



**LOCATIONALISATION OF COUNCIL TAX SUPPORT AND  
BUSINESS RATE RETENTION – QUARTER 2 2013/2104 REPORT  
OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)**

**WARDS AFFECTED: ALL WARDS**

1. **PURPOSE OF REPORT**

To inform the committee of the performance of Local Council Tax Support and Business Rates Retention schemes for the second quarter of 2013/2014.

2. **RECOMMENDATION**

That the committee notes the contents of the report

3. **BACKGROUND TO THE REPORT**

**Local Council Tax Support Scheme**

- 3.1 From 1<sup>st</sup> April 2013, the Council Tax Benefit system has been replaced by a system of Council Tax support which is determined locally by each Council. From this date, all individuals previously in receipt of Council Tax Benefit (excluding pensioners) are required to pay an element of the liability based on a “scheme” agreed by the local billing Authority.
- 3.2 The scheme for Hinckley and Bosworth Borough Council was agreed by Council in January 2013 and is broadly based on the introduction of a 91.5% cap on benefits. This means all individuals in this position are required to pay 8.5% of their Council Tax liability from 1<sup>st</sup> April 2013.
- 3.3 The result of the abolition of Council Tax Benefit has meant a gap in funding for all public sector bodies who are financed in part by Council Tax. For this Council the loss was estimated for 2013/2014 as £664,414. Of this amount, 10.5% (£69,763) is directly attributable to Hinckley and Bosworth Borough Council with the remainder shared between the precepting authorities
- 3.4 Details of performance on this “new” debt is detailed below. Taking into account the value of recovery fees added to outstanding debt, the recovery rate for new debt is 50.37%. This is compared to a 58.74% recovery rate for all Council Tax for this period (note: this is a cumulative recovery rate). Based on these figures, the average debt for the 1,418 new customers is £74.69 (before costs).

<b>Pay method</b>	<b>Cases</b>	<b>Amount due</b>	<b>Costs added (recovery)</b>	<b>Total Due</b>	<b>Amount paid</b>	<b>Balance</b>	<b>Recovery</b>
Cash	1,138	£84,037.70	£25,809.00	£109,846.70	£54,198.77	£55,647.93	
Direct Debit	280	£21,868.20	£2,448.00	£24,316.20	£13,372.64	£10,943.56	
<b>Total</b>	<b>1,418</b>	<b>£105,905.90</b>	<b>£28,257.00</b>	<b>£134,162.90</b>	<b>£67,571.41</b>	<b>£66,591.49</b>	<b>50.37%</b>

## Business Rates Retention Scheme

- 3.5 Before 1<sup>st</sup> 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 pay over 50% of collected business rates to government. The remaining 50% is split between the billing authority (80%) and the precepting authorities (20%).
- 3.6 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.
- 3.7 Performance on Business Rates for this Council as at 30<sup>th</sup> September 2013 is presented below and compared to the budgeted figures submitted to government within the NNDR1 form. This Council as at this date was forecasting to collect £0.085million less in Business Rates in 2013/2014 than budgeted. This is primarily due to the results of appeals against charges being successful.

<u>Based on NNDR1</u>			<u>Latest Forecast - Sept 2013</u>			<u>Mvt</u>
Rates	Levy	Safety	Rates	Levy	Safety	Rates
Forecast		Net	Forecast		Net	Forecast
2013/14	2013/14	2013/14	2013/14	2013/14	2013/14	2013/14
£m	£m	£m	£m	£m	£m	£m
10.892	0.000	0.000	10.808	0.000	0.000	-0.085

- 3.8 The reforms also allow 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.
- 3.9 10 Leicestershire local authorities including all the District and Borough Councils, the City and County and Fire Authority have committed to participating in a Leicester and Leicestershire business rates pool from 1<sup>st</sup> April 2013. Performance of the billing members of the pool is detailed below. Based on the budget information provided, the pool was forecasting to have a balance of £0.685million as at 31<sup>st</sup> March 2014. As at 30<sup>th</sup> September 2013, this forecast has reduced to £0.147million. This is because a number of Council's have seen reductions in Business Rates due following the convergence of schools to Academy status. In these cases, the school is eligible for charitable relief under Business Rate rules and therefore less levy is collected.

<u>Based on NNDR1</u>			<u>Latest 2013/14 Forecast September 2013</u>			<u>Mvt</u>
Rates	Levy	Safety	Rates	Levy	Safety	
Forecast		Net	Forecast		Net	
£m	£m	£m	£m	£m	£m	£m

Blaby	15.537	0.154	0.000	15.788	0.280	0.000	0.251
Charnwood	17.342	0.063	0.000	16.870	0.000	0.064	-0.472
Harborough	14.207	0.596	0.000	14.374	0.680	0.000	0.167
Hinckley & Bosworth	10.892	0.000	0.000	10.808	0.000	0.000	-0.085
Melton	5.124	0.079	0.000	5.044	0.038	0.000	-0.081
NW Leicestershire	18.044	0.000	0.100	17.545	0.000	0.599	-0.499
Oadby & Wigston	4.519	0.000	0.107	4.439	0.000	0.188	-0.080
Total Districts	85.666	0.892	0.207	84.867	0.998	0.851	-0.799
<b>Net gain/(loss)</b>			<u>0.685</u>			<u>0.147</u>	<u>-0.538</u>

- 3.10 Based on the legal agreement for the pool, any surpluses at year end will be transferred to the Leicestershire and Leicester Local Enterprise Partnership (LLEP) for distribution back to the local area.

#### Looking forward - 2014/2015

- 3.11 Following approval from Council on 3<sup>rd</sup> December 2013, the LCTS cap for 2014/2015 will be reduced to a 88%% cap on benefits. This means all individuals previously in receipt of Council Tax benefit will be required to pay 12% of their Council Tax liability from 1<sup>st</sup> April 2014.
- 3.12 At the time of writing this report, the position on Business Rates retention from 2014/2015 was largely unknown pending announcement of the Local Government Finance Settlement and accounting guidance. Following these announcements, members of the Leicestershire Business Rates pool will have 28 days to decide on whether pooling arrangements will continue for 2014/2015. A verbal update on both areas will be provided at this meeting.

#### **4. FINANCIAL IMPLICATIONS (KP)**

Contained in the body of the report.

#### **5. LEGAL IMPLICATIONS (AB)**

Section 59A of the Local Government Finance Act 1988 allows local authorities to pool business rates. The pooling between the Leicestershire Council's is governed by a legal agreement between the parties.

#### **6. CORPORATE PLAN IMPLICATIONS**

The Council's governance arrangements are robust

#### **7. CONSULTATION**

A consultation exercise was performed in the summer of 2013 to inform decisions made on the 2014/2015 Local Council Tax Support Scheme. Results of this process were reported to Council on 3<sup>rd</sup> December 2013.

All members of the Business Rates Pool will be consulted in decisions made on its future operation from 2014/2015.

#### **8. RISK IMPLICATIONS**

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		

9. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

None

10. **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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