



**Meeting:** Extraordinary Council  
**Date:** Wednesday 16 January 2013  
**Subject:** Council tax base and business rate income 2013/14  
**Report of:** Councillor Gill Mattock on behalf of the Cabinet

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The Council is asked to consider the minute and resolution of the Cabinet meeting held on 12 December 2012 as set out below.

Further copies of the report to Cabinet are available on request – please see end of this report. A copy may be seen on the Council’s website at:

<http://www.eastbourne.gov.uk/council/meetings/cabinet/>

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**The Council is recommended to:-**

**Grant delegated authority to the Chief Finance Officer, in consultation with the lead Cabinet member for finance, to determine the final amounts for business rate income for 2013/14 and subsequent years.**

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**\*62 Council tax base and business rate income 2013/14** (Cabinet, 14 December 2012, 2011/12 minutes, page 206, minute 67).

- 62.1 Cabinet considered the report of the Chief Finance Officer. The council tax base for Eastbourne was the estimated full year equivalent number of chargeable dwellings within the borough. This was expressed as the equivalent number of ‘band D’ dwellings with 2 or more liable adults. Full details of the required method of calculation together with changes arising as a result of the proposed implementation of the local council tax support scheme were given in the report.
- 62.2 As the council tax base could not be finally set until the local council tax scheme had been formally adopted by the Council (see minute 72 below) and in order to meet statutory deadlines Cabinet was asked to give delegated authority to the Chief Finance Officer to determine the final figure, including the final collection rate to be applied, for 2013/14.
- 62.3 The Local Government Finance Act 2012 had introduced a new system for the local retention of business rates. This meant for the first time the Council was required to formally approve the expected business rate income for the forthcoming year by 31 January 2013. The report described how the net rate income for 2013/14 would be calculated. The net yield from business rates for 2011/12 was £30m. The allocation would be in the proportion of:

- 50% to central government
- 40% to the local billing authority (this council)
- 10% to the other precepting authorities (9% to the county and 1% to the fire authority)

As some local authorities collected more business rates than they currently received in formula grant (which was based on relative need and resources), whilst others were lower the government would rebalance to ensure that no local authority was worse off as a result of its business rates at the outset of the scheme through a system of tariffs and top ups. Tariff and top ups would be self funding and fixed in real terms (i.e. only up rated by RPI in future years) ensuring that changes in retained income were driven by business rate growth. It was anticipated that this authority would have a business rate baseline higher than its baseline funding level and thus be due to make a tariff payment.

62.4 Due to a gearing effect, i.e. the differences in the relationship between an individual authority's business rates base and its baseline funding level, some authorities with existing large tax bases in relation to their funding levels would experience increases in their income that were out of proportion to the growth in their business rate base. To moderate this gearing effect a system of levies and safety nets would be introduced. Authorities would be allowed to retain their growth in an equivalent proportion to its baseline revenue. This translated into a real benefit and after the payment of the central share and the levy; at least 20p in each extra pound would be retained locally. Conversely a safety net would apply to any authority experiencing a decrease in their business rates revenue. This safety net guaranteed authorities 92.5% of their original baseline funding. For the purpose of the safety net the baseline funding level would be increased by RPI each year.

62.5 The figures required to set the business rate income figure were not yet available. Cabinet was therefore asked to recommend to Council that delegated authority be given to the Chief Finance Officer, to determine the final estimated net figure for 2013/14. This delegation needed to be in place prior to the budget setting Council meeting in February. Accordingly arrangements were in hand for an extraordinary meeting of the Council to be held on 16 January 2013.

\*62.6 **Resolved (key decision):** (1) That the options for setting the council tax base for 2013/14 following the introduction of the localisation of council tax support scheme be agreed.

(2) That the new requirements in setting the net yield business rate income for 2013/14 as part of the business rates retention scheme implementation be agreed.

(3) That the Chief Finance Officer, in consultation with the lead Cabinet member for finance, determine the final amounts for the council tax base for 2013/14.

\*(4) That full Council be recommended to grant delegated authority to the Chief Finance Officer, in consultation with the lead Cabinet member for finance, to determine the final amounts for business rate income for 2013/14 and subsequent years.

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