

Merton Council

Cabinet

3 July 2017

Supplementary agenda

8 Business Rates Local Discretionary Relief

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Committee: Cabinet

Date: 3 July 2017

Agenda item:

Wards: All

Subject: Business Rates Policy Update Report

Lead officer: Caroline Holland

Lead member: Councillor Mark Allison

Forward Plan reference number: N/A

Contact officer: David Keppler

Reason for urgency: The Chair has approved the submission of this report as a matter of urgency as delaying the report to the next Cabinet meeting would have implications for the Council's ability to collect rates due in the current financial year. There is an expectation from central Government that a policy is implemented as a priority and the Council will be required to report its progress in this matter to central Government.

Recommendations:

A. For Cabinet to review and agree the new Local Discretionary Rate Relief Policy.

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 BACKGROUND

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. Local authorities are expected to devise their own local schemes.
- 2.9. 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.
- 2.10. As the funding for future years will reduce this scheme is for one year only and a new scheme drafted for 2018/19.

3 LOCAL DISCRETIONARY RATE RELIEF

- 3.1. 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.
- 3.2. The new policy 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.
- 3.3. Local Discretionary Rate relief will be awarded to all businesses that meet the criteria and where their net rates charge for 2017/18 is 3% or more than their charge for 2016/17 and the rateable value is less than £150,001.
- 3.4. An analysis of leisure centres was undertaken but none of the private or public centres qualified as the rateable value was over £150,000 or the businesses operate more than three properties across the borough or country.
- 3.5. The amount of relief awarded will be based on the percentage increase. The table below shows the different bands and the percentage reduction in the bill for those bands and how many businesses will receive the relief.

% Increase in rates payable	% Reduction	Number receiving relief
3-4	2	56
5	4	25
6	5	36
7-9	6	264
10-14	8	96
15-19	10	8
20+	20	20

- 3.6. It is estimated that using this criteria 505 businesses will receive relief and the total value of the relief will be £443,364.
- 3.7. If a business rate payer vacates during the year the relief will be apportioned for the period of occupation.
- 3.8. The council will entertain separate applications from businesses where the increase has been less than 3% and these will be assessed using the criteria and total of any awards limited up to the total funding granted to the council.
- 3.9. We will undertake a desk top risk based assessment and where possible the relief will be granted automatically based on the qualifying criteria.
- 3.10. In some instances we may request written confirmation from businesses that they meet the criteria and where this is not provided the relief may be removed.
- 3.11. The Chamber of Commerce have been consulted with regarding the draft policy and generally they agreed with the criteria although raised a concern that some businesses classified as schools have had large increases and fail to meet the criteria.
- 3.12. The businesses referred to have been classified and rates assessed by the Valuation Officer as “Private Schools”.
- 3.13. There have been large increases in rates for both private and public schools and if we included these into the scheme there would be an additional cost of just under £60,000 which would mean reliefs for the other qualifying businesses would have to reduce.
- 3.14. Therefore following this analysis no change has been made to the criteria.

4 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 4.1. 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.
- 4.2. As stated above in 2.9 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.

4.3. The government have announced that authorities will be granted New Burdens money to deal with the implementation of this change but have not yet confirmed how much.

4.4. To administer this new relief the council will have to purchase a new module from the Business Rates system supplier at a cost of £4,900 and then 20% yearly support and maintenance.

5 LEGAL AND STATUTORY IMPLICATIONS

5.1. 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.

6 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

6.1 The draft policy has been shared with the Chamber of Commerce for comment and views, please see comments above under 3.10 to 3.12.

7 CRIME AND DISORDER IMPLICATIONS

7.1. None for the purpose of this report

8 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

8.1. None for the purpose of this report

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

Appendix A – Local Discretionary Relief Policy

10 BACKGROUND PAPERS

10.1. None

Draft Local Discretionary Rate Relief Scheme 2017/18

The Local Discretionary Business Rate Relief Scheme will apply for the year 1 April 2017 to 31 March 2018 only. Under the scheme relief will only be provided where a qualifying ratepayer's net bill has increased by 3% or more, due to the 2017 revaluation.

Where a qualifying ratepayer's 2017/18 and, or 2016/17 rates bill is reduced for any of the following reasons, the amount of their relief will be reduced or removed accordingly:

- a reduction in rateable value in the 2010 and, or 2017 rating lists
- the provision of a certificated value for the 2010 rating list or historical change
- the application of any additional rate relief or exemption
- vacation and re-occupation of the property
- any other reason

To qualify for relief a ratepayer must be in occupation of a property with a rateable value of up to £150,000 and will fall into one of the categories listed below:

- Shops or kiosks (such as: florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, chemists, newsagents, hardware stores, supermarkets)
- Post offices (not sorting offices)
- Furnishing shops/ display rooms (such as: carpet shops, double glazing, garage doors)
- Second hand car lots
- Garden centres
- Art galleries (where art is for sale/hire)
- Shoe repairs/ key cutting
- Dry cleaners
- Launderettes
- PC/ TV/ domestic appliance repair
- Funeral directors
- Photo processing
- DVD/ video rentals
- Tool hire
- Hair salons/barbers and pet grooming facilities
- Restaurants
- Sandwich shops
- Workshops providing a service to the public

Please note that the following types of uses are not eligible for local discretionary business rate relief:

- Financial services (e.g. banks, building societies, cash points, bureau de change, payday lenders, betting shops, amusement arcades, pawn brokers)
- Estate agents, letting agents, employment agencies
- Professional Services (e.g. solicitors, accountants, insurance agents/financial advisers, tutors)
- Fast food outlets
- Beauticians/tanning salons and tattoo shops
- Vape lounges
- Doctors, dentists, vets and GP surgeries
- Gyms and leisure centres
- Telecommunications network facilities
- Storage and warehousing
- Educational establishments

For properties where any of the following apply, the ratepayer will not be eligible for local discretionary business rate relief:

- Where the business runs three or more properties in the borough or across the UK
- Ratepayers in receipt of small business rate relief support which limits increases on small properties caused by the loss of small business rates relief to £600.
- Ratepayers occupying properties after 1 April 2017'
- Properties which were not on the rating list at 1 April 2017.
- Empty property
- Rate payers with any unpaid arrears
- Large organisations such as Transport for London, NHS
- Where the award of relief would not comply with EU law on State Aid.

Ratepayers will be required to confirm that they have not received any other State Aid that exceeds in total €200,000, including any other rates relief (other than exemptions, transitional or mandatory reliefs) being granted for premises other than the one to which the declaration relates, under the De Minimis Regulations EC 1407/2013.

Under the European Commission rules, you must retain this guidance for three years and produce it on any request by the UK public authorities or the European Commission. (You may need to keep this guidance longer than three years for other purposes). Furthermore, information on this aid must be supplied to any other public

authority or agency asking for information on 'De Minimus' aid for the next three years.

Further information on State Aid law can be found at <https://www.gov.uk/state-aid>

How the Local Discretionary Business Rate Relief will be calculated

Discretionary business rate relief is calculated after any or all of the following have been applied:

- Exemptions and other reliefs
- Transitional arrangements

and before the application of the Business Rates Supplement. The Discretionary business rates relief does not apply to the supplement (BRS).

The amount of relief will be awarded based on the increase in the net rates bill as detailed below. .

% Increase in rates payable	% Reduction
3-4	2
5	4
6	5
7-9	6
10-14	8
15-19	10
20+	20

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