

Meeting:	Cabinet member corporate strategy and budget
Meeting date:	18 September 2017
Title of report:	Discretionary Business Rates Revaluation Relief Policy
Report by:	Head of corporate finance

Classification

Open

Decision type

Key

This is a key decision because it is likely to be significant having regard to: the strategic nature of the decision; and / or whether the outcome will have an impact, for better or worse, on the amenity of the community or quality of service provided by the authority to a significant number of people living or working in the locality (two or more wards) affected.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Wards affected

(All Wards);

Purpose and summary

Following the national business rates revaluation central government announced the availability of new reliefs, this report is to agree the new Discretionary Business Rates Revaluation Policy for Herefordshire to be adopted with immediate effect.

Recommendation(s)

That:

- (a) the Discretionary Business Rates Revaluation Relief Policy at appendix1 be approved and implemented with immediate effect.**

Alternative options

1. The council has received funding from central government to assist businesses facing sizeable increases in business rate charges due to the national revaluation process. This policy is to be applied to ensure the fair distribution of this funding to the businesses effected the most. To do nothing would result in funding available being returned to central government. The council could increase the relief to exceed the value of the funding available however to do so would result in unbudgeted expenditure so is therefore not recommended.

Key considerations

2. Reliefs from business rate charges are available as automated mandatory reliefs or discretionary reliefs. The details of current business rates reliefs are available here: https://www.herefordshire.gov.uk/info/200145/business/368/business_rates_relief_and_exemptions
3. In the spring 2017 budget central government announced three additional measures relating to business rate reliefs. These are: support for small businesses; support for pubs; and a new discretionary rate relief scheme to mitigate the effects of the 2017 revaluation, referred to as “revaluation support”. This report provides details on a proposed Herefordshire discretionary business rates revaluation relief policy to address the last measure.
4. The funding of the revaluation relief awarded will be through a grant received from central government, this is in addition to the current existing discretionary rate reliefs. Central government announced £300m for councils to finance business rates relief in relation to revaluation support over a four year period. The government’s extra funding will only support relief schemes targeted at businesses facing a sizeable increase in their business rate bills following the 2017 revaluation process.
5. The government will expect councils to use discretionary powers under section 47 of the Local Government Finance Act 1988 to offer the discretionary rate relief. Herefordshire’s proposed policy will distribute the relief in a comparative and fair manner, ensuring that the relief is available to businesses in various locations and of variable size.
6. Department for Communities and Local Government (DCLG) have identified conditions that all councils need to comply with in order to be fully compensated in offering the discretionary rate revaluation relief, these are included in the draft policy and stipulate that:
 - Funding to all councils will be by way of a grant and will be capped. Any discretionary relief paid by billing authorities in respect of “revaluation support” in excess of their capped grant allocation will not be funded.
 - The discretionary rate revaluation relief is to be used to support only those rate payers who are facing an increase in their business rate bills following the revaluation after all other adjustments (for example the application of other business rate reliefs) have been applied.

- Councils are required to consult on the proposed scheme with their major precepting authorities which in the case of Herefordshire will be the Hereford and Worcester Fire and Rescue Authority and West Mercia Police and Crime Commissioner.

7. In addition DCLG expect that in the main increased support will be provided to:

- Ratepayers or localities that face the most significant increase in bills
- Ratepayers occupying lower value properties

8. The £300m discretionary fund has been allocated over a period of four years with Herefordshire's share being as shown in the table below.

Local Authority	Amount of discretionary Pot Awarded (£000's)			
	2017/18	2018/19	2019/20	2020/21
Herefordshire	435	212	87	12

9. Of the £435k funding allocation for 2017/18, the council's share is £213k representing the 49% of rates income collected that is retained by the council. Any unallocated grant must be repaid to the government.

10. Herefordshire's draft Discretionary Business Rates Revaluation Relief Policy, attached at appendix 1, is based upon the following:

Eligibility criteria for support:

- Revaluation relief will be made available for businesses and organisations that are facing an increase in their business rate bills in excess of 9%, after all relevant eligible rate reliefs have been awarded following the April 2017 revaluation process.
- Qualifying businesses will receive revaluation relief to cap their bill increase to 9%
- Relief to be available to all businesses with a rateable value (RV) of between £12k and £200k

Exclusions from support:

- Businesses and organisations where the net liability bills following revaluation after eligibility for other relief scheme has:-
 - decreased;
 - remained the same; or
 - the increased liability is below 9%
 will be excluded from the policy.
- Other businesses excluded will be those already receiving relief from other support schemes such as Supporting Small Businesses and Support for Pubs.
- Relief will not be available where the property is empty.
- Relief will not be available where the business falls under the "State Aid" rules.

- Relief will not be available to unoccupied premises or where the premise becomes re-occupied, on the basis that new ratepayers would not have suffered from increases due to a revaluation.
- Relief is not available to any precepting authority.

11. Administration considerations

- The policy to be reviewed annually for each of the four years of the DCLG funding allocation, the intention is to award relief as follows during the four year period:
 - 2018/19, half of the relief awarded in 2017/18
 - 2019/20, half of the relief awarded in 2018/19
 - 2020/21, 10% of the relief awarded in 2019/20
- Businesses identified for revaluation support within this policy will be targeted to apply for the relief and must agree to the conditions of the scheme.

Community impact

12. The discretionary business rates revaluation relief policy will support those businesses that face the steepest increases in their business rates bills as a result of the 2017 revaluation with the proposed policy attached delivering targeted support to the most effected.
13. The proposed Discretionary Business Rates Revaluation Relief Policy is of no cost to the local taxpayer in Herefordshire and by reducing the amount of business rates payable, businesses throughout the county will be assisted. Indications are that 44 businesses will be awarded assistance in reaching their business rates liability, reducing their bill increase from 2016/17 to 2017/18 to 9%. This supports the councils corporate plan priority of growing our economy.

Equality duty

14. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:
- A public authority must, in the exercise of its functions, have due regard to the need to -
- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
15. The draft policy has been designed to support all business organisations in Herefordshire which includes companies and sole traders. The DCLG expect consideration will be given to those ratepayers facing the most significant increase in their business rates bill and those ratepayers occupying lower value properties. This will be kept under review

under the monitoring arrangements during the financial year of the policy. No negative equalities impact is expected as a result of these proposals.

Resource implications

16. The scheme is funded by central government and regular monitoring will be put in place to ensure the funding is matched to the support awarded and avoid the risk of unallocated grant being repaid to central government in addition to the avoidance of unbudgeted expenditure. Monitoring will include applications received, granted and not granted.
17. Applying the draft policy indications are that the support awarded can be afforded within the grant allocation, as shown below:

Year	2017/18	2018/19	2019/20	2020/21
% relief awarded	91%	45.5%	22.75%	2.275%
Potential Discretionary Rate Revaluation Relief	£400k	£200k	£100k	£10k

Legal implications

18. The Local Government Finance Act 1988 s.47 provides the ability for the council to provide discretionary rate relief but only if 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.
19. Section 31 Local Government Act 2003 enables a grant to be paid to the council on terms as determined. The grant has only one condition that where the amount of grant paid to an authority exceeds the actual reduction in the authority's income, the difference shall be repaid to the Minister.

Risk management

20. The discretionary business rates revaluation relief policy will mitigate the risk of not allocating the funding appropriately and ensure that funding is distributed fairly and efficiently within existing resources. If the policy was not approved the risk of inappropriate allocation or restriction of funds would be increased. Supporting the policy therefore minimises the risk to an acceptable and transparent level.

Consultees

21. Hereford and Worcester Fire and Rescue Authority and West Mercia Police and Crime Commissioner; both were supportive of the proposed scheme.

Appendices

22. Appendix 1 –Discretionary Business Rates Revaluation Relief Policy

Background papers

<https://www.gov.uk/government/publications/2017-spring-budget-support-for-business>