

Business Rates – Discretionary Scheme 2017/18

REPORT TO THE EXECUTIVE



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PORTFOLIO	Resources
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PURPOSE

1. To advise Members of the new measures to assist businesses that were introduced in the Spring Budget. There has been a delay in receiving the detail (due to the General Election) but the Government is advising that there is no reason that Councils cannot proceed with implementing their schemes. There is an element of discretion within the new measures and we are seeking advice on whether Members wish to modify the suggested scheme (at Appendix 1).

RECOMMENDATION

2. It is recommended that:
the Executive recommends to Full Council to:
 - approve the Discretionary Relief Scheme set out in Appendix 1
 - approve the associated updates to the Council's Discretionary Rate Relief Policy (Appendix 3).

REASONS FOR RECOMMENDATION

3. The attached scheme incorporates Government objectives in providing funding for local schemes. Help should be directed at those ratepayers who faced the biggest increases in their bills and / or who occupy the properties with lower rateable values. It also allows for flexibility to ensure that expenditure remains within the funding allocated by Government.

SUMMARY OF KEY POINTS

4. In the 2017 Spring Budget the Chancellor announced three new relief schemes to support businesses:
 - a. Supporting Small Businesses;
 - b. New Business Rate Relief for pubs; and
 - c. New Discretionary Relief Scheme
5. Due to changes in rateable value brought about by the revaluation, a small number of ratepayers face large increases as a result of the loss of small business or rural rate relief. The transitional relief scheme supports ratepayers who face large increases in their bills because of changes to their rateable values but it does not provide support in respect of changes in reliefs. Therefore, those ratepayers who are losing some or all of

their small rate business or rural rate relief may be facing very large percentage increases in bills from 1 April 2017. The Supporting Small Businesses relief will help those ratepayers by ensuring that the increase per year in the bills of these ratepayers is limited to £50 per month.

6. The Government has also 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. The relief will have effect for 2017/18 and 57 businesses within the borough are expected to benefit from the £1,000 reduction. It is proposed that the relief will be awarded without the need for qualifying premises to complete an application form. The Council's Discretionary Rate Relief Policy will be updated to take account of this new relief.

7. The third relief scheme announced by the government is a £300m fund, payable over 4 years, for local authorities to develop their own discretionary schemes to deliver relief to ratepayers who have experienced large increase in bills following the 2017 revaluation.

8. The funds will be allocated to Councils via a formula and Burnley is due to receive the following (maximum) funding:-

2017/18	£100,000
2018/19	£ 44,000
2019/20	£ 18,000
2020/21	<u>£ 3,000</u>
Total	£165,000

The proposed scheme will only award relief to the maximum funding levels detailed above, therefore there may be some fine tuning required once all potential qualifiers are identified. Relief will be awarded as a local discount (under s47 discretionary powers), and local authorities reimbursed under s31 grant.

9. Resources to local authorities have been allocated by calculating the total increase in bills (excluding transitional and other reliefs), for every property in England where the rateable value for 2017/18 is less than 200k and the increase in the 2017/18 bill is more than 12.5%
10. In designing the relief scheme, we had to take into account any other reliefs that the ratepayer will be entitled to; this is because this discretionary relief will be the last applied to an account. As the relief is awarded as a local discount, awards will be subject to State Aid considerations. The maximum threshold for State Aid is €200k over 3 years. This rule essentially works to exclude national / chain businesses from the scheme.
11. The government has stated that councils must consult on their proposed schemes with major precepting authorities. The government published its own consultation paper on the scheme but publication of the responses has been delayed by the subsequent calling of the general election. The government is encouraging the consideration of relief schemes, but these are not required to be implemented until after the end of the consultation exercise. In recent weeks the government has stated that it expects councils to move ahead with implementing their schemes.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

12. As mentioned above the government will fund the schemes (up to a maximum of £100k in the first year of the discretionary scheme). The scheme will be adjusted to ensure that the costs of the scheme do not exceed the funding provided. Appendix 2 details the businesses that may be in scope and the potential relief to be awarded.

POLICY IMPLICATIONS

13. Will be incorporated into the existing Discretionary Rate Relief Policy

DETAILS OF CONSULTATION

14. Other Lancashire authorities and Liberata sites

15. A Government consultation exercise took place earlier in 2017 on a Discretionary Business Rates Relief Scheme;

<https://www.gov.uk/government/consultations/discretionary-business-rates-relief-scheme>

APPENDICES & BACKGROUND PAPERS

16. Appendix 1 – Draft scheme
17. Appendix 2 - Method for identifying potential qualifiers
18. Appendix 3 – Discretionary Rate Relief Policy
19. No Background Papers.

FURTHER INFORMATION

PLEASE CONTACT:

Deborah Davies

ALSO:

Nick Hardwick

Appendix 1 – Draft Discretionary Relief Scheme (2017/18)

Local Aims

As the aim of the scheme is to assist ratepayers facing increases in their bills, the proposal is that an additional percentage discretionary relief be applied to the accounts of ratepayers who have had an increase in their rateable value **and** are being asked to pay more in business rates in 2017 than they did in 2016. The relief is for locally based businesses which are occupied and trading. The ratepayer must have been in occupation on 31st March 2017.

Buildings in the following categories will not qualify for the discretionary relief:

Accountants	Advertising rights	Amusement arcades
Banks / building societies	Betting Shop	Car-parks
Cash convertors	Colleges	Communication stations
Employment agencies	Estate / letting agents	Financial advisors
Government buildings	Hospitals etc	Insurance brokers
Payday lenders	Local authority buildings	Schools
Solicitors	Surgeries	Universities

The scheme percentages detailed below should be considered as a starting point. These figures may need to be adjusted once all the potential qualifiers are identified, in order to ensure that we meet, but do not exceed our spending targets. The amounts are calculated as a percentage of the increased amount payable after all other reliefs have been applied

Year	2017/18	2018/19	2019/20	2020/21
Discretionary relief %	60	25	10	2.5

Qualification Criteria

1. Increase in rateable value *and* business rates liability in April 2017

Ratepayer has an increased rateable value and a higher rates bill in 2017 than in 2016.

2. Property is not on the list of excluded categories detailed above

3. Rateable Value is under £200 000

As per the government's scheme criteria.

4. Property should be occupied and trading

It is not envisaged that relief will be given to empty properties; meeting both criteria should ensure that the relief is not awarded where a rates avoidance scheme might be operating.

5. Property is not subject to mandatory relief

80% relief would already be in place against any increase.

6. Business should be local

The scheme seeks to target local, and not national or chain businesses. In addition, this should remove the added complication of State Aid. The identification of national/local businesses can be somewhat subjective so a definition would need to be agreed if this criterion was adopted.

7. State Aid

No award will be given if it is likely to break State Aid rules (€200k over 3 years).

8. Allow for Adjustments (after award)

The scheme needs to allow for in-year adjustments to relief awarded following change in circumstances for ratepayers (such as a change in RV, award of another relief, or vacation of the premises). Relief awarded will be apportioned.

9. Minimum Award

Awards will only be applied where the amount is £5 or greater.

Examples:

Property Description	Business Rates payable 2016	Rateable Value Increase	Business Rates payable 2017	Increase Before disc relief	Less disc'y relief @ 60% yr1	Net rates	Net increase
Nursery School	£8,228.00	7,000	£9,441.63	£1,213.63	£728.18	£8,713.45	£485.45
Spar shop	£17,146.50	4,000	£17,941.00	£794.50	£476.70	£17,464.30	£317.80
Town centre restaurant	£42,493.50	11,000	£46,223.50	£3,730.00	£2,238	£43,985.50	£1,492
Town centre business	£7,986.00	3,250	£8,553.01	£567.01	£340.21	£8,212.80	£226.80
Local hairdresser	£ Nil	1,450	£1,114.48	£1,114.48	£668.69	£445.79	£445.79

Appendix 2 – Identifying potential qualifiers:

Using the criteria detailed in Appendix 1 the entire database of rates payers was filtered as follows:

Description	Number remaining
Total business rates accounts	3902
Identify businesses with more to pay than last year	524
Apply rateable value cap of £200,000	510
Remove properties with mandatory relief	481
Remove empty properties	399
Remove excluded categories, national stores etc	251
Identify properties with an increase in rateable value from 2010 list	160