

CABINET

17 October 2017

| | |
|--|---|
| Title: Local Discretionary Business Rate Relief Scheme 2017/18 | |
| Report of the Cabinet Member for Finance, Growth and Investment | |
| Open Report | For Decision |
| Wards Affected: All | Key Decision: Yes |
| Report Author: Gill Hills, Head of Revenues | Contact Details: Tel: 020 8724 8615 E-mail: gill.hills@elevateeastlondon.co.uk |
| Accountable Director: Kathy Freeman, Finance Director | |
| Accountable Strategic Director: Claire Symonds, Chief Operating Officer | |
| Summary <p>This report sets out proposals for the dispersal of the funds provided by Government to support local businesses who have been adversely affected by the revaluation of business rates which came into effect on 1 April 2017.</p> <p>The Government has provided £530,000 to Barking & Dagenham to be awarded in relief for the current financial year, 2017/18, with the total award being £909,00 over the four-year period. The Government has confirmed that the relief cannot be carried forward to future years. The report and the attached policy make it clear as to how the Council proposes to award the relief, the eligibility criteria and the forecasted financial implication.</p> | |
| Recommendation(s) <p>Cabinet is recommended to:</p> <ul style="list-style-type: none">(i) Note the four-year grant funding arrangements for the Local Discretionary Rate Relief Scheme, following which the costs of providing relief to the affected businesses would need to be absorbed into the Council's overall budget; and(ii) Approve the Local Discretionary Business Rate Relief Scheme 2017/18, as set out at Appendix A to the report. | |
| Reason <p>To provide details of the Local Discretionary Rate Relief policy to enable distribution of the funds provided Government to aid businesses adversely affected by the 2017 revaluation.</p> | |

1. Introduction and Background

- 1.1 In the spring budget, the Government announced measures to reduce the impact of the 2017 business rates revaluation. A revaluation of properties is conducted by the Valuation Office every five years and the last revaluation was planned to take place in 2015. However, the Government delayed this by two years until 2017.
- 1.2 Generally, revaluations result in an increase in business rates as they are primarily based upon the rental value of properties. Notably, not all rateable values are based upon the rental value of the property, in some cases the rateable value reached is based upon businesses receipts, e.g. supermarkets. Therefore, the greater the businesses income the greater the rateable value.
- 1.3 The Government has also changed the qualifying criteria for Small Business Rates Relief. Before 2017 a business could apply for Small Business Rates Relief and if their rateable value was below £6,000 they could qualify for a full exemption. The relief was then tapered on a sliding scale of 1% for every £60 in rateable value between £6,001 and £12,000.
- 1.4 From 2017 any property with a rateable value under £15,000 can apply for Small Business Rates Relief. If the rateable value is under £12,000 it is possible to obtain a full exemption and tapered relief will be on a sliding scale of 1% for every £30 in rateable value between £12,001 and £15,000.
- 1.5 Whilst the threshold for Small Business Rates Relief has increased, so too has the rateable value of the properties. The additional relief provided under the proposed scheme is aimed toward those businesses who have been adversely impacted by the revaluation after taking into account the level of relief they receive from any other relief(s).

2. Government Measures

- 2.1 Set out in Table 1 below is how much the Government will fund the 4-year Local Discretionary Rate Relief scheme for LBBDD:

| Year | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|-------------------|----------|----------|----------|---------|
| Relief | £530,000 | £258,000 | £106,000 | £15,000 |
| % of total budget | 58% | 28% | 12% | 2% |

- 2.2 The Government have introduced 3 measures to try and reduce the impact of the revaluation as part of the Spring 2017 budget.
 - Supporting small businesses – through the temporary capping of Business Rates increases for people who have lost Small Business Rates Relief as a result of the revaluation.
 - New Local Discretionary Relief scheme
 - New business rates local relief for pubs which have a rateable value of below £100K

- 2.3 The implementation of the pub relief has already begun, and those eligible parties who have returned the application form provided have been awarded the relief which amounts to £1,000 per year on a pro-rata basis.
- 2.4 In respect of the “Supporting Small Businesses” relief, a software update will be available to enable the awarding of this relief by 31 October 2017.

3. Consultation

- 3.1 Local businesses were invited to two open sessions on 7 September, the sessions were used to both inform the customers and allow them to provide feedback. The feedback received in these sessions was noted, however, none of it pertained to any amendments to the policy itself and comprised of issues raised on an individual basis.
- 3.2 The proposed policy was published on the Council’s consultation page on 1 September 2017 and the consultation closed on 17 September 2017. All comments provided were again of a more individual nature, although they did all highlight the on-going struggle retailers within the Borough are facing.
- 3.3 The Barking and Dagenham Chamber of Commerce also responded during the consultation period and asked for some of the language in the paper to be elaborated and simplified. The policy copy attached in the pack is inclusive of these changes.
- 3.4 The GLA (Greater London Authority) were consulted also and made several suggestions to alter the earlier draft of the policy. As a result of the advice the following amendments have been made to the policy;
- Section 1.5 – The inclusion of “The Rate Payer will be given 12 months from date of the alteration to pay any debt that has been created as result of a relief adjustment”.
 - Section 1.6 – The inclusion of “Financial institutions that are of a direct benefit to the local community e.g. Credit Unions”.
 - Section 1.8 – Previously stated that Rate Payers that had arrears due from previous years would not qualify for the relief. This has been amended to include “Unless the Rate Payer can demonstrate they are in arrears due to genuine hardship”.
 - Section 1.12 – A hardship clause has been added to accommodate businesses that do not fall within the eligibility criteria where the Council may deem it appropriate to award relief.

4. Effects of the revaluation

- 4.1 The table below is a summary of the charge increase/decrease from the 2010 Valuation list to the 2017 Valuation list. Each category has a breakdown of how many properties have increased/decreased and remained the same in respect of their Rateable Value limits, e.g. below 70k.

| | Charge Change | | | | |
|-----------------------|----------------------|-------------------|------------------|-----------------|--------------|
| Rateable value | <70k | 70k - 100k | 100k-150k | >150k | Total |
| Down | 1,511 | 105 | 43 | 102 | 1,761 |
| No Change | 589 | 2 | 3 | 5 | 599 |
| Up | 1,896 | 161 | 34 | 40 | 2,131 |

- 4.2 The below demonstrates the monetary totals for each of the Rateable Values in the above table and the net impact of the 2017 revaluation.

| | Charge change | | | | |
|-----------------------|----------------------|-------------------|------------------|-----------------|--------------|
| Rateable value | <70k | 70k - 100k | 100k-150k | >150k | Total |
| Down | -£1,920,047 | -£271,181 | -£210,764 | -£674,224 | -£3,076,216 |
| No Change | £0 | £0 | £0 | £0 | 0 |
| Up | £1,488,728 | £901,447 | £403,934 | £918,547 | 3,712,656 |
| Net | -£431,319 | £630,266 | £193,170 | £244,323 | 636,440 |

- 4.3 The table below shows the average increase in Business Rates charge for our business within their respective categories. Please note that these figures are net of any reliefs (excluding the proposed Local Discretionary Relief), and do not include the Business Rates Supplement (BRS).
- 4.4 The BRS charge was not factored in as it calculated separately to the Business Rates charge, therefore cannot be included as “Rates increase” due to the revaluation.

| | Average Charge Increase | | | |
|-----------------------|--------------------------------|-------------------|------------------|-----------------|
| Rateable value | <70k | 70k - 100k | 100k-150k | >150k |
| Increase | £785 | £5,599 | £11,880 | £22,964 |

5. Local Discretionary Rate Relief

- 5.1 The proposed Local Discretionary Business Rate Relief scheme will apply for the billing period 1 April 2017 to 31 March 2018 only. Under the proposed scheme the relief will only be provided where the applicant’s bill has increased due to the 2017 revaluation, and not due to any loss of relief or change in circumstances. The scheme lasts for 4 years, which similar to the Transitional Rate Relief scheme is there to act as a buffer for rates increase due to the revaluation.
- 5.2 The Government has allocated a fund of £300M to be given to Local Authorities under the proposed new Local Discretionary scheme. Of that fund LBB has been awarded £909,000 over 4 years (see below). The level of relief that is allocated yearly is consistent with what Government have set for all Billing Authorities (BA’s) Nationally (with the exception of one BA due to their size).
- 5.3 The Government has distributed the £300M based upon the bill increases of properties given the following criteria: their Business Rates bill is increasing by more than 12.5% following revaluation, and their Rateable Value is less than £200,000. Bill changes were calculated using the multiplier after inflation and with adjustment for appeals (0.466)

Central list properties are excluded from the analysis. This is based on the VOA's draft 2017 rating list (September 2016).

- 5.4 Whilst devising the policy, consultation was carried out with our neighbouring Boroughs, Havering, Redbridge and Newham who are all adopting a similar approach. London Boroughs are required to consult with the GLA before making the policy public.
- 5.5 Government have urged all Billing Authorities to spend as much of their budget as possible, this is due to the fact there is no carry forward with any budget surplus. The Council will review the position in respect of any surplus In January 2018 to ensure that the Council spend as much of the budget as possible and maximises the number of recipients benefiting from the relief.

6 Summary of the proposed scheme

6.1 The main elements of the scheme are as follows:

- The rateable value in respect of the 2010 Valuation list must not exceed £70,000, this limit is in-line with the rateable value limit where BRS becomes payable, this limit best represents small to mid-size businesses.
- There must have been an increase in net rates payable of 1% or above
- A fixed relief of 5% will be applied to the 2017 rates charge.
- Qualifying criteria (appendix A) will apply. These criteria are similar to the guidelines given by the Government for Retail Rate Relief which was granted in 2014.

6.2 This scheme will give relief to the smallest businesses in the borough and it is estimated that 1,129 businesses will be eligible to apply receiving an average relief of £402. The below table provides a breakdown of the relief value average and the total relief value. This table excludes all accounts where relief has already been awarded which negates the effects of the revaluation, e.g. those who are in receipt of 100% Small Business Rates Relief. The determining factors used whilst estimating how much relief will be awarded were both the net increase of Business Rates (1% or more), and whether the properties were occupied.

| | |
|-----------------------|----------------|
| Rateable value | <70k |
| Relief Value | £453,600 |
| Number | 1,129 |
| Average relief | £402 |

6.3 The Council will actively promote the scheme by sending application forms to all the properties that have already been identified as likely to be eligible. The relief will also be promoted on the Council's website and with support from Marketing & Communications the methods used for raising awareness for the relief will be as efficient and effective as possible. The local Chamber of Commerce has also agreed to help the Council promote the relief once Cabinet has approved the policy.

Case Example

Mr. A runs a newsagent which has a rateable value of £21,000 in respect of the 2010 Rating List.

The new rateable value then increases to £27,000 with effect from 1 April 2017. The below calculations demonstrate how Mr. A would be impacted by the scheme if he were in receipt of Local Discretionary Rate Relief for the financial year 2017/18 - this relief would not carry forward into the next financial year:

| | 2016/17 | 2017/18 | Increase | Percentage increase | Proposed Scheme (5% relief) | 2017 charge after relief | Increase after relief |
|---------------|---------|---------|----------|---------------------|-----------------------------|--------------------------|-----------------------|
| Charge | £10,164 | £10,886 | £722 | 7% | £544 | £10,341 | £177 |

7. Financial Issues

Implications completed by: Kathy Freeman, Finance Director

- 7.1 The Government has awarded the Council £900k over a period of four years to provide businesses with support who have been impacted through the business rates revaluation.
- 7.2 As seen from section 2.1, the funding significantly reduces in year 4, by which point the costs of providing the relief to the affected businesses will need to be absorbed into the Council's overall budget.

8. Legal Issues

Implications completed by Dr. Paul Feild, Senior Governance Lawyer

- 8.1 In the 2017 Budget, the Chancellor announced that the Government would make available a discretionary fund of £300 million over four years from 2017-18 to support businesses that face the steepest increases in their business rates bills as a result of the revaluation. The power to apply relief was delegated to local authorities (billing authorities) for them to determine their relief policy.
- 8.2 This will be administered through Billing Authorities discretionary relief powers under section 47 of the Local Government Finance Act 1988. Providing the billing authority's scheme is compliant with the Governments eligibility criteria then it will be compensated for any loss of income it incurs by means of grant payments under s.31 of the Local Government Act 2003.

Public Background Papers Used in the Preparation of the Report: None

List of appendices:

- **Appendix A** – Local Discretionary Relief Policy