

19 October 2017

REPORT OF THE PORTFOLIO HOLDER FOR ASSETS AND FINANCE**MANDATORY AND DISCRETIONARY RATE RELIEF POLICY****EXEMPT INFORMATION**

Not applicable

PURPOSE

To seek Cabinet approval of the proposed Discretionary Rate Relief Policy (**Appendix A**) with effect from 1 April 2017.

RECOMMENDATIONS

- 1. Members note the Government Funding for Supporting Small Business Rate Relief and Public House Relief.**
- 2. Members endorse the Council's proposed Local Discretionary Rate Relief Scheme which has been subject to consultation with major preceptors.**
- 3. That Cabinet approves the Discretionary Rate Relief Policy (Appendix A) which will be applied with effect from 1 April 2017.**

EXECUTIVE SUMMARY

The Government's March 2017 Budget review resulted in amendments to rating legislation which has prompted a revision of the Council's approach to both Mandatory and Discretionary Rate Relief awards to Business Ratepayers ('ratepayers'). The current framework, which has served the Council well, has been in effect since 1 April 2014.

The proposed framework continues the key principles of the previous policy in the support of local organisations. The key changes are as follows:

1. The removal of the following reliefs:
 - Unoccupied New Structures;
 - Retail Relief; and
 - Re-Occupation Relief.
2. The introduction of three new Discretionary Rate Reliefs announced by the Chancellor which are to be implemented with effect from 1 April 2017 in respect of Business Ratepayers:
 - Supporting Small Business Relief – Government is providing financial support through funding Discretionary Rate Relief awards to ratepayers who satisfy the Government criteria at no cost to the Council;
 - Public House Relief – Government is providing financial support through funding Discretionary Rate Relief awards to ratepayers who satisfy the Government criteria at no cost to the Council. Pub Relief is currently being awarded and to date there are 19 pubs in Tamworth who have been awarded this relief; and

- 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. This is subject to a pot of funding provided by Government which needs to be fully utilised each year.

3. The inclusion of section 44a in respect of Partly Occupied Hereditaments and section 49 for Hardship Relief.

The Local Discretionary Rate Relief scheme has been consulted upon with Staffordshire County Council, Staffordshire Fire and Rescue and other Staffordshire Authorities. A general approach has been adopted by all which is similar to the Council Tax reduction scheme. All have adopted the same general principles and qualifying criteria. However the amount of relief granted by each Authority differs according to the size of the pot allocated to them and their ethical approach to those who may qualify for relief.

The Government has established a £300m Discretionary fund over four years from 2017/18 to support those businesses that face the steepest increases in their Business Rates bills as a result of the 2017 revaluation. The intention is that every Billing Authority in England will be provided with a share of the £300m to support their local businesses. Billing Authorities are expected to use their share of the funding to develop their own Discretionary Relief schemes to deliver targeted support to the most hard-pressed ratepayers.

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 the Council can decide to alter the amount of relief subject to the amount and value of successful applications. As the aim is to utilise as much of the pot of money allocated in respect of the Authority without adding an additional financial burden on the Council and its preceptors. Any underutilisation will be reclaimed back by the Government

OPTIONS CONSIDERED

The 2 options considered in respect of Local Discretionary Rate Relief are either a formulaic or case by case approach. The formulaic approach requires officers to check that the application fits with the set criteria. Whereas a case by case approach would require a more in depth consideration of the application and would be administratively burdensome.

RESOURCE IMPLICATIONS

The cost of the existing Business Rate reliefs are shared between the Council, the County Council, the Fire and Rescue Authority and Central Government in line with the respective retained shares:

50% Central Government
40% Borough Council
9% County Council
1% Fire & Rescue Authority

The Council's 40% share applies to all reliefs awarded relating to rate liabilities from 1st April 2013 onwards and for any backdated reliefs awarded from 1st April 2013 in respect of earlier liabilities.

The cost of providing Discretionary Relief to existing claimants, in accordance with this policy, following the introduction of the Retained Business Rates Regime is expected to be within the limits of the current budget – as detailed within the annual Business Rates Income Forecast report. Any additional relief granted will have a direct impact on income levels and will need to be contained within the net budgeted business rates income level or from the Council's own Discretionary Relief budget of £17,120 (for the Council's 40% share).

Cabinet approval would be required for any major changes to Discretionary Rate Relief expenditure in excess of the budget allocation or with a material impact on the collection fund – together with identification of the funding source.

In addition the Government will provide funding for the three new Discretionary Rate Reliefs discussed in this report. Supporting Small Business Relief and Public House Relief will be funded in full. Whilst the funding they have provided in respect of our Local Discretionary Rate Relief scheme over the period of four years is shown below:

Local Discretionary Rate Relief	2017/18	2018/19	2019/20	2020/21
Government Funding (000s)	£213	£104	£43	£6

This is the full funding under the Business Rates Retention scheme of which the Council receives 50%.

Under the proposed scheme the estimated relief showing the number of properties to be granted is as follows:

Rateable Values (£)	Amount of Relief (£)					Total
	Up to £500	£500-£1,000	£1,000 - £5,000	£5,000 - £10,000	£10,000 - £20,000	
0-49,999	81	1	-	-	-	82
50,000- 99,999	4	12	23	-	-	39
100,000 – 149,999	-	1	5	5	4	15
150,000 – 199,999	-	1	1	2	2	6
Grand Total	85	15	29	7	6	142

It should be noted that any amounts underspent must be returned to the Government at the end of each financial year.

LEGAL/RISK IMPLICATIONS BACKGROUND

The Council can decide to spend more than its allocated funding. However this would have to be funded by the Council and its preceptors in the normal way.

SUSTAINABILITY IMPLICATIONS

The granting of relief will ensure the continued stability of funding for the organisations concerned.

BACKGROUND INFORMATION

The Council already has in place a policy regarding the application and award of Discretionary Rate Relief. Under the Business Rates Retention Scheme the Council will fund 40% of the cost.

The Department for Communities and Local Government (DCLG) published a Business Rates information letter on 9 March 2017 which identified three new Discretionary Rate Relief Schemes to be implemented in 2017.

The three new relief categories are intended to help lessen the effects of the revaluation of rateable values from 1 April 2017. The Government has confirmed that it will reimburse Local Authorities awarding the extra relief either through additional funding calculated on a formula basis (Local Discretionary Rate Relief through a £300m fund) or through a grant under Section 31 of the Local Government Act 2003 (Supporting Small Business Relief and Public House Relief).

Supporting Small Businesses

The relief is made available to those ratepayers facing large increases as a result of the reduction in Small Business Rate Relief or Rural Rate Relief due to the 2017 rateable value revaluation.

The number of small businesses being able to qualify for Small Business Rate Relief has increased due to changes to the thresholds from 1 April 2017. As at this date a ratepayer with a rateable value of less than £12,000 qualifies for 100% relief (unless they have more than two commercial properties in England, each rateable value is more than £2,900 per property and the combined rateable values are more than £20,000. This is known as the Second Property Test and is designed so that large companies with many small retail units do not qualify for relief).

A tapered Small Business Rate Relief is available to small businesses which pass the Second Property Test and have a rateable value of between £12,001 and £14,999. Properties with a rateable value of £15,000 or more do not qualify for Small Business Rate Relief.

However, there are small businesses that previously qualified for small business rate relief that have had a large increase in their rateable value which means they are above the £15,000 threshold and no longer qualify for Small Business Rate Relief.

This relief will be available from 2017/18 to 2021/22 where the increase in the rateable value for these ratepayers is the greater of either:

- The matching cap on increases for small properties in the transitional relief scheme or
- A cash value of £600 per year

In the first year of the scheme this means that all ratepayers losing some or all of their Small Business Rate Relief will see the increase in their bill capped at £600. The cash minimum increase is a further £600 per year thereafter.

Those businesses who were previously receiving Small Business Rate Relief in 2016/17 but whose rateable value is more than £51,000 from 1 April 2017 also qualify under the scheme. These will not be liable for a supplement on their Business Rate bills to fund Small Business Rate Relief (as other ratepayers who do not come under the scheme do. The supplement is 1.3p in the £ for the Rateable Value).

This relief as with all Discretionary Reliefs is subject to State Aid regulations.

Ratepayers entitled to Mandatory Relief (for example Charities and Community Amateur Sports Clubs) or Section 44a Relief (apportionment of Rateable Value for partly occupied properties) are not entitled to Supporting Small Business Rate Relief. However ratepayers entitled to this relief can still apply for other Discretionary Rate Relief once Supporting Small Business Rate Relief has been considered.

Public House Relief

This is a relief for pubs that have a rateable value of below £100,000 for one year only. Those that qualify will receive a £1,000 discount on their bill. Local Authorities are compensated in full for awarding the relief under a section 31 grant.

Properties not considered for 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 and casinos.

Eligible pubs can also qualify for Small Business Rate Relief. If indeed this is the case Small Business Rate Relief must be awarded before other Discretionary Reliefs.

Pub Relief is currently being awarded and to date there are 19 pubs in Tamworth who have been awarded this relief.

Local Discretionary Rate Relief

At the Spring Budget the Government announced the establishment of a £300m Discretionary fund over four years from 2017/18 to support those businesses that face the steepest increases in their Business Rates bills as a result of the 2017 revaluation. The intention is that every Billing Authority in England will be provided with a share of the £300m to support their local businesses. Billing Authorities are expected to use their share of the funding to develop their own Discretionary Relief schemes to deliver targeted support to the most hard-pressed ratepayers. The £300m will cover the four years from 2017/18 and is as follows:

- £175m in 2017/18
- £85m in 2018/19
- £35m in 2019/20
- £5m in 2020/21

They have determined the funding for Tamworth based on a formula calculation, intended for Local Authorities to award this relief to applicants.

In a letter to Local Authorities on 15 May 2017 the Government confirmed the allocations to all Authorities and urged that we develop our own schemes whilst ensuring that we consult with our major precepting authorities before the scheme is finally approved.

The Head of Revenues has met with other colleagues in the Staffordshire Revenue Managers Group to ascertain whether a County Framework is achievable. This would follow a similar approach adopted in respect of Council Tax Reduction schemes. In the discussions the following criteria has been approved:

- That the ratepayer is in occupation of the property from 31 March 2017 onwards;
- There is an increase in the net rates charge as a result of revaluation from 2016 to 2017;
- All other eligible Mandatory and Discretionary Reliefs have been awarded to the ratepayer;
- The property is not vacant or subject to Empty Property Rates;
- The ratepayer will be required to make an application for the relief;
- The ratepayer will be required to inform the Council of any change in circumstance which may affect the amount of relief awarded (e.g. moving out of the property);
- Relief will be targeted to local businesses and not those that are national or multi-national in nature;
- The ability to delegate powers to officer level; and
- The ability for the Council to review the scheme each year.

Each Authority would then decide on the other aspects of their scheme. Decisions need to be made on whether they adopt a formulaic approach or a case by case approach.

A case by case approach would be much more administratively burdensome. Each approach will require an application form to be submitted by the ratepayer. The formulaic approach requires officers to check the application fits with the set criteria whereas a case by case approach would require a more in depth consideration of the application. Our initial estimates indicate that 142 ratepayers could apply for relief.

It has been agreed with The Executive Director Corporate Services and The Director of Finance that Tamworth will adopt a formulaic approach as it will be transparent to ratepayers and easier to administer. However we do reserve the right to consider cases in exceptional circumstances. Approvals of relief can be delegated to officer level, and a new relief code can be added to the Capita Revenues system so that the relief can be monitored over the full term of the scheme (four years).

For each year the of the scheme the following level of relief will be provided:-

2017/18

Providing all the criteria are met the awards of relief shall cap charges to 2016-17 liability plus 11%;

2018/19

Providing all the criteria are met the awards of relief shall be calculated as 50% of the 2017/18 award;

2019/20

Providing all the criteria are met the awards of relief shall be calculated as 40% of the 2018/19 award; and

2020/21

Providing all the criteria are met the awards of relief shall be calculated as 14% of the 2019/20 award.

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 the Council can decide to alter the amount of relief subject to the amount and value of successful applications. As the aim is to utilise as much of the pot of money allocated in respect of the Authority without adding an additional financial burden on the Council and its preceptors. Any underutilisation will be reclaimed back by the Government.

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LIST OF BACKGROUND PAPERS

Business Rates Income Forecast report, Cabinet 23 January 2014
Local Government Finance Act 1988, Local Government & Rating Act 1997 Non Domestic Rating (Discretionary Relief) Regulations, Local Government Act 2003, Localism Act 2011
Business Rates Information Letter (2/2017), Spring Budget 9 March 2017
Spring Budget 2017 Business Rate Relief schemes letter and guidance 15 May 2017

APPENDICES

Appendix A Discretionary Rate Relief Policy