



Hinckley & Bosworth
Borough Council

A Borough to be proud of

**LOCATIONALISATION OF COUNCIL TAX SUPPORT AND
BUSINESS RATE RETENTION – QUARTER 3 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 the Local Council Tax Support and Business Rates Retention schemes for 2013/2014. At the time of writing this report information was available to 31st January 2014 and therefore this data has been provided.

2. **RECOMMENDATION**

That the committee notes the contents of the report

3. **BACKGROUND TO THE REPORT**

Local Council Tax Support Scheme

- 3.1 From 1st April 2013, the Council Tax Benefit system has been replaced by a system of Council Tax support which is determined locally by each Council.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 2013/2014 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 1st April 2013. For 2014/2015, Council approved a decrease of the cap to 88%.
- 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. It should be noted that the change in scheme in 2014/2015 means that the Council Tax Base for the Authority has increased by 1,367 Band D equivalents which in turn will generate £35,572 of Council Tax income.
- 3.4 Details of recovery of 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 75.4%. This is compared to a 95.34% 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 1,222 new customers is £73.11 (before costs).

Cases	Amount due	Costs added (recovery)	Total Due	Amount paid	Balance	Recovery
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Business Rates Retention Scheme

- 3.5 Before 1st 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 As at 31st January 2014, it was forecast that this Council would collect circa £120,000 more business rates than forecast. In line with the guidelines, 50% of this would be paid as a levy and remainder retained by the Council. In addition, the Council received £349,000 of Small Business Rates Relief (SBRR) grant in January 2014, designed to compensate billing authorities for the income lost from the extension of this relief scheme.
- 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. The amount at which levies and safety nets are triggered is also set at the cumulative level for 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 1st April 2013. The pool will cease to operate for 2014/2015 as agreed by member Authorities in January 2014.
- 3.10 Performance of current pool is detailed below. Based on the budget information provided, the pool was forecasting to have a balance of £0.685million as at 31st March 2014. As at 31st January 2014, this forecast has reduced to £0.596million. 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 the liability is reduced.

	<u>Based on NNDR1</u>			<u>Latest 2013/14 Forecast - at January 2014</u>		
	Rates Forecast	Levy	Safety Net	Rates Forecast	Levy	Safety Net
	2013/14	2013/14	2013/14	2013/14	2013/14	2013/14
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Blaby	15.537	0.154	0.000	15.588	0.179	0.000
Charnwood	17.342	0.063	0.000	16.300	0.000	0.634
Harborough	14.207	0.596	0.000	14.378	0.682	0.000
Hinckley & Bosworth	10.892	0.000	0.000	11.021	0.060	0.000
Melton	5.124	0.079	0.000	5.041	0.037	0.000

NW Leicestershire	18.044	0.000	0.100	19.247	0.473	0.000
Oadby & Wigston	4.519	0.000	0.107	4.426	0.000	0.201
Total Districts	85.666	0.892	0.207	86.001	1.431	0.835
Net gain/(loss)			<u>0.685</u>			<u>0.596</u>

3.11 Guidance on how SBRR grants should be treated for organisations within a pool has not been released by CIPFA. However, it is assumed that this amount will be added to the local share of individual billing authorities. If this is the case, it is estimated that the levy payment for this Council will increase to £259,000 and the total surplus for the pool increased to £2.048million.

4. FINANCIAL IMPLICATIONS (KP)

Contained in the body of the report.

5. LEGAL IMPLICATIONS (MR)

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 3rd December 2013.

All members of the Business Rates Pool will be consulted in decisions made on its future operation from 2015/2016 onwards.

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

The operation of the LCTS will impact on those customers previously in receipt of Council Tax Benefit.

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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