
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 10
DATE OF MEETING:	12th OCTOBER 2017	CATEGORY: OPEN DELEGATED
REPORT FROM:	DIRECTOR OF FINANCE and CORPORATE SERVICES	
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/business rates/revaluation 2017/discretionary rate relief schemes July 2017
SUBJECT:	DISCRETIONARY BUSINESS RATE RELIEF SCHEMES	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 12

1.0 Recommendations

- 1.1 That the proposed Discretionary Business Rate Revaluation Relief Scheme for 2017/18 to support local businesses in South Derbyshire worst 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 2017/18 has increased by 10% or greater when compared to 2016/17.
 - The business does not qualify for any other relief.
 - 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 90% of the total increase in rates payable between 2016/17 and 2017/18.
- 1.3 That the proposed Scheme for future years is reviewed as part of the annual Budget Round.
- 1.4 That notice is given to terminate all other discretionary relief payments beyond April 2019 to allow for an annual review process to be implemented from 2019/20.

2.0 Purpose of Report

2.1 To consider a number of issues affecting discretionary rate relief which came into effect on 1st April 2017 and the impact on the local business community, together with the Council's financial position.

3.0 Detail

Existing Discretionary Business Rate Relief Schemes

3.1 Besides mandatory relief granted to eligible businesses, the Council has a well-established discretionary rate relief scheme which supports local organisations meeting certain criteria. These schemes include:

- Top-up relief of up to 20% for local Charities receiving 80% mandatory relief.
- Up to 100% relief for 'Not for profit' organisations.
- Hardship Relief of up to 100% in exceptional circumstances where the general body of taxpayers will derive some benefit from the granting of the relief.
- Part-occupied empty relief (*commonly known as Section 44a*) based on a Rateable Value apportionment in respect of the non-productive and unused area(s) of a business.

3.2 These relief schemes support several small sports clubs and community groups across the District, together with larger organisations such as Active Nation (in its capacity as a Trust) together with Sharpes Pottery and the Old Post Centre (Newhall).

3.3 Section 44a relief is being used to support the relocation of a major business within the District. The granting of this specific relief has to be considered on a case-by-case basis due to the higher cost on the general body of taxpayers.

Cost of Discretionary Relief

3.4 The cost of Discretionary Relief is contained in the Collection Fund, with the Council's share being 40%. The granting of Discretionary Relief is declared to the Government.

3.5 The cost of on-going discretionary relief (excluding 44a) currently awarded under the Council's policy, is approximately £75,000 per year. These reliefs are currently reviewed every two years or whenever a change of policy is necessary (usually following changes in legislation or Government funding arrangements).

3.6 However, it is considered that given the nature and range of changes within recent Government announcements (as detailed later in the report) this will make this approach less practical in future years. Therefore, it is

recommended that individual reliefs are reviewed each year as part of the annual budget round.

- 3.7 To give the relevant organisations sufficient notice of this proposed change, it is recommended that this is implemented in April 2019, i.e. for the budget year 2019/20. This means that any relief currently granted for 2018/19 will remain.

Autumn Statement 2016

- 3.8 The Government's Autumn Statement 2016 introduced the following support for Business Rates:

- A £1,500 discount per year for two years for office space occupied by a Newspaper (*there are no businesses within South Derbyshire currently eligible for this discount*)
- A new 100% relief (for 5 years from April 2017) for the provision of full fibre broadband and 5G infrastructure on premises owned by telecommunication companies. A separate Bill is currently passing through Parliament to approve this relief. It will mainly apply to the national telecommunication companies (BT, Cable and Wireless, etc.) who are rated nationally on a central register. Any local telecommunication businesses will appear on the local list. There are currently no qualifying businesses in South Derbyshire.
- Full rural rate relief for being the only shop or post office in a village with a Rateable Value (RV) of less than £8,500, or the only public house or petrol station with a RV of less than £12,500, where the local population is less than 3,000.
- For all other small businesses, a permanent doubling of Small Business Rate Relief (SBRR) from 50% to 100%, with increases in RV thresholds from £6,000 to £12,000.

Therefore, any business with a RV less than £12,000 no longer pays any Business Rates. Businesses with a RV between £12,000 and £15,000 are entitled to a tapering relief of 1% relief for every £30 RV. Beyond that, businesses with a RV of less than £51,000 pay a reduced rate in the pound (46.6p) compared to the standard rate of 47.9p.

Cost of Providing Relief and Funding

- 3.9 The Council has implemented these reliefs, with the total cost of granting the reliefs being met by the Government. As in previous years, where the Government have provided temporary reliefs to support businesses, they have reimbursed the reduction in income for each authority with a specific grant.
- 3.10 The value of the new reliefs is fairly minimal in South Derbyshire, except for the doubling of the SBRR with the associated increases in RV. The value of this relief is approximately £960,000 in 2017-18 with over 1,000 smaller sized businesses (around a third of all businesses) no longer paying any Rates.

3.11 The Government (during the previous Parliament) had indicated that they would no longer fund the cost of granting SBRR when 100% of Business Rates receipts would be retained in local government. This was expected to be implemented in 2019/20.

3.12 Following the General Election in June 2017 and the subsequent “Queen’s Speech”, the legislation that was expected to enact “100% retention” was not included. This has created some uncertainty about the funding of SBRR in future years and this will need to be kept under review.

Spring Budget 2017

3.13 In March 2017, the Government set out two further packages of support to businesses. Following a period of consultation and confirmation of guidelines, these reliefs are:

- Supporting small businesses by capping the increase in rates payable by a business losing all or some of the SBRR to £600 in 2017/8 only; this has been implemented.
- “Support for Pubs Scheme” through a one-off £1,000 discount in 2017/18 for public houses with a RV of less than £100,000. This relief is currently being implemented and will benefit approximately 40 pubs in the District.

Rating Revaluation 2017

3.14 At the time of the March 2017 Budget, the Government also announced additional funding of £300m nationally over the next 4 years, 2017 to 2021. This is aimed at supporting local businesses adversely affected by the 5-yearly national revaluation, in this instance, taking effect from April 2017. The funding is front-loaded in Year 1 (2017/18) and tapers down by 2020/2021.

3.15 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.

3.16 However, it is for each council to decide locally its own scheme for best allocating this funding. Unlike other reliefs, there is no national scheme and each council has full discretion under existing legislation.

3.17 The Government however, have 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 suggested relief should be restricted to local businesses only and not national chains or groups.

The Council's Funding Share

- 3.18 The Council has been allocated funding of £202,000 for 2017/18. Indicative figures are £98,000 for 2018/19, £40,000 for 2019/20 and £6,000 for 2020/21 - £346,000 in total.
- 3.19 The Council can choose to design a scheme that costs more, but it would not be able to reclaim any difference. Where the full amount is not used, it will be reclaimed by the Government, although the Government have been asked by representative bodies to consider whether any unused funding in one year can be carried forward to the following year.

Options for a Local Scheme in South Derbyshire

- 3.20 As a starting point, it would appear sensible that the Council bases its scheme on the principles of the national funding formula used by the Government, together with their indications of where funding should be targeted. The scheme would then have the following criteria.
- A RV less than £200,000.
 - Business Rates payable in 2017/18 has increased by 12.5% or greater when compared to 2016/17.
 - A business does not qualify for any other relief.
 - A business is not part of a national chain or group of companies, i.e. it is a local business in the District.
- 3.21 Eligible businesses meeting this criteria would cost approximately £180,000 in 2017/18, leaving £22,000 remaining compared to the funding amount of £202,000. This would support approximately 50 local businesses, whose average increase in rates payable is approximately £3,800 in 2017/18.
- 3.22 If the Government were to allow any unused funding to be carried forward into 2018/19, this would allow the reduced allocation in that year to be topped-up. However, this is not certain and the Government have yet to give any indication on that proposal put forward by representative bodies.
- 3.23 Within the above criteria, there is only one business that could be associated with a national chain as all others (supermarkets, local convenience stores, etc.) have a RV above £200,000.

Maximising the Full Allocation

- 3.24 To ensure that the full allocation is used, the percentage increase in rates payable by eligible businesses between 2016/17 and 2017/18 would need to be reduced. The best fit would be to set this percentage at 10% (reduced from the 12.5%). This would allow a further 30 businesses to be supported.

- 3.25 However, this would cost a further £45,000, taking the total cost to approximately £225,000, above the funding amount of £202,000. Based on the profile of increases for potentially eligible businesses, there is no exact point at which £202,000 fits perfectly.
- 3.26 It is considered that the cost of a 10% increase of £225,000 would be the maximum. It is likely that some of the eligible businesses that fit all the criteria at 10% will be successful in outstanding appeals which could reduce their RV, taking them outside of the proposed scheme.
- 3.27 Clearly, this is not certain. Any cost above £202,000 would be a cost on the Collection Fund which, based on these estimates would be approximately £23,000.

A Pro-Rata Transitional Scheme

- 3.28 It is considered that the 10% minimum increase, compared to 12.5%, maximises the funding available as it potentially supports more businesses. 30 businesses have increases between 11% and 12%.
- 3.29 To allow the cost to be contained within the funding, a further option would be to pro-rata the funding over all increases satisfying the base criteria of 10%.
- 3.30 There are a range of increases from £900 to £25,000. Scaling back the total cost of £225,000 to £202,000 would mean that eligible businesses would pay approximately 10% of their increase in 2017/18, i.e. they would receive 90% relief.
- 3.31 There does not appear to be an exact method to ensure a “clean” fit. The main risk is that the Council does not use all eligible funding and it is clawed back, with some eligible businesses potentially losing support.
- 3.32 If the amount is exceeded, then the Council and ultimately, the general body of taxpayers pay for the difference. However, the Council may consider that this is for the greater benefit of South Derbyshire, as these businesses generally provide employment for local people.
- 3.33 Therefore, to maximise funding and to limit the cost exceeding the overall funding, it is recommended that the following discretionary scheme is implemented in 2017/18.

A business will receive Discretionary Revaluation Relief where

- Its RV is less than £200,000.
- Its Business Rates payable in 2017/18 has increased by 10% or greater when compared to 2016/17.
- The business does not qualify for any other relief.

- 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 90% of the total increase in rates payable between 2016/17 and 2017/18.

Future Funding

3.34 The national funding has effectively 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.

3.35 If the proposed scheme for 2017/18 is approved, the 90% relief limit would need to be reduced in future years to stay within the funding as shown in the following table

2017/18 – relief limited to 90%
2018/19 – relief limited to 45%
2019/20 – relief limited to 20%
2020/21 – relief limited to 2.5%
2021/22 – full increase paid

Consultation

3.36 A requirement of the proposed scheme is that the Council must consult with other major preceptors within the Business Rates Funding Framework, i.e. the County Council, together with the Fire and Rescue Service for Derbyshire.

3.37 Details of the proposed scheme have been shared with these preceptors.

4.0 Financial Implications

4.1 As detailed in the report.

5.0 Corporate Implications

5.1 None

6.0 Community Implications

6.1 The aim of discretionary relief schemes is intended to support local businesses in the area that create employment across the District.

7.0 Background Papers

7.1 None