

HIGH PEAK BOROUGH COUNCIL

Report to Executive

12th October 2017

TITLE:	Business Rates Revaluation and Local Discretionary Rate Relief Scheme
EXECUTIVE COUNCILLOR:	Cllr Emily Thrane – Executive Councillor for Finance & Resources
CONTACT OFFICER:	Claire Hazeldene – Finance & Procurement Manager Joanne Wheeldon – Principal Income Officer
WARDS INVOLVED:	Non-specific

Appendices Attached

Appendix A – Updated Discretionary Rate Relief Policy

1. Reason for the Report

- 1.1 The purpose of the report is to provide an overview of the updated and new business rate reliefs that have been recently announced by central government, and to approve the Council's local discretionary business rate relief policy.

2. Recommendation

2.1 That Executive:-

- Note the implications of the business rates revaluation on the local businesses in High Peak, including the new reliefs that have been implemented by central government; and
- Approve the principles and criteria for the local discretionary rate relief scheme taking into account comments from Corporate Select (subject to consultation with preceptors).

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.

- 3.2 The VOA generally reassesses all rateable values for business premises in England and Wales every five years, although the last revaluation was in 2010. A revaluation was undertaken in preparation for the revised list to be effective from 1st April 2017.
- 3.3 The Government believes it is important to provide the greatest support to small and medium businesses seeing increases and to also allow those small and medium businesses seeing reductions to gain quickly from the revaluation. Therefore, as part of the 2016 and 2017 Budget/Autumn Statement, the Government announced a number of amendments to current reliefs and the introduction of new reliefs from 1st April 2017 to support businesses:-
- Transitional Relief - for those businesses that have seen significant increases in their rates liability, the Government has put in place a £3.6 billion transitional relief scheme to limit and phase in changes in rate bills as a result of the 2017 revaluation (which was also put into place after the 2010 revaluation)
 - Rural Rate Relief – rural rate relief has doubled to 100% from 50% for those businesses located in a rural settlement (population less than 3,000) for shops/post offices with a rateable value up to £8,500 and public houses/petrol stations with a rateable value up to £12,500
 - Small Business Rate Relief – 100% relief is now available to business who occupy properties with a rateable value of £12,000 or less (previously £6,000) with a tapered relief on properties worth up to £15,000
 - Local Newspaper Rate Relief – funding has been provided to provide a discount of up to £1,500 a year for two years for office space occupied by local newspapers
 - Supporting Small Business Relief – a new relief available to those ratepayers facing large increases as a result of a loss of Small Business Rate Relief (SBRR) or Rural Rate Relief (RRR). 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.
 - Supporting Pubs Relief – a relief to be awarded to pubs that have a rateable value of below £100,000. Under the scheme, eligible pubs will receive a £1,000 discount on their bill for 2017/18.
 - Local Discretionary Rate Relief - the Government announced that they would allocate a £300m pot to Authorities in order to award a discretionary relief to other businesses affected by the 2017 revaluation – the scheme would be in place for a period of four years at a reducing rate over the four years. It is for each individual Authority to design their own scheme.

- 3.4 The Council's Business Rates Relief Policy has been updated to reflect the changes above and details the Council's Local Discretionary Rate Relief Policy (see Appendix A)
- 3.5 Corporate Select considered and commented on the principles for the design of the Council's Local Discretionary Rate Relief policy. As a result the proposed policy is aimed at supporting local small and medium sized businesses with rateable values under 200,000 who have had an increase in their business rates bill as a result of the revaluation.
- 3.6 The policy sets out the amount of relief to be awarded in each of the four years of the scheme. The levels of relief will be reviewed regularly to ensure that the support scheme is being operated in the most effective way.
- 3.7 In exceptional circumstances, the Council shall consider applications on a case by case basis where the ratepayer falls outside the criteria but where the ratepayer can demonstrate that they are experiencing severe financial difficulties due to the revaluation on 1st April 2017.
- 3.6 The Council is currently consulting with the major preceptors in relation to the Local Discretionary Rate Relief scheme and will take their comments into account. Therefore, the eligibility criteria is subject to the preceptors responses.

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

5. Options and Analysis

5.1 Option 1 – Not Recommended

Do not approve the Local Discretionary Rate Relief Policy and updated Business Rate Relief Policy

5.2 Option 2 – Recommended

Approve the Local Discretionary Rate Relief Policy and updated Business Rate Relief Policy (subject to consultation)

6. Implications

6.1 Community Safety - (Crime and Disorder Act 1998)

There are no specific community safety concerns

6.2 Workforce

There are no specific workforce implications.

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

There are no specific sustainability issues

6.7 Internal and External Consultation

External consultation in respect of the Council's Local Discretionary Rate Relief policy is being undertaken with the Council's Preceptors (County Council, Police and Fire Authority)

6.8 Risk Assessment

The granting of discretionary relief will, in the main, potentially involve a cost to the Council. Any amount granted will be borne in accordance with the Business Rate Retention Scheme share (40% by the District Council) unless reimbursed by Government via Section 31 grant.

In respect of the Local Discretionary Rate Relief Scheme, there is a financial risk that the Council could apply more in Local Discretionary Rate Relief than funding allocated by Government – resulting in an overall cost to the Authority. However, the risk is mitigated by the way in which the policy has been established – which is based on an allocation as detailed in the policy to those businesses the Council has listed as eligible, with a proportion of the pot remaining for any other applications that are submitted for consideration.

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Background Papers

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7. Introduction

- 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 generally reassesses all rateable values for business premises in England and Wales every five years, although the last revaluation was in 2010. The local authority works out the business rates bill by multiplying the rateable value of the property by the appropriate multiplier.
- 7.4 Revaluations make sure each ratepayer pays their fair contribution and no more, by ensuring that the share of the national rates bill paid by any one ratepayer reflects changes over time in the value of their property relative to others. Revaluation does not raise extra money for Government.
- 7.5 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.
- 7.6 High Peak has seen an overall increase in the rateable values of businesses within the District of 14%, increasing from 61,088,403 in 2016/17 to 69,834,156 in 2017/18.
- 7.7 However, as the 'multipliers' used to calculate business rates bills have reduced from 2016/17 to 2017/18, the gross business rates collectable has increased less significantly at 4%, from £28,406,779 in 2016/17 to £29,572,952 in 2017/18.
- 7.8 The Government believes it is important to provide the greatest support to small/medium businesses seeing increases and to also allow those small/medium businesses seeing reductions to gain quickly from the revaluation.
- 7.9 Therefore, as part of the 2016 and 2017 Budget/Autumn Statement, the Government announced a number of amendments to current reliefs and the introduction of new reliefs from 1st April 2017 to support businesses.

8. Transitional Relief

- 8.1 For those businesses that have seen significant increases in their rates liability, the Government has put in place a £3.6 billion transitional relief scheme to limit and phase in changes in rate bills as a result of the 2017 revaluation.
- 8.2 Transitional relief limits how much business rate bills can change each year as a result of revaluation - consequently, changes to bills are phased in gradually.

9. 2016 Budget & Autumn Statement Changes

- 9.1 The Government had already announced as part of the 2016 Budget and Autumn Statement a number of changes to existing reliefs and the introduction of new reliefs - those relevant to the Borough are detailed below.
- 9.2 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.

Rural Rate Relief (RRR)

- 9.3 To remove the inconsistency between rural rate relief and small business rate relief the government doubled rural rate relief to 100% from 1 April 2017 as part of the 2016 autumn statement. Businesses may be eligible for rural rate relief if the business is in a rural area with a population below £3,000. If eligible, no rates will be payable if:-
- the only village shop or post office, with a rateable value of up to £8,500
 - the only public house or petrol station, with a rateable value of up to £12,500

- 9.4 The Government intends to amend the relevant primary legislation to require local authorities to grant 100% mandatory rural rate relief to take effect from 1 April 2018. However, before the requirement to grant mandatory relief comes into force we expect local authorities to use their local discount powers to grant 100% rural rate relief to eligible ratepayers from 1 April 2017.

Small Business Rate Relief (SBRR)

- 9.5 As part of the 2016 Budget, Government confirmed that from April 2017, rate payers that occupy a single property with a rateable value of £12,000 or less pay no business rates. Previously, the 100% relief was available for businesses that occupying a property with a value of £6,000 or less.
- 9.6 There is then a tapered rate of SBRR relief on properties worth up to £15,000.

Local Newspaper Rate Relief (LNRR)

- 9.7 The Government also committed to providing funding to local authorities so that they can provide a discount worth up to £1,500 a year for 2 years from 1st April 2017, to office space occupied by local newspapers. This is up to a maximum of one discount per local newspaper title and per hereditament, and up to state aid limits.
- 9.8 The relief will be delivered through local authority discretionary discount powers (under section 47(3) of the Local Government Finance Act 1988).

10 2017 Budget Changes

- 10.1 As part of the Spring 2017 Budget, 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)

- 10.2 The three new reliefs have been implemented under Section 47 of the Local Government Finance Act as a discretionary award made by Billing Authorities. The Government will fully reimburse all amounts awarded under SSBR and SPR by a Section 31 grant. However, LDRR is being funded through a £300m fund allocated to each Authority through a formula-based grant, and Government has tasked all Authorities with putting together their own schemes of LDRR.

Supporting Small Business Relief (SSBR)

- 10.3 This relief is a discretionary relief made available to those ratepayers facing large increases as a result of a loss of Small Business Rate Relief or Rural Rate Relief.
- 10.4 The transitional relief scheme does not provide support in respect of changes in reliefs. Therefore, those ratepayers who are losing some or all of their small business or rural rate relief may be facing very large percentage increases in bills from 1 April 2017.
- 10.5 Government announced that Authorities could award the relief under their Discretionary Rate Relief (DRR) powers and that it would also reimburse Billing Authorities 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.

- 10.6 Government 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 this scheme.
- 10.7 SSBR will be available from 2017/18 to 2021/2022 where the increase in the RV for these ratepayers is the greater of either:
- a percentage increase per annum of 5%, 7.5%, 10%, 15% and 15%, or
 - a cash value of £600 per year.
- 10.8 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. 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 SSBR scheme.
- 10.9 This relief, as with all other discretionary relief, is subject to State Aid law. Ratepayers entitled to Mandatory Relief (such Charities and Community Amateur Sports Clubs) or Section 44A relief (apportionment of RV for partly occupied properties) are not entitled to SSBR. However, ratepayers entitled to SSBR can still apply for other DRR once the SSB has been awarded.

Supporting Pubs Relief (SPR)

- 10.10 The Supporting Pubs Relief scheme is to be awarded to pubs that have a rateable value of below £100,000. Under the scheme, eligible pubs will receive a £1,000 discount on their bill for 2017/18. Authorities will be compensated for awarding the relief via their DRR schemes under a S31 grant.
- 10.11 Hereditaments which are excluded from this relief include restaurants, cafes, nightclubs, hotels, snack bars, guesthouses, boarding houses, sporting venues, music venues, festival sites, theatres, museums, exhibition halls, cinemas, concert halls, casinos.
- 10.12 Eligible pubs can also qualify for SSBR (as above). Where qualification exists, SSBR must be awarded before other discretionary reliefs.

Local Discretionary Rate Relief (LDRR)

- 10.13 The Government also announced that they would allocate a £300m pot to Authorities in order to award a discretionary relief to other businesses affected by the 2017 revaluation – the scheme would be in place for a period of 4 years at a reducing rate over the 4 years. The Government has confirmed that High Peak B.C. will receive the following allocation of funding, under section 31 of the Local Government Act, for each year of the scheme:-

Local Discretionary Rate Relief	2017/18	2018/19	2019/20	2020/21
Government Funding	£358,867	£174,307	£71,773	£10,253

10.14 Each Authority is required to develop their own discretionary scheme, ensuring that major precepting authorities are consulted before awards are made.

10.15 Discussion on the proposed criteria took place at Corporate Select on 9th October 2017 where members commented as follows:-

- A desire to support small/medium sized local businesses and so not applying the relief to national/multinational companies
- As some of the other reliefs are temporary (for example pub relief) the inclusion of an option to review the criteria and allocation in subsequent years of the scheme within the **Council Tax Setting Report/Budget**.
- As the funding is to be repaid to Government if not fully allocated, there was consensus that the Council attempt to apply as much support as possible to those eligible businesses
- Members were also keen for the scheme to be publicised, so in addition to writing to those business the Council believes are eligible to encourage them to apply for the relief, also ensuring this is advertised on the website

10.16 Therefore, the Council's proposed Local Discretionary Rate Relief scheme is detailed within the attached updated version of the Discretionary Business Rates Relief policy (see Appendix A) In summary, relief will be awarded to businesses who satisfy the following criteria:-

- The ratepayer is in occupation on 31st March 2017 and 1st April 2017;
- There has been an increase in net business rates payable from 2016 to 2017, arising as a direct result of the 2017 Revaluation;
- The ratepayer's account is not subject to Empty Property Rates (i.e. the property is occupied and not empty);
- The ratepayer is not in receipt of mandatory relief
- The rateable value of the property in the 2017 rating list must not exceed £200,000
- Relief will be targeted to local businesses and not those businesses that are national or multi-national in nature.
- Relief will not be awarded to Local Authorities or Government agencies (including NHS)
- The relief is subject to state aid limits

10.17 In addition to the criteria above, the Council, will in exceptional circumstances, consider applications on a case by case basis where ratepayers can demonstrate they are experiencing severe hardship due to the 2017 revaluation.

10.18 For each year of the scheme, the following percentage of relief is estimated to be applied as below:

Financial Year	Amount of relief*
2017/18	Award = 35% of the increase in rate liability
2018/19	2017/18 award x 50% (for clarity, this will be 50% of the relief awarded in 2017/18)
2019/20	2018/19 award x 40% (for clarity, this will be 40% of the relief awarded in 2018/19)
2021/21	2019/20 award x 14% (for clarity, this will be 14% of the relief awarded in 2019/20)

**As per discussion at Corporate Select, the levels of relief will be reviewed regularly in year to ensure that the support scheme is being operated in the most effective way.*

10.17 As with all reliefs, the amount of relief awarded under this proposed scheme will be recalculated where a change of circumstances occurs (such as, if the ratepayer vacates the property) to reflect the calculation of relief on a daily basis, as with the calculation of the ratepayer's liability.

10.18 The proposed scheme also allows the Council to review and amend the amount of relief during the course of the year to reflect changing circumstances.

11. Consultation

11.1 The Council is currently consulting with the major preceptors in relation to the Local Discretionary Rate Relief scheme and will take their comments into account when determining the eligibility criteria. This is an essential part of the scheme and is in line with the grant determination issued by the Department of Communities and Local Government (DCLG)

11.2 The grant determination states that a condition of the fund is that consultation is undertaken with 'relevant authorities'. Relevant Authorities for the purpose of this scheme means any major precepting Authority. Therefore, the Council is consulting with Derbyshire County Council, Derbyshire Police & Crime Commissioner and Derbyshire Fire & Rescue Service