

North East Derbyshire District Council

Cabinet

13 December 2017

Business Rates Discretionary Relief Scheme

Report of Councillor P R Kerry, Portfolio Holder with Responsibility for Economy, Finance and Regeneration

This report is public

Purpose of the Report

- To ask Cabinet to approve the Business Rates Discretionary Relief Scheme.

1 Report Details

- 1.1 At the Spring Budget in March 2017 the Government announced the establishment of a £300m discretionary fund payable over four years from 2017/18 to support those businesses that face the steepest increases in their business rates bills as a result of the 2017 revaluation.
- 1.2 The intention is that every billing authority in England will be provided with a share of the £300m to support their local businesses. Billing authorities are expected to use their share of the funding to develop their own discretionary relief schemes to deliver targeted support to the most hard-pressed ratepayers.
- 1.3 North East Derbyshire District Council will receive the following over the four financial years from 2017/18:

2017/18	2018/19	2019/20	2020/21
£210,000	£102,000	£42,000	£6,000

- 1.4 The Government expects that billing authorities will deliver the scheme through the use of their discretionary relief powers under Section 47 of the Local Government Finance Act 1988, as amended. Billing authorities will be compensated through a Section 31 grant for the cost to the authority of granting the relief, up to a maximum amount based on the authority's allocation of the £300m fund.
- 1.5 As per the DCLG's consultation the conditions will require the grant to be used to support only ratepayers facing an increase in their bills following revaluation after all other types of adjustments have been applied. They also stated "further assume, by and large, more support will be provided to":
- Ratepayers that face the most significant increase in bills;

- Ratepayers occupying lower value properties, i.e. properties with a rateable value below £200,000).

1.6 The proposed scheme is attached in Appendix 1.

2 Conclusions and Reasons for Recommendation

2.1 The report seeks agreement to introduce the proposed Local Discretionary Business Rates Relief Scheme, in accordance with the Government's establishment of funding.

3 Consultation and Equality Impact

3.1 The Government stated that we must consult with the major precepting authorities on the scheme.

3.2 Details of the proposed scheme have been issued to Derbyshire County Council, and Derbyshire Fire and Rescue Service.

4 Alternative Options and Reasons for Rejection

4.1 A scheme that is more generous than the one proposed would result in expenditure greater than the grant which we will receive and incur the Authority in additional expenditure. A scheme less generous would result in businesses having to pay more and an under spend and the Authority having to return the under spend to the Government.

5 Implications

5.1 Finance and Risk Implications

5.1.1 Based on initial analysis of the Business Rates database the cost of the proposed scheme would be contained within the grant allocation from the Government which means there is no financial cost to the Authority.

5.2 Legal Implications including Data Protection

5.2.1 The Authority is legally obliged to have a scheme in place.

5.3 Human Resources Implications

5.3.1 There are no issues arising directly from this report.

6 Recommendations

6.1 That, Cabinet formally approves the Business Rates Discretionary Relief Scheme as set out in Appendix 1 of this report.

7 Decision Information

<p>Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: BDC: Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input type="checkbox"/> NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> Please indicate which threshold applies</p>	Yes
<p>Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)</p>	Yes
<p>District Wards Affected</p>	All
<p>Links to Corporate Plan priorities or Policy Framework</p>	All

8 Document Information

Appendix No	Title
1	Proposed Local Discretionary Business Rates Relief
<p>Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)</p>	
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Proposed Local Discretionary Business Rates Relief Scheme
2017-18 to 2020-21

Introduction

This document sets out the Council’s proposals for a local discretionary business rates relief scheme. This scheme is to comply with the provisions announced in the March 2017 Budget to address exceptionally large increases due to the 2017 revaluation.

1) Background

- 1.1 The Government has undertaken a national revaluation of all commercial premises in England and Wales. From 1 April 2017 all premises were assigned a new rateable value by the Valuation Office, used to calculate the level of business rates charged to the occupier. The last time properties were reassessed was in 2010. The revaluation in 2017 has resulted in some properties increasing significantly.
- 1.2 In the Government’s Budget on 8 March 2017 the Chancellor announced £300 million of extra funding for local authorities to provide discretionary relief to those businesses facing increases in their business rate bills following the revaluation. The Government has described this initiative as “revaluation support”.
- 1.3 Every authority is to be provided with a share of the £300 million fund to support their local businesses. This is to be administered through the billing authority’s discretionary relief powers under section 47 of the Local Government Finance Act 1988.
- 1.4 Under section 47 of the Local Government Finance Act 1988 the billing authority has the discretionary power to award relief on business rates where “it is satisfied that it would be reasonable for it to do so having regard to the interests of persons liable to pay council tax set by it.”
- 1.5 The funding is not provided equally over the four year period but in the following approximate proportions:

Year 1 2017-18	Year 2 2018-19	Year 3 2019-20	Year 4 2021-22
58%	28%	12%	2%

- 1.6 Councils will be compensated for any relief granted under section 31 of the Local Government Act 2003.
- 1.7 Billing authorities are required to consult with the major precepting authorities when formulating their scheme.
- 1.8 The amount of grant funding available in North East Derbyshire for each of the four years is:

2017-18	2018-19	2019-20	2021-22
£210,000	£102,000	£42,000	£6,000

1.9 As per the DCLG's consultation the conditions will require the grant to be used to support only ratepayers facing an increase in their bills following revaluation after all other types of adjustments have been applied. They also stated "further assume, by and large, more support will be provided to":

- Ratepayers that face the most significant increase in bills
- Ratepayers occupying lower value properties, i.e. properties with a rateable value below £200,000)

1.10 The rules relating to State Aid apply and these limit the amount of support that may be provided to an undertaking to €200,000 over a three year period.

2) Proposed local scheme

2.1 The Council has decided that relief under the scheme will be awarded using the following criteria:

- a) The scheme is designed to assist ratepayers who have suffered significant increases in their rate liability due to the revaluation and the subsequent increase in their rateable value;
- b) In assessing potential entitlement to an award under this scheme the Council will compare the following:
 - i. The rate liability of the ratepayer at 31 March 2017 after any reliefs and reductions (A); and
 - ii. The rate liability of the ratepayer at 1 April 2017 taking into account any reliefs or reductions (B);
- c) Relief will be awarded where the calculation A – B in the above paragraph would result in an increase above a level determined in paragraph 4.1 below;
- d) Relief will **not** be given to premises with a rateable value over £200,000;
- e) Relief will only be awarded to premises that are liable for occupied rates. No relief within this scheme will be granted for unoccupied properties;
- f) Relief will only be granted to ratepayers who were in occupation at 31 March 2017 and on 1 April 2017;
- g) Ratepayers taking up occupation on or after 1 April 2017 will **not** be eligible for relief on the basis that new ratepayers have not suffered from increases as a result of the revaluation;
- h) Relief will be targeted to local businesses and not those businesses that are national or multi-national in nature. Local businesses are for this purpose of this scheme those which have premises wholly in the Councils area;
- i) Relief may be awarded for more than one premise as long as all other criteria are met;

- j) Relief will **not** be awarded where the ratepayer receives relief of any sort, such as mandatory or discretionary charity relief, rural relief, partially occupied relief, small business rate relief, supporting small business relief;
- k) Relief will **not** be awarded for properties which are wholly or mainly occupied by:
 - i. The Billing Authority (North East Derbyshire District Council);
 - ii. Precepting authorities (Derbyshire County Council, Derbyshire Police Authority, Derbyshire Fire & Rescue Service and parish councils);
 - iii. Government departments, government agencies and other similar supported bodies funded from the public purse;
 - iv. Cash machines and ATMs;
 - v. Charity shops (whether mandatory relief is given or not);
 - vi. Doctors and GP surgeries;
 - vii. Foreign Exchange Bureau;
 - viii. Estate agents, Letting agents and Insurance agents
 - ix. Pawn Brokers, Cheque encashment and Pay Day lenders;
 - x. Betting and gambling establishments
 - xi. Solicitors and Law firms/Agencies;
 - xii. Telecommunication hereditaments including cable and networking.

3) Applications for relief under this scheme

- 3.1 The council is keen to identify ratepayers who may qualify for this relief and as such will encourage certain ratepayers to apply. The council will look to simplify the application process wherever possible, but will expect any ratepayers to provide such information as is requested to support the application.
- 3.2 Whilst the funding from Central Government for this scheme is limited the decision of the Council whether to award any relief under this scheme will be made on a case by case basis and will not take into account the level of funding

4) Calculation of awards

- 4.1 The Council has decided that the following awards will be granted:

2017-18

- i. Where the rateable value of the property at 1 April 2017 is £100,000 or more but not exceeding £200,000 relief will be granted to limit the increase in paragraph 2.1c to a maximum of 5%. If the increase is 5% or less no relief will be awarded;
- ii. Where the rateable value of the property at 1 April 2017 is £20,000 or more but not exceeding £100,000 relief will be granted to limit the increase in paragraph 2.1c to a maximum of 3%. If the increase is 3% or less then no relief will be awarded;
- iii. Where the rateable value of the property at 1 April 2017 is less than £20,000 relief will be granted to limit the increase in paragraph 2.1c to a maximum of 2%. If the increase is less than 2% then no relief will be awarded.

2018/19

- i. Where the rateable value of the hereditament at 1 April 2017 is £100,000 or more but less than £200,000 the relief awarded will be 50% of that awarded in respect of 2017/18;
- ii. Where the rateable value of the property at 1 April 2017 is £20,000 or more but less than £100,000 the relief awarded will be 50% of that awarded in respect of 2017/18;
- iii. Where the rateable value of the property at 1 April 2017 is less than £20,000 the relief awarded will be 50% of that awarded in respect of 2017/18.

2019/20

- i. Where the rateable value of the hereditament at 1 April 2017 is £100,000 or more but less than £200,000 the relief awarded will be 40% of that awarded in respect of 2018/19;
- ii. Where the rateable value of the property at 1 April 2017 is £20,000 or more but less than £100,000 the relief awarded will be 40% of that awarded in respect of 2018/19;
- iii. Where the rateable value of the property at 1 April 2017 is less than £20,000 the relief awarded will be 40% of that awarded in respect of 2018/19;

2020/21

- i. Where the rateable value of the hereditament at 1 April 2017 is £100,000 or more but less than £200,000 the relief awarded will be 12.5% of that awarded in respect of 2019/20;
- ii. Where the rateable value of the property at 1 April 2017 is £20,000 or more but less than £100,000 the relief awarded will be 12.5% of that awarded in respect of 2019/20;
- iii. Where the rateable value of the property at 1 April 2017 is less than £20,000 the relief awarded will be 12.5% of that awarded in respect of 2019/20.

5) Variation and amendment of relief

- 5.1 As with all reliefs the amount of relief awarded under this scheme will be recalculated in the event of a change of circumstances. This will include for example vacation of the property or a downward change in rateable value as a result of a successful appeal or proposal. This change in circumstance could arise during the year in question or in a later year. No additional relief will be granted as a result of the rateable value increasing on or after the 1 April 2017.

6) Appeals

- 6.1 Where the Council receives an appeal from the ratepayer regarding the granting, non-granting or the amount of relief the case will initially be reviewed by the Revenues & Benefits Manager. Where the decision is revised the ratepayer will be informed, likewise if the original decision is upheld.
- 6.2 Where the ratepayer wishes to appeal the decision further the case will be reviewed by the Assistant Director – Finance, Revenues & Benefits.