

REPORT TO: CABINET

DATE: 14 SEPTEMBER 2017

TITLE: NON-DOMESTIC RATES - DISCRETIONARY RATE RELIEF POLICY

PORTFOLIO HOLDER: COUNCILLOR MIKE DANVERS, PORTFOLIO HOLDER FOR RESOURCES

LEAD OFFICER: SIMON FREEMAN, HEAD OF FINANCE (01279) 446245

CONTRIBUTING OFFICER: DONNA BEECHENER, REVENUES & BENEFITS MANAGER (01279) 446245

This is a Key Decision

It is on the Forward Plan as Decision number I007621

This decision is not subject to Call-in procedures for the following reasons:

The decision stands as a recommendation to Council

This decision will affect no ward specifically.

RECOMMENDED that:

- A** That the proposed Discretionary Rate Relief Policy, as set out in Appendix A to this report, is recommended to Full Council for adoption.

REASON FOR DECISION

- A** To rationalise the Council's business rates relief policies and to ensure recent Government changes are approved and incorporated in to the new policy.
- B** In the spring budget, the Government announced a new Local Discretionary Rate Relief Scheme where councils can grant ratepayers a discretionary reduction in their non-domestic rate bills after other reliefs have been granted. This new scheme extends the Council's existing discretionary powers to reduce a ratepayer's rate bill.
- C** In order to grant discretionary rate relief, the Council must adopt a local policy and, in accordance with the discretionary rate relief powers contained within Section 47 of the Local Government Finance Act 1988 (as amended), decide in each individual case when relief should be granted.
- D** The policy proposed in this report takes into account the guidance issued in January 2014 by the Department of Communities and Local Government (DCLG) and the recent guidance issued in respect of the new local

discretionary schemes.

BACKGROUND

1. The Council has operated under its current Non-Domestic Rates Discretionary Relief Policy since 2013. With the new announcements made by the Government as part of the 2017 spring budget, there is an opportunity to both incorporate the new requirements and update the existing policy.
2. The Government has undertaken a national business rates revaluation of all commercial premises, and from 1 April 2017 all such premises have been assigned a new Rateable Value. The assignment of the new values has created a national increase in business rates payable by business operating from those premises.
3. The Government has announced new reliefs – ‘Supporting Small Businesses’, ‘Business Rates Relief Scheme for Pubs’, and a ‘Discretionary Relief Scheme’. Whilst national guidance has been issued for the first of these two new reliefs, the Government has made it clear that it expects local billing authorities to introduce their own schemes in the form of Local Discretionary Relief Schemes to help support businesses where they had experienced large increases in their business rates as a result of the business rates revaluation process.
4. The proposals set out in this report and the proposed Discretionary Rate Relief Scheme attached as Appendix A make provision for these three new reliefs.
5. In order to implement the local scheme, the Government expects councils to use their discretionary powers under Section 47 of the Local Government Finance Act 1998 to grant relief to all qualifying ratepayers.
6. The cost to the Council and major precepting councils of awarding the new reliefs will be fully reimbursed by central Government through the rates retention scheme and Section 31 Grant.
7. The DCLG has advised that these changes to non-domestic rates constitute new burdens, and the Council has received £12,000 to cover the additional administrative and software costs incurred in preparing for the implementation of the reliefs.

ISSUES/PROPOSALS

Supporting Small Business

8. In the Budget, the Chancellor announced that a new scheme of relief would

be made available to those ratepayers facing large increases in their rates bill with effect from 1 April 2017 as a result of the loss of small business rate relief due to the business rates revaluation.

9. To support these ratepayers, the Supporting Small Businesses relief will ensure that the increase per year in the bills of these ratepayers is limited to the greater of:
 - a) An annual percentage increase of 5 percent, 7.5 percent, 10 percent, 15 percent and 15 percent in the period 2017/18 to 2021/22, plus inflation, (unlike the business rates transitional relief scheme, for the first year of the scheme the percentage increase is taken against the bill for 31 March 2017 after small business rate relief); or
 - b) A cash value of £600 per year (£50 per month). This cash minimum increase ensures that those ratepayers paying nothing or very small amounts in 2016/17 after small business rate relief are brought into paying something.
10. In the first year of the scheme, this means all ratepayers losing some or all of their small business rate relief will see the increase in their bill capped at £600. This means that ratepayers who are currently paying nothing under small business rate relief and are losing all of their entitlement to relief (i.e. moving from £6,000 rateable value or less to more than £15,000) would under this scheme be paying £3,000 in year five (2021/22).
11. Those on the Supporting Small Businesses relief scheme whose 2017 rateable values are £51,000 or more will not be liable to pay the supplement (1.3 pence) to fund small business rate relief while they are eligible for the Supporting Small Businesses Relief Scheme.
12. Ratepayers remain in the Supporting Small Businesses Relief Scheme for either five years, or until the bill due is equal to the bill they would have paid without the scheme. A change of ratepayers will not affect eligibility for the Supporting Small Businesses Relief Scheme but eligibility will be lost if the property becomes vacant or is occupied by a charity or community amateur sports club.
13. Analysis has identified that relief will be awarded to nine ratepayers in Harlow under this scheme.
14. Full details of the eligibility criteria for Supporting Small Business Relief are set out in Appendix A to this report.

Support for Public Houses

15. The Government has announced a £1,000 business rate discount for eligible public houses with a rateable value of less than £100,000 for one year from 1 April 2017.
16. There is no definitive description of a traditional pub or public house in law which could be readily used by the Council to determine eligibility. The objective has been to adopt an approach that makes the design and eligibility of the scheme easy to implement in a clear and consistent way, is widely accepted by the industry and which is consistent with the Government's policy intention.
17. The Government's policy intention is that eligible pubs should:
 - a) Be open to the general public;
 - b) Allow free entry other than when occasional entertainment is provided;
 - c) Allow drinking without requiring food to be consumed; and
 - d) Permit drinks to be purchased at a bar.
18. For these purposes it should exclude, restaurants, cafes, nightclubs, hotels, snack bars, guesthouses, boarding houses, sporting venues, music venues, festival sites, theatres, museums, exhibition halls, cinemas, concert halls, and casinos.
19. The proposed exclusions in paragraph 18 above is not intended to be exhaustive and it will be for the Council to determine those cases where eligibility is unclear.
20. Analysis has identified that relief will be awarded to 29 ratepayers in Harlow under this scheme.

Local Discretionary Relief Scheme

21. The Government has also announced the establishment of a £300 million discretionary fund over four years from 2017/18 to support businesses with their rates bills. The funding will be allocated over the four years from 2017/18 as follows :
 - a) £175 million in 2017/18 (58 percent);
 - b) £85 million in 2018/19 (28 percent);

- c) £35 million in 2019/20 (12 percent); and
- d) £5 million in 2020/21 (2 percent).

22. The Government's allocation of the above funding at the local level has provided the following grant allocations for Harlow:

2017/18	2018/19	2019/20	2020/21
£137,000	£66,000	£27,000	£4,000

23. The design and administration of schemes is for councils to decide, and the proposed scheme set out in the attached policy is designed to support those local businesses that have incurred the largest increase in business rates as a result of the revaluation exercise within the funding that has been made available through the Section 31 grant as detailed above.

24. The key features of the scheme will be:

- a) To qualify for relief the business premises must have a rateable value of more than £20,000 and less than £150,000.
- b) Relief will only be granted where the ratepayer is in occupation of the premises on the 31 March 2017 and 1 April 2017.
- c) The calculated rates payable at the 31 March 2017 will be compared with the calculated rates payable at 1 April 2017 and where this calculation results in an increase of more than 5 percent, relief will be awarded.
- d) Additional relief will not be awarded where the rateable value increases after the 1 April 2017.
- e) The scheme will cover a period of four years, and relief will be awarded on the following basis:
 - i) Year one – 5 percent relief
 - ii) Year two – 2.5 percent relief
 - iii) Year three – 1 percent relief
 - iv) Year 4 – application basis only.
- f) Relief is being targeted to local businesses, and national and large chain businesses will be excluded*.

**A group of outlets owned by one company and spread across various locations nationwide or worldwide, with similar appearance and providing similar services or goods across the outlets.*

25. The revaluation relief funding will be applied after all other reliefs have been allocated.
26. Analysis has identified that relief will be awarded to 136 business premises in Harlow under this scheme. The estimated cost of relief in Harlow each year of the scheme is as follows:

2017/18	2018/19	2019/20	2020/21
£131,000	£65,500	£26,200	£4,000

27. Full details of the eligibility criteria for Local Discretionary Relief are set out in Appendix A to this report.

IMPLICATIONS

Place (includes Sustainability)

As contained within the report.

Author: **Graeme Bloomer, Head of Place**

Finance (Includes ICT)

The proposals set out in this report are aligned with the intentions of the Governments announcements made in the 2017 Spring Budget and are affordable in terms of the allocations of grant that have been announced.

Author: **Simon Freeman, Head of Finance**

Housing

As outlined in the body of the report.

Author: **Andrew Murray, Head of Housing**

Community Wellbeing (includes Equalities and Social Inclusion)

As contained within the report.

Author: **Jane Greer, Head of Community Wellbeing**

Governance (includes HR)

The Government confirms that billing authorities should deliver their local scheme through the use of discretionary relief powers, under S47 of the Local Government Finance Act 1988, in a similar way to other Government initiatives. The Council by providing revaluation support to rate-payers would likely amount to State Aid. State Aid is the means by which the European Union

regulates state funded support for businesses.

However, the support for ratepayers will be State Aid compliant where it is provided in accordance with the De Minimis Regulations (Commission Regulation 1407/2013). To ensure that the Council is satisfied that the above is complied with an application would need to be accompanied by a declaration of State Aid compliance

Author: **Brian Keane, Head of Governance**

Background Papers

None.

Glossary of terms/abbreviations used

None.

Appendices

Appendix A – Harlow Council Policy for the Granting of Discretionary Non-Domestic Rate Relief