

Briefing Note for Scrutiny 14 January 2019

Business Rates Revaluation Relief

Background

The Chancellor in his budget statement on the 8 March 2017 announced a national fund of £300m to offset Rateable Value (RV) increases experienced by businesses after the 2017 Revaluation process conducted by the Valuation Office. This would be a transitional fund based on £175m in 2017/18, £85m in 2018/19, £35m in 2019/20 and £5m in 2020/21 – compensated through a Section 31 grant payment (paid via the NNDR3 return). A consultation process on this change began on the 9 March 2017, finishing on the 7 April 2017.

During this process the Govt. gave councils some initial guidance to consider when awarding this additional relief – e.g. to focus on small and medium sized businesses with RV increases of between X and Y% - subject to the 200,000 euro state aid de minimus level. But, ultimately, made it clear that it was for the local Councils to determine the precise nature of how this relief would be applied and administered.

Within the guidance the Govt. also made it clear that any relief granted in excess of the annual limit, which was specified for each individual council, would have to be met by the Council. There was also no ability to over or under spend and then make an adjustment in the following year. They also gave businesses until the 30/9 of the following year to claim this specific relief. Clearly both of these parameters gave Councils a challenge when trying to ensure the maximum level of relief would be awarded. It should also be noted at the current time that the Govt. have introduced a number of Business Rate Reliefs that may well be causing some confusion to charge payers.

The Mid Devon context

After the Revaluation exercise, Mid Devon businesses experienced an aggregate increase in RV of £1.003m or circa 2.3% on our annual business rate RV of £42.7m. We were informed that our Revaluation Relief grant figures were: £118k in 2017/18, £57k in 2018/19, £24k in 2019/20 and £3k in 2020/21.

In the early months of 2017/18 all of the Devon Councils got together to agree a generic policy of how this transitional grant would be applied – after conducting some basic modelling on the business rate profiles in all of the respective areas. Following this work a generic criteria was agreed as follows: Revaluation relief would be awarded based on - 2% RV increase or more, £1,000 cap per business, £100 minimum award, upto a maximum of £200k RV. This criterion was agreed by all of

the Devon Council S151 officers and was formally recommended at a Cabinet meeting on the 28 September 2017 – copy attached.

Once this policy was agreed the Council wrote to the 177 businesses that met the criteria in November 2017 (enclosing an application form – which included a State Aid disclosure) and sent chaser letters to all non-responders in January 2018.

Against the overall grant award of £118k for 2017/18 a total of £75,475 (64%) was granted and so far in 2018/19 we have granted £25,282 against an award of £57k (44%).