

Report of the Strategic Director Corporate Services to the meeting of Executive to be held on 20 June 2017

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Subject:

Business Rates

Summary statement:

This report sets out a proposal for a West Yorkshire Business Rates Revaluation Relief Scheme to support businesses that face the steepest increases in their business rates bills as a result of the 2017 Business Rate revaluation

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Portfolio:

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Overview & Scrutiny Area:

Corporate



1. SUMMARY

- 1.1. This report sets out a proposal for a West Yorkshire Business Rates Revaluation Relief Scheme to support businesses that face the steepest increases in their business rates bills as a result of the 2017 Business Rate revaluation.
- 1.2. The report also considers other discretionary business support schemes that the Government intends to introduce

2. BACKGROUND

- 2.1. The Valuation Office Agency has recently completed a revaluation of all Non Domestic properties and the new rateable values, based on rental values at 1 April 2015, are effective from 1 April 2017. The revaluation will affect the amount of business rates many businesses across the Bradford District will have to pay.
- 2.2. Whilst Bradford's ratepayers will be paying less overall in business rates because of the revaluation, there are still a significant number that individually have seen an increase.
- 2.3. The Government announced that funding for a number of different support schemes would be made available to mitigate the impact on businesses.
- 2.4. In particular the Government will make available a discretionary fund of £300 million 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 revaluation. Bradford's share is just short of £1m in 2017/18.
- 2.5. The Government intends Council to use its discretionary powers to award this relief, a decision of the Council's Executive is required to introduce the scheme.
- 2.6. The Directors of Finance of the West Yorkshire councils have asked officers to try and develop a common scheme across the region, so that the support to businesses is consistent
- 2.7. This report has not been included on the published forward plan as an issue for consideration and is submitted in accordance with paragraph 10 of the Executive Procedure Rules set out in the Council's Constitution, for two reasons.
 - 2.7.1. When the Chancellor announced the funding the Government consulted on the details of the scheme and were due to announce the results as the General Election was called. They initially announced that no further details would be available until after its conclusion, but a short time later reversed this decision and published details of the scheme, leaving Council's with little time to implement.
 - 2.7.2. Some businesses in Bradford are facing steep rises in their Business



Rates and should already have paid a quarter of this year's bill. Awarding this relief by 1 July 2017 is therefore vital to support the business community.

3. OTHER CONSIDERATIONS

- 3.1. The Government has made it clear that the additional funding identified by the Chancellor to support businesses should only support smaller ratepayers who are facing an increase in their bills following the 2017 revaluation.
- 3.2. There is an ambition to have a West Yorkshire scheme; the West Yorkshire Business Rates Revaluation Relief Scheme, for those smaller organisations that are facing an increase in the business rates they have to pay because of the revaluation. This is subject to ratification in each area.
- 3.3. The scheme will initially be for one year from 1 April 2017, but may be extended further.
- 3.4. Details of the scheme are set out in Appendix 1, including the principles the scheme is based on, the detail of how the scheme will operate and a series of questions and answers, which explains the scheme in more detail.
- 3.5. The scheme will provide support to over 2,000 Bradford businesses that are facing an increase in the amount they have to pay.
- 3.6. In most cases relief will be awarded automatically, without the need for application.

Other Matters

- 3.7. The Government has also announced its intention to provide funding for a further two discretionary relief schemes; Supporting Small Businesses Relief and Support for Pubs.
- 3.8. The Supporting Small Businesses Relief (SSBR) scheme will support Rate Payers that have lost some or all of their Small Business Rate relief or Rural Rate Relief as a result of the Rateable Value changes. Those facing large increases will be supported to the following by which ever is greater;
 - £600 per year (£50 per month) or
 - The matching cap on increases for small properties in the TR scheme (5%)
- 3.9. The Support for Pubs scheme will provide for a £1,000 discount for properties, with a rateable value under £100,000, in 2017/18.
- 3.10. DCLG is expected to publish final guidance on these two schemes shortly.

4. FINANCIAL & RESOURCE APPRAISAL



- 4.1. Modelling suggest that the government funding will be sufficient to cover the cost of the scheme. However, this is dependent on the assumptions about those organisations that will not qualify because of the state-aid provision. There is a small risk that one of these organisations will choose to make application for relief in just one areas (thus not exceeding the threshold overall, but adding to the costs in that one area). This could happen to any of the Councils in the region.
- 4.2. A proposal will be made to the West Yorkshire Business Rates Pool to try and mitigate this risk.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

- 5.1. The Financial and Resource appraisal highlights the risk of a deficit on the Collection Fund should the assumptions about applications for state-aid be wrong.

6. LEGAL APPRAISAL

- 6.1. Billing authorities have power to award this discretionary relief under Section 47 of the Local Government Finance Act 1988.

7. OTHER IMPLICATIONS

7.1 EQUALITY & DIVERSITY

None

7.2 SUSTAINABILITY IMPLICATIONS

The sustainability of the local economy and of communities is linked to the sustainability of local business. The introduction of business relief will contribute to the sustainability of local business.

7.3 GREENHOUSE GAS EMISSIONS IMPACTS

None

7.4 COMMUNITY SAFETY IMPLICATIONS

None

7.5 HUMAN RIGHTS ACT

N/A

7.6 TRADE UNION

N/A

7.7 WARD IMPLICATIONS

N/A



**7.8 AREA COMMITTEE ACTION PLAN IMPLICATIONS
(for reports to Area Committees only)**

N/A

8. NOT FOR PUBLICATION DOCUMENTS

None

9. OPTIONS

N/A

10. RECOMMENDATIONS

That;

- Executive approve the adoption of the proposed West Yorkshire Business Rates Revaluation Relief Scheme as set out in Appendix 1, and that the Strategic Director Corporate Services be given delegated authority, in consultation with the Portfolio Holder, to extend the duration of the scheme beyond 2017/18, subject to the availability of Government funding
- the Strategic Director Corporate Services be given delegated authority, in consultation with the Portfolio Holder, to finalise and implement the Supporting Small Businesses Relief scheme and the Support for Pubs scheme when details are known

11. APPENDICES

- Appendix 1: WY Business Rates Revaluation Relief Scheme – with FAQ's

12. BACKGROUND DOCUMENTS

- Local Government Finance Act 1988



Local West Yorkshire Business Rates Revaluation Relief Scheme

West Yorkshire councils have agreed to award an additional amount of rate relief to those smaller organisations that are facing an increase in the business rates they have to pay because of the revaluation. Initially for one year from 1 April 2017, but may be extended further

The Government have made it clear that any relief awarded should only support smaller ratepayers who are facing an increase in their bills following the 2017 revaluation

West Yorkshire Scheme Design Principles.

Administration of this scheme will be difficult so keeping the scheme simple will minimise the burden, whilst also making it easy to understand for ratepayers

- There is a national transitional relief scheme which already provides some protection for ratepayers having increases in rates payable depending on the size of their property. Three bands are used to do this, small, medium and large
- It is proposed to allow relief to those in the small and medium bands as most properties are in these 2 bands, and on the basis that business with large properties may be better placed to absorb the steep rise in rates.
- It also matches the Governments ambition that relief is only available to smaller ratepayers
- All national, statutory reliefs and exemptions will be applied before any calculation for Discretionary Rate Relief can be considered.
- ALL other relief schemes recently announced, additional small business relief and public house relief should be deducted, before applying the % reduction. This will maximise the funding available to each Council.

The Local Scheme

- In 2017/18, the scheme will award all eligible ratepayers 50% of the increase in rates due to the revaluation from 2016 to 2017.
- Properties that are empty will not be eligible as they do not add to the prosperity of the Region.
- Legislation prevents the award of any relief to properties occupied by Local or Precepting Authorities (such as the police or fire services) and hence, are likewise ineligible.
- Finally, no relief can be awarded if it would mean an organisation exceeds the state aid de-minimus level (currently €200,000 over 3 years)

It is intended that the relief will follow the property, ie new business will receive relief if they take on a qualifying property part way through the year. Relief will also be adjusted if the amount payable changes.

No Council intends to award more than the maximum grant from the Government



West Yorkshire Business Rates Revaluation Relief Scheme – FAQ's

Q. Why is the local West Yorkshire Revaluation Relief scheme only for small and medium RV properties?

- Councils are looking for a simple scheme that is easy to administer
- The WY scheme mirrors the existing TR statutory thresholds for small and medium properties.
- This means that relief will be available to those with a rateable value of up to £100,000
- The criteria matches the Governments ambition that relief is only available to smaller sized ratepayers (This assumes that business with large properties may be better placed to absorb the existing rise in rates without additional support.)

Q. How will different funding levels be dealt with each year?

- The % awarded across WY Councils (in year 1) should be the same or very similar based on the agreed criteria and design principles.
- The WY Councils (in year 1) are all seeking to award 50% of any rise in business rates following the award of all other reductions and reliefs, i.e TR, Pubs, SBR etc.
- All WY Councils reserve the right to amend this % awarded (in year; and at for each new financial year) based on any additional information, the level of grant funding and/ or legislative guidance.

Q. Are any properties specifically excluded from the WY scheme?

- State schools and other Council buildings are excluded due to section 47 of the of the Local Government Act 1988
- Police and Fire authority premises are also excluded under section 47 of the of the Local Government Act 1988
- Empty properties are excluded from the WY scheme, therefore relief can only be awarded if the property is occupied and trading
- Large RV properties as defined by the existing national TR scheme are excluded.
- Multi-National companies have been excluded due to the State Aid restrictions.

Q Will the relief end if the occupier changes in a property?

- The relief would follow a property, i.e. new occupiers would also receive the relief up to 31 March

Q. Will business rate accounts be adjusted after the relief is awarded if there is a change in circumstances? (i.e. backdate RV reductions, additional relief awarded, or property vacated etc.)

- Yes the business rate charge will be amended due to any changes in circumstances where it would affect the level of relief awarded. The effective date would be the date of change.

Q. Can awards be made for the same company with more than one property?



- Yes, the proposal is to award a set % for all increases in Rates after all reductions and reliefs have been awarded.
- It is not the intention to make any award to those that will be affected by the state-aid provisions. However, if an award is made, then the organisation is responsible for notifying the WY Councils to this effect.

Q. What will happen if we don't spend or use up all of the proposed funding?

- The government have not confirmed if underspends will have to be re-paid or if they can be moved between years. This will therefore be determined later in the year.

