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Dear Member

**GROWTH ECONOMIC DEVELOPMENT AND COMMUNITIES CABINET COMMITTEE -
WEDNESDAY, 22 MARCH 2017**

I am now able to enclose, for consideration at next Wednesday, 22 March 2017 meeting of the Growth Economic Development and Communities Cabinet Committee, the following supplementary note to item C3 – Impact of 2017 Business Rate Revaluation and Small Business that was unavailable when the agenda was printed.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Lynch', is written over a faint, light-colored oval shape.

John Lynch
Head of Democratic Services

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Growth, Economic Development and Communities Cabinet Committee – 22nd March 2017

Supplementary Paper on Additional Business Rate Transitional Protection announced in Spring 2017 Budget

1. Introduction

The report sets out the background to the business rates revaluation which takes effect in England from April 2017. This includes an explanation of the transitional relief arrangements which will apply to limit the impact of increases and reductions in individual bills. The report also includes the changes to rate relief for small businesses.

The Spring Budget 2017 on 8th March announced a further £435m of funding to provide additional support for some businesses which would still be facing difficulties with revised rates bills even after the transitional relief and changes for small businesses. Three additional measures were announced:

- Support for small businesses losing small business rate relief (where the revaluation takes them out of relief/reduces relief through the taper), limiting the increase in their bills to the greater of £600/year or the ‘real terms’ transitional relief cap for small businesses each year
- £1,000 business rate discount for pubs with a RV up to £100,000 for one year from 1 April 2017 (subject to state aid limits for businesses with multiple properties)
- £300m to English local authorities to provide discretionary relief, to support individual cases in their local area

Local government will be fully compensated for the loss of income as a result of these measures. The Autumn Budget 2017 will set out preferred approach to delivering more frequent business rate revaluations in the future, and the Government will consult ahead of the next revaluation scheduled to be implemented in 2022.

2. Additional Relief for Small Businesses

This section sets out how the additional small business rate relief will apply for a typical small property (rateable value of £10,000 prior to the revaluation). The 2016/17 the rates bill would have been as follows:

Rateable value	NNDR Multiplier	Small Business Relief	Total Payable
£10,000	48.4P	-33.33%	£3,226.83

Prior to the Spring Budget announcement the 2017/18 bill would have been one-of the following depending on how much the rateable value had changed following the revaluation:

Rateable Value	NNDR Multiplier	Transitional Relief ¹	Small Business Relief	Total Payable
£12,000	46.6p	-£408.36	-100%	nil
£13,500	46.6p	-£1,107.36	-50%	£2,591.82
£15,000	46.6P	-£1,806.36	nil	£5,183.64

¹ This is calculated by limiting the change in gross liability (RV x multiplier) to 5% after allowing for 2% inflation. Thus in the example above the 2017/18 liability is limited to £5,183.64 after transitional relief.

The new relief limits the increase to £600 for any properties which previously benefitted from small business rate relief (100% for properties with RV of £6k or less tapering to nil for properties with RV in excess of £12k). The new announcement would have no impact on the first two examples above as the previously announced changes to transitional relief/small business rate relief would result in a lower rates bill. The third example would benefit as the maximum this business can be asked to pay is £600 increase on their 2016/17 bill i.e. a further reduction of £1,356.81 as a result of the Spring Budget 2017 which limits the rates liability to £3,826,83.

3. Business Rates Hardship Fund

The Spring Budget 2017 announced an additional £300m to be made available to collection authorities to offer further discretionary relief to businesses that face the steepest increases in their business rates bills as a result of the revaluation. This money is to be made available over the four years from 2017/18 to 2020/21; £175m in 2017/18, £85m in 2018/19, £35m in 2019/20 and £5m in 2020/21. The funding is to be allocated via a formula according to the increase in rateable values for all properties with an RV under £200k and an increase in excess of 12.5%. The allocations to the 12 Kent districts are shown in table 1 (together with the % of national total).

Local authority	2017-18	Share of National Total	Amount of discretionary pot awarded (£000s)			
	Qualifying RV increase		2017-18	2018-19	2019-20	2020-21
Ashford	2,976	0.20%	350	170	70	10
Canterbury	3,609	0.24%	425	206	85	12
Dartford	1,953	0.13%	230	112	46	7
Dover	1,974	0.13%	232	113	46	7
Gravesham	1,476	0.10%	174	84	35	5
Maidstone	2,442	0.16%	287	140	57	8
Sevenoaks	2,410	0.16%	284	138	57	8
Shepway	1,807	0.12%	213	103	43	6
Swale	2,932	0.20%	345	168	69	10
Thanet	2,802	0.19%	330	160	66	9
Tonbridge & Malling	2,868	0.19%	338	164	68	10
Tunbridge Wells	2,283	0.15%	269	130	54	8
Kent Total	29,533	1.99%	3,476	1,688	695	99

Individual authorities will need to develop local schemes. In two tier areas this will be the billing authorities. The government expects billing authorities to discuss options for local schemes with major precepting authorities at an early stage and to consult them before adopting local schemes. The additional funding shown in table 1 above will be paid as grant to billing and precepting authorities as grant to compensate for the loss of business rate revenue. Any relief granted under local schemes in excess of the funding available will not attract grant (and thus full cost will be borne locally). Local schemes will also need to comply with the De Minimis Regulations for State Aid.

The government launched a consultation on these arrangements for additional discretionary relief on 9th March which is open for 4 weeks up to 7th April. KCC intends to make a response.