

Discretionary Business Rates Relief Consultation 2017/18

Consultation Report

September 2017

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INTRODUCTION

This report presents the findings of the consultation on proposals for a Discretionary Business Rates Relief Scheme for allocating financial support for businesses which have seen a significant increase in their Business Rates for 2017/18, as a result of the Government led revaluation.

BACKGROUND

Business Rates (also known as National Non-Domestic Rates) are taxes paid in non-residential properties such as shops, offices, factories, and pubs. If you occupy a building, or part of one, which you use for non-domestic purposes, then you will probably be required to pay business rates.

The Government changed business rates from April this year, following a national revaluation of the 'rateable value' of business premises – an estimate of the cost of the letting the property on the open market. Because property prices have risen dramatically in Hackney over recent years, the borough experienced the largest increase in average rateable value in London, and five times the England average.

The Government allocated a £300million fund to support businesses facing Business Rates rises due to its revaluations. Local authorities, like Hackney Council, have now been instructed to design their own discretionary business rates relief schemes to determine how the funding is distributed locally. Hackney Council has been allocated £7.1 million in total, with £4.1 million available to support businesses in 2017/18. The amount of funding paid out will be limited to the amount of funding provided by the Government in each year.

CONSULTATION APPROACH

The consultation ran from 29 August to 26 September 2017. The consultation was launched online on 29 August, followed by a feature in the 11 September edition of Hackney Today issue 410; the Council's newspaper that is sent to all resident and business addresses in the borough.

A press release was also sent to local media and ethnic press. The consultation was also promoted via the standard business engagement channels and the Council's social media.

A consultation leaflet was produced summarising some of the key proposals and a questionnaire was included. Paper copies of the consultation summary and questionnaire could be requested from the Consultation Team.

The consultation also featured on the front page of the Council's consultation and engagement platform: consultation.hackney.gov.uk, featuring:

- A consultation leaflet summarising the key proposals
- A pdf of the consultation questionnaire
- An online version of the consultation questionnaire.

Interpretation of the data

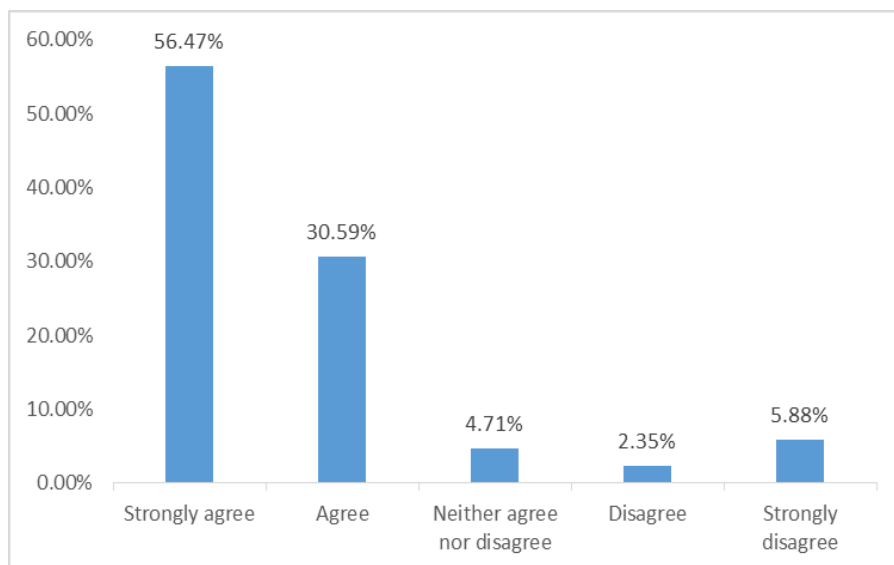
Percentages in a particular chart will not always add up to 100%. This may be due to rounding, or because each respondent is allowed to give more than one answer to the question. It is also worth noting that the results are subject to sampling tolerances, and not all differences between sub-groups will be statistically significant. We need to exercise appropriate caution where a small group of respondents has been analysed.

OVERALL RESULTS ANALYSIS

The public consultation received 87 responses, the majority received via online completions. .

Emails were also sent to the consultation inbox, most of these querying whether they qualify for the discretionary business relief funding. These were passed onto the Revenues and Benefits service to respond to.

Q1 To what extent do you agree with the Council's proposed scheme as detailed in the consultation document?



Graph 1: Base (85)

As graph 1 shows, more than 87% of respondents agree with the Council's proposed scheme.

Respondents who didn't agree with the scheme were given the opportunity to provide comments to support their response. 13 respondents provided additional comments. The key themes emerging from these comments included:

- The £200k rateable value cut off is too low, therefore medium sized businesses wouldn't qualify
- The Council should provide additional funding, as the Government funding is insufficient
- Scheme should apply to new businesses as well
- 12.5% threshold is too high and should be reduced

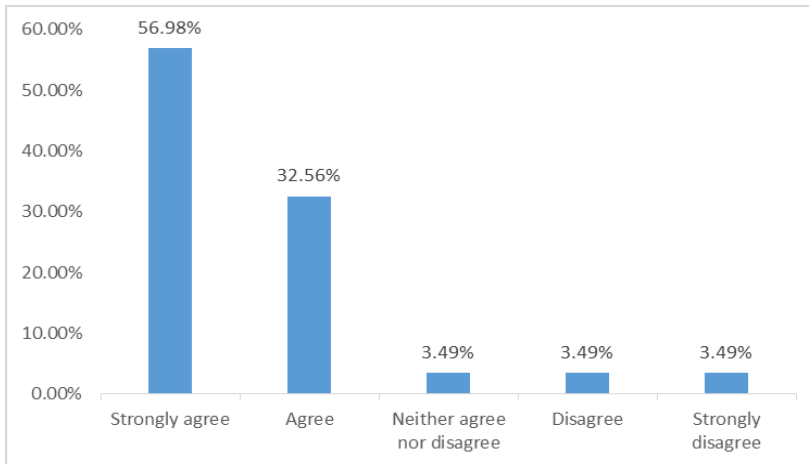
Some quotes from the respondents on the key common themes emerging:

"Hackney Council should use its own funds in addition to Government funds to provide relief for business rates"

"New businesses should be liable to receive rates relief after April 2017. If not this is discriminatory to new businesses competing with the same type of businesses in the area, or indeed discriminating as a small business in general."

"...12.5% increase in business rates is too high. My rates have increased by 11.5%. My business is running at a loss and I cannot afford to pay the increase. The threshold should be reduced to 10% which is equitable"

Q2 To what extent do you agree with the proposed businesses that would be eligible for relief under the proposed scheme?



Graph 2: Base (86)

Nearly 90% of respondents agree with the proposed businesses that would be eligible for relief under the proposed scheme.

Respondents were given the opportunity to provide additional comments to support their response. 11 respondents provided additional comments. The key themes emerging from these comments included:

- Rateable value threshold of £200,000 should be lower
- Should apply to all small businesses
- New businesses should also be eligible to apply for relief
- Valuation office re-assessment required
- 12.5% Business Rates increase before applying for relief is too high.

Some quotes from the respondents on the key common themes emerging:

“The rateable value threshold should be lower - more around £100,000 level to help smaller businesses. “

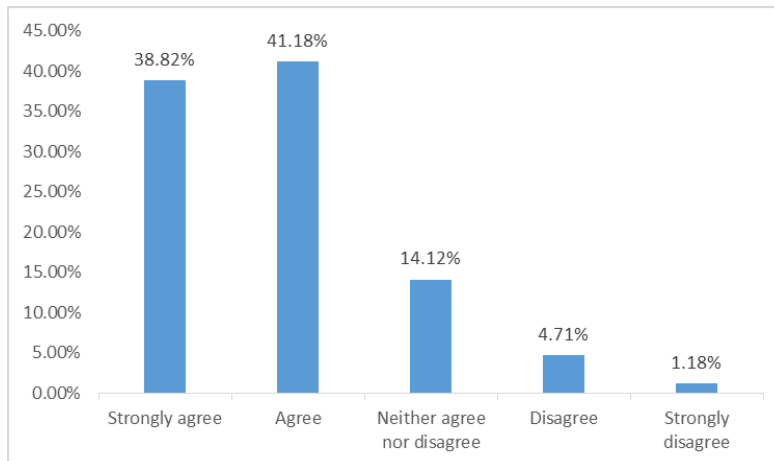
“...if the council support large / medium sized businesses with an RV of up to £200,000, this would very quickly use up the 4.1 million fund, priority should be given to business's with an RV up to say £50,000.”

“I think that businesses which had a more than 5% increase should be eligible.”

“It should be eligible to all the small business”

“The new valuation is being introduced on a tapered implementation. Next year I am going to be charged twice as much as this year, again an unacceptable increase...The VO should be forced to get the valuation right then none of us have to waste our time dealing with 'rates relief schemes'...”

Q3 To what extent do you agree with the proposal to exclude certain types of property uses from qualifying for relief?



Graph 3: Base (85)

As graph 3 shows, 80% of respondents agree with the proposal to exclude certain types of businesses from qualifying for relief. 13 respondents provided additional comments to support their response. The key themes emerging from this are:

- Agreement that businesses like betting shops and payday lenders should be excluded.
- New businesses should also be eligible for relief
- Valuation office should be asked to re-assess the rates

Some quotes from the respondents on the key common themes emerging:

“...fully agree the businesses such as betting shops, payday lenders etc should not be eligible”.

“Ratepayers occupying properties after 1 April 2017 should also be eligible for relief.

“.. The Valuation Office should issue sensible values instead of a blanket approach....”

Q4 Additional comments on the Discretionary Business Rates Relief Scheme.

The questionnaire gave respondents the opportunity to provide additional comments, and 39 respondents did so. These were grouped into themes in order to see the most common views held by those who answered the question.

Common themes emerging from the respondents include:

- The support being provided is insufficient, given number of businesses that require support
- Suggested improvements
 - Scheme could provide support for youth clubs, voluntary organisations, Artist studios and not-for-profit organisations.
- More support should be given to medium sized businesses
- Support should be given to businesses with a rateable value of just over £200,000.
- The Valuation Office should be asked to re-assess re-evaluations
- Consideration should be given to additional support required after 2017/18.

Some quotes from the respondents on the key common themes emerging:

"I am concerned that our business's properties have a combined rateable value of £200,046. Does this mean we will be excluded from applying?. We have seen a 59% increase in our rateable value that is going to greatly affect our business"

"Please prioritise those who provide real services we need or manufacture goods etc, not just ... coffee shops and restaurants".

"This scheme would not be needed if the Valuation Office did a better job and issued sensible, affordable valuations on properties."

"Hackney has seen an unprecedented rise in successful independent, start up businesses over the last decade, and full support should be prioritised for these, to enable these fledgling business's to continue, they are the future of Hackney."

"...small businesses already get rate relief and therefore some help needs to go to medium sized businesses. We employ around 900 people but with the current rate increase are looking to reduce headcount unless we can get some relief from this dramatic increase."

Key Stakeholder response

The Greater London Authority (GLA) also sent a written response to the consultation. The Council is required to consult with the GLA as it's major preceptor. This detailed response is being considered by the Head of Revenues as part of the consultation process.

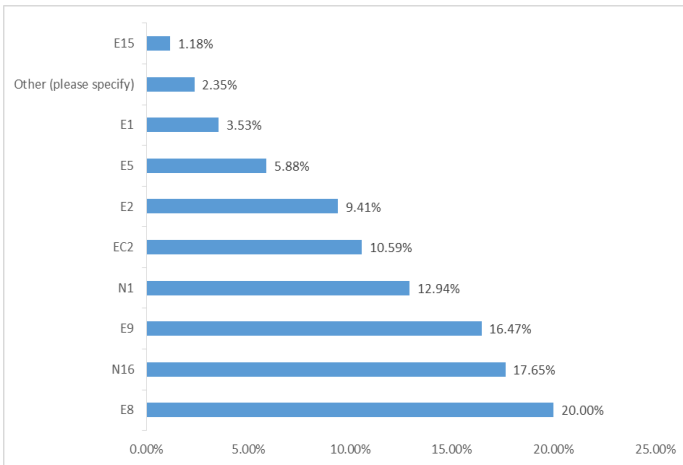
The GLA endorsed the approach the Council is adopting to distribute the discretionary relief funding for 2017/18, as it:

- targets resources at small and medium sized firms facing the largest percentage increases in bills;
- ensures that support is provided to a variety of different types and sizes of business across the Borough, rather than being concentrated on specific localities or sectors – subject to its proposed exclusion criteria;
- 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 with rateable values above £200,000 along with certain types of business activities and unoccupied properties; and
- is relatively straightforward for ratepayers to understand and calculate how it will affect them.

The GLA was also supportive of the exclusion criteria proposed, but suggested that the Council could consider granting or maintaining support for the ratepayers of newly empty properties for a transitional period of one month. The GLA also suggested that the Council should be flexible in its proposed policy to exclude businesses in arrears for 2016-17, which are not cleared by 30 September 2017, where the ratepayer can demonstrate they are experiencing genuine hardship.

PROFILE OF RESPONDENTS

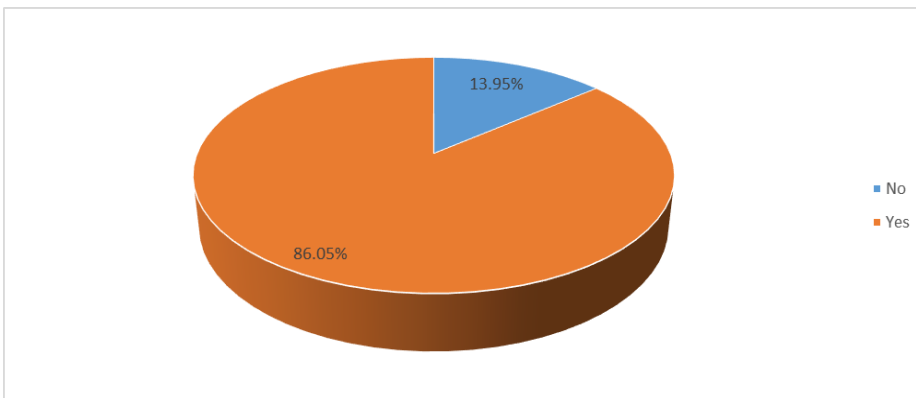
Postcode analysis



Graph 4: Base (85)

Respondents were asked to indicate the postcode area in which their business is located. The majority of respondents indicated that their businesses are located in E8(20%), N16 (18%) and E9 (16%).

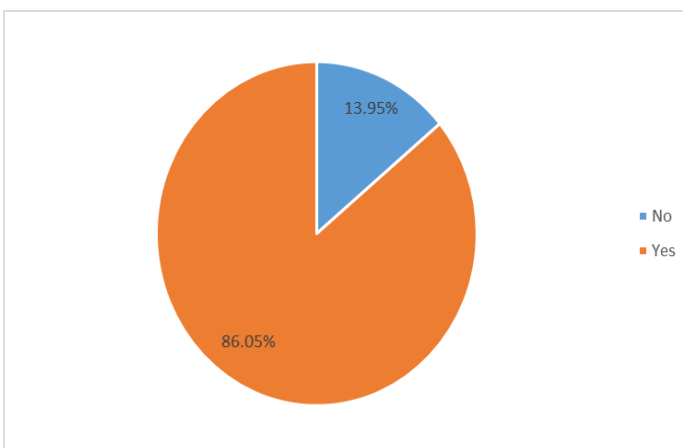
Q6 Is the rateable value of your property less than £200,000



Graph 5: Base (86)

90% of respondents indicated that the rateable value of their property is less than £200,000.

Q7 Has your 2017/18 Business Rates bill increased by 12.5% or more, after exemptions and other reliefs?



Graph 6: Base (86)

A significant proportion of those that responded, 86%, have seen their 2017/18 Business Rates bill has increased by 12.5% or more after exemptions and other reliefs.

CONCLUSION

The majority of respondents to the self-completion questionnaire were very supportive of the proposals for a Discretionary Business Rates Relief scheme for allocating financial support to businesses which have seen a significant increase in their Business Rates for 2017/18.

- More than **87%** of respondents agree with the Council's proposed scheme.
- Nearly **90%** of respondents agree with the proposed businesses that would be eligible for relief under the proposed scheme.
- **80%** of respondents agree with the proposal to exclude certain types of businesses from qualifying for relief.
- **Rateable value of £200,000** – some respondents felt that the rateable value of properties considered should be higher, whilst others felt that it should be lower.
- **Medium sized businesses** – Some responses alluded to the fact that more financial support should be provided to medium sized businesses, which are valued employers in the borough.
- **12.5% Increase in Business Rates** - some respondents felt that the 12.5% Business Rates increase threshold is too high and should be reduced.
- **New businesses** – there was a view that new businesses should be eligible for relief, otherwise new creative businesses would be discouraged from locating in Hackney.
- **Valuation Office** – there were some criticisms of the Valuation Office, with some respondents of the view that another re-evaluation should be carried out.
- **Insufficient support** – there was some worry that the funds provided by Government were insufficient to provide help for businesses that require the financial support. There was also some concern about lack of additional support available once the £7.1million fund has been used up.

The Council will consider the results of the consultation, and the proposed scheme will be reviewed in the light of the feedback received.