



Consultation on Business Rates Relief

**2017 Revaluation
Discretionary Relief for Non-Domestic Rates**

September 2017

Consultation on business rates relief in LBTH – Revaluation Support

Tower Hamlets Council wants to consult with residents, business and the Greater London Authority on developing a new business rates relief scheme for revaluation support.

This document:

- explains what business rates and business rates relief for revaluation support are
- explains why we want to develop a new relief scheme for revaluation support
- sets out options and proposals for the new scheme

We would welcome your views on these proposals and encourage as many responses as possible.

Please note that as the amount provided by the government is a fixed sum and any changes made to the criteria as a result of this consultation will result in a change to the amount of relief that will be awarded to individual ratepayers.

The consultation can be completed by answering the questions on the web for at the following link:

www.pleaseinsertlink.co.uk

The consultation period will run from: XXXXXXXX 2017 to XXXXXXXX 2017

Background Summary

As part of the Budget on 8 March 2017, the Chancellor announced that the Government would 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.

The intention is that every billing authority in England will be provided with a share of the £300 million to support their local businesses. This will be administered through billing authorities' discretionary relief powers under section 47 of the Local Government Act 1988.

The Government believes that councils are best placed to judge the particular circumstances of local ratepayers and direct the funding where it is most needed to support local economies. The Government will allocate the available funding to each council area based on assumptions about how authorities will target their relief scheme.

The Council has been allocated the fifth largest amount nationally of £8.184m over four years which reduces substantially year on year as shown in the following table, with no relief being funded for the final year of the rating list.

Gross Increase in Bills from 16/17 to 17/18	Amount of Discretionary Relief Available					
	2017/2018	2018/2019	2019/2020	2020/21	2021/2022	Total
£40,567,000	£4,774,000	£2,319,000	£955,000	£136,000	£0.00	£8,184,000

This consultation is about options for the Council to design a business rates relief scheme for 'revaluation support' using the Government's allocation of funding to the borough.

By going out to consultation with ratepayers and representative groups this will help inform and shape options for the design of the new relief scheme for revaluation support locally.

Proposal and options for consultation

Our proposal is to offer relief for revaluation support to those businesses and organisations that are facing a sizeable increase in their business rate bills following the April 2017 revaluation.

Businesses whose bills have decreased or remain the same following the revaluation or after applying eligibility for other relief schemes would not be eligible for the extra relief for revaluation support.

We estimate that the Council's allocation of funding from the Government to provide extra relief for revaluation support could be used to offer financial assistance to more than 3,600 ratepayers within the borough following large increases in their business rate liabilities.

The overall changes can be categorised as follows –

Properties Over £200,000 RV	1,021
Properties with a decrease in rateable value	3,395
Properties with no change in rateable value	2,294
Empty Properties	1,439
Properties with a rateable value Below £12,000	2,617
Public or National Organisations	1,683
Properties identified as qualifying for Relief	3,607
Total	16,056

General Criteria

The funding for the scheme was determined by Government based on the national increases for properties with a rateable value of less than £200,000 where the value of the increase exceeds 12.5%. Since the upper rateable value of £200,000 was used by the Government for funding purposes we have used this in our calculations as part of the general criteria for the relief.

Although the Government used the increase of 12.5% to calculate the level of funding to Tower Hamlets, we propose to grant the relief to all eligible ratepayers whose increase in rateable value has been more than £100.00. This change will boost the number of ratepayers benefiting from the relief by a further 2,000 cases.

The Government also made it clear that the relief should be aimed at supporting local economies and that state aid rules would apply when making any award of the relief. We have therefore excluded any company or other organisation with multiple rate accounts (three or more) that operates within or outside of the borough and also any public body that is listed as the ratepayer.

The relief will only be available for those organisations that were in occupation of the property on or before the 31st March 2017 and the property appeared in the 2010 Local Rating list as at the 31st March 2017 and also appeared in the 2017 Local Rating List as at 1st April 2017.

In order to qualify for the relief the property must remain occupied from the 31st March 2017 and as soon as the property becomes vacant the relief will cease with effect from the date of vacation.

The amount of relief that is awarded will be amended where a qualifying ratepayer's 2017-2018 and, or 2016-2017 rates bill is amended for any of the following reasons, the amount of their relief will be reduced or removed accordingly:

- A change in rateable value in the 2010 and, or 2017 rating lists
- The provision of a certificated value for the 2010 rating list or historical change
- The application of any additional rate relief or exemption
- Any other adjustment to their liability

The relief will be calculated after any other exemptions and relief have been awarded and before the application of the Business Rate Supplement.

The amount of relief will be fixed for the four year period and eligibility is determined based on a fixed list which has been extracted from the Council's Revenues system as at the 1st April 2017. This ensures that the amount of relief provided to ratepayers is maximised and kept within the allocation of resources provided by the Government.

The relief will not be provided to ratepayers where the actual increase is less than £100 as this the cost to administer the relief would outweigh the award.

Any organisation that qualifies for the Small Business Rate Support Scheme which caps any limit to a maximum of £50.00 per month or £600.00 a year will be excluded from receiving the relief.

Organisations will not be required to complete an application form as the relief will be awarded automatically by the Council based on the qualifying criteria established. Ratepayers that are not awarded the relief can ask for a review of their circumstances to see if they are eligible to receive the relief.

Option 1 - Fixed Amount

A fixed amount is provided to each ratepayer depending on the actual amount of the increase as at the 1st April 2017. The increase is calculated by comparing the charge amount less any reliefs or exemptions for 2016-2017 against the same calculation for 2017-2018.

The following table shows the amount of relief that can be provided based on the percentage of increase they have experienced as a result of the revaluation. The allocations are based on the total amount of funding available each year from the Government and the number of ratepayers that could be entitled to the relief.

A comparison is also shown where the annual increase exceeds £600 which is in line with the proposed relief provided by the Government for Small Business Rate payers. The estimates shown in years one to four are based on the amounts published by the Government as being made available to LBTH.

Percentage of Increase	Year One ¹	Year Two ¹	Year Three ¹	Year Four ¹	Number of Ratepayers that would benefit
Any	£5,000.00	£1,100.00	£300.00	£35.00	3,607
5% +	£5,500.00	£1,100.00	£320.00	£37.50	3,523
7.5% +	£8,000.00	£1,700.00	£625.00	£80.00	1,612
10% +	£9,000.00	£1,800.00	£650.00	£90.00	1,513
12.5% +	£15,000.00	£2,400.00	£800.00	£100.00	1,214
15% +	£26,500.00	£4,000.00	£1,500.00	£175.00	726
£600 increase	£7,000.00	£1,550.00	£550.00	£80.00	1,619
Total Spend	£4,472,515.62	£2,253,124.02	£908,181.18	£125,091.85	£7,758,912.67
Tolerance	£301,484.38	£65,875.98	£46,818.82	£10,908.15	£425,087.33
Total Fund	£4,774,000.00	£2,319,000.00	£955,000.00	£136,000.00	£8,184,000.00

Awarding a fixed amount is consistent with other schemes introduced by the Government such as the Retail Relief scheme and more recently the proposed scheme for Pubs. This would be simpler for the authority to administer by paying a fixed amount for each ratepayer regardless of the size of the rateable value or the increase experienced by each ratepayer.

The disadvantage to making a fixed award is that it will benefit more those ratepayers with smaller rateable values and smaller increases following the revaluation. For example the largest loser based on the general criteria had a 2016 rateable of 111,000 and would be £26,630.84 worse off after taking into account any reliefs granted.

This equates to a 46% increase in the amount payable and an award of £5,500.00 would represent 18.7% of the increased amount. When compared to a ratepayer that had a rateable value of 61,000 that would be £4,998.29 this equates to an increase of 15.85% in the amount payable which is a third of the increase for the larger ratepayer. If a fixed award of £5,500.00 is made this would mean that the ratepayer is fully compensated for any increase within the first year.

¹ This is the maximum amount that ratepayers can receive based on their actual increase experienced at the time of revaluation. The fixed amount is capped to the upper limit and where the increase is less than this amount the maximum award will be the actual increase Experienced.

Option 2 – Percentage Based on Increase

The relief is based on a percentage of the actual amount of the increase as at the 1st April 2017. The increase is calculated by comparing the charge amount less any reliefs or exemptions for 2016-2017 against the same calculation for 2017-2018.¹¹

The following table shows the amount of relief that can be provided based on the percentage of increase they have experienced as a result of the revaluation. The allocations are based on the total amount of funding available each year from the Government and the number of ratepayers that could be entitled to the relief.

A comparison is also shown where the annual increase exceeds £600 which is in line with the proposed relief provided by the Government for Small Business Rate payers. The estimates shown in years one to four are based on the amounts published by the Government as being made available to the Council.

Percentage of Increase	Year One ²	Year Two ²	Year Three ²	Year Four ²	Number of Ratepayers that would benefit
Any	68.00%	33.00%	13.50%	2.00%	3607
5% +	69.00%	34.00%	14.00%	2.00%	3523
7.5% +	75.00%	38.00%	16.00%	2.00%	1612
10% +	77.50%	38.00%	16.00%	2.20%	1513
12.5% +	86.00%	42.00%	17.00%	2.40%	1214
15% +	100.00%	50.00%	20.00%	2.90%	726
£600 Increase	75.00%	36.00%	15.00%	2.10%	1619
Total Spend	£4,302,856.84	£2,088,151.11	£854,243.64	£126,554.61	£7,371,806.20
Tolerance	£471,143.16	£230,848.89	£100,756.36	£9,445.39	£812,193.80
Total Fund	£4,774,000.00	£2,319,000.00	£955,000.00	£136,000.00	£8,184,000.00

Awarding a percentage of any increase means that all ratepayers are treated equally and compensated consistently dependant on the amount of increase that they have experienced. This means that all eligible ratepayers proportionally receive the same amount of assistance and relief.

² This is the maximum amount that ratepayers can receive based on their actual increase experienced at the time of revaluation

QUESTION 1

Before you undertake this consultation please tell us a little about yourself:

Are you a:

- Resident of Tower Hamlets

If so please tell us the area of the borough you live in or postcode (optional)

.....

OR

- A company, business, representative group or organisation

If so please tell us about the type of business activities and services that you provide (optional)

.....

- A representative of the Greater London Authority

QUESTION 2

Which option do you think that the council should adopt?

- Option 1 – Fixed amount

- Option 2 – Percentage of Increase

Please tell us the reason for this

QUESTION 3

Do you support the proposal to exclude ratepayers that have three or more accounts both within and outside of the borough?

- Strongly agree

- Agree

- Unsure

- Disagree

- Strongly disagree

Please tell us the reason for this

QUESTION 4

Do you agree that the amounts are fixed for the four year period based on the actual increases identified as at 01 April 2017?

[] Strongly agree

[] Agree

[] Unsure

[] Disagree

[] Strongly disagree

Please tell us the reason for this

QUESTION 5

Do you support the proposal of excluding ratepayers where the increase experienced is £100.00 or less?

[] Strongly agree

[] Agree

[] Unsure

[] Disagree

[] Strongly disagree

Please tell us the reason for this

QUESTION 6

Do you support the proposal to exclude ratepayers that are in receipt of the new Supporting Small Business Relief?

[] Strongly agree

[] Agree

[] Unsure

[] Disagree

[] Strongly disagree

Please tell us the reason for this

QUESTION 7

Do you think that certain categories of business should be excluded from the scheme, such as -

- Payday Lenders
- Betting Shops
- Public Sector and Local Government buildings
- Housing Association properties
- Properties which are unoccupied

Please list any other types of business you feel should be excluded

QUESTION 8

Do you support the proposal of the council identifying eligible ratepayers and applying the relief without the need for them to complete an application form unless in exceptional circumstances?

[] Strongly agree

[] Agree

[] Unsure

[] Disagree

[] Strongly disagree

Please tell us the reason for this

QUESTION 9

We would welcome your views or ideas on what you think should be included or excluded from the proposed scheme.

Please tell us any suggestions that you have

QUESTION 10

Business Rates Workshops –

The Council will be holding quarterly workshops for interested ratepayers in the borough which will deal with all aspects of business rates. These sessions are intended to be interactive and provide expert advice on all business rate matters and provide a platform for specific questions from ratepayers.

If you are interested in attending any of these sessions please register by sending an email to nndrconsult@towerhamlets.gov.uk and provide the following information –

1. Your name	
2.Your contact telephone number	
3.The name of the organisation that you represent	
4.The total number people employed in your organisation	
5.The total number of people employed by you living in Tower Hamlets	

In advance of the first workshop we will advise all registered organisations of the time, date and venue.