

Report to Resources Select Committee

Date of meeting: 9th July 2018

Portfolio: Finance

Subject: Business Rates and funding services

Officer contact for further information: Rob Pavey
Democratic Services Officer: Adrian Hendy

(01992 564211)
(01992 564246)



Recommendations/Decisions Required:

To note the contents of the report.

Report:

1. The amount of Business Rates collected and how this translates into the funding of local services is not always transparent for Business Rate payers. This report seeks to clarify the position and provide the information to Members so that enquiries by local businesses can be answered in what can be seen by the layperson as a confusing process. Ratepayers not unreasonably may wish to know how the rates they pay is spent.

2. The Council itself does not have control over the amount of rates payable as the rateable value is set by the Valuation Office Agency (HMRC) and the multiplier used to calculate the bill is set by central government. For 2017/18 the Council collected around £36m in Business Rates. Ratepayers paid that money to Epping Forest District Council but there can be a misconception by businesses retains this money to spend but the Council retains less than 10% of this income to fund local services. The following paragraph reminds Members of how the £36m collected is re-distributed and leaves this Council with its share.

3. The first aspect to understand is that 50% of the rates collected is transferred to central government whilst 50% is retained as what is termed the 'local share'. The 'local share' is split with 40% belonging to Epping Forest DC, Essex CC receives 9% and Essex Fire Authority 1%. So in cash terms this means that of the £36m collected, this authority retained around £14m. However the 40% EFDC share is further reduced by the 'tariff' applied of over £10m as the Government has set a business rates income baseline of a little over £3.1m as this is the governments assessment on how much EFDC actually needs.

4. There is one further adjustment to be made as this authority belongs to a Business Rates pool with other Essex authorities which means it receives more of the increases in Business Rates income than not being part of a pool. The actual retained income increased to £3.7m for 2017/18. Therefore it can be seen that the final retained income is only around 10% of the Business Rates collected.

5. It is understandable that businesses may see a disconnect, in the absence of this explanation, of the amount that they pay in rates to this authority and the services they may receive. But the amount businesses pay will not directly relate to the services they receive in any case as the Business Rates income is just one component of the Council's financial settlement with central government for the overall expenditure on services along with Council Tax and other grants.

6. The Council is aware that businesses, particularly small businesses, see Business Rates as a significant cost to them. This has been recognised by central government and it has strengthened many rate reliefs to small businesses in recent years. The Council has 4,250 Business Rate payers and many of these are small businesses. In recent years the Government had doubled the amount on a temporary basis the amount of Small Business Rates Relief (SBRR) granted. The Government has legislated for this to be made permanent. Some 1,841 small businesses pay the lower Small Business multiplier whilst a further 1,664 receive SBRR amounting to £4.7m.

7. The 2017 Business Rates Revaluation affected different types of businesses in varying degrees. As is usual there was a transitional relief scheme put in place to phase in those with larger increases or gains from the revaluation. The scheme brought in was heavily biased towards those with rateable values under £100,000 at the expense of larger businesses. In addition, the government provided funding for local authorities to devise schemes for businesses with a rateable value under £100,000 and had seen an increase in their rates bills for 2017/18. The Council received just under £300,000 for its own scheme and this was implemented in 2017/18 with around 500 businesses benefiting from the scheme.

8. The Council has a statutory duty to collect Business Rates and must act diligently in doing so. Officers will however seek to help struggling businesses within the parameters of this duty by ensuring that they are receiving all reliefs eligible to them and making payment arrangements to manage their debt.

9. This is the first of a series of reports that will be brought to the Resources Select Committee in the future. The Government is expected to issue a series of consultation papers in the coming months ahead of local rates retention moving from 50% to 75%. It is hoped that the release dates and response deadlines to these consultation papers will coincide with future meetings.

Resource Implications:

None

Legal and Governance Implications:

None

Safer, Cleaner and Greener Implications:

None

Consultation Undertaken:

None...

Background Papers: None

Risk Management: