

Business Rates update

Growing the Economy Overview & Scrutiny Date: 31st January 2018

Author: Corporate Director Resources & Transformation

Wards: All

Parishes Affected: All

1. Purpose and Reasons

- 1.1 This reports provides an update on relevant Business Rates issues
- 1.2 The effective management of financial resources through robust financial management processes underpins the Council's ability to achieve its plans and priorities.
- 1.3 Responsible budget management underpins the Council's strategic objective of consistently making the best use of all available resources.

2. Recommendations

The Committee is recommended to:

- 2.1 Note the contents of this report.

3. Detail

General update – 2017 Autumn Budget

Indexation change to use of CPI

- 3.1 A major announcement included within the Autumn Budget was the intention of the government to bring forward the planned switch in the indexation of business rates from RPI (which is the measure of inflation currently used) to the main measure of inflation, currently CPI, by two years to April 2018. The government indicates that it will use secondary legislation to bring forward this switch and that this will apply to bills from 1 April 2018. This results in a provisional small business non-domestic multiplier for 2018/19 of 48.0p and a provisional non-domestic multiplier of 49.3p in 2018/19.
- 3.2 The letter states that 'local authorities will be fully compensated via Section 31 grant for income lost as a result of bringing forward this measure'. We take this to mean that local authorities will receive compensation for the difference between 3.0% (CPI rate) and 3.9% (RPI rate) being applied.

Future revaluations

- 3.3 The Chancellor also confirmed that the frequency of revaluations would be increased to every three years, following the next revaluation currently due in 2022. The government will consult on the detail of implementation of more frequent revaluations in the spring of 2018.

Further information on the subject of this report can be obtained from Paul Smith, Direct Dial 07500 884173, psmith2@swindon.gov.uk.

Business Rates update

Growing the Economy Overview & Scrutiny Date: 31st January 2018

Pubs relief

- 3.4 In the Autumn Budget 2017 the Chancellor announced that the pubs relief scheme would be extended by a further year. 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 will receive a £1,000 discount on their bill. The relief will have effect for 2018/19. Local authorities will be expected to use their discretionary relief powers (under section 47 of the Local Government Finance Act 1988, as amended) to grant this relief for pubs in line with the relevant eligibility criteria.
- 3.5 Local authorities will be compensated for the cost of granting the relief through a Section 31 grant.

2017 Spring Budget – Rate Relief Schemes

- 3.6 The Business Rates Information Letter confirms that on 20 November, the Local Government Minister Marcus Jones MP wrote to all English MPs setting out the progress made by authorities in their constituency on implementing rebilling under each of the new relief schemes announced at the Spring Budget 2017.
- 3.7 The letter also reiterated that there is no end year flexibility in the discretionary scheme; and that any unspent funds below the allocation for an authority will be clawed back following the close of the 2017/18 financial year.
- 3.8 New burdens funding to support implementation of the three Spring Budget schemes has been confirmed. No additional funding is being provided in relation to the extension of the pubs measure, given that the government expects that authorities already have all necessary arrangements in place.

Provisional Finance Settlement 2018/19

- 3.9 As part of the December provisional finance settlement, the Secretary of State stated that local business rates retention would move from 50% to 75% in 2020/21. This is understood to mean all authorities would be at 75%, rather than the 75% being an average.
- 3.10 Of course, post-reset (with new potentially higher NNDR Baselines in most areas), there is likely to be a shift in the amounts/areas benefiting from business rates retention and therefore being at 75% or higher may not be as advantageous, at least in the short term.
- 3.11 The Secretary of State also confirmed that a reset of the business rates retention system will take place in 2020/21. This will see a change in methodology where baselines will be adjusted to better reflect how much local authorities are actually collecting in business rates (the current ones are based on the amount collected in 2010/11 and 2011/12). It remains to be seen (i) how DCLG will determine the

Business Rates update

Growing the Economy Overview & Scrutiny Date: 31st January 2018

new baselines i.e. what data and which years are chosen and (ii) how much of the growth since 2013/14 is taken i.e. Full vs. Partial Reset

- 3.12 On this second point, the Secretary of State stated that “Local authorities will be able to keep that same share of growth on their baseline levels from 2020 to 2021, when the system is reset”. It is understood that this was not a reference to how the reset would be determined, but just to reflect that 75% of growth would be retained from 2020/21 onwards.

Swindon current position

- 3.13 The current monitoring shows that this is on track for the current 2017/18 financial year. The estimates for this year predicated that any growth in income would be offset by rates reductions following successful Appeals made by existing Businesses and this appears to be fairly accurate. Working with the Council’s Economy and Skills team estimates for the year 2018/19 will be undertaken shortly and will take into account new business properties that will be completed within the next 12 months.
- 3.14 Following the announcement in the March 2017 budget that help should be given to those businesses having large increases in rates to pay following the revaluation, the Council has implemented 3 new scheme to help the businesses impacted the most. The schemes are to limit the increase in rates to £600 for those businesses that benefited from Small Business Rates Relief in previous years, a £1000 rates reduction for public houses, and to limit increases to 12.5% for medium sized business. Further details can be found on the Council’s website. The Council has written to all the eligible businesses and asked them to apply and confirm that they have not already received state aid relief above the legal limit. These schemes are being funded by Central Government. In Swindon, take up of these schemes has been low

Appeals:

- 3.15 For the 2017 Valuation list Central Government have introduced a new appeals system if ratepayers (or their agents) disagree with their rating assessment. Known as check, challenge and appeal. Ratepayers can appeal at any time over the next few years and the reduction will be backdated to 1st April 2017. They can only ‘challenge’ the assessment once and have to have all their information presented at this time. Due to the need to have all the information ready, because they can appeal at any time and there are reported difficulties with the Valuation office’s IT system, to date very few challenges have been made. In fact

4. Alternative Options

- 4.1 None

Business Rates update

Growing the Economy Overview & Scrutiny Date: 31st January 2018

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

5.1 None directly from this report

Legal and Human Rights Implications

5.2 None

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

5.3 None

Diversity Impact Assessment

5.4 Not applicable

Risk Management

5.5 Not applicable

6. Consultees

6.1 The Director of Finance (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

7.1 None

8. Appendices

8.1 None