

Business Rates Revaluation: Support Measures in the 2017 Spring Budget

Purpose

For information and discussion and approval of attached response.

Summary

This report provides members of Resources Board with a summary of the Spring Budget measures affecting business rates and attaches a response to the consultation at **Appendix A** on the design and implementation of the locally administered Business Rates Relief Scheme.

Recommendation

That the Board note the report and approve the response to the consultation document on the design and implementation of the locally administered Business Rates Relief Scheme.

Action

Officers to proceed as directed.

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Business Rates Revaluation: Support Measures in the 2017 Spring Budget

Introduction

1. The Chancellor's Budget was announced on 8 March 2017 (see Item 4 on the Resources Board agenda for other announcements in the Chancellor's Budget). It contained a package of support, worth in total £435 million, for businesses in England facing significant increases in business rates bills from April 2017, as a result of the revaluation. The support package was made up of three measures:
 - 1.1 Support for small businesses whose eligibility for Small Business Rate Relief has reduced or ended as a result of the revaluation.
 - 1.2 Funding for local authorities to support £300 million of discretionary business rate relief between 2017/18 and 2020/21.
 - 1.3 A £1,000 business rate discount for pubs with a rateable value up to £100,000 subject to State Aid limits.

Support for Small Businesses

2. This measure will provide support for small or rural businesses which as a result of revaluation have increased over the limit for small business rate relief (this is £12,000, or up to £15,000 for tapered relief). This would be
 - 2.1 a cash value of £600 per year (£50 per month); or
 - 2.2 the increase which the business would have had in the existing transitional relief scheme (5%, 7.5%, 10%, 15% and 15% respectively, plus the relevant inflation, in the years 2017/18 to 2021/22), if this is higher.
3. The Government expects the number of ratepayers affected to be small and has encouraged councils to inform these ratepayers that relief is likely to be forthcoming. Councils will be paid in full through section 31 grant for any additional relief they grant, which will be done under their discretionary relief powers. They will also pay for any additional costs of rebilling or software changes.
4. The Government estimates this will cost £25 million a year from 2017/18 to 2021/22, with this being reduced to £20 million in 2018/19 and 2019/20¹.
5. DCLG is talking to software suppliers and the LGA about the implementation of this, in particular how to identify the ratepayers affected.

¹ See budget costings at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/597335/PU2055_Spring_Budget_2017_web_2.pdf p7

Discretionary Relief Scheme

6. On 9 March DCLG issued a consultation on the distribution of this scheme which will fund local authorities to support £300 million of discretionary business rate relief between 2017/18 and 2020/21. This closes on 7th April. A draft response is attached as Annex A.
7. This totals £300 million in total, over four years; broken down as follows: DCLG has said that the following amounts would be available for this:
 - 7.1 £175m in 2017/18
 - 7.2 £85m in 2018/19
 - 7.3 £35m in 2019/20
 - 7.4 £5m in 2020/21
8. This will be distributed to councils on the basis of DCLG's estimate of businesses with a rateable value up to £200,000 which have an increase of 12.5 per cent or more in their rates bill due to the 2017 revaluation, in line with DCLG assumptions that more support will be provided to ratepayers of localities which face the most significant increase in bills and to ratepayers occupying lower value properties. No billing authority, other than the Isles of Scilly, will receive less than £100,000 in the first year of the programme.
9. The relief will be discretionary and DCLG will compensate authorities for any relief granted up to these limits. The consultation also proposes flexibility to switch resources between years. Local authorities will be paid based on initial estimates, which will then be reconciled at the end of the year. DCLG is also consulting on placing conditions on the grant, requiring it to be used only to support ratepayers facing an increase in their bills following revaluations and requiring billing authorities to consult their major preceptors and where appropriate the combined authority.
10. The draft response, which members are requested to agree, echoes the agreed lines in the Spring Budget on the Day Briefing and is attached at **Appendix A**. This welcomes support for businesses facing increases as a result of the 2017 revaluation and the Government's assurance that local government will be fully compensated. We also point to the cost of appeals and that it is vital that the Government works with councils and the LGA on how the provisions to allow central government to pay local authorities for any losses on appeals, as set out in the Local Government Finance Bill, will operate prior to the implementation of the new system.
11. On the specific questions:
 - 11.1 The LGA agrees that the relief should be discretionary rather than mandatory as local authorities are in the best position to know their own local economies;
 - 11.2 That the assumptions, that authorities will wish to concentrate discretionary relief on ratepayers facing the most significant increase in bills and those in lower value properties, are reasonable;
 - 11.3 That, on the basis that there is a fixed pot to distribute, the allocation methodology is in line with these assumptions;

- 11.4 That authorities should have flexibility to shift resources between years from year to year;
- 11.5 That we agree that section 31 grant should be paid to authorities for loss of income and that this should include the new burdens costs of additional billing and of any necessary software changes;
- 11.6 That payments to authorities should be made so that they suffer no cash flow loss, rather than quarterly in arrears as the Government proposes; and
- 11.7 That LGA in general considers that grant should be non-ringfenced. However in this instance we appreciate the Government's wish to attach conditions, although this should not be administratively onerous.

Relief for pubs

- 12 The third relief measure for businesses announced in the Chancellor's Budget was a discount for pubs that have a rateable value of below £100,000. The Government has not yet published the details of the scheme but they have said that eligible pubs will have a £1,000 discount on their bill, subject to State Aid rules which state that a business can only receive support of €200,000 over a three year period. The relief will have effect for 2017/18. In common with the other measures, councils will be compensated for this through section 31 grant. Any updates on this will be brought to your meeting. It expects that the measure will cost £25 million in 2017/18 and that local government will be compensated for any spending within the limits of the scheme.

Recommendations

- 13 Members of the Resources Board are asked to note this report, comment on its contents and agree that the response be forwarded to DCLG.

Financial Implications

- 14 This is part of the LGA's core programme of work and as such has been budgeted for.

Implications for Wales

- 15 The specific measures discussed in this report affect England only.