

London Borough of Bromley

Year	Percentage
2017/18	10.0%
2018/19	10.0%
2019/20	10.0%
2020/21	10.0%

Consultation on Business Rates Relief Revaluation Support – Report

3rd July 2017

1. Report Summary

The proposed scheme is designed to mirror the criteria used by the DCLG when allocating the available “pot” between the Local Authorities.

Relief is limited to all properties that have a Rateable Value of under £200k and who have suffered a loss (pre Transitional Relief) of more than 12.5%. They must have seen an increase in their Business Rates liability after all other reliefs have been applied.

In accordance with legislation, businesses will be subject to De Minimis Regulations (less than €200k State Aid in the current & previous 2 financial years). This would be a requirement in respect of any scheme to be adopted.

Assistance would not be given in respect of London Borough of Bromley properties, properties held by the Official Receiver and empty properties.

Based on the available funding, discretionary relief would be granted at the following percentages of the net increase for 2017/18:

Financial Year	Percentage
2017/18	25%
2018/19	12.25%
2019/20	5%
2020/21	0.7%

This reports sets out:

The background to the design of the Business Rates Relief Revaluation Support Scheme for 2017/18 for the London Borough of Bromley.

Details of the proposed Business Rates Relief Revaluation Support Scheme for Bromley, recognising that the matter is one which will need to be approved by full Council.

Details of the consultation exercise undertaken on the proposed Scheme during the period from 13th June 2017 until 30th June 2017.

2. Background and Proposal Being Considered

Business Rates (also known as non-domestic rates) are a tax on organisations and companies that are using a building or office space for business purposes.

From 1 April 2017 all commercial buildings and offices have been given a new “rateable value” used to calculate the amount of business rates a business occupying the space has to pay. This process is known as “revaluation” and is controlled by the Government.

In the Spring 2017 budget, the Government announced £300 million for local councils to finance business rates relief for revaluation support. The Government’s extra funding can only support relief schemes targeted at businesses facing an increase in their business rates bill following the 2017 revaluation.

The Government's allocation of funding for Bromley is set out below:

Discretionary		"pot" (£000's)	
2017-18	2018-19	2019-20	2020-21
1,405	682	281	40

This consultation is about Bromley's proposed scheme for "revaluation support" using the above levels of funding.

Proposed Scheme

Bromley's scheme is designed to mirror the criteria used by the Government when allocating the available national "pot" between Local Authorities. The details of which are below:

Relief is limited to properties where:

- there is a Rateable Value under £200k
- there has been an increase in liability (before other reliefs are applied) of more than 12.5%
- there has been an increase in Business Rates after all other reliefs applied
- the business has received less than €200,000 State Aid in the current and previous 2 years

Assistance would not be given in respect of London Borough of Bromley properties, properties held by the Official Receiver and properties whilst empty.

Based on available funding, discretionary relief at the following percentages of the net increase for 2017/18 would be granted *:

Financial Year	Percentage
2017/18	25%
2018/19	12.25%
2019/20	5%
2020/21	0.7%

* If the Authority is permitted to transfer funds between years a review will be undertaken in year 2 as to the level of assistance that can be provided in subsequent years.

A hardship fund of £50,000 will be made available for those businesses that have experienced an increase in Business Rates as a result of the revaluation and whose circumstances are such that the Authority wishes to provide more assistance than would be payable under the scheme.

3. Consultation

A consultation exercise was undertaken on the proposal during the period 13th June to 30th June 2017. An online survey was produced as a means to capture the views of businesses, organisations, representative bodies and residents on the proposal. The survey was publicised and promoted on the following:

- the Council website,
- the Business Rates telephone IVR system,
- a leaflet issued with all new Business Rates bills produced during the first two weeks of the consultation
- a press release to a local newspaper
- through liaison with various local business associations

In addition letters were sent to the Mayor and the London Assembly constituency member for Bexley and Bromley in order to advise them of the consultation. A letter was also sent to the Greater London Authority detailing the proposed scheme and inviting them to comment. They responded on 27th June stating that they were *'content to support the Council's proposals to cap increases in bills by a set percentage'* on the grounds that it:

- Targets ratepayers facing the largest percentage increases in bills
- Supports a variety of different types and sizes of businesses across the borough
- Applies support proportionate to increases in bills using a methodology which should be relatively straightforward to calculate and amend
- Treats all ratepayers consistently
- Is relatively straightforward for ratepayers to understand and calculate
- Includes the provision of a £50k hardship fund

They also suggested that the following be considered:

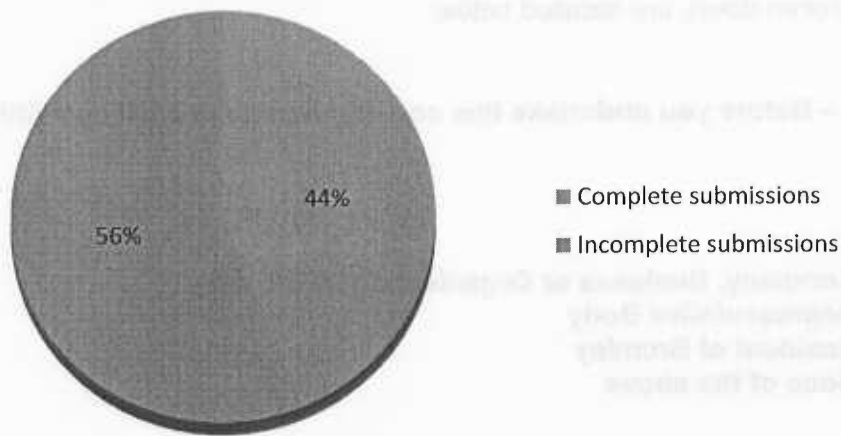
- Limited or no support being provided to businesses who operate from a number of premises, potentially 5 or more
- Undertake consultation with other Authorities to develop a consistent application process
- Hold back a proportion of funding until the Government has announced its final position on re-profiling

A response was also received from the National Federation of Self Employed and Small Businesses (FSB) dated 20th April 2017. Although this was outside of the consultation period they stated the five key principles that they felt the Council should have a regard to when framing their scheme and these are:

- Focus funds on small and micro businesses, particularly those most affected by revaluation
- Ensure the funds are distributed as soon as possible, automatically refunding any company that overpays their business rates
- Undertake an effective communication campaign to ensure that firms understand the scheme and know how they can benefit, be proactive in approaching those most in need
- Make the application process as simple as possible, ensure it is inclusive for small firms
- The Council to commit to alleviating hardship caused to small and micro businesses through increases in rates

In total **64** responses were received to the consultation, **28** (44%) of which were complete with **36** (56%) being incomplete.

Total no. of Consultation Submissions



Of the **64** wholly or partially completed responses, **29** commented on the proposal to say that they were either for or against it. The results below are based on those 29 responses.

Supplementary questions were asked, for monitoring purposes, to determine whether respondents were completing the consultation on behalf of a Business, Company, Organisation, Representative Body, as a Resident or in some other capacity.

The consultation exercise was based on 4 simple questions, 2 of which required specific responses with the other 2 being less direct and allowing a degree of free text response.

Of those that were specific, they sought responses in respect of:

Q1: Confirmation on whether the responder was a:

- **Company, Business or Organisation in Bromley**
- **Representative Body**
- **Resident of Bromley**
- **None of the above**

Q2: Do you support the proposal – Yes or No?

4. Outcomes.

Details of the full consultation questions and analysis of the responses, both overall and broken down, are detailed below.

Question 1 – Before you undertake this consultation please tell us a little about yourself:

Are you a:

- **Company, Business or Organisation in Bromley**
- **Representative Body**
- **Resident of Bromley**
- **None of the above**

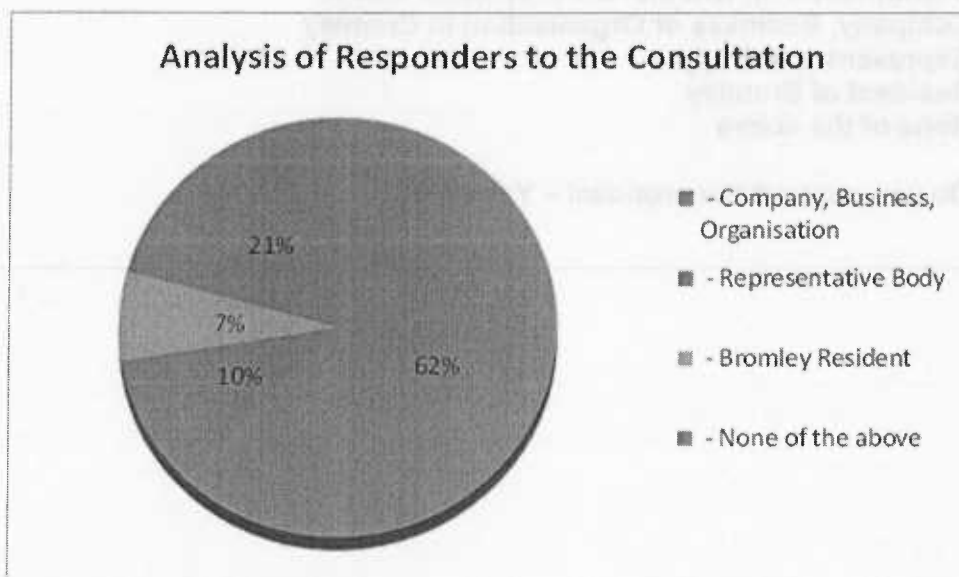
Overall response:

Of those who responded the majority, 18 out of 29, fell into the Company, Business or Organisation category. Responses were received from 3 representative bodies, and these were:

- Federation of Small Businesses
- An Agent
- On behalf of an Occupier

6 responses were also received that fell into the 'None of the Above' category and these consisted of:

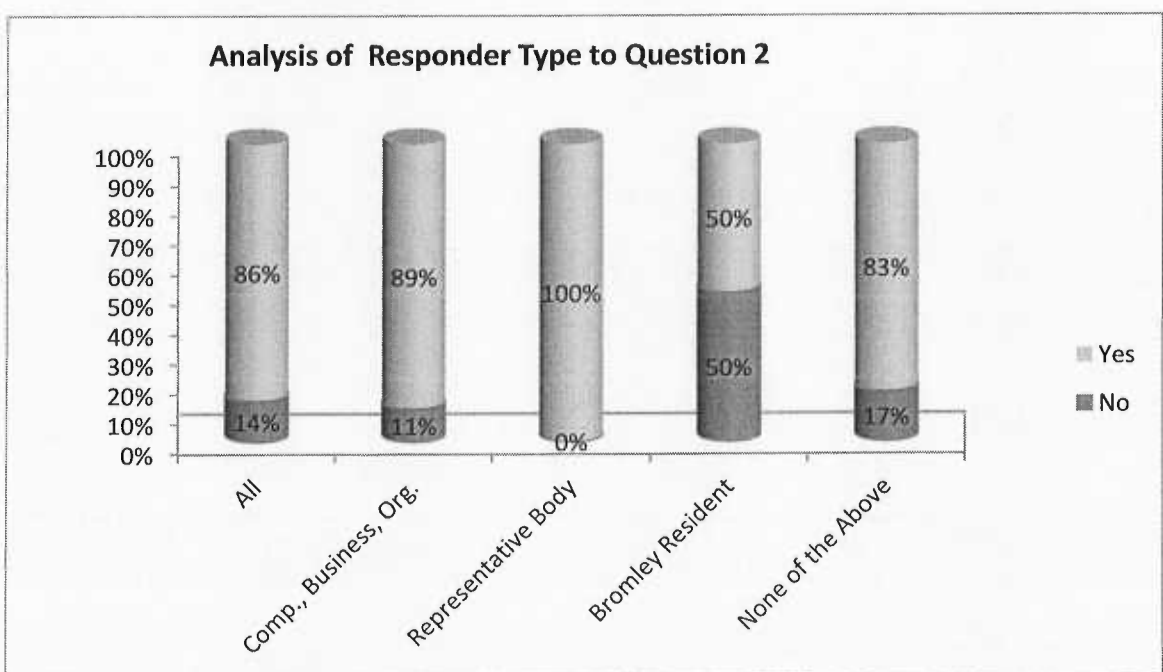
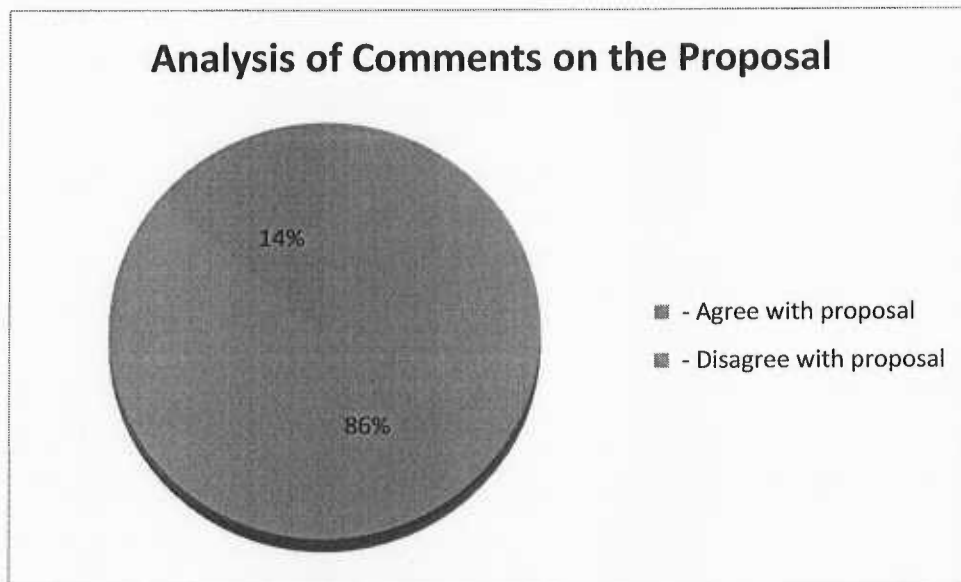
- Greater London Authority
- An un-named Local Authority
- Newspaper
- 3 others who gave no details



Question 2 – Do you support the proposal, described above, to offer relief to businesses for revaluation support at a percentage of the increase in their business rate bills – Yes or No?

Overall response:

Of those that completed this question 25 of the responders (86%) were in favour of the proposal with only 4 (14%) being against it. The second graph below shows how each 'type' of responder answered this question. The largest number of favourable responses came from Businesses, Companies and Organisations where 89% were in favour. Two local residents completed this question, 1 being in favour and 1 being against which resulted in a 50%/50% split.



Details of all the narrative responses, to questions 3 and 4, have been included in **Appendix 1**.

Equality and Diversity.

Standard questions relating to Equality and Diversity were not included on the survey.



5. Appendix 1 – Narrative responses.

While narrative responses have been reproduced here for completeness, those respondents who simply stated “yes”, “no” or “don’t know” have been removed as these have been included in the analysis undertaken of the results above.

Question 3 – If your answer to question 2 was “No”, please provide details of the scheme you would like put in place:

- Relief should be applied to all small businesses in proportion to their increase - if their rates have increased by 5%, then relief of 5% should be provided over the period, with a cap of 12.5%
- Anyone who has had an increase should receive some support

Question 4 – Any other Comments

- There should be some financial support like loans and other means should be available on no interest or less interest basis to increase the productivity of the business
- For a restaurant to survive at 28 Homesdale road, we would do better to open lunchtimes as well as evenings, the parking zones around Homesdale road from 12:00 to 2:00pm are our peak times, some zones nearest to our restaurants in Homesdale road should be replaced with parking meters, we then would have lunchtime trade and would be able to pay a higher rateable council tax, as it stands we pay £628 per month far too high for evening trade restaurant, I noted that restaurants are doing well in Chaterton road due to parking meters there, I can pay for a meal in a pizza restaurant and any restaurant at lunchtime.
- The Scheme has not been communicated well to Businesses in the local area. There needs to be more promotion of the fact that assistance is available to those businesses that really need it...
- Please give this matter your urgent attention.
- There has to be a mechanism that supports small businesses that are struggling in the current climate. Some revaluations are, in percentage terms, very large and without relief small businesses will struggle. This has the potential to lead to more vacant shops and offices and actually reduce the tax take and is therefore counterproductive. The taper relief is only of a short term nature and unless the economy recovers somewhat the future increases are likely to be damaging. On the basis that Brexit negotiations will take two years and the fact that another general election could take place in that period it would be wise to assume a further period of uncertainty.
- If requests are put in just under the 12.5% - but above 10% these should still be considered.

- I am a small retail shop in Chislehurst and my business rates have nearly doubled from April 2017!!!! I hear all the time that customers/towns want these small businesses to succeed but with this unbelievable rise in rates and the high rent charges, we will be another closure unless things change and we get some support. Very sad for the High street!
- I believe that my business rates are unfair and there is an anomaly compared to the other similar properties on this parade (Beckenham road) my rates are excessive for the size of the premises. I can't get any help with this except for the cowboy companies that are taking thousands of people by saying they can get their rates lowered. I would really appreciate someone to talk to in the right department. Thank you
- The huge increase in business rates has a very detrimental effect on small businesses in the Borough and could well result in the closure of some businesses or at the very least reductions in staffing levels to enable such high overheads to be met. This in turn will have a detrimental effect on the Borough as small businesses generally employ high levels of local people.

GREATER LONDON AUTHORITY

RESOURCES DIRECTORATE

John Nightingale
 Head of Revenues and Benefits
 Finance Department
 London Borough of Bromley
 Bromley Civic Centre
 Stockwell Close
 Bromley BR1 3UH

City Hall
 The Queen's Walk
 More London
 London SE1 2AA
 Switchboard: 020 7983 4000
 Minicom: 020 7983 4458
 Web: www.london.gov.uk

Our ref: Discretionary relief

Your ref:

Date: 27 June 2017

Dear John

Consultation on London Borough of Bromley's Discretionary Local Business Rates Relief Scheme

Thank you for inviting the GLA to comment on the London Borough of Bromley's consultation on its discretionary local rates relief scheme for 2017-18 which closes on 30 June. This letter supports the response the GLA has completed separately via your online portal.

Background and Funding Arrangements for the Local Rate Relief Scheme

Following the announcement by the Chancellor in the March Budget the Government allocated London £124 million or 41 per cent of the £300 million pot available for the locally administered business rates relief scheme of which Bromley has been allocated £2.408 million. Of this £1.405 million has been provided to the Bromley borough for 2017-18 and £682 million in 2018-19 with the allocation falling to £0.281 million in 2019-20 and £0.040 million in 2020-21.

The methodology used by the Government apportions the national pot each year using the estimated total increase in bills for each property with a rateable value below £200,000 where the rise in their 2017-18 bill exceeds 12.5 per cent after excluding the impact of transitional relief and other reliefs.

As the Government communication to local authorities on 15 May made clear it is for each billing authority to determine its own local scheme which can have regard to the above distribution criteria but does not have to. It is therefore for each billing authority to distribute its allocation to ratepayers as it sees fit subject to it consulting first with its major precepting authorities i.e. the Greater London Authority in London.

In responding to the Council's consultation the GLA has had regard to the Government's consultation paper and its general guidance on the operation of the scheme. Ultimately, however, the awarding of support to ratepayers under the scheme is a matter for billing authorities to determine using their powers under section 47 of the Local Government Finance Act 1988.

The GLA will therefore not generally object to individual billing authority relief schemes where they appear reasonable and target support to those ratepayers facing the greatest hardship as a result of the impact of the 2017 revaluation on their business rates bills.

Comments on the Council's Proposed Discretionary Relief Scheme

The GLA notes that the Council's expected preferred option would offer support only to ratepayers of properties with a rateable value below £200,000 and whose business rates bill before transitional relief and other eligible reliefs has increased by more the 12.5 per cent following the revaluation. The granting of relief would be conditional on there being an increase in bills after all other eligible reliefs are applied. London Borough of Bromley properties would not be eligible for the scheme and empty properties and those held by the Official Receiver would also be exempt as long as this situation applies.

The Council's preferred option grant relief at the following percentages of the net increase for 2017-18

2017-18	25%
2018-19	12.25%
2019-20	5%
2020-21	0.7%

The Council also intends to set aside £50,000 in a hardship fund to target support to certain businesses which it judges require a greater level of assistance than the core local relief scheme prescribes.

The GLA is content to support the Council's proposals to cap increases in bills by a set percentage as this

- targets resources at those ratepayers facing the largest percentage increases in bills;
- ensures that support is provided to a variety of different types and sizes of business across the Bromley borough rather than been concentrated on specific localities or sectors;
- would apply support proportionate to increases in bills using a methodology which should be relatively straightforward to calculate and amend subsequently without requiring significant manual intervention;
- treats all ratepayers consistently – subject to any local decisions which may be taken to exclude larger businesses operating nationally or multinationally or certain types of business activities; and
- is relatively straightforward for ratepayers to understand and calculate how it will affect them.

It also agrees with the decision to set aside a dedicated sum of £50,000 to support ratepayers experiencing extreme hardship following the revaluation.

However, we have the following specific comments to make on the details of the proposed scheme.

The GLA also notes the Council's intention to not to exclude any specific categories of property except those where it is the ratepayer or the property is empty or held by the Official Receiver. The GLA has no specific view on this matter and considers the inclusion or exclusion of any category of ratepayer should be a local decision taking into account the London Borough of Bromley's local economic development, public health, planning and environmental policies.

The GLA would also endorse the general principle that support under local relief schemes should be limited or not offered at all where the ratepayer operates from a number of premises – potentially five or more – across the borough or across England more generally. It is quite likely that firms operating nationally from multiple premises may be benefitting from reductions in business rates liabilities on their properties elsewhere in England and are better able to manage the impact of the 2017 revaluation on their finances.

In order to achieve this targeting, however, the Council will need to develop eligibility criteria which could take into account the number of properties which the ratepayer has in the borough of Bromley, whether the ratepayer operates elsewhere in London or across England and the cumulative rateable values of the properties it occupies in Bromley. The GLA notes that the Council recognises it will also need to have regard to state aid limits in determining allocations and therefore cap the maximum award for any individual ratepayer across the borough to 200,000 euro over three years – recognising of course that it is ultimately a matter for those businesses in receipt of state aid to ensure they do not breach the EU wide limits.

Application Process for Ratepayers for the Relief

The GLA would encourage the Council to consult with other London billing authorities in developing its application process for the relief to ensure that a consistent approach is adopted where possible to minimise the administrative burden on ratepayers and maximise take up. Subject to capturing necessary data to enable any exclusion of larger firms and to meet state aid limits the application process should be as straightforward as is practical.

Flexibility to Reprofile Funding into Future Years

In its March 2017 consultation paper on the relief scheme the Government stated it was minded to allow local authorities to reprofile funding across financial years. It has subsequently indicated that it will not take a final decision on this until the second quarter of 2017-18 – which may mean local authorities will not know the extent of the flexibilities available until autumn 2017.

The GLA would encourage the Council to hold back a proportion of its 2017-18 funding until the Government has announced its final position on reprofiling – and reflect this in the sums it releases in its 2017-18 scheme. This would allow it greater flexibility to support local businesses facing hardship over the four years of the scheme – particularly small and

medium sized firms in transition which under the Government's transitional relief scheme will face much larger percentage increases in bills in 2018-19 and 2019-20.

Accounting and Reconciliation Arrangements for Managing Government Support for the Discretionary Relief Scheme

The Government issued a grant determination letter on 28 April confirming that London billing authorities will receive 67 per cent of their 2017-18 funding allocations via section 31 grant in line with the locally retained share.

Bromley will therefore receive up to £456,940 in section 31 grant on account during 2017-18 – including £252,340 which notionally relates to the GLA's 37 per cent share – with the balance of your £2.408 million of support being met by the Government through the central share. This approach will avoid having to amend the instalments the GLA receives from Bromley during the 2017-18 financial year.

The GLA understands that billing authorities have been invited to provide details of their scheme to CLG via an online survey by 30 June and may also be required to provide an estimated cost for their scheme in July 2017 to CLG. The GLA would request that the London Borough of Bromley copies it into its return to CLG.

As part of the 2017-18 NNDR3 process there will be a reconciliation based on the actual reliefs granted and the correct apportionments of the costs of the reliefs and grants between the three parties will be made – boroughs would then have the GLA's share of the s31 grant clawed back and would reduce the GLA's rates income accordingly (via future collection fund surplus/deficit transfers) with CLG then paying the GLA's share (37/67ths) of the section 31 grant to the GLA (to offset the lost income arising from the reliefs).

The GLA will be keen to work closely with billing authorities prior to and following the 2017-18 NNDR3 submission processes to ensure that the accounting, accrual and reporting arrangements arising from the relief scheme are clearly understood.

Conclusion

I would like to thank you again for consulting the GLA on your Council's proposed local discretionary relief scheme and look forward to receiving details of your final proposals in due course.

Yours sincerely

Martin Mitchell
GLA Group Finance Manager