
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 11
DATE OF MEETING:	14th FEBRUARY 2019	CATEGORY: DELEGATED
REPORT FROM:	STRATEGIC DIRECTOR (CORORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) kevin.stackhouse@southderbyshire.gov.uk	DOC: u/ks/business rates/Discretionary Relief/Discretionary Relief Proposals Feb 19
SUBJECT:	DISCRETIONARY BUSINESS RATES RELIEF	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 12

1.0 Recommendations

1.1 That the updated Discretionary Business Rate Revaluation Relief Scheme for 2018/19 to support local businesses in South Derbyshire adversely affected by the 2017 Rating Revaluation List is approved.

1.2 That relief is awarded to a business based on the following scheme criteria:

- Its RV is less than £200,000.
- Its Business Rates payable in 2018/19 has increased by 5% or greater when compared to 2016/17 (the base year).
- The business does not qualify for any other relief, excluding the “Support for Pubs Scheme” in 2018/19.
- The business is not part of a national chain or group of companies, i.e. it is a local business in the District.
- Relief is limited to 55% of the total increase in rates payable between 2016/17 and 2018/19.

1.3 That the updated scheme for 2018/19 is continued in 2019/20 based on the same criteria as detailed in 1.2 above, except that Relief is limited to 20% of the total increase in rates payable between 2016/17 (the base year) and 2019/20.

- 1.4 That the Council's Discretionary Business Rates Relief Scheme as detailed in **Appendix 2** is reviewed and proposed amendments as highlighted are approved.
- 1.5 That consideration is given to granting Discretionary Relief for Charitable organisations for a period of two years to cover the financial years 2019/20 and 2020/21.

2.0 Purpose of Report

- 2.1 The report provides an update on allocating the Council's budget for supporting businesses in South Derbyshire adversely affected by the 2017 Business Rates Revaluation. It also considers the Council's Local Scheme for allocating Discretionary Business Rates Relief, together with the organisations that currently benefit from the Discretionary Scheme.

3.0 Detail

Business Rates Revaluation

- 3.1 As part of the Government's 2017 Budget, additional funding of £300m nationally was allocated over the 4 financial years, 2017/18 to 2020/2021. This funding was intended to support businesses adversely affected by the 5-yearly national revaluation which took effect from April 2017. The funding is front-loaded in Year 1 (2017/18) and tapers down by 2020/2021.
- 3.2 In allocating the funding to each local council, the Government based it on a formula which would target support to businesses with a RV less than £200,000, with an increase in Business Rates Payable in 2017/18 of greater than 12.5% compared to 2016/17. *(As detailed later in the report, the Council's Scheme was able to afford 5%).*
- 3.3 It is for each council to decide locally its own scheme for allocating this funding. Unlike other business rate reliefs, there is no National Scheme and each council has full discretion under existing legislation.
- 3.4 However, the Government indicated that local schemes should support those businesses facing the most significant increase in their bills and occupying lower value (medium-sized) properties that are not subject to other reliefs. In addition, to satisfy state aid rules, it has been recommended that relief should be restricted to local businesses only and not national chains or groups.

The Council's Funding Allocation

- 3.5 The Council was allocated funding of £202,000 for 2017/18 and £98,000 for 2018/19, with indicative amounts of £40,000 for 2019/20 and £6,000 for 2020/21 - £346,000 in total.

3.6 The Council can choose to implement a scheme that costs more, but it would not be able to reclaim any difference above its allocation. Where the total amount allocated in a particular year is not used, it will be reclaimed by the Government; no unused funding in one year can be carried forward to the following year.

The Local Scheme in South Derbyshire

3.7 In October 2017, the Committee approved a Local Scheme for 2017/18 which was largely based on the principles of the formula used by the Government to distribute the national funding. It was revised slightly to reduce the risk of exceeding the overall funding.

3.8 Having identified and finalised the list of businesses fulfilling the approved criteria, the scheme was revised and approved by the Committee in January 2018, to ensure that the funding in 2017/18 was fully maximised.

3.9 A total of approximately £178,000 was allocated as relief to businesses across the District. This equated to just less than 90% of the funding (£202,000) allocated to the Council in 2017/18. This relief supported 185 businesses in South Derbyshire.

3.10 However, not all of the available funding was allocated. The main reason for this was that it was effectively a moving target. For some businesses, their circumstances changed during the year which meant that they no longer qualified for the relief.

3.11 For example, several businesses successfully appealed their valuation in the year and it was subsequently reduced by the District Valuer. Therefore, although these businesses would have qualified when the Council approved its scheme at the start of the year and on which the Government funding was based on, they eventually did not require the support.

3.12 In January 2018, the Committee approved to continue with the equivalent Scheme in 2018/19, but to reduce the relief to match the reduction in funding from £202,000 in 2017/18 to £98,000 in 2018/19.

Approved Scheme 2018/19

3.13 The parameters of the Scheme in 2018/19 are as follows:

A business will receive Discretionary Revaluation Relief in 2018/19 where:

- Its RV is less than £200,000.
- Its Business Rates payable in 2018/19 has increased by 5% or greater when compared to 2016/17 (the base year)

- The business does not qualify for any other relief, excluding the “Support for Pubs Scheme”.
- The business is not part of a national chain or group of companies, i.e. it is a local business in the District.
- Relief is limited to 45% of the total increase in rates payable between 2016/17 (the base year) and 2018/19.

Eligibility and Take-up 2018/19

- 3.14 Based on the above criteria, as at 31st December 2018, the amount allocated was £67,500 to 157 eligible businesses. Clearly, this amount is currently much lower than the allocation of £98,000 for the year.
- 3.15 Consequently, this provides some scope to support eligible businesses further and increase the likelihood that the Council’s allocation will be fully utilised.
- 3.16 Therefore, it is proposed to increase the limit percentage from 45% to 55%, i.e. *“that relief is limited to 55% of the total increase in rates payable between 2016/17 (the base year) and 2018/19”*. It is estimated that this will then fully utilise the allocation based on current eligibility.

Proposed Scheme 2019/20

- 3.17 The national funding has been structured to transition eligible businesses to the full increase by 2021/22. However, the profile (front-loading) of the funding effectively means that eligible businesses will pay the full increase after 2019/20.
- 3.18 The Council’s Scheme for 2018/19 grants relief of up to 45% of the increase in rates payable. To match the reduction in funding in future years, relief will be limited as shown in the following table

2017/18 – relief limited to 90% (total funding £202,000)
2018/19 – relief limited to 45% (total funding £98,000)
2019/20 – relief limited to 20% (total funding £40,000)
2020/21 – relief limited to 2.5% (total funding £6,000)
2021/22 – full increase paid (no funding)

- 3.19 Therefore, the Council’s proposed scheme for 2019/20 will remain the same (if approved) with the relief limited to **20%** of the total increase in rates payable between 2016/17 (the base year) and 2019/20.

Other Business Rates Relief

- 3.20 In addition to Revaluation Relief detailed above, many businesses qualify for other exemptions, transitional relief and discounts which are awarded by the Council under national schemes (mandatory relief). In addition, councils have

discretion to award further relief in limited circumstances and to “top-up” the mandatory relief where it is not 100%.

3.21 The main relief schemes are as follows:

- Small Business Rates Relief
- Rural Rate Relief
- Charitable Rate Relief
- Hardship Relief
- Part-occupied Relief

3.22 The cost of these reliefs is met through the national funding system.

Small Business Rates Relief

3.23 No business nationally pays any rates on a property with a Rateable Value (RV) of £12,000 or less, i.e. they are awarded 100% relief. For properties with a RV between £12,001 and £15,000, the rate relief is tapered down from 100% to 0%.

3.24 If a property has a RV lower than £51,000, the rates payable are calculated using the small business multiplier, i.e. 48p in the pound compared to the full rate of 49.3p in 2018/19.

Rural Rate Relief

3.25 This applies to businesses in a rural area with a population below 3,000. Qualifying businesses do not pay business rates if:

- Their property is the only village shop or post office with a RV up to £8,500.
- Their property is the only public house or petrol station with a RV up to £12,500.

3.26 The Council also has discretion to award up to 50% relief on other business properties in a rural settlement if the RV is £16,500 or less and the Council is satisfied that the property is being used for a purpose which benefits the local community.

Rural Settlement List

3.27 Prior to the start of every financial year, all councils are required to publish this List, which sets out the areas which are classified as rural on the basis that the population is less than 3,000, based on the 2011 census.

3.28 For South Derbyshire, this effectively includes all Parished areas, excluding Etwall, Hilton, Melbourne, Stenson Fields, Hartshorne, Willington and Woodville, together with the Swadlincote Urban Core.

Charitable Rate Relief

3.29 Charities and community amateur sports clubs are entitled to 80% mandatory rates relief if their property is used for charitable purposes. The Council has discretion to top-up the 80% relief and award a further 20% relief so that an organisation may not pay any rates under this scheme.

3.30 The Council also has discretion to award up to 100% relief to non-profit or voluntary organisations, although many local charitable organisations and sports clubs automatically qualify for other Relief and therefore, pay no rates.

Hardship Relief

3.31 The Council has discretion to reduce the business rates by up to 100% for certain businesses subject to the business demonstrating that:

- It would suffer financial difficulties without the relief, and
- It would be in the interests of local people and the Council is satisfied that the granting of relief would benefit the general body of local taxpayers.

3.32 Hardship relief can only be granted in exceptional circumstances and is dealt with on a case-by-case basis.

Part-occupied Relief

3.33 The Council has discretion to grant up to 100% relief in respect of non-productive or unused parts of premises on a temporary basis. Again, this is dealt with on a case-by-case basis. The Council has previously used this discretion in support of major businesses in the District to safeguard local employment.

Other Reliefs

3.34 From time-to-time, the Government grant other reliefs to support a particular business type or to support national policy. For example, in 2017/18 and 2018/19, all pubs with a rateable value of less than £100,000 received a one-off discount of £1,000 as part of a “support for pubs scheme”.

3.35 Since 2017/18, a discount of £1,500 has been available to local newspapers who occupy office space. This discount has been extended into 2019/20.

3.36 In addition, the Government’s 2018 Budget, which was announced in November 2018, awarded a discount of one-third (1/3) on rates payable for all retail businesses with a rateable value less than £51,000. This will apply for 2019/20 and 2020/21.

3.37 The 2018 Budget also introduced 100% mandatory relief for all public conveniences.

Current Discretionary Relief Awarded

- 3.38 Where the Council awards discretionary relief, 50% of the cost is met by the Council through the Collection Fund. In order for the Council to award discretionary relief, it must adopt a local Policy/Scheme which sets out the criteria for awarding additional relief when applications are received. The Council's Policy is detailed in **Appendix 2**.
- 3.39 The current list of organisations who currently receive discretionary relief under the Policy from the Council is attached at **Appendix 1**.
- 3.40 Following a report to the Committee in October 2017, it was approved that all discretionary relief awarded should be formally reviewed on an annual basis. This arose from changes to the national scheme for awarding exemptions and discounts, etc. which were implemented in April 2017.
- 3.41 Therefore, all organisations on the list in Appendix 1 were given 12 months notice that their relief would end on 31 March 2019, subject to the Council reviewing all reliefs currently granted.
- 3.42 Although the discretionary relief scheme is publicised, it is the responsibility of each organisation to apply for the relief and demonstrate that they qualify. Although this has been requested annually, the Committee may wish to consider granting relief for two years in order to give certainty for qualifying organisations.

Active Nation

- 3.43 Consideration may be given to the relief awarded to Active Nation as the Council's Leisure Management Contractor. Under the Contract, they are responsible for Business Rates at Green Bank and Etwall Leisure Centres and receive 80% mandatory relief as a Charitable Trust.
- 3.44 They operate nationally but work in partnership with the Council to further the health and well-being of local communities in South Derbyshire. The Committee may wish to consider for example, evidence that the 20% discretionary relief is being reinvested in the local facilities prior to relief being awarded.

Sharpe's and Peoples Express

- 3.45 Discretionary relief provided to Sharpe's and Peoples Express, including the Magic Attic and Visitor Centre, is in addition to the annual grant-aid provided to Sharpe's and the Tourist Information Centre.

Rural Rate Relief

- 3.46 The Council currently award rural rate relief to two organisations. Firstly, to Highfields Farm in Etwall who host visits from local organisations and disadvantaged groups and as such provide a community service. They will no longer be eligible as Etwall does not qualify any longer as a rural settlement.
- 3.47 As regards the Ukrainian Youth Association based in Weston-on-Trent, the Council is still awaiting details of an application.

4.0 Financial Implications

- 4.1 The Council's 50% share of the discretionary relief granted, which is approximately £36,000 in 2018/19, is paid from the Collection Fund. Any changes to the relief would eventually impact on the General Fund depending on whether the Business Rates Account overall, achieves a surplus or deficit.
- 4.2 However, given the turnover on Business Rates at approximately £25million per year, the cost to the Council is relatively insignificant.

5.0 Corporate Implications

Employment Implications

- 5.1 None

Legal Implications

- 5.2 None

Corporate Plan Implications

- 5.3 There is no specific aim or target contained in the Corporate Plan. However, it is considered that the awarding of discretionary relief supports local businesses; this is a key part of the "Progress" Theme in the Corporate Plan.

Risk Impact

- 5.4 None

6.0 Community Impact

Consultation

- 6.1 As detailed in the report, all affected organisations have been informed that their entitlement to discretionary relief will cease on 31 March 2019 and that they will need to reapply. Applications have been received from several of the organisations currently receiving discretionary relief.

Equality and Diversity Impact

- 6.2 The proposed Revaluation Relief Scheme is generic and is therefore considered to be neutral regarding protected characteristics under the Equality Act 2010, i.e. there should be no negative impacts.
- 6.3 Relief provided to charitable and rural organisations should be considered on an individual case-by-case basis to ensure that there is no negative impact.

Social Value Impact

- 6.4 The awarding of discretionary relief supports local community groups who provide cultural, recreational and educational facilities for local residents. Several of these groups also seek to support more vulnerable members of the local community and people on low incomes, etc.

Environmental Sustainability

- 6.5 None directly

7.0 Background Papers

- 7.1 None

APPENDIX 1

Relief Granted to Charitable Organisations		Mandatory Relief 2018/19	Discretionary Relief 2018/19
Active Nation UK Limited - Etwall Leisure Centre	20% Discretionary	£60,343.20	£15,085.80
Active Nation UK Limited - Green Bank Leisure Centre	20% Discretionary	£100,572.00	£25,143.00
Goseley Community Centre	20% Discretionary	£749.36	£187.34
Hilton Village Hall	20% Discretionary	£3,510.16	£877.54
Melbourne Community Care Group (Derby Road, Melbourne)	20% Discretionary	£1,508.78	£377.19
People Express (Sharpe's Pottery)	20% Discretionary	£2,685.74	£671.43
Bus Park Community Café, Swadlincote	20% Discretionary	£344.76	£86.19
Swarkestone Cricket Club	20% Discretionary	£1,071.57	£267.89
Shardlow Canal and River Trust (Heritage Centre)	20% Discretionary	£685.03	£171.26
Sharpe's Pottery Heritage and Arts (Unit 13)	20% Discretionary	£779.98	£195.00
Sharpe's Pottery Heritage and Arts (Magic Attic)	20% Discretionary	£3,500.30	£875.08
Sharpe's Pottery Heritage and Arts (Visitor Centre)	20% Discretionary	£7,888.00	£1,972.00
Old Post Centre, Newhall	20% Discretionary	£3,431.28	£857.82
Hilton Harriers FC	20% Discretionary	£3,508.08	£877.02
Our Monkey Club Community Interest Company, Church Gresley	80% Discretionary	£0.00	£19,200.00

Total Relief - Charitable Organisations

£190,578.24	£66,844.56
--------------------	-------------------

Relief Granted to Rural Organisations

Highfields Happy Hens (Open Farm) Etwall	50% Discretionary	0.00	£473.52
Ukrainian Youth Association (UK) Tarasivka Camp Weston-on-Trent	50% Discretionary	0.00	£6,000.00

Total Relief - Rural Organisations

0.00	£6,473.52
-------------	------------------

Total Discretionary Relief Granted 2018/19

£73,318.08

Cost to the Council at 50%

£36,659.04
