

**Committee:****Date:**

Wards: All

**Subject: Local Discretionary Business Rate Relief Report**

Lead officer: Caroline Holland

Lead member: Councillor Mark Allison

Contact officer: David Keppler

**Recommendations:**

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1. For Cabinet to review and agree the new Local Discretionary Business Rate Relief Policy for 2018/19
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**1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1. To update Cabinet on the new Local Discretionary Rate Relief and seek agreement of the policy.

**2 DETAILS**

- 2.1. On the 1 April 2017 a re-valuation of business rates rateable values was implemented. The previous re-valuation took place in April 2010. These re-valuations are meant to be every five years although in 2012 the government announced that the 2015 re-valuation was delayed until 2017.
- 2.2. Rateable values are calculated by the Valuation Officer and are based on market rental values, size, usage and location.
- 2.3. Based on the draft valuation list in October 2016 Merton had a 7% average percentage increase in rateable values. The average increase for Outer London boroughs was 14% and the average increase for all of London was 24%
- 2.4. Although on average the rateable value has increased from April 2017 the poundage multiplier was reduced by 4 %. This means that when rates bills are calculated although the rateable value may have increased the actual rates payable would have increased less the rateable value increase.
- 2.5. Following every re-valuation there is a Transitional Relief scheme which protects businesses with disproportionately high or low rateable value changes. Although the scheme is quite complicated, it in effect restricts the level of rates increase or decrease a business would face over the five-year period of the re-valuation. The transitional relief a business would receive under the scheme is based on the rateable value of the property.
- 2.6. Under the business rates regulations there are different ways businesses may have their rates reduced. Some of the reliefs are mandatory and set within the legislation such as small business rate relief (reductions for businesses where the rateable value is below a certain figure), empty rate relief where premises are unoccupied, charitable relief – where a business is a charitable body. In addition, some reliefs are discretionary and determined by the Council, such as discretionary relief as a top up to charitable relief,

discretionary relief where mandatory relief is not awarded, hardship relief and in Merton a local discount to encourage new and expanding businesses to move into the borough.

- 2.7. In the March 2017 budget the government announced a range of initiatives to assist businesses affected by the re-valuation and allocated funding to local authorities to help businesses worst affected by the increases in rates.
- 2.8. In the government announcement regarding local discretionary relief the government assumes that local authorities will only support businesses that have had an increase in their bill and will make this a condition of the funding and further assumes that by and large authorities will offer support to ratepayers or locations that face the most significant increases in bills and ratepayers occupying lower value properties.
- 2.9. Local authorities are expected to devise their own local schemes.
- 2.10. Merton has been awarded £459,000 for 2017/18, £223,000 in 2018/19, £92,000 in 2019/20 and £13,000 in 2020/21.
- 2.11. Merton's scheme for 2017/18 was agreed by Cabinet on 3 July 2017.

### **3 LOCAL DISCRETIONARY RATE RELIEF**

- 3.1. As at the end of January 2018 we have awarded £440,831.10 in relief to 426 businesses.
- 3.2. The table below shows the number of businesses receiving assistance by the percentage band increase and reduction. It also shows the value of relief awarded and average for each band.

% Increase in rates payable	% Reduction	Number receiving relief	Amount of relief	Average relief granted
3-4	2	52	£15,675.98	£301.46
5	4	19	£12,354.09	£650.21
6	5	32	£31,299.21	£978.10
7	6	195	£92,273.54	£473.20
8-9	8	30	£69,300.18	£2,310.01
10-11	10	27	£58,199.79	£2,155.55
12-14	12	29	£84,795.41	£2,923.98
15-19	15	3	£6,726.65	£2,242.22
20+	20	6	£33,204.05	£5,534.01
Total		393	£403,828.90	£1,027.55

- 3.3. In addition to the above we also provided support to locally owned pubs in the borough and those businesses that faced a bill for the first time. Although these businesses were assisted with specific funding from government we also provided additional help through our discretionary fund.

- 3.4. The new policy for 2018/19 with qualification criteria has been drafted see Appendix 1, which details the conditions for businesses who will qualify for assistance under the new scheme and lists the types of businesses that will be ineligible.
- 3.5. In effect the businesses we assisted in 2017/18 will continue to receive support with the exception of the locally owned pubs and businesses that faced a bill for the first time as they will continue to receive specific relief from the government.
- 3.6. Our estimates show that we can support businesses again on an incremental scale based on the % increase they have in their business rates in 2018/19 compared to 2017/18. The 50 businesses that will have an increase of over 25% will receive a 50% reduction in the increase. Our proposed reductions are listed below:

No of cases	% increase from 2017/18 to 2018/19	% reduction on increase (after other reliefs)	Total cost
50	Over 25%	50%	£112,392.19
143	Between 15 and 25%	30%	£64,941.45
142	Between 7 and 14%	15%	£39,339.97
50	Between 5 and 6 %	10%	£3,787.79
385			£220,461.40

- 3.7. An alternative method of assistance would be to give all 385 qualifying businesses the same percentage reduction, our estimate shows we can provide 30% reduction in the net business rate increase from the 2017/18 to the 2018/19. This would amount to £222,880.
- 3.8. In line with the 2017/18 scheme if a business rate payer vacates during the year the relief will be apportioned for the period of occupation
- 3.9. The Chamber of Commerce have been consulted with regarding the proposed draft policy and they agreed with the criteria and the incremental assistance based on the percentage increase.
- 3.10. This relief will be applied to accounts before we issue the new business rates bills for 2018/19 in March 2018. This will ensure that businesses have the correct bill from the start of the financial year unlike last year when we had to re-bill the businesses we assisted.

#### **4 ALTERNATIVE OPTIONS**

- 4.1. Do nothing is not an option as we have to have a policy to distribute this additional funding to businesses.

- 4.2. Another option is to award all businesses that we assisted last year with a 30% reduction of their increase. This approach would disadvantage businesses that will have a large percentage increase in their rates bill. The cost of this option are detailed in 3.7 above

## **5 CONSULTATION UNDERTAKEN OR PROPOSED**

- 5.1. Consultation with Chamber of Commerce as per 3.9 above.

## **6 TIMETABLE**

- 6.1. The reduction will be included in the 2018/19 business rates bill which are due to be despatched at the beginning of March 2018.

## **7 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

- 7.1. The council will receive funding from government for all local discretionary relief granted and this will be re-claimed via the yearly NNDR1 return which estimates for government the expected income received and reliefs granted.
- 7.2. As stated above in 2.10 Merton has been awarded £459,000 for 2017/18, £223,000 in 2018/19, £92,000 in 2019/20 and £13,000 in 2020/21.
- 7.3. The government provided £12,000 New Burdens money to deal with the implementation of this change in 2017/18.
- 7.4. To administer this new relief the council purchased a new module from the Business Rates system supplier at a cost of £9,061 plus £980 maintenance and support cost for 2017/18. There will be an ongoing 20% yearly maintenance and support charge for the module.
- 7.5. No announcement has been made regarding New Burden funding for 2018/19.

## **8 LEGAL AND STATUTORY IMPLICATIONS**

- 8.1. The government announced in the budget statement measures whereby local authorities should offer help to businesses that have been most adversely affected by the 2017 re-valuation. The payment of this award is made as part of the Council's section 31 grant payment.

## **9 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

- 9.1. The draft policy has been shared with the Chamber of Commerce for comment and views, please see comments above under 3.9

## **10 CRIME AND DISORDER IMPLICATIONS**

- 10.1. None for the purpose of this report

## **11 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

- 11.1. None for the purpose of this report

## **12 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT**

Appendix A – Local Discretionary Business Rate Relief Policy 2018/19

## **13 BACKGROUND PAPERS**

13.1. None for the purpose of this report

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