

WIRRAL COUNCIL

CABINET

22 JULY 2010

REPORT OF THE DIRECTOR OF FINANCE

IMPACT OF BUSINESS RATES REVALUATION IN WIRRAL

1. EXECUTIVE SUMMARY

- 1.1. A new Non Domestic Rating List came into effect from 1 April 2010 and this report details the reliefs that are in place to mitigate large increases or reductions in charges compared to what was being paid by ratepayers during 2009-10.

2. NATIONAL NON DOMESTIC RATES/BUSINESS RATES

- 2.1 This is the national scheme of property tax based on occupiers or owners paying rates calculated by reference to a rateable value of a non domestic property multiplied by an annually reviewed rates poundage and has been in place since 1990. Rates are collected by each Local Authority and paid to the Government. The national proceeds are then re-divided back and paid to local authorities based on population as part of the Formula Grant settlement. Wirral in 2010/11 will collect around £65m and will be paid £137.8m by the Government which forms part of the annual Local Authority Finance settlement.
- 2.2 A revaluation of all business rate properties takes place every five years and the latest took effect from 1 April 2010. However, the rateable values upon which the charge is based are determined by reviewing rents that were passing at or around 1 April 2008.
- 2.3 Values are assessed on actual rental evidence collected by the Valuation Office Agency (VOA). Five yearly revaluations make sure each ratepayer pays their fair contribution, by ensuring that the share of national rates paid by any one ratepayer reflects the changes over time in the value of their property relative to others. The revaluation in itself does not raise additional money for the Government or the Authority.
- 2.4 The effect of the valuation is an overall increase of 17-18% in total Rateable Value for the Wirral area. However, the national multiplier, the rate poundage, which is generally used to calculate the ratepayer's bill has reduced by 14.5% for 2010/11 (2010-11 £0.414; 2009-10 £0.485). There are a total of 7,900 properties in Wirral of which approximately 38% have an increase in the underlying rates bill. The charge for the remaining properties has reduced or remained the same.

2.5 During a five year cycle rental trends between types of property and between areas may change and thus values do not go up or down uniformly. Certain areas within Wirral will be faced with larger increases in rateable values than others. In addition changes of rateable values for certain categories of properties within those areas also fall outside the area norm. This reflects the changes in rental value since the previous re-valuation.

2.6 If an occupier is unhappy with the rateable value now in use the appeal route is via a formal appeal to the VOA. The occupier or owner needs to specify a reason and has only been able to do this since 1 April 2010 and can do this online at <http://www.2010.voa.gov.uk/rli/static/HelpPages/English/appeal/index.html>

3. **CURRENT RELIEFS AVAILABLE FOR BUSINESS RATE PAYERS**

3.1. To assist businesses there are a number of support mechanisms within the national scheme and these are detailed below:

3.2 **Transitional Relief Scheme**

3.2.1 This scheme allows the change in rates payable after a revaluation to be brought in gradually to help businesses to adjust to increases. In 2010/11 £2bn nationally has been paid out by the Government to offset large increases which are being phased in.

3.2.2 Each year there is a maximum limit on increases and to help pay for this there is also a limit on the maximum reductions which is also phased in but at a higher rate giving occupiers the benefit of reduced rateable value quicker than increased values are phased in.

3.2.3 Where the rateable value is less than £18,000 there is no increase greater than 3.5%, nor is there a reduction greater than 21.1%.

3.2.4 Where the rateable value is over £18,000 there is no increase greater than 10.93% and no reduction greater than 5.9%. These are automatically applied to business rates accounts prior to issuing.

3.3 **Small Business Rate Relief (SBRR)**

3.3.1 This relief is specifically targetted to assist small businesses that occupy one property whose rateable value is less than £18,000 but who have additional properties but each must be a rateable value of less than £2,600 to still qualify.

3.3.2 Qualifying properties then have a smaller rate poundage applied (£0.407 in 2010-11, £0.481 in 2009-10)

3.3.3 In addition, eligible properties with a rateable value of less than £12,000 will receive further relief. Properties under £6,000 rateable value receive 50% relief and those between £6,000 and £12,000 receive a gradually reducing percentage of relief down to zero at £12,000.

- 3.3.4 The Government has committed to extend this relief for 2010-11 and 2011-12, and full details are expected shortly. Proposals from the previous Government indicated that small business rate relief would be doubled for the period 1 October 2010 to 30 September 2011.
- 3.3.5 It is expected that relief will automatically be applied to those eligible businesses later this financial year when details are finalised.
- 3.3.6 Historically, take up of small business rate relief in Wirral has been good with an estimated 87% (2600 out of 3000) of eligible businesses in receipt of relief. When new accounts are set up within the appropriate rateable value range, businesses are invited to apply as a matter of course.

3.4 Discretionary Rate Relief

- 3.4.1 This is awarded to charities and community amateur sports clubs and they receive 80% relief by law and can receive the additional 20% at the discretion of the Authority. Wirral tends to award this 20% top up relief.
- 3.4.2 Organisations not established or conducted for profit can at the discretion of the Authority receive up to 100% relief. Wirral has consistently given this relief in support of these bodies and organisations.
- 3.4.3 The 80% award is funded by the Government. A quarter of the 20% top up is funded by the Authority with the remainder funded by the Government
- 3.4.4 For organisations not established or conducted for profit the Authority funds 25% of the award. There are 351 organisations receiving 100% relief via the mix of 80% mandatory relief plus top up and 94 organisations receiving full discretionary relief. Wirral is one of the most generous in its interpretation of awarding discretionary relief to qualifying organisations and awarded £761,500 in 2009/10 at a cost to the Authority of £459,000.
- 3.4.5 Discretionary Rate Relief is a service which is flagged by the Audit Commission in the Value for Money analysis as being high spending in Wirral.

3.5 Hardship Relief

- 3.5.1 The Authority has the power to grant Hardship Relief to individual business ratepayers. 25% of any relief granted is funded by the Authority and Members have used the power sparingly in the past only in exceptional cases. In 2009/10 only one application was supported for £2,081. This situation is similar to most other local authorities.
- 3.5.2 Whilst the legislation does not prevent local authorities awarding relief where it could be considered that the ratepayer would sustain hardship, Government guidelines detail that a blanket policy should not be implemented and each case should be considered on its merits.

3.5.3. Awards are funded from the Discretionary Rate Relief budget.

3.6. **Deferred Payment of 2009-10 Rates Liabilities**

3.6.1 In 2009 the Government introduced a one off scheme to assist ratepayers due to the increase in rates being set in November 2008 at 5% for April 2009 by which time the underlying level of inflation had reduced to almost nil.

3.6.2 To assist business ratepayers the scheme allowed deferral of payment of 3% of the 2009/10 bill which would be paid in 2010/11 and 2011/12. This was by application and most likely due to the small sums involved only 425 ratepayers chose to use this in Wirral.

3.7. **Port Occupations**

3.7.1 The Chancellor of the Exchequer announced in his budget on 22 June 2010 that the Government will bring forward legislation to cancel certain backdated rates charges in respect of port occupations as in the Wirral Docks area.

3.7.2 No timetable has yet been identified nor has the detail of the legislation to bring this about. This will affect 18 port occupations within Wirral.

4. **EFFECT OF REVALUATION ON WIRRAL**

4.1. As a result of the 2010 business rates revaluation an estimated 1265 Wirral ratepayers have seen their 2010/11 rates bills rise by more than 3.5% over the rates payable for a full year in 2009/10.

4.2. Of the 1265 ratepayers identified 445 have a rateable value of £18,000 or over and therefore the maximum capped increase by the transitional relief legislation is 10.93%

4.3. Transitional relief limits are calculated using the lower Small Business Rate Relief multiplier. The difference between the SBRR multiplier and the national multiplier is used to pay for the small business rate relief scheme. The difference was £0.004 in 2009-10 and £0.007 in 2010-11, and as a result, 503 ratepayers have an increase slightly higher than 3.5% expected.

4.4. The remaining 317 ratepayers that have rate bills increased over the 3.5% limit tend to be ratepayers that are or were in receipt of Small Business Rate Relief in 2009-10 and are either:

- no longer in receipt of this relief (their new 2010 rateable value is above the rateable value limit)

Or

- the proportion of the relief they receive is less in 2010-11 than it was in 2009-10.

Appendix 1 details the number of estimated cases in each ward for information.

- 4.5. The Deputy Chief Executive and Director of Corporate Services is responsible for strategic development and economic matters on behalf of the Council and is aware of these changes and has added the following comments.
- 4.6. Business rates are a significant consideration for businesses in determining a location suitable for investment. The number of businesses seeing increases in rateable values as identified within this report are a cause of concern. Many businesses continue to trade through difficult economic circumstances and any increase in expenditure puts pressure on profitability and viability. A number of businesses have already indicated that the increase in Business Rates will have a damaging effect on their profitability and potential survival. Traders within Hoylake have been particularly concerned as rates in that part of the Borough have seen a significant increase in rateable value. However, it should be noted that significant increases in rateable value have also been seen in other parts of the Borough. Whilst it appears that shops in a number of localities have seen some of the largest increases in rateable values, causing concern in already weakening retail areas, so too have businesses in other areas of the Borough. In general, any increase in Business Rates is a concern for affected businesses. Whilst the positive review of the Ports Business Rates decision is welcomed, as too is the fact that a significant number of businesses see little, if any increase, with some actually seeing a decrease in the amounts payable, concerns remain about the impact of increases on already struggling businesses.

5. **FINANCIAL IMPLICATIONS**

- 5.1 Both Discretionary Rate Relief and Hardship relief are met in the relevant percentage by the Authority as a direct cost to the General Fund. The combined budget for 2009/10 was £379,600 but £454,000 was awarded.

6. **STAFFING IMPLICATIONS**

- 6.1. There are no specific staffing implications arising directly from this report.

7. **LOCAL MEMBER SUPPORT IMPLICATIONS**

- 7.1. A breakdown by ward is shown of affected business ratepayers.

8. **LOCAL AGENDA 21 IMPLICATIONS**

- 8.1. There are none arising directly from this report.

9. **PLANNING IMPLICATIONS**

- 9.1. There are none arising directly from this report.

10. **EQUAL OPPORTUNITIES IMPLICATIONS**

10.1. There are none arising directly from this report.

11. **COMMUNITY SAFETY IMPLICATIONS**

11.1. There are none arising directly from this report.

12. **HUMAN RIGHTS IMPLICATIONS**

12.1. There are none arising directly from this report.

13. **BACKGROUND PAPERS**

13.1. Valuation Lists produced by the Valuation Office Agency

14. **RECOMMENDATION**

14.1. That Members note the report.

IAN COLEMAN
DIRECTOR OF FINANCE

APPENDIX 1

Ward	Small Business Rate Differences	Property Rateable Values over £18000	Increase due to Small Business Rates Multiplier
Bebington	6	10	9
Bidston & St James	8	29	39
Birkenhead & Tranmere	43	73	98
Bromborough	12	67	19
Clatterbridge	12	10	8
Claughton	6	2	13
Eastham	4	10	8
Greasby, Frankby & Irby	17	14	11
Heswall	25	46	29
Hoylake & Meols	56	27	55
Leasowe & Moreton East	9	14	19
Liscard	8	12	19
Moreton West & Saughall Massie	10	5	6
New Brighton	3	10	8
Oxton	7	10	21
Pensby & Thingwall	8	12	21
Prenton	6	16	16
Rock Ferry	3	15	10
Seacombe	22	42	34
Upton	25	6	30
Wallasey	15	8	23
West Kirby & Thurstaston	12	7	7
Totals	317	445	503