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| Committee(s): | Date(s): |
| Finance Committee | 12 September 2017 |
| Subject: Business Rates Revaluation Support - Discretionary Rate Relief Scheme | Public |
| Report of: Chamberlain | For Decision |
| <p style="text-align: center;">Summary</p> <p>In the Spring Budget in March 2017 the Government announced that it would make available a discretionary fund over four years from 2017-18 to support those businesses that face the steepest increase in their rate bills as a result of the 2017 revaluation. The decisions on how to target the fund has been left to local government.</p> <p>This report proposes a scheme for the City Corporation's distribution of its share of the fund to City businesses.</p> <p>Recommendation(s)</p> <p>Members are asked to:</p> <ul style="list-style-type: none"> • Agree that consultation takes place on the proposed scheme; • Delegate authority to the Chamberlain as the Section 151 Officer to approve the final scheme following the consultation | |

Main Report

Background

1. In the Spring Budget the Government announced the establishment of a £300m discretionary fund over four years from 2017-18 to support those businesses that face the steepest increases in their business rates bills as a result of the 2017 revaluation. The intention is that every billing authority in England will be provided with a share of the £300m to support their local businesses. Billing authorities are expected to use their share of the funding to develop their own discretionary relief schemes to deliver targeted support to the most hard-pressed ratepayers. The £300m will cover the four years from 2017-18.

2. The City share of the £300m is set out below.

| Amount of discretionary pot awarded (£000s) | | | | |
|--|----------------|----------------|----------------|--------------|
| 2017-18 | 2018-19 | 2019-20 | 2020-21 | Total |
| 5,541 | 2,691 | 1,108 | 158 | 9,498 |

3. It was confirmed in August that it will not be possible to transfer the allocation between years and each year will therefore require a separate scheme.
4. The Government expects that billing authorities will deliver the scheme through the use of their discretionary relief powers under section 47 of the Local Government Finance Act 1988, as amended. They will be compensated through a Section 31 grant for the cost to the authority of granting the relief – up to a maximum amount based on the authority's allocation of the £300m fund.
5. The grant has been calculated and allocated on the basis that the rateable property has a rateable value for 2017-18 that is less than £200,000; and the increase in the rateable property's 2017-18 bill is more than 12.5% compared to its 2016-17 bill (before reliefs, e.g. transitional relief). To allocate the resource between authorities the Government has assumed that authorities will provide support only to those ratepayers who are facing an increase in their bills following revaluation – and will make this a condition of the grant.
6. As a formality, the Government consulted on the proposals immediately after the budget in March. The City responded to the consultation.
7. As a condition of receiving their allocation of the grant, billing authorities must consult their major precepting authorities, in the City's case only the Greater London Authority (GLA)
8. It should be noted that relief only applies to national non-domestic rate and not to the City's premium, the GLA supplement for Crossrail or any Business Improvement District (BID) levy.

Current Position

9. The City, like all billing authorities needs to devise a scheme for awarding the amount of funding allocated. The fund clearly should only be distributed among those facing increases in their rates bills as a result of revaluation but there is a considerable amount of freedom beyond that. A proposed scheme on which to consult is described below in paragraphs 11 to 19.
10. There has been very little reaction from City ratepayers to the Government announcement of support for revaluation and up to mid August only 5 queries have been received in total.

Proposals

11. There is some protection against increases in rate bills through transitional relief. The percentage relief available depends on the new rateable value. Properties have been divided into 3 bands: small, medium and large. There are caps on the increases so that where the increase is above the cap, the

difference is awarded as transitional relief. The caps in 2017-18 are 5% for small properties up to rateable value £28,000; 12.5% for medium properties up to rateable value £100,000; and 42% for large properties over rateable value £100,000. All these caps are increased by an amount for inflation.

12. The Government's intention is to help those facing the largest increases and is basing the grant allocation on properties below £200,000 rateable value facing increases of more than 12.5%. Properties up to rateable value £28,000 have their increases capped at 5% (7.1% with inflation) with any amount above this covered by transitional relief and it seems sensible therefore to exclude them from the discretionary relief. Equally, the Government has not taken properties with rateable values of £200,000 or more into account in the grant allocation. Therefore, although in the City there are some fairly small businesses with such high rateable values, they should also be excluded from a discretionary scheme.
13. The properties facing the largest increases are those with rateable values above £100,000 as their increase is capped at 42% (44.84% with inflation). In the City, as rateable values are generally very high, these include some relatively small ratepayers.
14. It is proposed, therefore, that the discretionary scheme should apply to properties with rateable values between £28,001 and £199,999 where the increase is more than 12.5%
15. The allocation for this financial year is £5.541m and as it will not be possible to transfer grant between years, we should aim to distribute the whole amount within the year.
16. The intention is to help those facing large increases and it is proposed to place the following restrictions on the scheme:
 - Relief will only be available to ratepayers in occupation on 1st April 2017 as relief is intended for those facing increases and a new ratepayer could be expected to know about the rate liability;
 - there will be no relief awarded where the property was empty at 1st April 2017;
 - relief will not be awarded to pubs or wine bars where the rateable value is up to £100,000 as there is a separate government scheme for them;
 - relief will not be awarded to charities, as they receive 80% mandatory relief;
 - relief will be awarded as a one-off amount and not recalculated unless the liability is reduced below the level of the relief. No relief will be awarded to an incoming ratepayer;
 - it will be possible to receive relief on more than one property
17. It is proposed that the amount is divided equally among those eligible: although the % increase may be lower for those properties below £100k, the business impact is likely to be greater. There are likely to be around 3,640 properties eligible and relief of about £1,550 would amount to £5.64m, some £101,000 above the grant. However, it is likely that some of these will not be eligible and once precise calculations are made, it may be possible to award slightly more.

18. It is necessary to consult the Greater London Authority, as preceptor, and it is proposed to share the draft scheme with them and also to contact the Cheapside BID board and place a notice on the City website, summarising the scheme and inviting comments, with comments to be made within 4 weeks of the notice.
19. It is proposed that the determination of the final scheme, following consultation, be delegated to the Chamberlain as the Section 151 officer.
20. State aid provisions will apply to this relief and ratepayers who appear to be eligible will be invited to apply and at the same time sign a state aid declaration.

Implications

21. The relief should be fully funded by government grant but as it is not possible to predict precisely the full cost of the amounts awarded, there may be some cost to be met from the City Fund as the City's share of the national non-domestic rate, i.e 30% of any excess amount awarded.

Conclusion

22. Members are asked to note the requirement to design a scheme for distributing the grant for business rates revaluation support, to agree to consulting on the scheme proposed, and to delegate the final approval of the scheme to the Chamberlain.

Appendices

None

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