

Winchester BID – 24/3/17: Business Rates

Introduction

Business Rate revaluation has always been a politically sensitive exercise, but the 2016/17 revaluation has attracted particularly high profile criticism, from both national and local business bodies.

This paper sets out the background to revaluation in Winchester and presents the data for different business sectors, examines the impact of transitional arrangements and looks at competing business centres. It supports the presentation and discussion at the Breakfast Seminar on 24 March.

The bulk of the data presented are drawn from the Valuation Office Agency's published data sets. Of necessity they are aggregate data, and the analysis presented shows trends across sectors: retail, offices, industrial and 'other' premises. There will be significant variation between individual businesses within each sector, and the BID have sought data from individual businesses, which are also touched on below. However, the core data in this paper paint an overall picture for the Winchester District.

Business Rates

All properties have a rateable value (RV), based on the anticipated rent it can attract on the open market. Business Rates (formally known as National Non Domestic Rates – NNDR) are levied as a multiplier of this value. The annual percentage change to that multiplier, and so the year-on-year increases in Business Rates, is set by statute and applied nationally. Unlike Council tax, it is not a matter under local control.

Business Rates are collected locally by Winchester City Council and passed to the Treasury. The Government redistributes the total sum across England and Wales to balance out differences in totals collected and local spending need. Winchester City Council collects about £57m in Business Rates each year, and receives back from Government around £3m through the Revenue Support Grant.

Significant changes will happen in 2017-18 because the VOA have reviewed their valuation (the rateable value) of all non-domestic properties. Normally this process happens every five years, but the revaluation due in 2015 was delayed by the Government, meaning that an additional 2 years of changes in rateable value have to be taken into account.

Nationally, the revaluation is designed to be a 'zero-sum-game', generating no additional income for Treasury. However, there is wide variation across the Country, and across sector, because trends in rateable value can vary between areas. It is the extent and impact of this variation which has caused widespread concern.

Impact of the Revaluation in Winchester

i) Increase in Business Rate income

The first line of Table 1 (attached) shows that the overall increase in

Business Rates which will be collected in Winchester in 2017-18 as a result of the revaluation is 7.9% (note that this figure reflects adjustment by Government to ensure that nationally there is not net increase in income to Treasury – see above). VOA data give a broad breakdown into four categories of premises, and the table shows the average change in the amount collected varies across those categories (there will significant variation within each sector – see (v) below):

- i. 13% **increase** in retail premises
- ii. 1.4% **decrease** in office premises
- iii. 2.3% **increase** in industrial premises
- iv. 14.9% **increase** in ‘other’ premises (a broad category which includes, for example, restaurants and pubs)

ii) Competitors

Table 1 also shows the comparable increase or decrease in centres likely to be competing with Winchester. There is a mixed pattern of increases and decreases overall and within sectors.

iii) Change by Business Size

Table 2 (attached) illustrates overall percentage change in Business Rates due for key business sectors in Winchester by business size. For example, small retail businesses (those occupying less than 500sq.m) see an average increase of 22%, large retail an average increase of 0%.

iv) Transitional Arrangements

To protect businesses from significant increases (or decreases) in the first three years of the new rates, the Government has put in transitional arrangements. These provide for only a percentage of the total increase to be paid, with that percentage varying by year, business size (as measured by rateable value) and sector. In this definition a ‘small’ business has an RV<£20k, a ‘large’ business an RV>£100k.

Table 3 (attached) show, the first column, the total Business Rates due to WCC in 2016-17, and, in column 2, the amount this will increase by with the revaluation. Note that each sector is broken down by size, and that data on restaurants have been drawn out from the ‘other’ category as being more relevant for Winchester.

The third and fourth columns show transitional relief, as initially proposed and following changes made in the Budget, again overall and by business size. For example, the increase of £1.5m in rates due from all retail premises in 2017-18 will be reduced by £799k, over half, due to the post-

Budget transitional relief – although the cushion reduces in 2018-19 and 2019-20 and disappears by 2020-21.

v) Individual Businesses

The BID have collected data from 857 properties within their area which show change in RV (not actual rate payable). Whilst these data are commercially sensitive, and so cannot be shared in detail, in aggregate they show 562 properties face an increase in RV, 218 a decrease and 77 see no change. The mean change is +25.5%, the median +12%.

The greatest increase faced by a BID member is a staggering 344%, whilst one business sees RV fall by 66%. These are in different sectors, and overall the data show that retail and service businesses face the largest increases in RV. These data also show the tremendous variation in RV changes across Winchester and reinforce messages about the challenges the revaluation will cause for some businesses in certain sectors.

vi) The Budget

The Budget of 8 March announced additional provisions to respond to the political concerns caused by the impact of the revaluation. Where possible those have been included in the attached tables.

The Chancellor made available to local authorities an additional £300m nationally, with £180m available in 2017-18, to be distributed as discretionary relief. Depending on how the total amount is allocated, Winchester may receive between £250k and £450k next year (for comparison, London will receive over £70m). There are around 4,400 businesses in Winchester. If, for example, the amount available is allocated to small businesses (RV<£20k), which make up 71% the District's rateable stock, then, excluding those already exempt, each could receive between £150 and £200. It seems likely WCC will have a choice over how it is allocated, although details are not yet clear.

It was also announced that there would be a cap of £50 per month on payments due from businesses previously receiving Small Business Rate Relief where the revaluation took them above the threshold. This seems unlikely to affect many Winchester businesses.

Summary

It is obvious that the picture of Business Rate increases in Winchester is complex. It varies by sector and size, and is complicated by transitional arrangements. Moreover, this analysis can only show averages, the position of individual

businesses in any sector will vary depending on the VOA's assessment of the change in RV of their premises, as well as any reliefs due.

Nationally there is a north/south divide, with more increases in RV, and so Business Rates, falling in the South. Regionally, there are also disparities between centres, which could affect the decisions of those seeking a location to establish or relocate a business.

The Southern Policy Centre has published an interactive map which shows changes in business rate by sector across the South. This can be found at

<http://southernpolicycentre.co.uk/2017/03/business-rate-changes-across-the-central-south-essential-background-to-the-budget/>

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Table 1

	Change in Business Rate Income to 2017-18				
	All	Retail	Office	Industrial	Other (inc. restaurants)
Winchester	7.9%	13.3%	-1.4%	2.3%	14.9%
Basingstoke and Deane	-0.9%	-14.4%	3.7%	5.4%	4.0%
Chichester	10.3%	4.6%	7.8%	4.5%	19.7%
Guildford	12.0%	3.6%	16.0%	-4.0%	25.0%
Eastleigh	-2.5%	-14.0%	-4.2%	3.4%	5.9%
Salisbury	-1.4%	-7.0%	-3.4%	3.2%	12.0%
Southampton	2.8%	-11.9%	1.0%	-2.6%	21.3%

Table 2

	Change in business rate by size of premises	
	Premises <500m ²	Premises >500m ²
Retail	22%	0%
Offices	-14%	-1%
Restaurants	21%	N/A*

*Restaurants over 500m² do not form a statistically significant population.

Table 3

	Winchester Transitional Relief			
	Est. Rates Payable in 2016/17	Est. change in rates*	Est. pre-budget transition relief	Est. post-budget transition relief
Retail	£14,851,917.05	£1,500,351.29	£788,577.86	£798,889.11
Small	£777,530.15	£120,723.69	£325,361.93	£335,591.93
Medium	£4,350,830.40	£1,038,196.60	£801,373.87	£801,455.13
Large	£9,723,556.50	£341,431.00	-£338,157.94	-£338,157.94
Offices	£16,415,329.83	-£939,042.07	-£7,137.04	-£7,137.04
Small	£1,553,764.33	-£661,316.07	£8,497.16	£8,497.16
Medium	£6,013,723.00	-£186,961.50	£31,404.04	£31,404.04
Large	£8,847,842.50	-£90,764.50	-£47,038.24	-£47,038.24
Restaurants	£1,191,711.57	£248,150.18	£190,756.65	£190,758.65
Small	£72,944.45	£22,760.30	£32,286.30	£32,288.30
Medium	£678,797.88	£140,375.13	£125,055.98	£125,055.98
Large	£439,969.25	£85,014.75	£33,414.37	£33,414.37

*Note changes in rates may not equal the figure in Table 1 due to the inter play of certain technical reliefs.