A8

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

CABINET AND CORPORATE SERVICES SCRUTINY COMMITTEE

24 OCTOBER 2016

BUSINESS RATES REVALUATION 2017

REPORT OF THE HEAD OF BUSINESS RATES AND DEBT RECOVERY

Introduction

1. Business rates are a tax paid by businesses based on the actual or notional rents payable on the space they occupy.

2. Since 1990 when business rates were set by central Government, rateable values for business premises have normally been adjusted every five years to allow for changes in rents; and there have been transitional arrangements both for those facing increases in cost and for those benefitting from reductions, the latter funding the former.

3. A guiding principle for business rates is that the total cost across England should be held steady in real terms, i.e. after allowing for inflation as measured by the Consumer Prices Index. As rents in London have tended to rise much more than those in other regions, this has the effect of London bearing a growing proportion of business rates over time, with big increases here matching reductions in rates in other regions.

4. The revaluation due in *2015* was postponed two years. The proposed values for 2017-18, based on data from April 2015, were published on *30 September 2016*.

Changes in Rateable Value

5. The data from the draft 2017 rating list show that the Royal Borough's total rateable value has gone up from 640,459,934 to 823,688,531, an increase of 28.6 per cent. This is higher than the average for London of 22.8 per cent.

6. Allowing for a change in poundage applied to this valuation, transitional arrangements to phase in changes to bills resulting from increases and decreases in rateable value and subject of course to individual appeals against valuation, this suggests an increase in rates payments*, including the business rates supplement (levied by*

the GLA to fund Crossrail) from £301 million to £354 million, an increase of per 17.6 per cent.

7. Table 1 shows that London has the greatest increase in rateable values across all regions and property types in England:

Table 1

Area	Retail	Industry	Office	Other	All
England	**4.80%**	**4.00%**	**12.70%**	**15.90%**	**9.60%**
North East	-6.50%	-0.40%	-12.30%	9.50%	-0.90%
North West	-5.40%	-3.50%	-4.40%	10.70%	0.00%
Yorkshire & Humber	-1.90%	0.70%	-12.40%	7.10%	0.00%
East Midlands	5.60%	3.30%	8.20%	13.40%	7.40%
West Midlands	-0.90%	3.40%	-6.80%	12.30%	3.20%
East	-3.60%	2.30%	2.40%	12.30%	3.70%
London	**26.80%**	**15.50%**	**22.60%**	**26.10%**	**23.70%**
South East	1.20%	6.70%	12.90%	17.80%	9.60%
South West	-5.70%	5.40%	-0.40%	13.90%	4.00%

8. Table 2 shows the pattern of change for properties in the borough:

Table 2

Increase / Decrease in Rateable Value	% of Properties	Number of Properties
Over 100%	0.03%	3
90-100%	0.03%	3
50-60%	1.86%	163
40-50%	2.09%	183
30-40%	39.28%	3,445
20-30%	10.61%	931
10-20%	38.62%	3,387
0-10%	0.88%	77
0 to -100%	6.60%	579
Total	**100.00%**	**8,771**

9. Appendix A shows the average rateable value increases in the most common property types in the Borough.

Phasing in Changes in Rateable Values

10. The Government is consulting on two options for phasing in of the effects of the revaluation on rates bills. These are designed to move ratepayers to their full bill more quickly than previous transitional schemes.

11. For the purposes of the new transitional relief scheme, properties will fall into three bands: small, up to £28,000 rateable value (RV), medium £28,001 to £100,00 RV and large, over £100,000 RV. Provisional data for the Royal Borough show that 50.2 per cent of properties are small; 31.2 per cent are medium; and 18.6 per cent are large.

12. Although the schemes show that the maximum increase in rates payable for ratepayers with large properties is either 33 per cent or 45 per cent for 2017-18, depending on the option chosen, current information about the way in which the transitional relief is calculated together with the reduction in multiplier resulting from the revaluation mean that the actual increases are 31.85% and 43.75%. However, these ratepayers are also liable to pay the business rates supplement which is currently charged on all properties with a rateable value over £55,000. The supplement is charged at 0.02 pence in the pound on the total rateable value of these properties and there are no phasing provisions, so the cost of the supplement will go up in proportion to the increase in rateable value.

13. For 2016-17 total rates payable including the business rates supplement is currently £301 million. Provisional calculations indicate that this figure may increase by over £50 million for 2017-18.

FOR INFORMATION

Nicholas Holgate
Town Clerk

Background papers used in preparing this report:

Officer contact: Anita Murray, 020 7361 2539 or anita.murray@rbkc.gov.uk

Appendix A

Average increases in the most common property types in the Borough:

PROPERTY TYPE	NUMBER OF PROPERTIES	PERCENTAGE CHANGE IN RATEABLE VALUE
SHOPS, BANKS, POST OFFICES ETC.	2,871	31.9%
OFFICES	2,725	14.6%
FACTORIES, WORKSHOPS ETC.	506	34.6%
RESTAURANTS, CAFES ETC.	471	27.0%
CAR PARKS AND PARKING SPACES	471	18.8%
COMMUNICATION STATIONS, PUBLIC TELEPHONE KIOSKS	326	-1.6%
WAREHOUSES, STORES ETC.	253	29.2%
HOTELS, BOARDING HOUSES ETC.	183	48.0%
ADVERTISING RIGHTS AND STATIONS	159	-0.5%
LICENSED PROPERTIES	147	53.4%
PRIVATE HOSPITALS, CLINICS ETC.	129	26.0%
PETROL FILLING STATIONS, GARAGES ETC.	109	15%
TOTAL OF LARGEST NUMBER OF PROPERTIES BY TYPE	**8,350**	