

**FINANCE, AUDIT AND PERFORMANCE COMMITTEE – 4TH AUGUST
2014**

**BUSINESS RATES AND POOLING UPDATE – 1ST QUARTER
2014/2015**

**REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE
DIRECTION)**



Hinckley & Bosworth
Borough Council

A Borough to be proud of

WARDS AFFECTED: ALL WARDS

1. **PURPOSE OF REPORT**

1.1 To inform the committee of performance of business rates from 1st April -30th June 2014.

2. **RECOMMENDATION**

1.2 That the committee notes the contents of the report

3. **BACKGROUND TO THE REPORT**

3.1 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 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 Business rates performance for this Council for the period April – June 2014 is summarized below. The growth of £291,296 can be attributed in the main to a change in the split and subsequent valuation of the Caterpillar site in the Borough. However it is expected that some of this growth may be countered in year due to the demolition of the Crescent site. Any loss however will be recovered in forthcoming years when the new site becomes occupied.

	£
Collected Business Rates in year (after reliefs)	28,512,239
District share (40%)	11,404,896
Tariff paid to Central Government	-8,799,123
Forecast District Business Rates for 2014/2015	2,605,773
Funding Baseline (expected income)	2,314,477
(Gain)/Loss	-291,296
Levy	145,648
Forecast gain	-145,648

3.4 The Council was notified on 30th June 2014 that it would receive £658,430 of “section 31 grant” income, designed to reimburse the following changes announced in the 2012 and 2013 Autumn Statements:

- 2% cap in inflation for 2014/2015
- Doubling of Small Business Rates Relief
- Introduction of the £1,000 retail relief
- Reoccupation relief; and
- Empty new build measure

3.5 It is not currently known if the above grant should be treated as rates “in kind” and therefore included in the calculation of any levy/safety net payments. However in order to be prudent, this income has been placed into the Business Rates reserve pending any notification. Based on the forecasts detailed in 3.3, however, if it is directed that the grant should be included, the Council’s growth and levy will be increased to £474,863 as indicated below:

	£
Forecast gain before Section 31 grant	-145,648
Section 31 Grant	-658,430
Gain before levy	-949,726
Levy	474,863
Forecast gain	-474,863

3.6 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.

3.7 As members will be aware, the Leicestershire pool was dispended for 2014/2015 and therefore any levy/safety net payments will be made to/from Central Government. The future operation of the Leicestershire pool will be considered in the forthcoming months, ahead of the deadline to notify DCLG of the intention to form a pool in October 2014.

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 was governed by a legal agreement between the parties.

6. CORPORATE PLAN IMPLICATIONS

The Council's governance arrangements are robust

7. CONSULTATION

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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