

ANGUS COUNCIL

FINANCE AND INFORMATION TECHNOLOGY COMMITTEE

SMALL BUSINESS RATE RELIEF SCHEME

REPORT BY THE DIRECTOR OF FINANCE

ABSTRACT

This report outlines the main elements of the new Small Business Rate Relief Scheme which will become effective from 1 April 2003. The report also highlights concerns as to the complexity, funding and timescales for implementation.

1. RECOMMENDATION(S)

It is recommended that the Committee:-

- (i.) note that some 80% of non-domestic properties in Angus will receive rates relief as a result of the scheme
- (ii.) note that a small number of properties will be subject to a rates supplement of 0.6p per pound of rateable value
- (iii.) note the concerns highlighted in the report
- (iv.) note the content of the letter sent to the Scottish Executive outlining concerns (Appendix A)
- (v.) agree to homologate the decision of the Director of Finance to send the letter as a direct result of the short consultation period given by the Executive

2. BACKGROUND

The Scottish Executive is to introduce a Small Business Rate Relief Scheme from 1 April 2003 and regulations are in the process of being laid.

The relief element of the scheme is based on occupancy of a single property or multiple properties across Scotland with a rateable value or cumulative rateable value of up to £10,000. There will be different levels of relief across ranges of rateable value (see below).

As the scheme is to be self-financing across Scotland the Scottish Executive has determined that all non-domestic properties with a rateable value above £25,000 will pay a supplement of 0.6p per pound of rateable value. There will be some 390 properties in Angus subject to the supplement. The scheme will have no effect on properties with rateable values between £10,001 and £25,000.

The ranges of rateable value and equivalent percentage of relief are as follows:-

Rateable Value range	Percentage of rate relief	Nos of single properties in Angus
Up to £2,999	50%	2103
£3,000 to £3,999	40%	386
£4,000 to £4,999	30%	294
£5,000 to £5,999	20%	237
£6,000 to £6,999	10%	170
£7,000 to £10,000	5%	350

It should be noted that the 5% relief is the equivalent of the current 2p in the pound small business reduction and as such can be granted without application.

It is intended that if possible a mail-shot and application form will be issued in February to likely recipients.

Where possible all completed, returned and verified applications will be processed prior to the start of year billing run in April. This may not prove practical and amended bills would have to be issued at a later date.

3. AREAS OF CONCERN

- (i.) Ratepayers are required to make application for relief annually and re-apply where there is a change of circumstance. This creates a huge increase in workload given that approximately 80% of non-domestic properties in Angus will be entitled to relief.
- (ii.) There is an interaction of the scheme with other current reliefs such as mandatory relief, discretionary relief, disabled relief, empty property relief and transitional relief. This greatly increases the complexity of the scheme and will add severely to the difficulties in explaining the scheme to ratepayers.
- (iii.) As yet the Executive has not finalised the definition of "ratepayer". This could cause difficulties where the occupier is not the ratepayer.
- (iv.) There are no details available as to the content of demand notice requirements.
- (v.) No long term funding for administration has been secured.
- (vi.) Short timescales for implementation by Local Authorities.
- (vii.) Short timescales for software suppliers to develop the appropriate software.
- (viii.) Recruitment and training for additional staff.

4. CONCLUSION

The new scheme will undoubtedly assist a large number of small businesses in Angus meet their rates burdens.

However there are extreme concerns regarding the complexity of the scheme, the lack of detail available and the short timescales for its introduction.

Whilst every effort will be made it is doubtful whether the scheme can be fully operational in time for the 2003/04 annual billing given the problems for the Council and our software supplier.

4. FINANCIAL IMPLICATIONS

There are no financial implications as a result of this report.

5. CONSULTATION

The Chief Executive and the Director of Law and Administration have been consulted in the preparation of this report.

6. HUMAN RIGHTS IMPLICATIONS

There are no human rights implications arising as a result of this report.

NOTE

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973, (other than any containing confidential or exempt information), were relied on to any material extent in preparing the above Report.

DAVID SAWERS
DIRECTOR OF FINANCE

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APPENDIX A

DSW/TA

28 January 2003

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Dear Ms Sibbald

IMPLEMENTATION OF SMALL BUSINESS RATE RELIEF SCHEME

The Council in principle welcome the introduction of the Small Business Rate Relief which will assist small businesses. The Council has however a number of concerns regarding complexity, funding and timescales. These concerns are:-

1. The need to assess multiple properties with cumulative rateable values especially where claims cross Council boundaries will add significantly to the complexity of administration.
2. The need for application will also add significantly to the complexity of administration especially as re-application has to be made annually and as circumstances change.
3. Verification of the identity of ratepayers will undoubtedly prove problematic e.g. father and son etc. There is likely to be manipulation by ratepayers in order to obtain relief.
4. The scheme will include a number of properties which are not businesses e.g. private lock-up garages, living huts etc. Confusion will be caused due to the definition including "for the purposes of any trade or business carried out by that ratepayer in Scotland".
5. It is anomalous to have two routes to receiving the 5% relief, one through application and one automatically. Given the short timescales and the large workloads associated with the scheme Local Authorities are in practice likely to opt for the automatic route and not therefore issue applications.
6. The interaction of the scheme with other reliefs increase the complexity and will add to the difficulties in explaining the scheme to ratepayers.
7. Approximately 80% of non-domestic properties in Angus will be entitled to relief.

As the non-domestic rates section in Angus is small this scheme represents a massive burden in terms of workload.

7. There are no details available as to the content of demand notice requirements. In addition there does not appear that the Executive is to produce a model application form.
8. No long term funding has been secured. As yet there are no details as to the level of temporary funding available. This is problematic given that the Council will require to recruit and train staff in order to administer the scheme on an on-going basis.
9. It is extremely disappointing that we are only some three months away from the start of the scheme and the full requirements of the scheme are not available to Local Authorities. This is especially so given the length of time the Executive have been considering the scheme.

10. Software suppliers have been given extremely short timescales in which to develop the appropriate software.

It should be remembered that Local Authorities will require to fully test the new software at a time when they would normally be testing the start of financial year software. There is no indication as to the management information requirements.

CONCLUSION

Angus Council welcome the new scheme in principle as it will undoubtedly assist a large number of small business meet their rates burdens.

However the Council is extremely concerned regarding the complexity of the scheme, the lack of detail available and the short timescales for its introduction.

Given the problems for the Council and its software supplier outlined above it is doubtful whether the scheme can be fully operational in time for the 2003-04 annual billing.

Yours sincerely

Director of Finance