



EAST STAFFORDSHIRE BOROUGH COUNCIL

REPORT COVER SHEET

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| Title of Report: | Business Rates Local Discretionary Relief |
| Meeting of: | Cabinet |
| Date: | 14 th August 2017 |
| Is this an Executive Decision: | [YES] |
| Is this a Key Decision: | [NO] |
| Is the Report Confidential: | [NO] |
| If so, please state relevant paragraph from Schedule 12A LGA 1972: | [] |
| <p>Essential Signatories:</p> <p>ALL REPORTS MUST BE IN THE NAME OF A HEAD OF SERVICE</p> <p>Monitoring Officer: Angela Wakefield</p> <p>Date Signature</p> <p>Chief Finance Officer: Sal Khan</p> <p>Date Signature</p> | |

EAST STAFFORDSHIRE BOROUGH COUNCIL

Report to Cabinet

Date: 14th August 2017

REPORT TITLE: Business Rates Local Discretionary Rate Relief Schemes

PORTFOLIO: Finance

HEAD OF SERVICE: Sal Khan

CONTACT OFFICER: Sarah Richardson Ext. No. x1716

WARD(S) AFFECTED: None

1. Purpose of the Report

- 1.1. To approve the Council's Business Rates Local Discretionary Rate Relief Scheme for consultation.

2. Executive Summary

- 2.1. On 15th May 2017, Government issued further guidance to Local Authorities (LAs) following the announcements of further Discretionary Rate Relief (DRR) Schemes in the Spring Budget. This further guidance now enables Local Authorities to start implementing arrangements for the relief(s).

3. Background

- 3.1. The Department for Communities and Local Government (DCLG) published a Business Rates Information Letter on 9th March 2017 which identified three new DRR Schemes to be implemented in 2017:
- 3.1.1. Supporting Small Business Relief
 - 3.1.2. Local Discretionary Relief for business affected by the 2017 Revaluation
 - 3.1.3. Supporting Pubs.

- 3.2. This report provides further details of each of the new schemes and what the Council needs to put into place to administer the schemes.

4. Contribution to Corporate Priorities

- 4.1. The award of DRR to ratepayers in East Staffordshire affects the whole of the Borough and underpins all Corporate Priorities.

5. Discretionary Rate Relief

- 5.1. The Council already has in place a policy regarding the application and award of DRR to ratepayers in East Staffordshire. Funding for DRR is via the Business Rates Retention Scheme, with the Council's meeting 40% of the cost. Members consider whether to approve or reject such applications under Section 47 of the Local Government Finance Act 1998.
- 5.2. The introduction of these three new relief categories are intended to be available for LAs to use in certain circumstances and to address concerns raised following the revaluation of rateable values for 1st April 2017. The Government has announced it will reimburse LAs awarding this extra relief either through additional funding calculated on a formula basis or through a grant under Section 31 of the Local Government Act 2003.

6. Supporting Small Business Relief (SSB)

- 6.1. The number of small businesses being able to qualify for Small Business Rate Relief (SBRR) has increased due to changes to the SBRR thresholds from 1st April 2017. From that date, any ratepayer with a rateable value (RV) of less than £12,000 qualifies for 100% relief (unless they have more than two commercial properties in England, each RV is more than £2,900 per property and the combined RVs are more than £20,000. This is known as the '2nd Property Test' and is designed so that large companies with many small retail units do not qualify for relief).
- 6.2. A tapered SBRR is available to small businesses which pass the 2nd Property Test and have an RV of between £12,001 and £14,999. Properties with an RV of £15,000 or more do not qualify for SBRR.
- 6.3. However, there are some small businesses that have had a large increase in their RV which takes them above the £15,000 threshold and means they no longer qualify for SBRR.
- 6.4. Businesses in rural areas where there is a population of less than 3,000 may qualify for Rural Rate Relief (RRR). The sole Village Shop or Post Office with an RV of less than £8,500 can qualify for 100% RRR from 1st April 2017, as can sole Public Houses or Petrol Stations with an RV of up to £12,500. Prior to April 2017, these businesses qualified for 50% RRR under previous arrangements, however, some rural businesses have had an increase in their RV which takes

them over these thresholds, meaning they no longer qualify for RRR and are required to pay their full rates.

- 6.5. In the Spring Budget the Govt announced that a new scheme of relief would be made available to those ratepayers facing large increases as a result of the reduction in SBRR or RRR due to the revaluation. This new relief is called Supporting Small Business Relief (SSB). Govt announced that LAs could award the relief under their DRR powers under S47 of the Local Government Finance Act 1998, and that it would also reimburse Billing Authorities (BAs) and major precepting authorities (the County Council and Fire authorities) within the Business Rates Retention (BRR) system for the local share of the relief. The reimbursement would be provided through a grant made under Section 31 of the Local Government Act 2003.
- 6.6. Govt has also stated its intention to reimburse BAs and major precepting authorities for the actual cost of providing this relief and are undertaking a New Burdens assessment of the IT and administrative costs associated with the SSB scheme. The Council is currently waiting for Capita to provide details of how its Revenues system will identify and award SSB relief.
- 6.7. SSB relief will be available from 2017/18 to 2021/2022 where the increase in the RV for these ratepayers is the greater of either:
 - 6.7.1 a percentage increase per annum of 5%, 7.5%, 10%, 15% and 15%, or
 - 6.7.2 a cash value of £600 per year.
- 6.8. In the first year of the scheme this means that all ratepayers losing some or all of their SBRR or RRR will see the increase in their bill capped at £600. The cash minimum increase is £600 per year thereafter.
- 6.9. Those businesses who were previously receiving SBRR in 2016/2017 but whose RV is more than £51,000 from 1st April 2017 also come into the SSB scheme. They will not be liable to pay the supplement on their rates bills to fund SBRR (as other ratepayers who do not come under the scheme do. The supplement is 1.3p in the £ for the RV).
- 6.10. This relief, as with all other DRRs, is subject to State Aid law. Ratepayers entitled to Mandatory Relief (such as Charities and Community Amateur Sports Clubs) or Section 44A relief (apportionment of RV for partly occupied properties) are not entitled to SSB. However, ratepayers entitled to SSB can still apply for other DRR once the SSB has been awarded.

7. Local Discretionary Relief schemes

- 7.1. DCLG issued a consultation on 9th March 2017 regarding the Govt's announcement to provide further Local DRR to other businesses affected by the 2017 Revaluation. The Govt proposed a form of funding based on a formula calculation, intended for LAs to award DRR to applicants.

- 7.2. The Council has responded to that consultation, but the Government has yet to issue its response. However, in a letter to LAs on 15th May 2017, the Govt confirmed funding allocations to LAs and urged LAs to develop their own schemes, ensuring that major precepting authorities are consulted before schemes are finally approved.
- 7.3. The Shared Service Centre Manager (Revenues, Benefits & Customer Contacts) (SSCM) has met with peer colleagues in the other Staffordshire District authorities, to ascertain whether a County-wide approach to adopt a framework scheme of award would be favourable, following a similar approach with the Council Tax Reduction schemes. The Districts are in favour of this approach and are discussing the following framework criteria:
- 7.3.1 The Ratepayer is in occupation of the property on 31st March 2017 and 1st April 2017
- 7.3.3 There is an increase in the net rates charge from 2016 to 2017
- 7.3.4 All other relevant Mandatory and Discretionary Reliefs have been awarded to the ratepayer
- 7.3.5 The property is not vacant or subject to Empty Property Rates
- 7.3.6 The Ratepayer will be required to make an application for the relief
- 7.3.7 The Ratepayer will be required to inform the Council of any change in circumstance which would affect the amount of relief awarded, e.g. vacating the property
- 7.3.8 Ability to delegate approvals to officer level
- 7.3.9 Ability for the Council to review the scheme each year
- 7.4. Each individual LA would then be required to decide on other aspects of their scheme, in the same way that the Council's Council Tax Reduction Scheme was formed. Districts need to decide whether their scheme would be based on a 'formulaic' approach or a 'case by case' approach.
- 7.5. Following discussions with the Head of Service and the Leader, it has been agreed that the Council will adopt a formulaic approach as it will be transparent to ratepayers and easier to administer. Approvals of the relief can be delegated to officer level, and a new 'relief code' can be added to Capita transactions so that the amounts of relief given can be easily monitored over the period of the relief (four years).
- 7.6. A case by case approach would be more of an administrative burden. Both approaches require an application form to be submitted by the ratepayer. Whereas the formulaic approach would then require officers to check the application fits within the set criteria, a case by case approach suggests a more in-depth consideration of the application. Initial calculations indicate 524 ratepayers could potentially apply for the relief; however this is based on relatively wide criteria. A stricter criterion would obviously reduce the number of ratepayer applications.
- 7.7. The criteria currently applied are as follows:
- 7.7.1 The ratepayer is in occupation on 31st March 2017 and 1st April 2017;

- 7.7.2 The ratepayer's account is not subject to Empty Property Rates (ie the property is occupied and not empty);
- 7.7.3 There has been an increase in net Business Rates payable from 2016 to 2017, arising as a direct result of the 2017 Revaluation;
- 7.7.4 Local Authority hereditaments are not allowed to apply for Discretionary Rate Relief;
- 7.7.5 Relief will be targeted to local businesses and not those businesses that are national or multi-national in nature.

Figures relating to the potential applicants and the amount of potential relief payable are discussed in section 9, below.

7.8. Officers have researched four LA DRR schemes that have recently been put out for consultation, including London Borough of Haringey, York City Council, and London Borough of Bromley. Officers propose that the Council adopt a scheme of banded rates increases being awarded a certain percentage of relief for each year. This is similar to the Haringey scheme.

7.9. The Council's scheme would award relief as follows:

| Scheme Bands | Potential uptake |
|-------------------------------------|-------------------------|
| Bill increase 0 - £499.99 | 233 |
| Bill increase £500 - £999.99 | 66 |
| Bill increase £1000.00 - £2499.99 | 153 |
| Bill increase £2500 - £4999.99 | 39 |
| Bill increase £5000.00 - £9999.99 | 18 |
| Bill increase £10000.00 - £19999.99 | 13 |
| Bill increase £20000.00 + | 2 |
| | 524 |

The column under 'Potential uptake' shows the number of ratepayer accounts that could potentially apply for Local Discretionary Rate Relief.

7.10. For each year of the scheme, the following percentage of relief would be applied:

| 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|----------------|----------------|----------------|----------------|
| 40% | 20% | 8% | 1% |

7.11. Having scheme bands enables officers to monitor the takeup of the relief and target potential applicants accordingly.

7.12. Officers recommend that a caveat be included in the Council's scheme to enable a review of the scheme at any time. This will mean that the Council can decide to award more or less relief during the year rather than having to consult on each occasion.

7.13. Officers also recommend that the approval of the relief be delegated to Officer level, due to the number of potential applications that could be received.

8. Supporting Pubs

- 8.1. In the Spring Budget the Govt announced a new relief scheme for pubs that have a rateable value of below £100,000. Under the scheme, eligible pubs will receive a £1,000 discount on their bill. LAs will be compensated for awarding the relief via their DRR schemes under a S31 grant.
- 8.2. DCLG consulted with trade bodies and LAs on the details of the scheme which has now ended. The Govt's final guidance and scope of the scheme has now been received and there are currently 28 pubs within East Staffordshire that are likely to qualify for this relief.

9. Financial Considerations

This section has been approved by the following member of the Financial Management Unit: Lisa Turner.

- 9.1. The main financial issues arising from this Report are as follows: The Govt will provide funding for all of the discretionary reliefs discussed in this report. Supporting Small Business Relief and Supporting Pubs Relief will be funded in full. However, Govt has allocated the Council a set amount of funding for its Local Discretionary Rate Relief scheme over a period of four years, as shown below:

| Local Discretionary Rate Relief | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---------------------------------|----------|----------|---------|---------|
| Govt funding | £369,985 | £179,707 | £73,997 | £10,571 |

- 9.2. Under the proposed scheme, as discussed in paragraphs 7.9 and 7.10, the proposed percentages equate to the following amounts of proposed relief awards:

| Proposed ESBC Local Discretionary Rate Relief Scheme | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|--|----------|----------|---------|---------|
| | 40% | 20% | 8% | 1% |
| ESBC proposed scheme | £354,463 | £177,232 | £70,893 | £8862 |

- 9.3. Any amounts unspent must be returned to Govt at the end of each financial year. The Council can decide to spend more than its allocated funding, however that would have to be funded by the Council in the same way that other Discretionary Rate Relief applications are funded. Having the ability to review the scheme in year will also enable the Council to decide whether to increase/reduce relief awards.

10. Risk Assessment and Management

- 10.1. The main risks to this Report and the Council achieving its objectives are as follows:
- 10.2. **Positive** (Opportunities/Benefits):

10.2.1. Supporting Small Businesses: Govt is providing financial support through funding discretionary Rate Relief awards to ratepayers which satisfy the Govt criteria at no cost to the Council.

10.2.2. Supporting Pubs: Govt is providing financial support through funding discretionary Rate Relief awards to ratepayers which satisfy the Govt criteria at no cost to the Council.

10.2.3. Local Discretionary Rate Relief: The Council has the opportunity to provide financial support to local businesses over the next four years to help mitigate increases in business rates following the 2017 Revaluation.

10.3. **Negative** (Threats):

10.3.1. The Council has to wait for Capita to upgrade its Revenues software to enable the Supporting Small Business Relief and Supporting Pubs Relief to be awarded. This is likely to be available in August/September 2017.

10.3.2. The Council must consult with major preceptors (Staffordshire County Council and Staffordshire Fire Authority) before approving its scheme.

10.3.3. Any unspent Local Discretionary rate Relief funding must be returned to Govt.

10.4. Any financial implications to mitigate against these risks are considered above.

11. **Legal Considerations**

This section has been approved by the following member of the Legal Team: John Kirkham.

11.1. The main legal issues arising from this Report are as follows.

11.2. Section 47 Local Government Finance Act 1988, which relates to discretionary relief.

12. **Equalities and Health**

12.1. **Equality impacts:** The subject of this Report is not a policy, strategy, function or service that is new or being revised. An equality and health impact assessment is not required.

12.2. **Health impacts:** The outcome of the health screening question does not require a full Health Impact Assessment to be completed. An equality and health impact assessment is not required.

13. Human Rights

13.1. There are no Human Rights issues arising from this Report.

14. Sustainability (including climate change and change adaptation measures)

14.1. Does the proposal result in an overall positive effect in terms of sustainability (including climate change and change adaptation measures) N/A

15. Recommendation(s)

15.1. Members note the Govt's funding of Supporting Small Business Relief and Supporting Pubs Relief.

15.2. Members approve the Council's proposed Local Discretionary Rate Relief scheme as shown in paragraphs 7.9 and 7.10 for consultation with major preceptors.

15.3. Members approve that awards of these reliefs be delegated to officer level.

16. Background Papers

16.1. Information reports relating to the properties on the Business Rate database has been extracted from the Capita software system and are available for viewing.

16.2. Business Rates Information Letter (2/2017): Spring Budget, dated 9th March 2017.

16.3. Spring Budget 2017 – Business Rate Relief Schemes, letter and guidance dated 15th May 2017