

WIRRAL COUNCIL

CABINET

14 OCTOBER 2010

REPORT OF THE DIRECTOR OF FINANCE

CONSULTATION ON THE IMPACT OF BUSINESS RATE REVALUATION IN WIRRAL

1. EXECUTIVE SUMMARY

- 1.1. On 22 July 2010, the Cabinet considered my report on the impact of the 2010 Non Domestic Rates Revaluation upon the level of rates paid by Wirral businesses compared to the amount paid in 2009-10. Members requested that officers consult with representatives of the local business community on the impact of the increases and possible options to assist those most affected. This report details the result of those consultations and Members are requested to decide if any extra help should be given.

2. NATIONAL NON DOMESTIC RATES / BUSINESS RATES

- 2.1 This is the national scheme of property tax based on occupiers and owners paying rates calculated by reference to a rateable value of a non domestic property multiplied by an annually reviewed rates poundage. Rates are collected by each local authority and paid to the Government. The national proceeds are then paid to local government based on population as part of the main revenue support grant settlement. Wirral in 2010/11 will collect around £65m and be paid £137.8m by the Government.
- 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. Values are assessed on actual rental evidence collected by the Valuation Office Agency. Five yearly revaluations make sure each ratepayer pays their fair contribution, by ensuring that the rates paid by any one ratepayer reflects the changes over time in the value of their property relative to others. The revaluation itself does not raise additional money for the Government or the Authority.
- 2.3 The effect of the valuation is that there is an overall increase of 17-18% in total Rateable Value for the Wirral area. However the national multiplier, the rate poundage, which is used to calculate ratepayers bills has reduced by 14.5% for 2010/11. There are a total of 7,900 properties in Wirral of which 38% have seen their rates bill rise, the charge for the remaining 62% of properties has reduced or remained the same.

- 2.4 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 are faced with larger increases in rateable values than the area norm. 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.
- 2.5 To assist businesses there are a number of support mechanisms within the national scheme and these are detailed below:
- i. **TRANSITIONAL RELIEF SCHEME** - allows the change in rates payable after a revaluation to be brought in gradually to help businesses adjust to increases. In 2010/11 £2bn nationally has been paid out by the Government mainly to offset large increases which are being phased in. Each year there is a maximum limit on increases and to help pay for this there is also a limit on the maximum reduction which is also being phased in at a higher rate.
 - ii. **SMALL BUSINESS RATE RELIEF (SBRR)** - assists small businesses that occupy one property whose rateable value is less than £18,000 but who can have additional properties but each must have a rateable value of less than £2,600 to still qualify. Qualifying properties then have a smaller rate poundage applied. Eligible properties with a rateable value of less than £12,000 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. The Government has extended this relief for 2010-11 and 2011-12. Historically, take up of small business rate relief in Wirral has been good and is now over 90% of eligible businesses in receipt of relief.
 - iii. **DISCRETIONARY RATE RELIEF** - is awarded to charities and community amateur sports clubs who 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. 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.
 - iv. **HARDSHIP RELIEF** - The Authority has the power to grant Hardship Relief to individual business ratepayers. 25% of any relief granted is funded directly by the Authority and Members have used the power only in exceptional cases. 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.

- v. **DEFERRED PAYMENT OF 2009-10 RATES LIABILITIES** - 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. **CONSULTATION**

- 3.1. Officers have met with representatives from the Wirral Chamber of Commerce, the Federation of Small Businesses and the Birkenhead Market Traders Association
- 3.2. It was generally welcomed by the representatives that the Council was willing to consider options for relief; however, there was some acceptance that the level of relief may be tempered by both legislative and budgetary constraints.
- 3.3. The discussions appear to indicate that, in two of the three organisations, the current level of business rates had not resulted in a large degree of correspondence or contact from their members. This may well be due to a general acceptance from ratepayers that as a tax burden it was a cost that they would have no option but to meet.
- 3.4. There is concern, however, from the Market Traders Association that the levels of business rates charged in respect of their members' stalls appear to be somewhat higher than at other comparable sites in the country. The Association was successful in achieving a reduction in their rates from the 2005 Rating List, however this reduction does not appear to have been mirrored in the 2010 Rating List and, as a result, appeals are currently being lodged with the Valuation Office Agency.
- 3.5. The representative from the Federation of Small Businesses revealed that his organisation were lobbying nationally to persuade the Government to introduce automatic qualification for small business rate relief and was impressed by the 90% take up of the relief in this area. It was explained that there is a process of actively encouraging each new occupation that was potentially eligible for relief to apply, and the simplicity of the application greatly assisted in this endeavour.
- 3.6. Whilst the discussions did not prompt any new and potentially viable options for awarding additional relief to businesses in difficulties, it was recognised by each that certain areas of the Borough had been disproportionately affected by the revaluation as my previous report had indicated. The relationship between the transitional relief and small business rate relief schemes might result in much larger bills for 2010-11 for certain ratepayers in certain areas of the Borough.

4. LEGISLATIVE CONSTRAINTS

- 4.1 The Council has the discretion to award relief to ratepayers on the grounds of hardship or if the ratepayer is a charity or organisation not set up for, nor conducted for, profit.
- 4.2 In both cases, elements of the relief awarded are funded by the Government. In the cases of Hardship relief and relief to organisations not set up or established for profit the Council is required to fund 25% of any relief granted. In the case of top up discretionary relief for charities the Council is required to fund 75% of any top up relief awarded. In each case, the cost is met by the Discretionary Rate Relief budget.
- 4.3 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. The guidelines also stipulate that relief on the grounds of hardship should be the exception rather than the rule.
- 4.4 Options considered below could be construed as a blanket policy and therefore the full cost of such awards is likely to fall directly to the Council.

5. OPTIONS FOR RELIEF

5.1 Option 1 - Small Business Rate Relief

- 5.1.1 It is estimated that approximately 300 properties that were in receipt of Small Business Rate Relief (SBRR) during 2009-10 have been substantially and adversely affected as a consequence of the 2010 Revaluation.
- 5.1.2 The increase in rateable value has meant that the properties are in receipt of proportionally less SBRR in 2010-11 than in 2009-10. A breakdown of the areas affected is reproduced in Appendix A
- 5.1.3 The properties concerned have however had the increase mitigated by the recent extension of the SBRR scheme which has effectively doubled the amount of SBRR for the period 1 October 2010 to 30 September 2011. A list of those properties that may have been affected is attached in Appendix B.
- 5.1.4 Criteria to award a certain sum of relief amounting to £100 per property could be put in place e.g. the occupants of all properties with a rateable value between £6,500 and £12,000 and in receipt of SBRR could be requested to apply for a £100 grant. The total award for the Borough could be limited for a specific year and also the timeframe in which to apply could be limited.
- 5.1.5 This option need not be targeted at those areas most affected by the increase in business rates during 2010-11. There is no doubt businesses in other areas of the Wirral are struggling to pay business rates and so the criteria could be used to bring them into the scheme.

5.1.6. This option could give Members certainty by setting a total award at the outset. It is unlikely however that the Government would consider this option as hardship and therefore the full cost would have to be met from Council funds.

5.2 **Option 2 – Relief for Small Businesses**

5.2.1 Legislatively there are definitive criteria to define a small business, dependent on the rateable value of the property. For the award of an additional sum of relief Wirral could extend this rateable value limit further to assist other “small businesses” that occupy properties in the range £12,000 to £25,000 as their sole place of business.

5.2.2 This option can be targeted at all areas of the Borough and the amount per property could be set at £200 given the higher range of rateable values than in the previous option. Members can again set a total award to give certainty of budget and a defined timeframe in which to apply.

5.2.3 The entire cost of this option, as in Option 1, is likely to be required to be met from Council budgets.

5.3 **Option 3 - Hardship Relief**

5.3.1 The Authority has the power to grant Hardship Relief to individual business ratepayers. 25% of any relief granted is funded directly by the Authority and Members have used the power only in exceptional cases. In 2009/10 one application only was supported, for £2,081. This situation is similar to most other local authorities.

5.3.2 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. As guidance from the Government indicates that each case be considered on its merits then there is the potential for an administratively cumbersome process

6. **FINANCIAL IMPLICATIONS**

6.1. Whilst Hardship Relief is funded in part by the Government, the cost of options 1 and 2 would have to be met directly out of Council funds for which there is currently no provision.

6.2. If it is decided to implement either option 1 or 2 a £20,000 capped limit could provide assistance for either 200 or 100 business ratepayers respectively

6.3. The extension of Small Business Rate Relief from 1 October 2010 should result in far fewer businesses being adversely affected by the revaluation.

7. STAFFING IMPLICATIONS

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

8. LOCAL MEMBER SUPPORT IMPLICATIONS

8.1. An analysis of affected properties is shown in the Appendices.

9. LOCAL AGENDA 21 IMPLICATIONS

9.1. There are none arising directly from this report.

10. PLANNING IMPLICATIONS

10.1. There are none arising directly from this report.

11. EQUAL OPPORTUNITIES IMPLICATIONS

11.1. There are none arising directly from this report.

12. COMMUNITY SAFETY IMPLICATIONS

12.1. There are none arising directly from this report.

13. HUMAN RIGHTS IMPLICATIONS

13.1. There are none arising directly from this report.

14. BACKGROUND PAPERS

14.1. None were used in the preparation of this report.

15. RECOMMENDATIONS

15.1. That Cabinet notes the extension of Small Business Rate Relief from 1 October 2010.

15.2. That Cabinet notes that the option of Hardship Relief exists for any business with particular difficulties.

IAN COLEMAN
DIRECTOR OF FINANCE

APPENDIX A

Ward	SBR Properties with increase over 3.5% cap	SBR Properties with increase over 3.5% adjusted for extension to SBRR scheme
Bebington	6	1
Bidston & St James	8	3
Birkenhead & Tranmere	39	4
Bromborough	10	2
Clatterbridge	12	0
Cloughton	6	0
Eastham	4	1
Greasby, Frankby & Irby	16	0
Heswall	18	8
Hoylake & Meols	46	19
Leasowe & Moreton East	8	2
Liscard	7	1
Moreton West & Saughall Massie	10	1
New Brighton	2	0
Oxton	5	0
Pensby & Thingwall	8	0
Prenton	6	2
Rock Ferry	3	0
Seacombe	15	3
Upton	25	6
Wallasey	15	1
West Kirby & Thurstaston	11	2
Totals	280	56

APPENDIX B

Properties over 3.5% cap after SBRR Extension

Address			Percentage increase
2A CHURCH ROAD	BEBINGTON		11.77%
505 CLEVELAND STREET	BIRKENHEAD		10.41%
18 HOYLAKES ROAD	BIRKENHEAD		5.13%
6 TRINITY CHAMBERS (UNIT 7) IVY STREET	BIRKENHEAD		14.67%
UNIT, JACKSON STREET	BIRKENHEAD		4.65%
220 PRICE STREET	BIRKENHEAD		14.22%
62-64 WOODSIDE BUSINESS PARK, SHORE ROAD	BIRKENHEAD		5.31%
16-20 ST ANNE STREET	BIRKENHEAD		36.39%
115-117 MOUNT ROAD	BIRKENHEAD		4.19%
381 WOODCHURCH ROAD	BIRKENHEAD		5.58%
88 GREENDALE ROAD	BROMBOROUGH		12.51%
74 NEW CHESTER ROAD	BROMBOROUGH		87.56%
91 EASTHAM VILLAGE ROAD	EASTHAM		11.60%
52 PENSBY ROAD	HESWALL		29.34%
56 PENSBY ROAD	HESWALL		20.63%
68 PENSBY ROAD	HESWALL		26.17%
182A TELEGRAPH ROAD	HESWALL		10.77%
182B TELEGRAPH ROAD	HESWALL		8.83%
ORCHARD CHAMBERS, 4 ROCKY LANE	HESWALL		15.52%
FIRST FLOOR, 129 TELEGRAPH ROAD	HESWALL		8.90%
66 TELEGRAPH ROAD	HESWALL		11.60%
UNIT 1 CARHAM COMMERCIAL PARK, CARHAM ROAD	HOYLAKES		10.28%
UNIT 2A THE PRINT HOUSE, CARR LANE	HOYLAKES		6.53%
UNIT PRINT HOUSE, CARR LANE	HOYLAKES		9.15%
GARDEN CENTRE, BIRKENHEAD ROAD	HOYLAKES		21.70%
16/16A MARKET STREET	HOYLAKES		11.95%
18 MARKET STREET	HOYLAKES		12.38%
20 MARKET STREET	HOYLAKES		18.30%
29A MARKET STREET	HOYLAKES		39.88%
30 MARKET STREET	HOYLAKES		14.12%
113A REEDS LANE	LEASOWE		7.84%
157D HOYLAKES ROAD	MORETON		11.77%
OAKDALE HOUSE 125 OAKDALE ROAD	SEACOMBE		15.69%

LUNA HOUSE OLD GORSEY LANE	SEACOMBE		13.98%
3 ARROWE PARK ROAD	UPTON		7.26%
25 ARROWE PARK ROAD	UPTON		7.26%
27-27A ARROWE PARK ROAD	UPTON		17.04%
37 ARROWE PARK ROAD	UPTON		7.52%
146 FORD ROAD	UPTON		6.74%
167-169 FORD ROAD	UPTON		14.22%
196 SAUGHALL MASSIE ROAD	UPTON		29.53%
169-171 POULTON ROAD	WALLASEY		6.19%
24 SEAVIEW ROAD	WALLASEY		14.83%
265-267 WALLASEY VILLAGE	WALLASEY		30.38%
15 BANKS ROAD	WEST KIRBY		46.10%
84 BANKS ROAD	WEST KIRBY		24.91%
85-87 BANKS ROAD	WEST KIRBY		64.67%
86 BANKS ROAD	WEST KIRBY		17.01%
88 BANKS ROAD	WEST KIRBY		22.40%
90 BANKS ROAD	WEST KIRBY		17.01%
92 BANKS ROAD	WEST KIRBY		29.44%
98 BANKS ROAD	WEST KIRBY		40.74%
100 BANKS ROAD	WEST KIRBY		31.37%
108 BANKS ROAD	WEST KIRBY		24.91%
164-166 BANKS ROAD	WEST KIRBY		18.72%
40 GRANGE ROAD	WEST KIRBY		10.63%