



Department for Communities and Local Government

Chief Finance Officers and
Business Rates Leads
of Local Authorities in England

15 May 2017

Dear Colleague,

SPRING BUDGET 2017 – BUSINESS RATES RELIEF SCHEMES

We have received a number of enquiries about the business rates relief schemes announced at the Budget and we thought it might be helpful to provide you with an update to support your work.

Supporting small business

We published a business rates information letter on 9 March, which provided initial guidance on the operation of this scheme in 2017/18 and allowed councils to identify eligible businesses. It also encouraged councils to identify and notify businesses that were likely to benefit from this new relief and we are grateful to the many authorities that have quickly identified and provided support to eligible ratepayers. The letter can be found at:

<https://www.gov.uk/government/publications/22017-spring-budget-support-for-business>

Since then, we have been working with billing software suppliers, local government and user groups to further develop the guidance to cover subsequent years and more complex cases. The updated guidance, attached at annex A, sets out a more detailed description of the operation of the scheme to allow software providers to code changes accurately and councils to take forward implementation.

Local discretionary relief schemes

We consulted on a proposed allocation methodology and funding arrangements on 9 March, with a closing date of 7 April. Allocations to local authorities were confirmed on 21 April and a grant determination sent out on 28 April. Councils should now be proceeding with developing their local schemes.

Some issues have been raised, in particular the ability to flex money between financial years to maximise value for money. We will provide further advice on this

point as soon as possible. There have also been some suggestions that money has to be spent in accordance with the distribution methodology included in the consultation. However, this is not the case. The methodology set out in the consultation simply provides a proxy for need, and determines the allocation for each billing authority. It is for each authority to design its scheme as it sees fit.

A number of authorities have asked why the sums in the grant determination letter are different from the allocations set out in the consultation document. This is because the allocations reflect the maximum amount of relief that authorities can award to ratepayers. The sums in the grant determination letter, on the other hand, reflect the financial impact on local authorities of awarding that amount of relief, having regard to the central and local shares under the business rates retention scheme. For example, in an area where the central and local shares are both 50%, the award of £100 of relief will result in a loss of business rates income under the rates retention scheme of £50 to central government and £50 to the local authorities in the area. Hence, the grant determination letters give local government £50 for every £100 of allocation. In areas where the local share is higher – e.g. London, where it is 67%, or the 100% pilot areas, where it is 100% - the grant determinations are, respectively, £67 and £100 for every £100 of allocation.

Under the terms of the grant determinations, all the compensation is being paid to billing authorities, in the first instance. However, the intention is that the sum is to be shared between billing and major precepting authorities in the normal way. Government will arrange for this automatically at NNDR3 stage and the amount of grant due to each of the billing and major precepting authorities will be automatically calculated from data provided in the form. We will reconcile these calculations against the amounts paid under the grant determinations and make/receive reconciliation payments to/from major precepting and billing authorities.

Support for pubs

Following the Budget announcement, we engaged with trade bodies and local government representatives on the detail of the pubs relief scheme. We understand that many authorities have already taken steps to identify pubs within the parameters set out at the Budget and final guidance on the operation and scope of this scheme will be issued as soon as possible.

New burdens

We have previously confirmed that new burdens funding would be paid to cover the additional cost of administering these relief schemes. We have asked local authority software user group representatives for evidence on likely costs, beyond those which

would normally be covered, in line with our usual practice. We will confirm the amounts to be paid to each billing authority shortly.

If you have any further queries, please contact us at ndr@communities.gsi.gov.uk

A handwritten signature in black ink, appearing to be 'Chris Megainey', with a large, stylized initial 'C' and 'M'.

Chris Megainey
Deputy Director, Local Taxation