

Cabinet – 18 March 2015

Extension of transitional relief for business rates

Portfolio: Councillor D Coughlan – Social Care
Councillor Chambers – Personnel and Business Support

Service: Money, Home, Job

Wards: All

Key decision: No

Forward plan: No

1. Summary

- 1.1** Business rates are charged on most non-domestic properties. Non-domestic properties are business properties such as shops, offices, warehouses and factories and any other property that is not classed as domestic. Every 5 years a revaluation of business rates take place to reflect market values. The last revaluation was in 2010. (The next revaluation has been postponed from 1 April 2015 to 1 April 2017).
- 1.2** At each revaluation, a transitional scheme is introduced to protect the ratepayer from sharp increases in their rates bill. This is because property values change a good deal between each revaluation and without relief some businesses may face financial difficulties. The Schemes work by capping the maximum amount of increase/decrease that can be applied each year. They phase the increases/decreases in gradually over a number of years.
- 1.3** The current transitional relief scheme that ends 31 March 2015 has been a success and most businesses are now paying the 2010 revaluation rate. However there are still some businesses that will see a significant increase in rates in April when all relief is terminated. Therefore to continue this help to businesses the Central Government has transferred discretionary powers to the local authority to continue to cap the increases for a further 2 years (until the next revaluation).The cap will be:
- 15% for properties with a rateable value of less than £18,000;
 - 25% for properties with a rateable value of between £18,000 and £50,000.
 - The scheme provides no relief for properties with a rateable value of greater than £50,000.

- 1.4 The relief has no financial impact on the council as it is fully funded by Central Government.
- 1.5 The Localism Act 2011 gives local authorities the power to award business rate relief for classes of businesses it so determines. It is under this power that the local authority can award the extension of transitional relief as outlined in the 2014 autumn statement. The recommendations detailed in the report, are required to enable officers to respond appropriately, to the changes to transitional relief for business rates set by government.

2. Recommendations

The report recommends that:

- 2.1 That approval be given to grant transitional relief by placing a cap on rate increases for the next two years for those business ratepayers who would otherwise face increases over the prescribed amount. The cap to apply to ratepayers of properties with a rateable value of less than £50,000.
- 2.2 That the Chief Finance Officer be delegated responsibility for devising a scheme to process the transitional relief for qualifying bodies, together with the authority to amend the scheme to reflect any changes required by legislation and/or government guidance.
- 2.3 That the Chief Finance Officer be delegated authority to manage and determine awards of transitional retail relief under the scheme.

3. Report detail

- 3.1 The Government announced in the Autumn Statement on 3 December 2014 that it will partially extend the transitional relief scheme to cover the years 2015-16 and 2016-17 for certain properties.
- 3.2 The business rates on a property are calculated by using the rateable value placed on the property by the valuation officer. The rateable value is equivalent to the open market rental value of the property as at a certain date. Previously a general revaluation of values have taken place every five years with the current values coming into force on 1 April 2010.
- 3.3 Due to the varying changes in the rental value of properties, all over the country and from type to type of properties, some business ratepayers may face with large increase in rate bills due to the revaluation. To phase in such increases there has been a system of limiting the yearly increase on such properties.
- 3.4 The current scheme for phasing in increases lasted for 5 years and comes to an end on 31 March 2015, which was the original end date of the current rating list. However the government has announced that the current rating list will be

extended for another 2 years, so therefore a new transitional scheme is required for those extra 2 years.

- 3.5 The scheme will work by placing a cap on increases (before the increase for the change in multiplier) for 2015-16 and 2016-17. The cap will be:
- 15% for properties with a rateable value of less than £18,000;
 - 25% for properties with a rateable value of between £18,000 and £50,000.
- 3.6 The scheme provides no relief for properties with a rateable value of greater than £50,000.
- 3.7 As this is a measure for 2015-16 and 2016-17 only, the Government is not changing the legislation around the reliefs available to properties. Instead the local authorities are to use their discretionary relief powers, introduced by the Localism Act (under section 47 of the Local Government Finance Act 1988, as amended) to grant relief.
- 3.8 The Government has agreed to fully fund any relief awarded by a local authority or the period 1 April 2015 to 31 March 2017.
- 3.9 Any relief awarded is covered by the European Union's De Minimis Aid rules on state funding and are currently subject to 200,000 euros limit over a three year period.
- 3.10 Initial investigations have found that there is a potentially 10 properties that could receive the relief, depending on the business ratepayer meeting the De Minimis State Aid rules. The properties are

Property	Description
King Arthur, 59 Liskeard Road, Park Hall, Walsall, WS5 3EY	Public House & Premises
The Green Dragon, 55 Church Street, Darlaston, Wednesbury, West Midlands, WS10 8DY	Public House & Premises
Rose & Crown, 55 Old Birchills, Walsall, WS2 8QH	Public House & Premises
29a The Pinfold, Walsall, WS3 3JJ	Shop & Premises
49 Brace Street, Walsall, WS1 3PS	Shop & Premises
Black Cock Inn, Green Lane, Walsall Wood, Walsall, WS9 9BE	Petrol Filling Station & Premises
53 Leckie Road, Walsall, WS2 8DA	Shop & Premises
Barclays Bank Atm, 68 Lichfield Road, Willenhall, WV12 5UL	ATM
Larvic Pharmacy, 151 Wednesbury Road, Walsall, WS1 4JQ	Shop & Premises
Jet Service Station 10-14, High Road, Willenhall, West Midlands, WV12 4JQ	Petrol Filling Station & Premises

4. Council priorities

The recommendations within this report will help local high streets and communities to thrive and contribute towards creating jobs and helping people to get new skills by protecting a limited number of small businesses from significant increases in business rates.

5. Risk management

If members decide to limit the relief awarded, it may reduce the effectiveness of the scheme discouraging occupation, or continued occupation, of properties within the Walsall area.

6. Financial implications

The relief has no financial impact on the council as it is fully funded by Central Government.

7. Legal implications

7.1 Under the Localism Act 2011 the government introduced changes to local government Finance act 1988 bringing in non-domestic rates relief.

7.2 When a council is determining applications for non domestic rates relief, a council must have regard to its statutory powers for granting non domestic rates relief and any guidance issued by the Secretary of State. It must also comply with the guidance issued by the department of Communities and Local Government issued in January 2015 which relates to the extension of transitional relief.

7.3 The granting of transitional relief upon the terms as detailed in this report are exempt from the State Aid rules, however, officers will need to ensure that when applying the transitional relief of the organisations benefiting from the same they do not fall within one of the excluded categories for the purpose of the de minimus exemption from the state aid rules.

8. Property implications

There are no implications, however, if members rejected the recommendations and decided to limit the relief awarded, it may reduce the effectiveness of the scheme by discouraging occupation, or continued occupation, of properties within the Walsall area.

9. Staffing implications

9.1 The administration of the discount will be achieved by using existing staffing resources.

10. Equality implications

10.1 No implications identified

11. Consultation

Consultation has taken place with the relevant portfolio holders.

Background papers

None



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9 March 2015



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Money, Home, Job

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