



## Hinckley & Bosworth Borough Council

FORWARD TIMETABLE OF CONSULTATION AND DECISION MAKING

FINANCE & PERFORMANCE SCRUTINY 16 JULY 2018

WARDS AFFECTED: All Wards

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### BUSINESS RATES AND POOLING UPDATE QUARTER 4 - 2017/18

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#### Report of Head of Finance

##### 1. PURPOSE OF REPORT

- 1.1 To inform the committee of business rates performance from 1 April – 31 March 2018 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 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 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 received £1,192,225 of “section 31 grant” income. With £0.3m of this being a late adjustment to funding not notified to the Council until April 2018.

- 3.4 The budgeted business rates performance for this council, along with the forecast as at March 2018 is summarised below. The forecast position is not expected to change, but is subject to audit which is not concluded until the end of July 2018.

	Rates Forecast 2017/18	S31 Relief	Tariffs	Retained Rates Income	Funding Baseline	Total Growth	Levy & Retain Growth	Mvt
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>NNDR1</b>	12,622	729	-9,063	4,288	2,427	1,861	931	
<b>Jun-17</b>	12,673	752	-9,063	4,362	2,427	1,935	968	37
<b>Sep-17</b>	12,467	720	-9,063	4,124	2,427	1,697	849	-30
<b>Dec-17</b>	12,365	855	-9,063	4,157	2,427	1,730	865	-73
<b>NNDR3 Mar – 18</b>	12,526	1,192	-9,063	4,655	2,427	2,228	1114	249

- 3.4.1 The above table shows that as at 31<sup>st</sup> March 2018, the council had £1,114,000 of retained growth for 2017/2018, which has been set aside in the Business Rates Equalisation Reserve.

- 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

#### Pooling

- 3.5.1 The Council continues to be member of the Leicestershire pool for 2017/18, this enables funds that are normally paid to central government to be retained and used by the LLEP locally. The table below summarises the history of the pool and amounts retained with the 2018/19 forecast.

	Balance	Levies	Safety Nets	Interest on Safety Nets	Net Levies	Paid to LLEP*	Balance -Pool Contingency
	£000	£000	£000	£000	£000	£000	£000
<b>2013/14</b>	n/a	1,142	-433	-3	706	0	706
<b>2014/15 (no Pool)</b>	706	n/a	n/a	n/a	n/a	0	706
<b>2015/16</b>	706	3,403	-678	-7	2,718	-2,000	1,424
<b>2016/17</b>	1,424	5,048	0	0	5,048	-4,472	2,000
<b>2017/18</b>	2,000	6,057	0	0	6,057	-6,057	2,000
<b>2018/19**</b>	2,000	6,015	0	0	6,015	-6,015	2,000

\*\* 2018/19 forecast as at Dec 2017.

- 3.5.2 There are changes planned to the business rates retention scheme due to proposals by government for the implementation of 100% business rates retention by local authorities. As part of these changes, it is now expected that a 75% retention rate will

be introduced in by 2020/21. This will have implications for LLEP funding from the pool as the current funding is based on 50% retention, which would means funding available to the LEPP may fall to 25%. Central Government has not yet published details of the change in retention rates and its impacts on councils and their partners. The final proposed details are not expected to be available until December 2019.

- 3.5.3 The Government proposals for business rates retention will have some 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. The current expectation is that the baseline reset that is coupled to the 75% retention rate may adversely affect district councils that have enjoyed higher growth levels, which is the case for HBBC.

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 operation for 2017/18.

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

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Background Papers: Revenues and Benefits Monitoring Reports  
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