

Classification: Public

Key Decision: No

Gravesham Borough Council

Report to: P&A Committee
Date: 8 September 2016
Reporting officer: Service Manager - Revenues & Benefits
Subject: An update on the Business Rates Agenda

Purpose and summary of report:

To provide Members of the Committee with an update on future changes to Business Rates

Recommendations:

1. For information only

1. Introduction

- 1.1 Non-Domestic Rates, or business rates, collected by local authorities are the way that those who occupy non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced from 1st April 2013, authorities keep a proportion of the business rates paid locally.
- 1.2 Currently, in two-tier areas such as Kent the business rates 'take' is split: Central Government 50%, Borough Council 40%, County Council 9% and Fire Authority 1%.
- 1.3 In October 2015, the Government announced that, by the end of the Parliament, local government will keep 100% of the income raised through business rates, and will take on new responsibilities to be funded from this additional income as central government grants are phased out.
- 1.4 On 16 March 2016 the Chancellor made a number of announcements on business rates exemptions and discounts.
- 1.5 In July 2016 the Department for Communities and Local Government published two papers – Self-sufficient local government: 100% Business Rates Retention Consultation Document; and Fair Funding Review.
- 1.6 On the 16 August 2016 the Department for Communities and Local Government published a further consultation document on the proposals for reforming the business rates appeals process.

1.7 This report covers the above topics:

2. Changes to discounts and exemptions

- 2.1 Local authorities will be compensated in full for their loss of income as a result of these changes. This compensation will be paid in the same way as it has been previously, by section 31 grant, and calculated on the basis of the returns that councils make under the rates retention scheme.
- 2.2 From 2017-18, Small Business Rate Relief will permanently double from 50% to 100%. The £6,000 and £12,000 thresholds will increase to £12,000 and £15,000 respectively. Therefore, those with rateable values below £12,000 that meet the eligibility criteria will receive 100% relief and those with rateable values between £12,000 and £15,000 will receive tapered relief.
- 2.3 The threshold for the standard business rates multiplier will also increase from £18,000 (£25,500 in London) to a rateable value of £51,000. Both the doubling and the extension of SBRR will be compensated by grants from central government.
- 2.4 The Government will introduce a £1,500 discount for office space occupied by local newspapers, up to a maximum of one discount per local newspaper title and per hereditament, and up to state aid limits, for 2 years from 1 April 2017.
- 2.5 The Government will legislate to enable local authorities to use their existing discretionary relief powers to support publicly owned public toilets from 1 April 2018.
- 2.6 From April 2020, bills will be indexed to the main measure of inflation, currently CPI.
- 2.7 The Government will aim to deliver more frequent revaluations - at least every 3 years - and will publish a discussion paper on delivering this shortly.
- 2.8 The Government will work with local authorities across England to standardise business rate bills and ensure ratepayers have the option to receive and pay bills electronically by April 2017. By 2022, local authority business rate systems will be linked to HMRC digital tax accounts.

3. 100% Business Rates Retention:

- 3.1 In launching the 100% Business Rates Retention Consultation the Rt Hon Greg Clark MP said this crucial reform will make councils the drivers of economic growth in their communities, while also helping to transform the key services that their residents value.
- 3.2 Key changes will include:
 - Ensuring the system is designed to encourage and reward councils that promote and support economic growth in their areas

- Ensuring a system of redistribution of funding that recognises the needs and demands of different councils, including in cases where there are combined authorities and mayoral areas
- Measures to manage risk within the system, including the improved management of appeals
- Ability to reduce the business rates tax rate (the multiplier) and the ability for Combined Authority Mayors to levy a supplement on business rates bills to fund new infrastructure projects, provided they have the support of the business community through the Local Enterprise Partnership

3.3 Elements of the current system expected to remain include:

- A level of redistribution between councils, through a system of top-ups and tariffs – underpinned by the Fair Funding Review
- Protection built into the system to insulate authorities from shocks, or significant reductions in income
- Enterprise Zones continuing to keep 100% in the growth in business rates for 25 years
- The New burdens Doctrine, which requires Departments to assess and fund the impact on councils of any new policies, will remain in place

3.4 A list of potential responsibilities that could be transferred to councils has been published to be funded from additional retained business rates. No matter which new services councils agree to, the amount of extra business rates income kept by councils must meet their cost, both now and in the future. Government also needs to allow councils to use some of the extra business rates income to meet existing funding gaps. We do not believe demand led services that can increase very quickly, e.g. Attendance Allowance and or where there is a statutory obligation to provide the service, e.g. Disabled Facilities Grants as part of the Improved Better Care Fund are candidates for devolution.

3.5 The Government is to undertake a Fair Funding Review of what the needs assessment formula should be with the implementation of 100% business rates retention and as a first step, has issued a call for evidence. The return date for responses is again 26 September 2016.

3.6 There will need to be some system of redistribution between local authorities to balance revenue with relative needs. Under the 50% scheme, a system of top-ups and tariffs is used to redistribute funding from those local authorities that collect more in business rates than their identified need to those who do not collect enough for their needs. The top-ups and tariffs that each local authority could expect to see will be calculated before the new system is introduced, based on the Fair Funding Review and an assessment of their expected business rates income. Top-ups and tariffs will be fixed for the period between resets.

3.7 The return date for responses to the consultation is 26 September 2016.

4. Reforming the business rates appeals process

- 4.1 The Government is committed to delivering an improved business rates appeals system. There is widespread agreement that the current system is not working. Too many appeals are held up for too long, creating costs and uncertainty for businesses and local authorities.
- 4.2 In October 2015, the Department for Communities and Local Government consulted on proposals for a new approach to business rates appeals. The reforms would see the introduction of a three stage approach: check, challenge, appeal.
- 4.3 The guiding principles for reform are that ratepayers should set out their issues fully and clearly at the start of each stage, so that the Valuation Office Agency can respond quickly and ratepayers can make an informed decision about whether they need to proceed to the next stage. There should be a structured and transparent approach with clear expectations on all sides about timescales, requirements and action.
- 4.4 The aim of the system overall is to provide a streamlined and efficient system in which the key issues are identified by the ratepayer early, and are resolved as quickly as possible as the case proceeds.
- 4.5 The next steps are to make amendments to the existing regulations to reflect the agreed policy and to finalise a number of outstanding policy issues. The latest consultation document deals with these matters.
- 4.6 The intention is that the reformed system will apply when the new rating list comes into effect in April 2017.
- 4.7 The return date for responses to the consultation is 11 October 2016.

5. Recommendations

- 5.1 For information only.

6. BACKGROUND PAPERS

- 6.1 The Business Rates Retention consultation can be found at the following link;
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/535022/Business_Rates_Retention_Consultation_5_July_2016.pdf
- 6.2 The Fair Funding Review consultation can be found at the following link
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/534956/Discussion_document_-_Needs_and_Redistribution.pdf

6.3 The Business rates appeals reforms consultation can be found at the following link;

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/546100/Business_rates_appeals_reforms_consultation_draft_regs.pdf

Anyone wishing to inspect background papers should, in the first place, be directed to Committee & Electoral Services who will make the necessary arrangements.

IMPLICATIONS

APPENDIX 1

<p>Legal</p>	<p>The legislative framework for the billing, collection, recovery and administration of national non-domestic rates (business rates) is set out in the Local Government and Finance Act 1988. The Local Government Finance Act 2012 and regulations that followed introduced the current Business Rates Retention scheme.</p>
<p>Finance and Value for Money</p>	<p>What is important, is what our baseline funding level will be on the introduction of 100% business rates retention and how this compares to that reflected in the Medium Term Financial Strategy taking into account transfer of any new responsibilities.</p>
<p>Risk Assessment</p>	<p>Business rates income volatility and consequent exposure to risk may be greater under 100% business rates retention.</p>
<p>Equality Impact Assessment</p>	<p>Screening for Equality Impacts</p>
	<p>Question</p>
	<p>a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer. No</p>
	<p>b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer. N/A</p>
<p><i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i></p>	
<p>Corporate Plan</p>	<p>Sound and self-sufficient council</p>
<p>Crime and Disorder</p>	<p>There is no impact.</p>
<p>Digital and website implications</p>	<p>There is no impact.</p>
<p>Safeguarding children and vulnerable</p>	<p>N/A</p>

adults	
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