



Hinckley & Bosworth
Borough Council

A Borough to be proud of

FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING

FINANCE & PERFORMANCE SCRUTINY 29 JANUARY 2018

WARDS AFFECTED: All Wards

BUSINESS RATES AND POOLING UPDATE QUARTER 3 - 2017/18

Report of Head of Finance

1. PURPOSE OF REPORT

- 1.1 To inform the committee of business rates performance from 1 April – 31 December 2017 and to provide an update on pooling arrangements for 2017/2018.

2. RECOMMENDATION

- 2.1 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 The Council will receive £729,971 of “section 31 grant” income. The allocated grant was based on the level of reliefs that were forecast to be granted in 2017/2018 in the submitted business rates budget form (the NDR1). The actual grant that can be “banked” as retained rates will be determined based on the actual reliefs awarded by 31st March 2018. 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 March 2018 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
NNDR1	12,622	110	619	-9,063	4,288	2,427	1,861	931	
Jun - 17	12,673	103	649	-9,063	4,362	2,427	1,935	968	37
Sept - 17	12,467	50	670	-9,063	4,304	2,427	1,877	938	-30
Dec-17	12,365	163	692	-9,063	4,157	2,427	1,730	865	-73

- 3.4.1 The above table shows that as at 31st December 2017, the council is forecasting £865,000 of retained growth for 2017/2018 which will be set aside in the Business Rates Reserve. This compares to £514,784 in the MTFS for 2017/18.

- 3.5 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

- 3.5.1 There are changes planned to the business rates retention scheme due to proposals by government for the implementation of 75% % business rates retention by local authorities by 2020/21. Central Government still have a longer-term aim of moving to 100% retention. The recent settlement also noted that there is likely to be a baseline reset in 2020/21, this change is likely to reduce growth income retained by the council, but the details are not yet available in detail and consultation is in progress.
- 3.5.2 The Government propose that 75% interim change and the final 100% business rates retention scheme 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.

Current Pooling arrangements

- 3.5.3 HBBC are currently in a pooling arrangement to enable growth that would normally be shared with central government to be retained for use in the area via the LEPP.
- 2017/18 forecast at Q3 within the pool is a forecast net gain of £4.7m
 - 2018/19 – the forecasts a gain of £6m
- 3.5.4 Provisions for appeals is still the major uncertainty, mainly due to the absence of appeals information from the VOA for the 2017 RV list. Levels of provisions have therefore been set at prudent levels, if levels need to be increased then this gain will

reduce. In addition to provisions held by individual partner bodies to the pool, the pool itself will retain a £2m contingency against fall in rates income across the pool area.

- 3.5.5 This contingency will be reviewed by the time there is any release of the surplus to the LLEP in October 18, if there were any significant issues known by then, the amount being released could be reviewed.

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 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 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.
- 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:

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

Background Papers: Revenues and Benefits Monitoring Reports
Author: Ashley Wilson, Head of Finance Ext 5609
Executive Member: Cllr M Hall