

HIGH PEAK BOROUGH COUNCIL

The Executive

13th February 2020

TITLE:	Business Rates & Council Tax - Reliefs, Discounts, Exemptions and Levies Policy
EXECUTIVE COUNCILLORS:	Cllr Alan Barrow – Executive Councillor for Corporate Services and Finance
CONTACT OFFICERS:	Claire Hazeldene – Head of Finance Joanne Wheeldon – Principal Income Officer
WARDS INVOLVED:	Non-specific

Appendices Attached

Appendix A – Business Rates Relief Policy

Appendix B – Council Tax Reductions and Levies Policy

1. Reason for the Report

- 1.1 The purpose of the report is to review and update the Business Rate Reliefs Policy and formally present the Council Tax Reductions and Levies Policy.

2. Recommendation

- 2.1 That the Executive approve:

- The updated Business Rates Reliefs Policy
- The Council Tax Reductions and Levies Policy

3. Executive Summary

- 3.1 Business rates (or non-domestic rates) are collected from businesses who occupy property in order to contribute towards the cost of local services provided. Each non-domestic property has a rateable value which is set by the Valuation Office Agency (VOA) - this broadly represents the yearly rent the property could have been let for on the open market on a particular date. The annual business rates payable is then calculated by multiplying the Rateable Value by the 'business rate multiplier' set annually by Government.
- 3.2 Domestic properties are placed in one of eight bands by the Valuation Office Agency according to its value on the open market on the 1st April 1991, with each band then charged a different amount of Council Tax.

- 3.3 Under the Local Government Finance Act 1988 for Business Rates, and the Local Government Act 1992/2003 for Council Tax, there are a number of reliefs, exemptions and discounts (both mandatory and discretionary) made available which then reduce the amount payable for domestic/non-domestic properties if eligible. Details of discretionary reliefs where the Council has the choice of whether to apply are detailed within the report along with the current cost implications.
- 3.4 The Council's Business Rates Relief Policy has been updated to remove any reliefs that are no longer relevant and to also reflect the changes Government has implemented from 1st April 2020.
- 3.5 In addition, and in order to put some context on the reliefs available and applied to business rates properties in the District, an analysis of the total business rates payable, net of reliefs has been undertaken for the three largest town centres in the High Peak.
- 3.6 The Council's Council Tax reductions and levies policy has also been formally documented. Included within this policy, and in line with the Council's Empty Property Strategy - which aims to bring empty properties back into use – it is proposed to increase the empty property levy chargeable on empty properties from 1st April 2020 to:
- Levy of 100% of Council Tax for properties empty for at least two years
 - Levy of 200% of Council Tax for properties empty for at least five years

4. How this report links to Corporate Priorities

- 4.1 The application of business rates relief supports the aim of the Council to promote business growth and economic regeneration in the Borough and wider economic area. The application of Council Tax discounts and reliefs ensures those individuals within the Borough who are eligible for financial support are provided with that support. The long term empty property levy aims to bring properties back into use in line with the Council's Empty Property Strategy.

5. Options and Analysis

- 5.1 No options in regard to mandatory reliefs and discounts available as set by Government. However, where Government allows Authorities to make discretionary decisions in respect of the amount of Business Rates and Council Tax due, Members need to consider the proposals.

6. Implications

- 6.1 Community Safety - (Crime and Disorder Act 1998)
None

- 6.2 Workforce
None
- 6.3 Equality and Diversity/Equality Impact Assessment
The report has been prepared in accordance with the Council's Diversity and Equality Policy
- 6.4 Financial Considerations
Financial considerations are considered within the report.
- 6.5 Legal
None.
- 6.6 Sustainability
None
- 6.7 Internal and External Consultation
In respect of the empty property levy increase, attention was drawn to this within the letters/survey issued as part of the empty property review in August/September. This provided information to owners of empty properties that the Council now has the powers to increase to the levy.
- 6.8 Risk Assessment
The granting of discretionary relief and discounts will, in the main, involve a cost to the Council. Any Business Rate discretionary relief amount granted will be borne in accordance with the Business Rate Retention Scheme share. Financial forecasts included within the Medium Term Financial Plan take into account estimated discretionary awards.

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Background Papers

Location

Buxton Town Hall

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7. Background & Introduction

Calculating Business Rates Payable

- 7.1 Business rates (or non-domestic rates) are collected from businesses who occupy property in order to contribute towards the cost of local services provided. Under the business rates retention arrangements introduced from 1st April 2013, authorities keep a proportion of the business rates paid locally. This provides a direct financial incentive for authorities to work with local businesses to create a favourable local environment for growth since authorities will benefit from growth in business rates revenues.
- 7.2 Other than properties that are exempt from business rates, each non-domestic property has a rateable value which is set by the Valuation Office Agency (VOA), an agency of Her Majesty's Revenue and Customs. They draw up and maintain a full list of all rateable values - this broadly represents the yearly rent the property could have been let for on the open market on a particular date.
- 7.3 The VOA uses a wide range of property information, rental and other evidence to compare values across similar types of properties in order to set the rateable value. A revaluation was undertaken in preparation for the revised list to be effective from 1st April 2017.
- 7.4 The annual business rates payable is then calculated by multiplying the Rateable Value by one of two 'business rate multiplier' figures. The business rates multipliers are set annually by Government, there are two: the small business non-domestic rate multiplier for small business and the non-domestic rate multiplier for other businesses.

Calculating Council Tax Payable

- 7.5 Domestic properties are placed in one of eight bands by the Valuation Office Agency according to its value on the open market on the 1st April 1991, with each band charged a different amount of Council Tax.
- 7.6 The VOA maintains the Council Tax Valuation List assesses properties to ensuring that properties there are in the correct Council Tax band. They automatically review the bandings on properties, for example when a property has been made smaller or increased in size and are responsible for applying a band to newly built properties. They are also responsible for reviewing the banding where a challenge has been made.
- 7.7 In addition to the value on 1st April 1991, assessments are also based on a number of factors, such as a property's:
- Size
 - Layout
 - Character
 - Location
 - Change in use

- 7.8 Local Authorities are able to increase Council Tax on an annual basis as part of the budget setting process. However, there are Government restrictions in place to limit the annual increases – any increases over which are subject to a local referendum.

Reliefs, Discounts, Exemptions & Levies

- 7.9 Under the Local Government Finance Act 1988 for Business Rates, and the Local Government Act 1992/2003 for Council Tax, there are a number of reliefs, exemptions and discounts (both mandatory and discretionary) made available which then reduce the amount payable for domestic/non-domestic properties if eligible.
- 7.10 The granting of discretionary relief will, in the main, involve a cost to the Council. Further detail is provided in the next sections of this report.

8. Business Rate Relief

- 8.1 The Local Government Finance Act 1988 provides for two broad forms of Relief to be made available to Business Ratepayers:
- **Mandatory Relief (under Sections 43 and 45)** – this can be granted to occupied or unoccupied properties, which satisfy the necessary criteria. Once an organisation satisfies the relevant criteria, the Council has a statutory duty to apply the Relief; and
 - **Discretionary Relief (under Sections 44, 47 and 49)** – since the 1988 Act was introduced councils have had the discretion to grant additional relief to certain occupiers of properties, which satisfy certain criteria. However, with effect from 2012/13, Clause 69 of the Localism Act 1988 amended Section 47 referred to as Hardship Relief, to allow councils to reduce the Business Rates of any local Ratepayer.
- 8.2 When applying for business rate relief, businesses need to ensure compliance with state aid rules in accordance with the De Minimis Regulations EC 1407/2013. The De Minimis Regulations allow an undertaking to receive up to €200,000 'de minimis' aid over a rolling three year period.
- 8.3 **Appendix A** details the updated Business Rates Relief Policy. This was last updated to include the changes proposed as part of the Spring 2017 Budget, when the Chancellor announced three new discretionary rate reliefs to be implemented for business ratepayers with effect from 1st April 2017:
- Supporting Small Business Relief (SSBR)
 - Supporting Pubs Relief (SPR)
 - Local Discretionary Rate Relief (LDRR)
- 8.4 The policy has been updated to remove any reliefs that are no longer relevant - for example, where a relief was introduced for a temporary period and an expiry date was included.

- 8.5 The Council has also very recently received notification from the Ministry of Housing, Communities & Local Government (MHCLG) of changes to reliefs which will apply from 1st April 2020. These changes include an increase to the retail discount from 1/3 to 50% with an extension to the application of retail relief to cinemas and music venues (applied in 2020/21); extension of the duration of the local newspapers office space discount (until 31st March 2025); and re-introduction of an additional discount for pubs (applied in 2020/21).
- 8.6 The Government has confirmed that it will fully fund local authorities for awarding these reliefs and provide new burdens funding to local authorities for administrative and IT costs associated with implementation.
- 8.7 These updates have been included in Business Rates Relief Policy and will be applied at annual billing.

Business Rate Relief – Town Centres

- 8.8 To put into some context the reliefs available and applied to business rates properties in the Borough, the below table illustrates the total business rates payable, net of reliefs applied for the three largest town centres in the High Peak:-

Town Centre	Gross Business Rates Payable (£)	Relief Awarded (£)	Net Business Rates Payable (£)	Percentage Relief
Buxton (Cavendish, Eagle Parade, Grove Parade, Hardwick Street, High Street, Market Place, Scarsdale Place, Spring Gardens, The Quadrant, The Colonade)	2,434,702	(755,376)	1,679,326	31%
Glossop (High Street East, High Street West, Victoria Street, Market Place, Norfolk Square, Wren Nest Road)	2,143,404	(584,560)	1,558,844	27%
New Mills (Albion Road, Hibbert Street, High Street, Market Street, Union Road)	691,401	(320,367)	371,034	46%
TOTAL	5,269,508	(1,660,304)	3,609,204	32%

- 8.9 Currently, 32% relief is applied overall to the three town centre businesses against the annual business rates gross charge – reducing bills by £1,660,304. This will possibly increase from 1st April 2020 with the changes to retail relief and pub relief. The most applied relief is small business rate relief – which accounts for 64% of total relief awarded.
- 8.10 This is further analysed below between property descriptions:-

Property Description	Gross Business Rates Payable (£)	Relief Awarded (£)	Net Business Rates Payable (£)	Percentage Relief
Bank Premises	150,611	7,520	143,091	5%
Restaurants, Café, Tea Rooms	235,166	100,166	135,000	43%
Car Parks	44,249	-	44,249	0%
Market Stall/Premises	49,853	48,515	1,338	97%
Hairdressing / Beauty Salon	52,394	9,201	43,193	82%
Office Premises	350,383	188,239	162,144	54%
Public House	280,534	76,255	204,280	27%
Shop Premises	2,778,556	1,043,065	1,735,491	38%
Retail Warehouse	102,005	3,607	98,399	4%
Supermarket	569,560	-	569,560	0%
Factory	171,973	-	171,973	0%
Garage / Workshop	156,132	30,493	125,638	20%
Other*	328,092	153,243	174,848	46%
TOTAL	5,269,508	1,660,304	3,609,204	32%

**includes surgeries, betting offices, clubs, self catering holiday premises*

- 8.11 The table above illustrates that those business types within the three towns that attract the highest amount of relief are; restaurants, cafes, market premises, hairdressing & beauty salons, offices, shops and garages.

Discretionary Relief

- 8.12 Discretionary Relief can be awarded in its own right or as an additional relief if Mandatory Relief is already being granted. When the Council has the choice to award a Discretionary Relief, it must consider the benefit of a business to the local community having regard to the interests of Council Tax payers.
- 8.13 The current (as at 28th Jan 2020) discretionary relief applied by the Council (where there is a choice on whether to award), where the cost is not rebated from Government funding, is shown below:

Relief	Description	Discretionary Relief currently awarded
Charity & Other Non Profit Making Organisations	Relief is available to charitable and non-profit making organisations in certain circumstances. Relief varies dependant upon the type of organisation and the purpose for which the property is used. Discretionary relief of 20% may also be awarded where the ratepayer qualifies for Mandatory Relief of 80% and the specified criteria is met.	73 cases (£256,375)
Community Amateur Sports Club (CASC's)	Provided a club is registered with the Inland Revenue, they will automatically qualify for Mandatory Relief of 80%. The Council may grant a further 20% in Discretionary Relief in circumstances where the club provides additional benefits to the Staffordshire Moorlands	1 case (£448)
Other Business Rate Relief	Discretionary Rate Relief of up to 100% may be awarded to any other Ratepayer in exceptional circumstances under Clause 69 of the Localism Act 2011, where it is in the Council's strategic or operational interests to do so.	-
Hardship Relief	The Council may remit payment of Business Rates in part or in full in certain cases of hardship.	1 case (£1,021)

**shared with preceptors/pool arrangements*

9. Council Tax Discounts

9.1 **Appendix B** sets out the reductions and levies that are available to Council Tax payers – including mandatory discounts and any locally determined reductions for Council Tax the Council applies.

9.2 In terms of locally determined reductions, there are three which the Council currently applies:-

Locally Determined Reduction	Description	Reduction currently awarded*
Unoccupied & Unfurnished	If a property is unoccupied and substantially unfurnished a discount of 100% is available and valid for a maximum of 3 months from the date it became unoccupied and unfurnished. Following this a full charge is payable on the property	As at 28 th Jan 2020 – 157 cases (£58,710 based on 3 month discount) – assuming constant during the year, this would result in a cost of approx. £230,000
Uninhabitable Properties	The Uninhabitable Property discount is granted to properties which are unoccupied, unfurnished and requiring or undergoing major repairs or structural alterations. A 50% discount for a maximum period of 12 months.	As at 28 th Jan 2020 – 64 cases (£59,807)
Other Discretionary Relief	Section 13A (1) (c) relief awards will be used in cases of unforeseen or exceptional circumstances that threaten taxpayers' abilities to fund the cost of council tax and may threaten their ability to remain in their homes.	-

**shared with preceptors*

9.3 At this stage, the Council is proposing to leave the above discounts in place as they are currently applied.

9.4 Appendix B also provides detail of the proposed Care Leaver reduction to be applied from 1st April 2020 – a Derbyshire Authority wide discount provided for a Care Leaver up to their 25th birthday. The cost of this is fully funded by the council in accordance with regulations. The estimated cost of the care leavers discount for 2020/21 is difficult to determine but, based on estimates provided by Derbyshire County Council, the total cost of the discount for 2020/21 is estimated to be around £45,000. This assumes no other discounts are applied.

10. Long-term Empty Property Premium

10.1 Properties that have been unoccupied for more than 2 years are subject to an additional premium. Prior to April 2019, this premium was a maximum of 50% - resulting in a Council Tax charge of 150%. The Council currently applies the 50% levy.

10.2 However, from 1st April 2019, Local Government Authorities were given new powers, under the Rating (Property in Common Occupation) and Council Tax Act 2018 which came into force in November 2018, to charge an Empty Homes Premium of:

- An extra 100% Council Tax for properties empty for at least two years from 1st April 2019.
- An extra 200% Council Tax for properties empty for at least five years from 1st April 2020.

10.3 In line with the Council's Empty Property Strategy - which aims to bring empty properties back into use to increase the availability of housing with the District and to reduce the negative impact vacant properties can have on the community – it is proposed to increase the levy chargeable from 1st April 2020 to:

- 100% Council Tax for properties empty for at least two years
- 200% Council Tax for properties empty for at least five years

10.4 The financial impact this would have on the Council is shown in the table below (based on the current number of properties paying the levy):

Properties empty over 2 years (11 properties)	Amount due from 50% Levy applied (£)	Amount due from 100% Levy proposed (£)	Additional Income (£)
Empty Property Levy	157,980	315,960	157,980
Retained By SMDC (approximately 12%)	18,960	37,920	18,960

Properties empty over 5 years (95 properties)	Amount due from 50% Levy applied (£)	Amount due from 200% Levy proposed (£)	Additional Income (£)
Empty Property Levy	140,250	420,750	280,500
Retained By SMDC (approximately 12%)	16,830	50,490	33,660

10.5 The Local Council Tax Reduction Scheme (LCTRS) is currently being reviewed following the roll out of Universal Credit and the implications that is having on the assessment of LCTR. Therefore, any additional income generated from the empty property levy could potentially be used to fund any financial implications of any revised LCTR scheme.