

## Central Bedfordshire Council

EXECUTIVE

10 October 2017

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### **National Non Domestic Rates, Discretionary Rate Relief Policy**

Report of Cllr Richard Wenham, Deputy Leader and Executive Member for Corporate Resources ([richard.wenham@centralbedfordshire.gov.uk](mailto:richard.wenham@centralbedfordshire.gov.uk))

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**This report relates to a Key Decision**

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#### **Purpose of this report**

1. The purpose of the report is for the Executive to review the update to the Council's Discretionary Rate Relief Policy.

#### **RECOMMENDATIONS**

**The Executive is asked to:**

1. **approve the update to the National Non Domestic Rate Discretionary Relief Policy.**

#### **Overview and Scrutiny Comments/Recommendations**

2. The Corporate Resources Overview and Scrutiny Committee reviewed the proposals set out below on 21 September and recommended that the new Discretionary Rate Relief scheme is approved. Noting the very small value available for distribution in the final year of the scheme, the Committee further recommended that the Director of Resources, in consultation with the Executive member for Corporate Resources, is given delegated authority to decide on how best to distribute the available funds in that year, and to amend the scheme to that end.

#### **Background**

3. On the 1 April 2017 a re-valuation of business rates rateable values was implemented. The previous revaluation took place in April 2010. These revaluations are meant to be every five years although in 2012 the Government announced that the 2015 revaluation was delayed until 2017.

4. Rateable Values are calculated by the Valuation Office Agency, an executive agency of HM Revenue and Customs, and are based on market rental values, size, usage and location.
5. The overall increase in the Central Bedfordshire valuation list on 1 April following the revaluation was 2.76% or £5,678,949 Rateable Value (RV), with the highest average increases being seen in the holiday centre sector - 44% increase, educational and training sector - 22% increase, schools and colleges 16% increase, petrol stations 10%, restaurants 4% and licensed premises 3.3%. The sectors seeing the highest average decreases included factories 3%, offices 5% and local government offices 12%.
6. Although on average the RV has increased from April 2017 the rate poundage multiplier reduced by 4%. This means that when rates bills are calculated although the RV may have increased the actual rates payable would have increased less than the RV increase.
7. Following every revaluation there is a Transitional Relief scheme which protects businesses with disproportionately high RV changes and also restricts the benefits of large decreases. The scheme is cost neutral and means that the phasing of RV increases has to be compensated by a phasing in of RV reductions. Although the scheme is quite complicated, it in effect restricts the level of rates increase or decrease a business would face over the five year period of the revaluation. The transitional relief a business would receive under the scheme is based on the RV of the property.
8. Under the business rates regulations there are different ways businesses may have their rates reduced. Some of the reliefs are mandatory and set within legislation such as small business rate relief (reductions for businesses where the RV is below a certain figure), empty rate relief where premises are unoccupied, charitable relief where a business is a charitable body. In addition some reliefs are discretionary and determined by the Council, such as discretionary relief as a "Top Up" to charitable relief, discretionary relief where mandatory relief is not awarded and hardship relief.
9. In the Governments Budget on 8 March 2017, the Chancellor announced a range of initiatives to assist businesses affected by the revaluation, including making available a discretionary fund of £300 million 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 revaluation.

10. The Government has stated that “Local Government is best placed to determine how this fund should be targeted and administered to support those businesses and locations within their area that are in greatest need”. The Government have described this initiative as “revaluation support”.
11. The Government believes that local authorities are best placed to judge the particular circumstances of local ratepayers and direct the funding where it is most needed to support local economies. The Government has allocated the available funding to each billing authority area based on assumptions about how authorities will target their relief scheme. The Government wants local authorities to implement a scheme as quickly as possible following consultation to provide financial support to those companies and businesses requiring it.
12. The government has said:  
*“We expect billing authorities to have in place clear and swift arrangements for communicating with ratepayers both on the confirmed and likely terms of the new schemes for relief covered by this Business Rates Information Letter, as well as on the anticipated timescale for billing or re-billing, where applicable. This should include but not be limited to having sufficient capacity in place to deal with enquiries from ratepayers in a timely fashion, as well as directing ratepayers to appropriate online resources in any communications.”*
13. There were two further reliefs for businesses introduced in the Spring Budget to provide additional support to businesses facing increases in business rates because of the national revaluation.

### **Small Business Transitional Relief - Supporting Small Business Relief**

14. The Chancellor announced that a scheme of relief would be available to those ratepayers facing large increases as a result of the loss of small business or rural rate relief.
15. The existing transitional relief scheme does not provide support for changes in reliefs. Therefore, those ratepayers who are losing some or all of their small business or rural rate relief may be facing a large percentage increase in their rate bills from 1 April 2017. To support these ratepayers, the Supporting Small Business Relief will ensure that no affected ratepayer should pay more than £50 extra per month (i.e. over £600 over a 12 month period).
16. In Central Bedfordshire we have 21 small businesses that will benefit from this relief amounting to approximately £22,000.

### **Support for Pubs**

17. The Government also announced a new rate relief scheme for pubs that have a RV of below £100,000.

18. Under the scheme, eligible pubs will receive a £1,000 discount on their bill. The relief will have effect for 2017/18. Both this scheme and the Small Business transitional scheme are prescribed by Central Government and will be applied automatically to qualifying businesses. In Central Bedfordshire we have 147 pubs that will benefit from this discount.

### **Discretionary Business Rate Relief Scheme**

19. In the Government announcement regarding discretionary relief the Government assumes that local authorities will only support businesses that had an increase in their bill and will make this a condition of the funding. It further assumes that by and large authorities will offer support to ratepayers or locations that face the most significant increases in their bills and ratepayers occupying lower value properties.
20. There is also an additional steer around what is deemed as a substantial increase in the way that each authority's grant funding has been calculated, which is:
- the rateable property has a RV for 2017/18 that is less than £200,000
  - the increase in rateable property's 2017/18 bill is more than 12.5% compared to its 2016/17 bill (before reliefs)
21. The funding provided to CBC for the scheme through to 2020/21 is set out at the table below:

<b>Year</b>	<b>Value</b>
2017/18	£366k
2018/19	£178k
2019/20	£73k
2020/21	£10k
Total Funding	£628k

22. In terms of making an award the Government has stated within the guidance that "The Non-Domestic Rating (Discretionary Relief) Regulations 1989 require authorities to provide ratepayers with at least one years' notice in writing before any decision to revoke or vary a decision so as to increase the amount the ratepayer has to pay takes effect.
23. Such a revocation or variation of a decision can only take effect at the end of a financial year. But within these regulations, local authorities may still make decisions which are conditional upon eligibility criteria or rules for calculating relief which allow the amount of relief to be amended within the year to reflect changing circumstances.

24. The proposed policy with qualification criteria for administering this scheme for Central Bedfordshire is set out at Appendix A of this paper. The policy details the conditions for businesses who will qualify for assistance under the new scheme.
25. The scheme will enable local Discretionary Rate Relief to be awarded to all businesses that meet the criteria and where their net rates charge for 2017/18 is 12.5% or more than their charge for 2016/17 and the RV is less than £200,000.
26. The amount of relief to be awarded will be based on the funding available divided by the total net increase in rates payable by all the qualifying ratepayers. This equates to about 75 pence for every £1 increase in rates charge for the qualifying businesses.
27. It is estimated that using this criteria 150 business ratepayers will receive relief totalling £360,000. The range of awards is £53 to £8,882.
28. If a business ratepayer vacates during the year the relief will be apportioned for the period of occupation.

### **Consultation**

29. Consultation on the proposals will take place for a period of 6 weeks from 14 August to 29 September and the results will be provided to the Committee as a verbal update. The consultation document has been published on the Council web site and is open to all residents, businesses and stakeholders to respond.
30. Billing authorities are required to consult with major precepting authorities before adopting any discretionary relief support scheme.

### **Options for consideration**

31. None.

### **Reasons for decision**

32. So that the Council's Discretionary Rate Relief Policy can be updated to reflect the new reliefs announced in the Spring Budget.

### **Council Priorities**

33. By awarding financial assistance to businesses the proposed amendment to the Discretionary Rate Relief scheme is designed to support the Council's Medium Term Priority of:
  - Enhancing Central Bedfordshire – creating jobs, managing growth, protecting our countryside and enabling businesses to grow.

## **Corporate Implications**

### **Risk Management**

34. The key risk associated with these discretionary reliefs is a financial one relating to state aid rules. The risk is low and is in the control of the Council through the implementation of proper policies and procedures.

### **Staffing**

35. The introduction of the new rate reliefs has led to a small number of ratepayers contacting the Revenues Team to discuss entitlement.

### **Legal Implications**

36. Section 47 of the Local Government Finance Act 1988 gives discretionary power to billing authorities to grant partial or full relief to certain categories of non-domestic ratepayer.
37. The Non-Domestic Rating (Discretionary Relief) Regulations 1989 allow reliefs to be restricted to a fixed period.
38. Section 69 of the Localism Act 2011 provides new discretionary power to reduce business rates for any local ratepayer. It is this new power that the Government is directing billing authorities to use to award the new categories of relief.
39. It will be for the Council to ensure that any relief granted does not transgress state aid rules.

### **Financial Implications**

40. The Government has announced that it will reimburse councils for the actual cost of relief for small businesses and pubs, granted in accordance with its guidance, through section 31 grants. It is anticipated that Central Bedfordshire Council will receive grant funding for local transitional relief of £628,000 over the four year period to 2020-21.
41. As the Council will be using discretionary powers to award the new categories of relief, reimbursement for the cost is conditional on following Government guidance. It is therefore essential to ensure that revisions to the local policy restrict relief to the circumstances specified by Government.
42. The Government have announced that authorities will be granted a one off New Burdens grant of £12,000 to deal with the implementation of this change.

43. To administer the new relief the Council has had to purchase a new software module from the Business Rates system supplier at a cost of £9,000 and then 20% yearly support and maintenance.

### **Equalities Implications**

44. Public authorities have a statutory duty to advance equality of opportunity, eliminate unlawful discrimination, harassment and victimisation and foster good relations in respect of nine protected characteristics; age, disability, gender re-assignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
45. By awarding financial assistance to businesses the policy will have a positive impact in terms of helping promote equality of opportunity and supporting access to local services and activities.

### **Conclusion and next Steps**

46. The update to the Discretionary Rate Relief Policy will deliver an equitable and transparent decision making process.

### **Appendices**

47. Appendix A – Update to the Discretionary Rate Relief Policy

### **Background Papers**

48. None.