

Report to:	Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services)	Date of Meeting:	Tuesday 13 June 2017
Subject:	Discretionary Rate Relief for Business Rates following the Revaluation of 2017		
Report of:	Head of Corporate Resources	Wards Affected:	All Wards
Portfolio:	Councillor Paulette Lappin, Cabinet Member Regulatory, Compliance and Corporate Services.		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No		

### Summary:

The 2017 revaluation has resulted in Business Rate bills of a number of premises in Sefton increasing significantly.

The purpose of this report is to provide an update on the process of adopting the powers provided by the Government for distributing Business Rates Locally Administered Discretionary Revaluation relief and to set out guidance for the award of relief to organisations that have had a significant increase in their Business Rates liability consequential from the Government's revaluation effective from 2017.

The report also provides details of other Government announcements regarding discretionary rate relief for Local Newspapers, Public Houses and small businesses ('Support to Small Business') encountering a large increase in Business Rates.

### Recommendation(s):

It is recommended that Members :

- (1) Note the attached draft guidance in respect of the Locally Administered Discretionary Revaluation Relief scheme (Appendix A) that is to be considered by Cabinet on 27 July 2017.
- (2) Note that Council will be asked to adopt a scheme at their meeting on 21 September 2017 and utilise its powers under Section 47 of the Local Government Finance Act 1988 to apply this relief.
- (3) Note that the Cabinet Member for Regulatory, Compliance and Corporate Services will be asked to utilise powers under Section 47 of the Local Government Finance Act to support Public Houses under the terms of the relief introduced by Government in the

2017 Spring Budget (to be subsequently detailed in relevant Government guidance).

(4) Note that the Cabinet Member for Regulatory, Compliance and Corporate Services will be asked to utilise powers under Section 47 of the Local Government Finance Act to provide “Supporting Small Business Rate Relief” under the terms of the relief introduced by Government in the 2017 Spring Budget (to be subsequently detailed in relevant Government guidance).

(5) Note that the Cabinet Member for Regulatory, Compliance and Corporate Services will be asked to utilise powers under Section 47 of the Local Government Finance Act to provide “Local Newspaper Relief” under the terms of the relief for Local Newspapers introduced by Government in the March 2016 Budget and subsequent consultation from 1 April 2017.

### **Reasons for the Recommendation(s):**

Sefton will be expected to use discretionary Business Rates relief to distribute the Government’s extra funding for “revaluation support” to those businesses that have seen the steepest increases in their Business Rates bills as a result of the 2017 Revaluation.

Sefton will also be expected to use its discretionary relief powers (under Section 47 of the Local Government Finance Act 1988, as amended) to grant relief to Local Newspapers, Pubs and small businesses in line with the relevant eligibility criteria, once Government guidance has been received.

These measures will assist business and support the economy of the Sefton.

### **Alternative Options Considered and Rejected:** (including any Risk Implications)

The alternative option would be not to make available discretionary support to businesses affected by Business Rates revaluation or to utilise the Government’s funding for additional relief to Local Newspapers, Public Houses or Small Business Support Relief. Such course of action would fail to support business or utilise the funding made available by the Government.

### **What will it cost and how will it be financed?**

#### **(A) Revenue Costs**

The implementation of the Business Rates Locally Administered Discretionary Revaluation relief scheme will be cost neutral provided the level of relief given does not exceed the Government’s grant allocation. If relief exceeds the funding provided by the Government it will have to be met from Council resources. However, it is not expected that the authority will make awards in excess of the relevant grant.

There is the risk of exceeding the funding for Locally Determined Discretionary Revaluation Relief; close financial monitoring will be used to mitigate this risk.

## Local Revaluation Relief

The Government has confirmed that Sefton's Section 31 grant allocation for 2017/18 is £551,739. Any grant that is not utilised in the year will need to be repaid.

The Government has not yet announced whether they will be providing the ability to flex money between the financial years. If this flexibility is not afforded it will restrict the Council's ability to maximise the impact of the grant across years and will require repayment of any unutilised grant received on account at each year-end.

The Government has indicated the following future year's maximum funding allocations to Sefton Council as follows:

2018/19	2019/20	2020/2021
£ 267,987	£110,348	£15,764

## Other Reliefs

The Government has announced that it will reimburse Councils for the actual cost of relief for Public Houses, Local Newspapers and small businesses granted in accordance with its guidance, through Section 31 grant.

The Government has confirmed that new burdens funding would be paid to cover the additional costs of administering these relief schemes and will be confirming amounts to be paid to billing authorities shortly.

### **(B) Capital Costs**

None

### **Implications of the Proposals:**

#### **Resource Implications (Financial, IT, Staffing and Assets):**

Any additional administrative burdens placed on the Billing Authority in designing and administering the new discretionary rate relief schemes will be carefully monitored but are expected to be met from existing Council budget and Government new burdens funding.

#### **Legal Implications:**

#### **Equality Implications:**

This report relates to business and no equality implications have been identified.

## Contribution to the Council's Core Purpose:

Protect the most vulnerable: Not applicable
Facilitate confident and resilient communities: Not applicable
Commission, broker and provide core services: Not applicable
Place – leadership and influencer: Not applicable
Drivers of change and reform: Not applicable
Facilitate sustainable economic prosperity:  The implementation of a Local scheme of discretionary support to properties affected by the Business Rates revaluation of 2017 will support the Council's vision for "Open for Business" - working together with businesses to create the economic conditions for economic growth and supporting Local businesses, particularly SME's.  The adoption of Government Schemes to further support Local Newspapers, Public Houses and those small business affected by steep increases in Business Rates will further support these priorities.
Greater income for social investment: Not applicable
Cleaner Greener: Not applicable

## What consultations have taken place on the proposals and when?

### (A) Internal Consultations

The Head of Corporate Resources (FD4679/17.) notes the report indicates the implementation of the Business Rates Locally Administered Discretionary Revaluation relief scheme should be cost neutral for the Council. Close financial monitoring will be undertaken to mitigate any risk of exceeding the funding for Locally Determined Discretionary Revaluation Relief. The Head of Regulation and Compliance (LD 3963/17) has been consulted and any comments have been incorporated into the report.

### (C) External Consultations

As this is a Government measure, consultation has been undertaken nationally.

The authority is required to consult with its major Precepting Authorities - Merseyside Fire and Rescue Service and Merseyside Police and Crime Commissioner; and the Combined Authority regarding the guidance in Appendix A – Business Rates Locally Administered Discretionary Revaluation Relief Guidance (Draft).

The Council does not have to consult with businesses in the borough but is encouraged to identify and notify businesses that are likely to benefit from the new reliefs.

## Implementation Date for the Decision

Following the expiry of the “call-in” period for the Minutes of the Cabinet Meeting

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### **Appendices:**

Appendix A – Business Rates Locally Administered Discretionary Revaluation Relief Guidance (Draft)

### **Background Papers:**

There are no background papers available for inspection.

## **1. Introduction/Background**

1.1 The Government determined to revalue Business Rates properties taking effect from 2017 based on 2015 values. The review was not intended to raise additional revenue, but rather to update rental values for properties. It was therefore intended to be ‘fiscally neutral’ nationally. However regionally and at an individual taxpayer level the effect varied, such that some Business Rate payers have encountered significant increases and decreases. A system of transitional relief applies such that the gains and losses to individual taxpayers are limited in any one year and introduced over a five year period.

1.2 The Government has recently determined that Local Authorities can also make available additional discretionary relief to properties affected by significant increases in their Business Rates via a £300m fund which it has introduced for this purpose. This was announced as part of the Spring Budget.

1.3 Sefton’s allocation of the Government funding for discretionary rate relief is expected to be £945,838 spread across the next 4 years.

1.4 Local Authorities have the power to design their own discretionary Business Rates relief scheme to determine how the funding for “revaluation support” is distributed across business locally. This is subject to certain Government conditions which have been provided to Local Authorities by way of draft guidance.

1.5 This report also provides details of additional discretionary support for Local Newspapers, Public Houses and small businesses encountering a large increase in Business Rates (“Support to Small Business”); these measures were announced in the 2016 Budget and Spring Budget 2017 to take effect from 1 April 2017.

1.6 The Government will be compensating Billing Authorities through a Section 31 grant for the cost of granting the reliefs.

1.7 The Government has provided initial guidance to Local Authorities on these schemes of relief and expects Local Authorities to have in place arrangements for communicating with ratepayers both on the confirmed and likely terms of relief to be provided as well as the anticipated timescale for re-billing where applicable.

1.8 Awards under each of the four schemes described below are limited by rules on state aid, which allow an undertaking to receive no more than 200,000 Euro over a 3 year period. The procedures for awards will include safeguards in this regard.

1.9 The Government announced a consultation on the scheme for Locally Administered Business Rate Revaluation relief, which closed on 7 April. Allocations to Local authorities were confirmed on 21 April and a grant determination sent out on 28 April.

1.10 On 15 May 2017 The Government wrote to Local Authorities with an update to support the work surrounding the Business Rate relief schemes and advised that Councils should now be proceeding with developing their Local schemes.

1.11 Final advice and guidance on the operation and scope of the schemes will be provided by the Government as soon as possible, likely after the General Election.

## **2.0 Locally Determined Discretionary Revaluation Relief**

2.1 As part of the Spring Budget on 8 March 2017 the Government announced a national fund of £300M to provide discretionary rate relief to taxpayers facing significant increases in their Business Rates consequential from the recent revaluation.

2.2 This assistance will be provided under Section 47 of the Local Government Finance Act 1988; this means that it will use existing legal powers.

2.3 The scheme will be funded under Section 31 of the Local Government Finance Act 2003; in this case the revaluation relief locally will only be funded by the Government up to the value of Local Authority's published grant allocation.

2.4 The Government has indicated the funding that will be made available to each Local Authority. Sefton's grant allocations are set out below;

<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/2020</b>	<b>2020/2021</b>
<b>£551,739</b>	<b>£267,987</b>	<b>£110,348</b>	<b>£15,764</b>

2.5 Assistance can only be provided, under the terms of the grant, to ratepayers who face an increase in their bills following revaluation and the Government has made clear that it expects such grants to be made to those facing significant increases in 'lower value properties'. Although the Government has not defined 'lower value properties' it is notable that the formula for grant allocation relates solely to increases for those properties with a rateable value of less than £200,000 with an increase of 12.5% or more; this could therefore be construed to be the Government's broad view on the parameters for applicants.

2.6 Draft guidance for the award of Locally Administered Revaluation Relief is at Appendix A to this document. The guidance sets out:

- a) Those businesses eligible to apply.
- b) How an application should be made.
- c) The matters to be considered in determining such awards.
- d) Decision making and the process for review of such decisions, when a review is requested by the applicant.

2.7 The authority is required to formally consult its major Precepting Authorities - Merseyside Fire and Rescue Services and Merseyside Police and Crime Commissioner together with the Combined Authority on the design of the scheme.

2.8 It is important that the Local Authority makes full use of the available funds from Government to support businesses in need of this targeted support. However it is not expected that the authority will make awards in excess of the relevant grant. Appropriate financial monitoring systems will need to be implemented in relation to expenditure.

### **3.0 Additional Business Rates Relief for Public Houses**

3.1 In addition to the discretionary support referred to above the Government has announced support to Public Houses with a rateable value of up to £100,000 (subject to state aid limits for businesses with multiple properties) for one year from 1 April 2017.

3.2. Eligible Pubs will receive a discount of up to £1,000 on their 2017/18 bill.

3.3 Local Authorities are waiting for a further announcement from Government on eligibility for this relief. However, subject to state aid rules, it is estimated that in the region of 100 pubs in Sefton will qualify for this relief.

3.4. The authority will be fully reimbursed for the costs of granting this relief under Section 31.

3.5 The Council's Revenues Service will promote the take up of this relief however an application will be required to ensure that state aid rules are not contravened.

## **4.0 Supporting Small Businesses Relief**

4.1 Within the Spring Budget the Government announced further support to small businesses affected by the revaluation; this is to be known as 'Support to Small Business' relief. This relief will help those ratepayers who as a result of the change in their rateable value at the revaluation are losing some or all of their Small Business Rates Relief and are facing large increases in their bills. For businesses that qualify their increase in rates will be limited to no more than £600 per year (£50 per month). Subject to state aid rules it is estimated that in the region of 53 businesses will qualify in Sefton.

4.2 The Government has also taken steps to extend existing Small Business Rates Relief as part of the revaluation. Prior to April 2017 small business with a rateable value of between £6,001 and £12,000 received tapered relief from 100% to 0%; from 1 April 2017 the thresholds have increased to £12,000 for the 100% relief and £12,001 to £15,000 for the tapered relief. This ensures that many ratepayers previously entitled to small Business Rate relief will pay less or nothing following the revaluation. However, some ratepayers that are facing large increases in their rateable value will lose some or all of their small Business Rate relief; it is this latter group that the proposed Supporting Small Business Relief is targeted at.

4.3 'Small Business Support' will be awarded under Section 47 of the Local Government Finance Act 1988; as this is technically a discretionary power the authority needs to formally confirm that it will utilise the power.

4.4 The authority will be fully reimbursed for the costs of granting this relief under Section 31. This relief will be granted via an automated calculation.

4.5 The Council's Revenues Service will promote the take up of this relief however an application will be required to ensure that state aid rules are not contravened.

## **5.0 Local Newspaper Relief**

5.1 Business Rates relief for Local Newspapers is a discount worth up to £1,500 a year for 2 years from 1 April 2017, for the office space they occupy. There is a maximum of once discount per Local Newspaper title and per property.

5.2 Subject to state aid rules it is estimated that 2 businesses in Sefton will be eligible for this relief.

5.3 The authority will be fully reimbursed for the costs of granting this relief under Section 31. This relief will be granted via an automated calculation.

5.4 The Council's Revenues Service will promote the take up of this relief however an application will be required to ensure that state aid rules are not contravened.

## **6.0 Billing Software implications**

6.1 The Council's software suppliers are shortly to provide a script which will show increases in rate liability for 2017 and the percentage increase. This will allow Local



authorities to model the costs of the Locally Administered Discretionary Revaluation Relief.

6.2 The Council's software suppliers will be able to progress the reliefs for Small Business Support, Local Newspapers and Public Houses after the General Election in June. However, the Government has not yet provided final guidance to Local Authorities and it seems likely that any software updates will not be available to Local Authorities from its suppliers until the summer.

## **7.0 Decision Making**

7.1 The decision to agree a framework and adopt the scheme for Locally Determined Discretionary Revaluation Relief will go to Cabinet on 27 July 2017 for recommendation to Council for approval on 21 September 2017.

7.2 In the case of relief for Local Newspapers, Public Houses and Small Businesses, as the formal guidance is prescriptive and there are no financial implications for Sefton or its Major Precepting authorities and the Combined Authority, the decision to agree the framework for these discretionary rate reliefs will be made by the Cabinet Member for Regulatory, Compliance and Corporate Services as soon as practicable in order to support eligible ratepayers as quickly as possible. Detailed policy wording would be authorised by the Cabinet Member for Regulatory, Compliance and Corporate Services in consultation with the Head of Corporate Resources prior to any awards being made.

7.4 The Government is encouraging Councils to identify and notify businesses that are likely to benefit from these new reliefs in order to provide support as quickly as possible.

7.5 The Council will normally require an on-line application and state aid declaration be completed for all discretionary rate reliefs.

7.5. The decision to authorise or refuse awards of additional discretionary support will be made under delegated powers by the Head of Corporate Resources.

7.6 Should a ratepayer wish to appeal against the refusal of rate relief, an appeals process will be put in place.