

<b>Report to:</b>	Cabinet	<b>Date of Meeting:</b>	Thursday 21 June 2018
<b>Subject:</b>	Revenue and Capital Budget Plan 2017/18 – 2019/20 - June 2018 - Locally administered Business Rates Relief Scheme		
<b>Report of:</b>	Head of Corporate Resources	<b>Wards Affected:</b>	(All Wards);
<b>Portfolio:</b>	Leader of the Council / 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 basis for the Locally Administered Discretionary Revaluation Relief Scheme for 2018/19 and beyond for businesses in Sefton that have had a significant increase in their Business rate liability as a result of the Government's 2017 revaluation.

### Recommendation(s):

Cabinet is asked to:

1. Agree the parameters of the discretionary revaluation relief scheme set out in Annex A for consultation with the Council's major preceptors and the combined authority; and
2. Note the outcome of the review of the 2017/18 discretionary revaluation relief scheme set out in Section 2 of this report.

Cabinet is asked to recommend Council to:

3. Agree the parameters of the discretionary revaluation relief scheme for 2018/19, 2019/20 and 2020/21 as set out in Annex A of this report subject to consideration of any consultation responses received from major preceptors and the combined authority;
4. Delegate authority to the Head of Corporate Resources to determine the detailed application and administration of the local discretionary revaluation relief for 2018/19, 2019/20 and 2020/21 subject to the parameters set out in Annex A; and
5. Agree that a review of the discretionary rate relief scheme for 2018/19, 2019/20 and 2020/21 be reported to Cabinet Member for Regulatory, Compliance and Corporate Services following the end of each year.

## Reasons for the Recommendation(s):

The Council is required to approve a local business rates revaluation relief scheme for 2018/19, 2019/20 and 2020/21 in order to distribute the available government grant to local businesses.

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

The alternative options would be

- Not to make available discretionary support in 2018/19 and beyond to businesses affected by the Business Rates Revaluation of 2017. Such course of action would fail to support our local businesses or utilise the extra funding made available to the Council by the Government for this purpose.
- To replicate the 2017/18 principles and award relief to all eligible businesses with a rateable value of up to £200,000. However, this would not address the reduction in funding in 2018/19 and the fact that many of the large businesses rejected the awards in 2017/18 due to state aid rules. This in turn could lead to a second billing exercise and additional administration costs for the Council.
- To require Council to approve the detailed scheme parameters on an annual basis. This would delay the distribution of the available funding to eligible businesses.

## 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 2018/19 is £267,987.

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

2019/20	£110,348
2020/21	£15,764

### (B) Capital Costs report

None

## Implications of the Proposals:

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

There are no human resource implications; all required work will be delivered within existing resources.

### **Legal Implications:**

The Council is only obliged to give assistance up 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.

Any challenges to the scheme would have to be made through the Council's internal complaints process initially with the ultimate recourse being to judicial review.

**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 local scheme of discretionary support to properties affected by the Business Rates revaluation of 2017 supports the Council's vision for "Open for Business" - working together with businesses to create the economic conditions for economic growth and supporting local businesses.

The measures sit in the context of the Council's wider economic growth priorities for the Borough. The 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.

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 (FD5174/18) notes that the report indicates the Business Rates Locally Administered Discretionary Revaluation relief scheme for 2018/19 and beyond should be cost neutral for the Council. The Council will need to ensure that the total relief awarded to local businesses does not exceed the grant allocations set out by Government. However, based on the experience to date, it is more likely that in-year changes to business eligibility will mean that there is unallocated funding left at the end of each year. The risk that total awards will exceed the grant allocation available is therefore thought to be low. Close financial monitoring will be undertaken to ensure that the financial objectives of the scheme are met within the funding available.

The Head of Regulation and Compliance (LD 4398/18) has been consulted and any comments have been incorporated into this report.

### **(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. On 21 April 2017 the Government confirmed that final funding allocations to local authorities would be made according to the draft allocations published as part of the consultation.

Prior to approval on 13 September 2017, the initial scheme design for 2017/18 was shared with the Council's Major Precepting Authorities - Merseyside Fire and Rescue Service and Merseyside Police and Crime Commissioner; and the Combined Authority, as required by the Government grant conditions. Details of the scheme for 2018/19 and beyond will also be shared with the Major Precepting Authorities prior to implementation.

### **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:** Annex A – Business Rates Locally Administered Discretionary Revaluation Relief Scheme Guidance for 2018/19, 2019/20 and 2020/21 (Draft)

**Background Papers:** There are no background papers available for inspection.

## 1. Introduction / Background

- 1.1 Under business rates regulations the Valuation Office Agency is required to review and revise the rateable value of all business properties recorded on the local rating lists in England on a regular basis (usually every five years). The latest revaluation was implemented from the 1 April 2017 (7 years after the previous revaluation) based on 2015 rental values. The purpose of the revaluation is not to raise additional business rates income but to ensure that rateable values reflect the most up to date rental information available. However, a number of businesses inevitably see their business rates increase as a result of revaluation.
- 1.2 To protect these businesses from the full impact of the rates increases in the earlier years of the list the Government approved a national transitional relief scheme that tapers the amount of relief available over the life of the list. Businesses receive more protection in the earlier years and this reduces towards the final year of the list (usually year 5). A summary of the maximum percentage increase in rate bills (upward cap) allowed by the national transitional relief scheme is set out in the table below:

Upward Cap	Property Size		
	Small	Medium	Large
2017/18	5.0%	12.5%	42.0%
2018/19	7.5%	17.5%	32.0%
2019/20	10.0%	20.0%	49.0%
2020/21	15.0%	25.0%	16.0%
2021/22	15.0%	25.0%	6.0%

Note: A small business has a rateable value of £20,000 or less, a medium sized business has a rateable value of more than £20,000 and up to £100,000, and a large business has a rateable value of more than £100,000.

- 1.3 Despite the application of transitional relief, the 2017 revaluation resulted in negative publicity for the Government due to the size of the rates increases that a number of businesses faced. In the Chancellor's spring budget speech in March 2017, he stated that he had listened to concerns raised by colleagues and businesses about the effects of the 2017 business rates revaluation and he announced a number of new business rate measures. This included providing local authorities with a £300 million fund to deliver discretionary relief targeted at businesses most affected by the revaluation in their local areas.
- 1.4 Following this announcement the Government undertook a consultation on the distribution of this funding. The consultation paper suggested a distribution based on the total increase in bills on properties with a rateable value of less than £200,000 and facing an increase of more than 12.5% in 2017/18 compared to 2016/17.

1.5 Sefton's total funding allocation was £945,838 over a four year period as shown in the table below:

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

1.6 The funding allocations shown are the maximum amount that will be made available to fund the discretionary revaluation relief. Any unspent resources will have to be repaid to the Government and any additional amount of relief provided would need to be funded by local resources.

1.7 This assistance is provided under Section 47 of the Local Government Finance Act 1988; this means that existing legal powers are used instead of introducing new legislation.

1.8 The Government stated that local billing authorities are best placed to determine how this funding should be targeted and administered to support those businesses and locations within their area that have been affected by the impact of revaluation. Councils are required to design their own local relief scheme, subject to consultation with their major preceptors and the combined authority.

## **2. 2017/18 Scheme review**

2.1 On 1 April 2017, Sefton had 8,051 hereditaments on its rating list. The majority of these (7,907 / 98.2%) had a rateable value of less than £200,000. Approximately 1,800 of those accounts had seen an increase in their net rates bill of more than inflation (2%) between 2016/17 and 2017/18 as a result of revaluation. The increase in net rates charges above inflation on these accounts was around £1.4 million.

2.2 At its meeting on 13 September 2017, the Council approved the local discretionary revaluation relief scheme for 2017/18. The key scheme parameters were:

- Assistance will only be provided to ratepayers who face an increase in their bills following revaluation.
- The assistance will be targeted at those facing significant increases in rates in lower value properties. Normally this would be properties with a rateable value of less than £200,000 with an increase of 12.5% or more.
- 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.

- The assistance will only be provided in relation to business rates liability net of other business rates reliefs which may apply.
- It is not expected that the authority will make awards in excess of the relevant grant and decisions will take account of available funding.

2.3 An initial calculation was undertaken applying a cap on business rate increases of 12.5% to all properties with a rateable value of less than £200,000. This indicated that only 67% of the Government funding would be distributed in 2017/18 on this basis.

2.4 A second calculation was undertaken that lowered the cap on medium and lower valued properties (those with a rateable value of £100,000 or less) until the majority of the available funding was distributed. This resulted in a cap of 5.5% for those properties. This formed the basis for the first relief award in 2017/18.

2.5 The discretionary relief awards were applied automatically to individual business rates accounts rather than requiring a formal application process. This meant that the administration costs were minimised and the time taken to distribute the relief was reduced. Businesses were required to inform the Council if receipt of the relief would breach State Aid limits.

2.6 A number of larger national businesses rejected the relief as this would breach state aid limits, so a second relief award exercise was undertaken to redistribute the returned relief to smaller and medium sized businesses. This was achieved by lowering the cap on increases for these properties to 3.1%.

2.7 As at 27 April 2018, the Council had awarded discretionary revaluation relief to 1,147 accounts. The total amount of relief awarded was £543,877 in 2017/18, approximately 98.6% of the total available funding. The final amount of relief awarded is expected to change over time as the valuation of business properties changes as a result of appeals and other factors.

### 3.0 **Scheme Proposals for 2018/19, 2019/20 and 2020/21**

3.1 When the initial proposal for a local scheme was reported to Cabinet on 27 July 2017 it was anticipated that the scheme design would be reviewed and agreed for each financial year. However, the experience of the scheme to date suggests that it would be more efficient to agree a set of parameters to be applied to distribute the relief over the next three years so that the available relief can be distributed to rate payers earlier in the year.

3.2 The funding allocation to Sefton Council for 2018/19 is £267,987 and indicative allocations for the remaining two years are £110,348 in 2019/20 and £15,764 in 2020/21

3.3 The proposed scheme parameters for 2018/19 and the following two years are set out in Annex A of this report.

3.4 The proposals take account of the following factors:

- The amount of grant funding available has been reduced by £283,752 (51.4%) in 2018/19 and is set to reduce by a further £157,639 in 2019/20 and £94,584 in 2020/21. So there is a need to rationalise the relief in 2018/19 and future years in order to maximise the impact of the relief in assisting businesses most adversely affected by the 2017 revaluation.
- A higher level of support is already provided to small businesses (with a rateable value of £20,000 or less) by the national transitional relief scheme, so it is proposed to exclude these businesses from the local discretionary revaluation relief scheme in 2018/19, 2019/20 and 2020/21. This will reduce the cost of administering the scheme and concentrate the relief on those businesses that are not as generously supported by the national transitional relief scheme.
- The businesses that have previously rejected the discretionary relief in 2017/18 as a result of state aid rules have been excluded from receipt of the local discretionary revaluation relief scheme in 2018/19, 2019/20 and 2020/21 in order to reduce the potential requirement for multiple relief awards and so reduce the administrative cost of operating the local scheme.
- Empty properties and those account holders that were not in occupation on 31 March 2017 have been excluded to focus the relief on those bill payers that have suffered an unavoidable increase in business rates as a result of revaluation and who are contributing to the local economy.
- Discretionary relief cannot be given on properties occupied by the Council, maintained schools or its major preceptors under current regulations.
- The distribution of relief in a way that maximises the available Government funding is difficult to calculate in advance of the initial billing run and is influenced by changes in occupation and rateable value during the year and over the life of the rating list. It is therefore proposed that the decisions on the detailed methodology used to distribute the relief in and between categories of business property (medium and large) be delegated to the Director of Corporate Resources.
- Initial relief allocations will be awarded automatically without the need for an application process. This will reduce administration costs for both the Council and business rate payers. However, business rate payers will still be able to apply for the relief if they believe they should be eligible.



- Under business rate regulations only relief awards made within six months after the year-end can be funded from Government support. For this reason no further relief will be awarded after 30 September in the following financial year (i.e. six months after the relevant year-end).
- Awards under the scheme are limited by rules on State Aid, which allow an undertaking to receive no more than 200,000 Euros over the last three year years. Procedures for awarding relief include safeguards in this regard.

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

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

3.7 There is a possibility of an underspend of grant due to business relocating during the year. With this in mind it is proposed that any underspend of grant is used to provide additional support to businesses struggling to meet their increased rates liability. This additional support would be considered under delegated powers given to the Cabinet Member – Regulation, Compliance and Corporate Services and the Head of Corporate Resources.

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

4.1 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.

4.2 An annual review of the local discretionary revaluation relief scheme and the outcome of this review will be reported to the Cabinet Member for Regulation, Compliance and Corporate Services.

**ANNEX A**

**BUSINESS RATES LOCALLY ADMINISTERED DISCRETIONARY REVALUATION RELIEF SCHEME GUIDANCE FOR 2018/19, 2019/20 AND 2020/21 (DRAFT)**

## 1. Scope

- 1.1 This guidance sets out the parameters of the locally administered discretionary rate relief scheme for Sefton Council in the years 2018/19, 2019/20 and 2020/21.
- 1.2 This assistance will be provided under Section 47 of the Local Government Finance Act 1988; this means that it will use existing legal powers.
- 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. Funding will only be available to the extent that the local authority has spent its allocation.

## 2. Eligibility

- 2.1 Assistance will only be provided to ratepayers who face an increase in their bills as a result of the 2017 revaluation.
- 2.2 The assistance will be targeted at those facing significant increases in rates in the following valuation bands:

	Rateable Value on the 2017 Rating List
Medium	between £20,001 and £100,000
Larger	between £100,001 and £199,999

- 2.3 Business properties with a rateable value of £200,000 or more will not be eligible for this relief.
- 2.4 Business properties with a rateable value of £20,000 or less will not be eligible for this relief.
- 2.5 All national, statutory reliefs and exemptions will be applied before any calculation for Locally Administered Revaluation Relief.
- 2.6 It is not expected that the authority will make awards in excess of the relevant grant and decisions will take account of available funding.
- 2.7 The businesses that have previously rejected the discretionary relief in 2017/18 and subsequent years as a result of state aid rules will not be eligible for this relief.
- 2.8 Empty properties will not be eligible for this relief.
- 2.9 Accounts starting on or after 1 April 2017 will not be eligible for this relief.
- 2.10 Properties occupied by the Sefton Council, Sefton maintained schools or its major preceptors will not be eligible for this relief.
- 2.11 Initial relief allocations will be awarded automatically without the need for an application process.
- 2.12 Awards under the scheme are limited by rules on State Aid, which allow an undertaking to receive no more than 200,000 Euros over the last three year years.

Businesses receiving an automatic award of discretionary revaluation relief will be required to inform the Council of any breach of these rules. Businesses applying for an award will be required to confirm that receipt of this relief will not breach state aid rules.

- 2.13 Business rate payers will be able to apply for the relief if they believe they should be eligible.
- 2.14 Relief awards of less than £10 will not be made in order to reduce administration costs.
- 2.15 Relief awards in each year are made for a single year only. Subsequent awards will be dependent on the criteria applied in that year.
- 2.16 No relief will be awarded more than six months after the end of the financial year to which the relief applies.
- 2.17 Decisions on the detailed methodology used to distribute the relief in and between categories of business property (medium and large) will be delegated to the Head of Corporate Resources.

### **3. How an Application Should be Made**

- 3.1 Initial relief allocations will be awarded automatically without the need for an application process.
- 3.2 However, business rate payers will still be able to apply for the relief if they believe they should be eligible. The Council will make available a form for this purpose via the authority's website.

### **4. Decision Making and Review**

- 4.1 Decisions on the award or refusal of additional discretionary support will in the first instance be made by the Head of Corporate Resources under delegated powers.
- 4.2 Under business rate regulations only relief awards made within six months after the year-end can be funded from Government support. For this reason no further relief will be awarded after 30 September in the following financial year (i.e. six months after the relevant year-end).
- 4.2 Where an award is made the applicant will be notified of:
  - I. The amount of relief granted and the date from which it has been granted.
  - II. If relief has been granted for a specified period, the date on which it will end.
  - III. The new chargeable amount.
  - IV. A requirement that the applicant should notify the authority of any change in circumstances that may affect entitlement to relief.

- 4.3 Awards under the scheme are limited by rules on State Aid, which allow an undertaking to receive no more than 200,000 Euros over the last three year years. Procedures for awarding relief include safeguards in this regard.
- 4.4 Applicants will be notified of the decision on the application. Where refusal applies details of the reason for refusal will be provided. Applicants will also be advised of the process of review, should they wish to appeal against the decision.
- 4.5 In the event that a decision has been made to refuse additional support any request for a review of that decision must set out the grounds for a review including why the applicant believes the decision should be reconsidered.
- 4.6 Should a ratepayer wish to appeal against the refusal of rate relief, an appeals process will be put in place after which, there will be no further right of review.