



Report of: Executive Member for Economic Development

Meeting of:	Date	Ward(s)
Executive	1 st February 2018	All

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Subject: Business Rates – the determination of the Revaluation Relief awards for 2018/2019

1. Synopsis

- 1.1 The significant increases in business rates in 2017 due to the Government's national revaluation risks leaving some of Islington's businesses struggling to pay their bills. The Council, in conjunction with neighbouring local authorities and local trader's groups continues to voice strong concerns over the impact of the 2017 Revaluation.
- 1.2 The DCLG allocated funding to local authorities to provide discretionary relief to those businesses facing increases in their business rate bills following the 2017 revaluation. In the first year of the discretionary relief scheme that Islington created and named "Revaluation Relief" the Executive approved the design of the scheme and determined the value of the relief to be applied by reference to a set of discount percentages that varied with the size of the business. The scheme details can be found in Appendix A.
- 1.3 £2,434,000 has been allocated to Islington for awards paid in the 2018/19 financial year. This report seeks to determine the set of discount percentages to be applied in this second year of the scheme.
- 1.4 In the Autumn Budget 2017 government announced that the Pub Relief scheme would be extended by a further year to 2018/19. The existing guidance and terms for the current scheme will continue to apply in the same way, eligible pubs with a rateable value of below £100,000 can receive a £1,000 discount on their bill.

2. Recommendations

- 2.1 To approve the award of Revaluation Relief in 2018/2019 by applying a discount to businesses' bills that is broadly equivalent to forward capping the increases in businesses' notional 2019/20 bills (after transitional relief) to no more than
- 5% for micro businesses
 - 10% for small businesses
 - no further capping for medium sized businesses (i.e. no further relief offered for this size of business)

Note: We have already dealt with 2017/18 and 2018/19 notional bill increases with the awards we made in the first year of our Revaluation Relief scheme.

- 2.3 To authorise the Corporate Director of Resources, in consultation with the Executive Member for Economic Development, to vary the discounts and/or make individual awards of relief, if it appears that there will be unspent funds at the end of the financial year.
- 2.4 To authorise the Corporate Director of Resources, in consultation with the Executive Member for Economic Development, to adjust scheme awards proportionately or stop applications so as not to exceed the funding provided by government and to assess further awards of relief by reference to the sum that remains available.
- 2.5 To approve the award of Pub Relief of up to £1,000 to qualifying public houses in occupation of premises which have a Rateable Value of less than £100,000 for the financial year 1 April 2018 to 31 March 2019 and for every year thereafter that the government provides funding for this relief and at the level of award that any funding is provided for unless there is proper reason to reverse it, as advised by officers.

3 Background

- 3.1 The significant increases in business rates in 2017 due to the Government's national revaluation risks leaving some of Islington's businesses struggling to pay their bills. The worst hit local firms will be facing an average 42% rise in their business rates by 2020/21.
- 3.3 The DCLG has provided funding for the provision of discretionary relief to those businesses facing increases in their rates following the 2017 revaluation. Islington's allocation of the Government's funding for discretionary relief is £8.590,000, to be spent over the next 4 years with 2020/21 being the last financial year awards are made. This relief must be awarded by the Council in accordance with the Discretionary Rate Relief powers as contained within the Local Government Finance Act 1988 (as amended).
- 3.4 Islington's allocation of funding in 2017/2018 was £5,011,000. The first year's award of Revaluation Relief was distributed by applying a discount in advance that was broadly equivalent to capping the increases in rates bills due to higher rateable values (after transitional relief) to no more than
- 5% each year for micro businesses
 - 6% each year for small businesses
 - 10% each year medium sized businesses

for two consecutive years, 2017/18 and 2018/19. We had to apply this for two years

because the government would not allow us to re-profile the relief and said we would lose it unless it was paid in full.

- 3.5 In respect of 2018/2019 the government funding has more than halved to £2,434,000 whilst bills have continued to rise and there is a need to reduce the value of the awards we make accordingly. In view of this we have proposed to focus the reduced sum on smaller businesses with rateable values of £60,000 or less rather than diluting the value of the awards made by including medium size businesses with rateable values in excess of £60,000.
- 3.6 Having already forward paid Revaluation Relief to cushion the blow of the bill increases in respect of 2017/18 and 2018/19. In this second year of the scheme we are forward paying relief in respect of bill increases that will happen in 2019/20.
- 3.7 There is no statutory obligation to consult and consultation is not required as a matter of public law as a relief is being provided rather than a burden being imposed. However, we engaged with various stakeholders and representatives from the business community during and throughout the development of our Revaluation Relief scheme. Our scheme was accepted as the most appropriate by the majority of the stakeholders including the Federation of Small Business.

4 Implications

- 4.1 **Financial Implications:** The purpose of the report is to formally determine the award criteria for the second year of Revaluation Relief and to extend Pub Relief for as many years as the government provides funding for. There is no new legislation laid in order to grant the discounts. Instead, Government advised that any awards made under discretionary relief powers would be fully funded and local authorities compensated for awards made.
- 4.2 In awarding Revaluation Relief and Pub relief in accordance with the guidance (Appendices A, B & C) the Council and major preceptors will be able to be fully reimbursed through the NNDR claim process.
- 4.3 The total value of Revaluation Relief awarded by the Council cannot be greater than the £8.59M allocation available over the course of the four financial years, 2017/18 through to 2020/21. If it appears that this allocation will be exceeded, the scheme will either be closed for new applicants or the amount awarded per application will be reduced. The variance will be agreed with the Executive Member for Economic Development.
- 4.4 **Legal Implications:** The Guidance advises that the Council should award any Relief in accordance with powers for granting Discretionary Rate Relief under Section 47 of the Local Government Finance Act 1988 (as amended). Granting the relief as recommended here would be reasonable and lawful.
- 4.5 The De Minimis Regulations (1407/2013) on the provision of State Aid apply.
- 4.6 **Environmental Implications:** None
- 4.7 **Resident Impact Assessment:** The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act

2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding

- 4.8 The broad purpose of this duty is to integrate considerations of equality into day business and keep them under review in decision making, the design of policies and the delivery of services.
- 4.9 There is no cost to the local taxpayer, so no burden is created elsewhere in the borough. The reliefs proposed are designed to phase the level of support with the level of the new burden created by the external revaluation process.
- 4.10 No resident impact assessment is anticipated as a result of these proposals so a Resident Impact Assessment has not been completed. The policy supports all businesses in Islington such as companies, partnerships and sole traders and therefore is unlikely to directly impact on the protected characteristics.

5. Reason for recommendations

- 5.1 By making Revaluation Relief and Pub Relief awards the Council is reducing the financial burden for a significant number of local businesses, particularly smaller businesses. This support can be provided at no additional cost to Islington's council tax charge payers.

Appendices:

Appendix A: Islington Revaluation Relief Scheme Detail

Appendix B: Business Rates Information Letter (4/2017): Spring Budget Update

Appendix C: Business Rates Information Letter (2/2017): Spring Budget

Appendix D: Business Rates Information Letter (8/2017): Autumn Budget

Background papers: None

Final Report Clearance

Signed by



Executive Member for Economic Development

Date xx January 2018

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Appendix A: Islington Revaluation Relief Scheme Detail

Table showing the value of the funding made available

2017/18	2018/19	2019/20	2020/21
£5,011,000	£2,434,000	£1,002,000	£143,000

Note: Central government is not allowing councils to use this funding flexibly across these years and we cannot carry across unspent funding from one year to the next

- 5.1 The maximum annual Revaluation Relief expenditure will be determined by the maximum amounts funded each year by government and will be focused on micro and small businesses first, particularly those hardest hit by the revaluation.
- 5.2 The sterling (£) value of the initial support we provide will be based on the expected bill rises the business will face over the two years 2017/18 and 2018/19 but awarded wholly in advance in the first year, 2017/18. The advance payment of two years' worth of relief allows us to distribute all of the funding we've been allocated by government for year 1 to the businesses we've identified (Islington's annual allocation is shown in section 5).
- 5.3 Before the end of each financial year the Executive will re-evaluate the relief arrangements to distribute the relief allocation available in respect of the following financial year. The next financial year being 2018/19 and the relief arrangements will be reviewed annually until the relief available in respect of 2020/21 has been distributed which is the last year for which government funding is available.
- 5.4 The initial award of Revaluation Relief cushioned the impact on businesses for the first two years by applying a discount that was broadly equivalent to capping the increases in rates bills (after transitional relief) to no more than
 - 5% each year for micro businesses
 - 6% each year for small businesses
 - 10% each year medium sized businesses
- 5.5 We recognise that to focus the limited amount of funding available on smaller businesses and those with the largest rate rises, that there have to be some businesses or ratepayers which/who are excluded from obtaining Revaluation Relief. Otherwise the finite funding would be diluted to such an extent that no individual award could have a meaningful impact. These exclusions are listed in 5.8

Principles

We will:

- a. do more than the government's national transitional relief scheme and mitigate bill rises with tiered amounts based on the size of the business.

Size will be decided by reference to a business's rateable value (RV)

Three size ranges:

RV of £12k to £28k (micro);
 £28k to £60k (small) and
 £60k-£100k (medium)

- b. Calculate the value of the support by reference to the years when bills are higher.
- c. Focus support on smaller businesses first.
- d. Target support for those smaller businesses that face the steepest increases in their business rates bills.
- e. Council tax bills have risen by 5% and as with residents, we expect businesses to fund at least the first 5% of their annual bill increases.
- f. Encourage businesses to 'check, challenge and appeal' the 2017 revaluation. otherwise any relief will mask a future problem with a potential significant cliff edge effect.
- g. Only those businesses who qualified for national Transitional Relief as at April 1st 2017 and are still trading and liable for rates on the date the award is made can be in scope to qualify.
- h. Minimise bureaucracy by awarding Revaluation Relief automatically to qualifying businesses where possible.
- i. Use a transparent and fair formula which has the effect of further capping the percentage increase a business faces that does not favour one business over another.
- j. The business must have had an increase in Business Rates payable as a result of the 2017 Revaluation.
- k. We will spend all of the funding allocated by central government. The maximum annual Revaluation Relief expenditure will be determined by the maximum amounts funded each year by government.

Scheme detail

- 5.6 Our proposal is to award Revaluation Relief in 2018/2019 by applying a discount to businesses' bills that is broadly equivalent to forward capping the increases in businesses' notional 2019/20 bills (after transitional relief) to no more than
- 5% for micro businesses
 - 10% for small businesses
 - no further capping for medium sized businesses (i.e. no further relief offered for this size of business)

Revaluation Relief: Advance payments applicable in Year Two calculated by reference to 2019/20 business rates bill increases with estimated¹ costs and numbers of firms supported.

	Year Two (2018/19)		
Size	Effective Cap	Estimated Cost	No. Firms helped
Micro (£28k)	5%,	£596k	909
Small (£60k)	10%,	£2,350k	660

¹all values based on computer modelling and will be subject to recalculation and review when we receive the software to more accurately interrogate the current caseload

5.7 In accordance with our principle of allocating all of the funding identified by central government but not exceed this amount, once we have projected the final expenditure figures we will re-evaluate the effect of our capping arrangements and adjust this accordingly to distribute all of the relief Islington has been allocated.

5.8 Exclusions

1. Businesses or Ratepayers whose properties combined have a rateable value (RV) in excess of £100,000
2. Any bill amounts due to Business Improvement District and Crossrail supplements
3. Properties with an RV of less than £12,000 (as these are either already exempt or they are the satellite sites of larger business)
4. Charities and other bodies already entitled to 80% mandatory relief
5. Any property subject to another national relief (except small business rates relief and/or transitional relief)
6. Unoccupied premises
7. A new business moving in or else becoming liable for the first time after 31st March 2017
8. If after April 1st 2017 an existing property that was entitled to Revaluation Relief changes in its composition (e.g. it has been merged, split or consolidated) then no Revaluation Relief will be applied to the resulting changed property
9. Cash points, Bureau de change, payday lenders, betting shops, pawn brokers, periodic payment retailers [similar to hire purchase], amusement arcades, advertising rights, car parking space(s), radio/communications masts, garages used for storage, land or premises used for storage
10. High street chains or business with a nationwide presence

5.9 The Council can determine whether particular properties not listed in the exclusions in 5.8 are broadly similar in nature to those and, if so, to consider them ineligible for Revaluation Relief. Conversely, it can determine that properties that are not broadly similar in nature to those listed above will be eligible for Revaluation Relief.

- 5.10 Revaluation Relief will normally be awarded automatically using data and information the Council already holds in respect of a business. However, an application form will be made available to rate payers so individual claims can be made where the Council had insufficient or incorrect information about a property so that Revaluation Relief can be awarded as intended. In any event, the Council can pro-actively award without an application if it considers it to be appropriate. The decision on any award will be delegated to the Director of Financial Operations and Customer Services who in turn can delegate this to any officer in this service directorate.
- 5.11 An appeal against refusal to award on the grounds of whether a property or ratepayer meets the definition of an exclusion in 5.8 can be made to the Council within one month of the Council's notification to the rate payer of this refusal. Any appeal will be considered by the Executive Member for Economic Development within a reasonable time period of its submission. The Executive Member for Economic Development has the scope to adjust the exclusions above at any stage if, in their opinion, it would be in the public interest for them to do so and/or it is in line with the Council's previously stated objective(s) on strategic issues of importance.
- 5.12 An application for Revaluation Relief may be awarded as long as the funding is still available from the Government. For the avoidance of doubt, if a prospective award will not be funded by the Government, that award will not be made by the Council.
- 5.13 Revaluation relief will be calculated after the award of any other reliefs that apply and in the same format as other Business Rate charges and apportioned accordingly where the occupation, other reliefs or rateable value of a premises changes. Any award will be credited to the business rates account that is maintained by the Council.
- 5.14 State Aid (De Minimis Regulations) will apply when granting Revaluation Relief and ratepayers may be required to complete a declaration to establish their entitlement to this relief either at the application stage or after the award is made if it is made proactively.
- 5.15 Any award made in error, or applied for by the ratepayer or his representative fraudulently, may be recovered by the Council.
- 5.16 Awards of Revaluation Relief will be made as soon as is practicably possible following approval of the scheme by the Executive.