

<b>Report to:</b>	Cabinet Council	<b>Date of Meeting:</b>	27 July 2017 13 September 2017
<b>Subject:</b>	Discretionary Relief for Business Rates following the Revaluation of 2017		
<b>Report of:</b>	Head of Corporate Resources	<b>Wards Affected:</b>	(All Wards);
<b>Portfolio:</b>	Cabinet Member - Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	Yes	<b>Included in Forward Plan:</b>	Yes
<b>Exempt / Confidential Report:</b>	No		

### Summary:

The purpose of this report is for Cabinet to consider and recommend to Council the Locally Administered Discretionary Revaluation Relief Scheme for businesses that have had a significant increase in their Business rate liability consequential from the Government's 2017 revaluation.

### Recommendation(s):

Cabinet is asked to recommend to Council that the proposed Locally Administered Discretionary Revaluation Relief Scheme for those ratepayers adversely impacted by the 2017 revaluation as set out within this report be approved.

### Reasons for the Recommendation(s):

The Council is expected to use a Locally Administered Discretionary Revaluation Relief scheme in order to distribute the additional funding received from central Government to those businesses in Sefton that have seen the steepest increases in their Business Rates bills as a result of the 2017 Revaluation.

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 proposed Locally Administered Discretionary Revaluation Relief Scheme is designed to mirror the criteria used by the Government when determining the amount of grant to the local authority, and initially be targeted at those properties in Sefton that have a rateable value of under £200,000RV and who have suffered a loss (before other reliefs have been applied) of more than 12.5%. Any remaining funds will be considered for distribution to other businesses in Sefton experiencing an increase in business rates as a result of revaluation and whose circumstances are such that the authority wishes to provide more assistance.

These measures sit in the context of the Council's wider economic growth priorities for the Borough. The proposed scheme is designed to support economic growth ensuring businesses thrive and develop. Growth is key to realising the ambitions of the Vision 2030 where Sefton Council aims to lay the foundations for long-term self-sustaining economic prosperity. The distribution of this additional financial support by Sefton Council will provide real, measurable and practical benefits to those businesses targeted to receive help under the scheme.

**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. Such course of action would fail to support our local businesses or utilise the extra funding made available to the Council 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.

The Government has confirmed that Sefton's Section 31 grant allocation for this purpose in 2017/18 is £551,739.

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

**(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 the Government new burdens funding of £12,000 allocated to each billing authority.

**Legal Implications:**

The Council is only obliged to give assistance to the amount of monies allocated to it for that purpose but is obliged to follow any guidance issued by the Government in respect of the relief scheme and failure to do so would result in some or all of the Council's allocation of funds not being received.

**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
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 (FD4733/17) notes that 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 therefore be undertaken to ensure that the financial objectives of the scheme are met within the funding available.

The Head of Regulation and Compliance (LD 4017/17) has been consulted and any comments have been incorporated into the report.

A report was presented to Members of the Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services) on 13<sup>th</sup> June 2017, where the draft scheme guidance was considered and noted.

## **(B) External Consultations**

As this is a Government measure, consultation has been undertaken nationally. The Government announced a consultation on the scheme for discretionary support, which closed on 7 April 2017. Although the detailed outcome of the consultation has not yet been announced, on 21 April 2017 the Government confirmed that final funding allocations to local authorities will be made according to the draft allocations published as part of the consultation.

As a condition of the grant, there is a requirement for the authority to consult on its proposed scheme with its major Precepting Authorities - Merseyside Fire and Rescue Service and Merseyside Police and Crime Commissioner; and the Combined Authority.

### **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 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 2017. This assistance will be provided under Section 47 of the Local Government Finance Act 1988; this means that it will use existing legal powers
- 1.3 The scheme will be funded under Section 31 of the Local Government Finance Act 2003; this means that it will be wholly funded by the Government.
- 1.4 Sefton's allocation of the Government funding for discretionary rate relief is expected to be £945,838 spread across the next 4 years as 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. Scheme Design

- 2.1 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 businesses locally. This is subject to certain Government conditions which have been provided to Local Authorities by way of draft guidance.
- 2.2 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'.
- 2.3 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.

- 2.4 Draft guidance for the award of Locally Administered Revaluation Relief is at Appendix A to this document and it is on this guidance that it is proposed that the Sefton scheme be developed.
- 2.5 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, which must include evidence that the increase in business rate liability will cause financial hardship.
  - d) Decision making and the process for review of such decisions, including when a review is requested by the applicant.
- 2.6 Awards under the scheme are limited by rules on state aid, which allow an undertaking to receive no more than 200,000 Euro over a three year period. The procedures for awarding relief will include safeguards in this regard.
- 2.7 Following approval of the scheme the next step will be to contact businesses directly who may be eligible to receive the support and invite them to apply.
- 2.8 The Council will normally require an on-line application and state aid declaration must be completed for all discretionary rate reliefs.
- 2.9 The decision to authorise or refuse awards of additional discretionary support will be made under delegated powers by the Head of Corporate Resources.
- 2.10 All national, statutory reliefs and exemptions will be applied before any calculation for Locally Administered Revaluation Relief.
- 2.11 Should a ratepayer wish to appeal against the refusal of rate relief, an appeals process will be put in place.

### **3. Grant award and financial monitoring**

- 3.1 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.
- 3.2 Based on an initial evaluation it is anticipated that the proposed scheme can be accommodated within the grant provided for 2017/18.

- 3.3 Members will note that the financial support reduces dramatically across the 4 years of the scheme. As a result any relief awarded in 2017/18 will be for one year only, with the level of support provided in years 2, 3 and 4 to be determined in those years based on the amount of central Government grant available. The Government has indicated that it is considering whether flexibility should be provided to allow grant funding to be moved between financial years and they intend to make a decision on this later in the year once they have a clearer picture of how local schemes are being shaped. If this flexibility is granted it would allow any grant funding not utilised in 2017/18 to be distributed in later years.
- 3.4 The intention is that all businesses will be self-sustaining as a result of the relief provided and any business applying for relief will have to evidence how this will be achieved.

#### **4 Implementation of the scheme**

- 4.1 It is not planned that any software changes to the way discretionary relief works will need to be made to the Council's billing system. However, on 30 June 2017, the Council software supplier provided a script which will allow a comparison of changes on properties between 2016/17 and 2017/18. This analysis is intended to provide an initial indication of the number of properties that might be eligible for local revaluation support relief and the extent to which relief might be applied.
- 4.2 After approval of the scheme the Council will be contacting businesses directly who may be eligible to receive the support and invite them to apply. The awards will be closely monitored and progress updates will be provided to Cabinet Member for Regulation, Compliance and Corporate Resources.