutiny 1st November 2021

Wards affected: All

BUSINESS RATES AND POOLING UPDATE QUARTER 2 - 2021/22

Report of Head of Finance

1. Purpose of report

- 1.1 To inform the committee of business rates performance from 1 April 2021 – 30th September 2021.

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 £1,583,531 of “section 31 grant” income. The allocated grant was based on the level of reliefs that were forecast to be granted in 2021/2022 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 31st March 2022. Therefore in order to be prudent, this income has been placed into the Business Rates reserve until this level is known.
- 3.4 The budgeted business rates performance for this council, along with outturn as at September 2021 is summarised below.

<i>Table 1</i>	NDR1 Rates Forecast 2021/22	Jun-21	Sep-21
	£'000	£'000	£'000
NNDR collected (net of reliefs)	34,424	34,424	34,424
Less:			
Central Government share	(17,212)	(17,212)	(17,212)
County Council share	(3,098)	(3,098)	(3,098)
Fire Authority Share	(344)	(344)	(344)
HBBC notional share	13,770	13,770	13,770
S31 Grant compensation	1,584	3,684	3,371
Total before tariff	15,354	17,454	17,141
Tariff charged on HBBC	(9,646)	(9,646)	(9,646)
Levy charged on growth	(1,555)	(1,393)	(1,496)
Retained income total	4,153	6,415	5,999
The retained income is made up of:			
Baseline funding	2,599	2,599	2,599
Total growth	3,109	5,209	4,896
Less Levy	(1,555)	(1,393)	(1,496)
Total	4,153	6,415	5,999
Movement- Gain/(loss)	0	2,262	1,846
Retained income total	4,153	6,415	5,999
Baseline funding	2,599	2,599	2,599
Total Growth	1,554	3,816	3,400
Movement- Gain/(loss)	0	2,262	1,846

3.5 The above table shows that as at 30th September 2021, the council has £3,400,000 of retained growth for 2021/2022 compared to £1,554,000 growth budgeted for. This additional growth is in response to COVID 19 where by additional reliefs were awarded to Business Rate Payers. To aid cash flow an additional £1,787,000 of section 31 grant will be received from central government. The underlying position is that the level of relief given will generated a deficit in the Collection Fund due to the non-collection of business rates, but due to accounting requirements, this is not recognised in the year generated, but in the following financial year. The increased growth will be put into a reserve to cover HBBCs portion of the deficit payable in 2022/23. The Reserve will be fully utilised to avoid that deficit falling on the council's 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

3.7. Please note the S31 Grant has decreased between Q1 & Q2 this is because there has been a large number of 'Reliefs' given to Retail Businesses that have been reversed in Q2. There are a number of reasons for this:

- Properties have been vacated and is now empty
- Some businesses are no longer entitled to the relief due to state aid limits, and
- some have had a reduction in the Rateable value of the property.

4. Exemptions in accordance with the Access to Information procedure rules

4.1 Report 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 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 2021/22.

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: None

10. Knowing your community – equality and rural implications

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

11. Climate implications

- 11.1 There are no direct implications arising from this report, but it should be noted that in two tier areas, all business rates income would be retained by the local planning authority that is the decision maker for renewable energy projects. This means HBBC can keep 100% of the business rates where it agrees the planning permission for renewable energy schemes.

12. Corporate implications

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

- Community Safety implications
 - Environmental implications
 - ICT implications
 - Asset Management implications
 - Procurement implications
 - Human Resources implications
 - Planning implications
 - Data Protection implications
 - Voluntary Sector
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Background papers: DCLG/ MHCLG notifications
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