DACORUM BOROUGH COUNCIL

Report for:	**Cabinet**
Date of meeting:	**25 July 2017**
Part:	**1**
If Part II, reason:	

Title of report:	**Business rate relief schemes**
Contact:	Graeme Elliot, Portfolio Holder for Finance & Resources Author/Responsible Officer David Skinner, Assistant Director (Finance & Resources) Chris Baker, Group Manager (Revenues, Benefits & Fraud)
Purpose of report:	To consider the introduction of discretionary business rate relief schemes to provide additional help for businesses in line with announcements made by the Chancellor in the 2017 Spring Budget
Recommendations	That Cabinet recommends Council: 1. agrees to introduce a Supporting Small Business rate relief scheme 2. agrees to introduce a Support for Pubs rate relief scheme 3. approves consultation with Herts County Council on option 3 for the Revaluation Relief scheme, and delegates authority to the Assistant Director (Finance & Resources) in consultation with the Portfolio Holder for Finance & Resources to agree to introduce a scheme based on these principles after the County's response is received 4. agrees to introduce a 100% rural rate relief scheme 5. agrees to introduce a Local Newspaper rate relief scheme 6. delegates authority to the Portfolio Holder for Finance & Resources to agree the introduction of future discretionary rate relief schemes which are proposed, fully funded and have detailed guidance provided by Government
Corporate Objectives:	These reliefs will support the corporate objective of **Ensuring economic growth and prosperity**

Implications: 'Value For Money Implications'	Financial Government has stated it will meet the full costs of reliefs granted in line with its recommendations, and so there is no financial cost to the Council. Government will also provide New Burdens funding which will cover the costs of administering these reliefs, and the issue of revised bills to affected businesses.
Risk Implications	There is a risk of reputational damage if the Council is not seen to be taking action based on these Government recommendations.
Community Impact Assessment	There are no specific equalities implications arising from the report.
Health And Safety Implications	There are no health and safety implications arising from this report.
Monitoring Officer/S.151 Officer Comments	**Monitoring Officer:** No comments to add to the report. **Deputy S.151 Officer** This is a Deputy S151 Officer report.
Consultees:	
Background papers:	Business rates information letter (2/2017) – DCLG Business rates information letter (4/2017) – DCLG Business rates information letter (3/2016) – DCLG The case for a business rates relief for local newspapers (Government response) – DCMS and DCLG
Glossary of acronyms and any other abbreviations used in this report:	BRIL – Business rates information letter DBC - Dacorum Borough Council DCLG – Department for Communities and Local Government DCMS – Department for Culture, Media and Sport LGFA – Local Government Finance Act RV – rateable value SBRR – Small Business rate relief VOA – Valuation Office Agency

1. Background

1.1. The legislation controlling business rates reliefs is found in the Local Government Finance Act (LGFA) 1988.

1.2. This Act contains powers enabling billing authorities to introduce discretionary reliefs (in section 47 of LGFA 1988). It is worth noting that under these powers, it is not possible for relief to be granted to a local authority.

1.3. The cost of reliefs awarded under these discretionary powers is usually partly borne by the Council.

1.4. When the Government wishes to make short-term changes to reliefs, rather than making changes to the national legislation, they will ask billing authorities to create schemes using their discretionary powers.

1.5. The Government has stated that it will reimburse billing authorities for the full costs of awards made in line with its recommendations.

1.6. Business rates are a tax charged on non-domestic properties, the liability for any particular premise is based on the combination of a nationally set multiplier, and the rateable value (RV) for the property. The RV is determined by the Valuation Office Agency (VOA), which compiles a Rating List for each billing authority area.

1.7. The VOA is required to undertake a full revaluation of the Rating Lists every five years, this is to ensure that each RV is still at an appropriate level, reflecting the current economic climate and being broadly reflective of the rental value of the premises. The Government delayed the revaluation which was due in 2015 by two years, which means that the 2010 Rating List remained in use for seven years rather than five.

1.8. With every revaluation, the Government specifies a national scheme of Transitional Relief. This scheme sets limits on how much a ratepayer's bill can increase or decrease as a result of the revaluation. The Transitional Relief scheme for the 2017 revaluation is summarised in the table below (all figures subject to inflation):

Rateable Value	2017/18	2018/19	2019/20	2020/21	2021/22
Caps on bill increases					
Up to £20,000	5.0%	7.5%	10%	15.0%	15.0%
£20,001 - £99,999	12.5%	17.5%	20.0%	25.0%	25.0%
Over £100,000	42.0%	32.0%	49.0%	16.0%	6.0%
Caps on bill decreases					
Up to £20,000	20.0%	30.0%	35.0%	55.0%	55.0%
£20,001 - £99,999	10.0%	15.0%	20.0%	25.0%	25.0%
Over £100,000	4.1%	4.6%	5.9%	5.8%	4.8%

1.9. Following the publication of the 2017 Rating Lists, the Government decided that the Transitional Relief scheme did not provide sufficient support for some businesses, and so the Chancellor announced three additional relief schemes as part of the Spring Budget 2017. These are:

- Supporting Small Business
- Support for Pubs
- Revaluation Relief (£300 million fund)

1.10. Additionally, there were two rate reliefs announced by the Chancellor as part of the Autumn Statement 2016, which are:

- 100% rural rate relief
- Local newspaper rate relief

1.11. The following table summarises the possible local impact of these reliefs:

Relief	Number of accounts	Estimated total value of relief in 2017/18	Funded by
Supporting Small Business	20	£26k	Government grant
Support for Pubs	60	£60k	Government grant
Revaluation Relief	290-450	£382k	Government grant (to limit)
100% rural rate relief	2	£4k	Government grant
Local newspaper rate relief	0	£0	Government grant

2. Supporting Small Business rate relief

2.1. Small Business rate relief (SBRR) is a national scheme, which reduces the rates payable by occupiers of some small properties. The scheme changed from April 2017, and can now provide 100% relief for properties with an RV of up to £12,000, reducing on a sliding scale until there is no relief for a property with an RV of £15,000. In previous years the scheme provided 100% relief where the RV was up to £6,000, reducing to nil for properties with an RV of £12,000.

2.2. Following the 2017 revaluation, there are some properties where the RV increase means that the ratepayer no longer qualifies for SBRR, or qualifies for a reduced level of relief. The Transitional Relief scheme does not consider the impact of SBRR changes, and so this means that some small businesses face rate increases of significantly more than 5% for 2017/18, or in some cases may face a bill of a few thousand pounds when they had previously had nothing to pay.

2.3. To address this, the Chancellor announced the Supporting Small Business rate relief scheme during the Spring Budget. The main part of this scheme is to limit the cash increase for any of these affected ratepayers to £600 for 2017/18 (£50 per month).

2.4. Initial guidance regarding the scheme was published by DCLG on 9 March 2017, in Business rates information letter (BRIL) 2/2017.

2.5. The announcement was made after the annual bills for 2017/18 had been sent to ratepayers. Officers identified the accounts which were likely to benefit from this relief, and contacted the ratepayers to let them know the reduced amount of monthly instalment to pay, while we have been awaiting the detailed guidance from DCLG to enable the scheme to be formally adopted by Cabinet.

2.6. There are around 20 ratepayers within the Borough who will benefit from this relief.

2.7. The detailed guidance was published by DCLG on 20 June 2017, in BRIL 4/2017, and is contained in pages 4 – 16 of that document. The scheme itself will last for five years, which is the expected life of the 2017 Rating List.

2.8. Following the publication of the detailed guidance, our software provider is working on the required changes to enable us to rebill, if introduction of the scheme is approved by Cabinet. The current expectation is that the amended software will be available towards the end of September.

2.9. **Recommendation:** that Cabinet agrees to introduce a Supporting Small Business rate relief scheme for the years 2017/18 to 2021/22 in line with the detailed guidance from DCLG in pages 4 – 16 of BRIL 4/2017.

3. Support for Pubs

3.1. Also within the Spring Budget, the Chancellor announced that pubs with an RV of up to £100,000 will be able to claim a business rates discount of £1,000 for 2017/18.

3.2. Again, initial information was provided by DCLG in BRIL 2/2017 on 9 March 2017. Following receipt of this, officers identified the accounts which seemed likely to benefit from the relief, and advised them of lower monthly instalments to pay in the interim period while waiting for the detailed guidance to be issued.

3.3. There are around 60 ratepayers within the Borough who will benefit from this relief.

3.4. Detailed guidance was published by DCLG on 20 June 2017, in pages 17 – 23 of BRIL 4/2017. This does not include a definitive description of a "pub" for the purposes of the relief scheme, but does provide enough guidance for officers to make a decision if the eligibility of any particular premises is in question.

3.5. **Recommendation:** that Cabinet agrees to introduce a Support for Pubs rate relief scheme for the year 2017/18 in line with the detailed guidance from DCLG in pages 17 - 23 of BRIL 4/2017.

4. Revaluation relief (£300 million fund)

4.1. The final announcement made by the Chancellor within the Spring Budget was for funding of £300 million to local authorities to provide help to businesses most affected by the revaluation.

4.2. BRIL 2/2017 did not provide much additional information, but DCLG provided more information through other letters and through a consultation exercise on the operation of the scheme and the allocation of funding to local authorities. It also explained that the £300 million would be spread across four years starting from 2017/18, weighted towards the earlier years:

- £175m in 2017/18
- £85m in 2018/19
- £35m in 2019/20

- £5m in 2020/21

4.3. DCLG have decided to allocate funding between local authorities based on the total rate increases for properties where: the bill is increasing by more than 12.5% following revaluation, and the 2017 RV is less than £200,000. Based on this, the Council is able to award relief to a total value of £655,000, spread as follows:

	Amount of discretionary pot awarded			
	2017/18	2018/19	2019/20	2020/21
Dacorum	£382k	£186k	£76k	£11k

4.4. DCLG have not yet decided whether any unspent allocation can be carried forward into future years.

4.5. Following the end of the consultation, and the election purdah periods, DCLG have confirmed in BRIL 4/2017 that they are not issuing any detailed guidance on how this scheme should be operated locally. The only conditions which have been set in order for relief to qualify for this funding are:

- The billing authority must consult with its County Council prior to agreeing a scheme
- The scheme must provide relief only to ratepayers who have seen an increase in their business rates bill due to the revaluation.

4.6. The Government will make grant payments to both the Council and Herts County Council to offset the cost of any relief under this scheme which meets these conditions. However, if the value of the relief granted exceeds the allocation shown above, the cost of this additional spend will fall on the Council.

4.7. The Government has encouraged councils to work with their neighbouring authorities to develop consistent processes in managing awards under this scheme. Officers have worked with colleagues from the other districts in Hertfordshire in designing principles for awards under this scheme. However, while the approach taken to scheme design is similar, there are likely to be differences in outcomes due to the variation in funding allocations and the demographics of the rateable premises and ratepayers between the districts.

4.8. Although the funding allocation is for a four-year period, the scheme design proposed is for 2017/18 only. Scheme designs for the remaining three years will be proposed when DCLG have decided whether unspent allocations can be carried forward, and taking lessons learned from the application of the 2017/18 scheme into account.

4.9. Officers have undertaken modelling of various options to enable the relief to be targeted at those ratepayers likely to be most in need of support. The following conditions are applicable to all of the modelled options:

- The ratepayer must be liable on both 31 March 2017 and 1 April 2017, demonstrating that they have actually been impacted by the revaluation.
- The property must have been occupied on both of these dates, and remain in occupation.
- The cash value of the business rates increase is more than £600.

- The value of any award will be capped, so that any ratepayer receiving support under this scheme has an increase of at least £600, in order to provide consistency with the Supporting Small Business rate relief scheme.
- All awards will be calculated on a daily basis, and recalculated if the occupier vacates the property, or another change in circumstances renders them ineligible for the relief.

4.10. Option 1: No further qualifying criteria.

4.10.1. This would apply to approximately 450 accounts, with a total rates increase of approximately £2.5 million.

4.10.2. It would enable an award of approximately 15% of the rates increase to each account.

4.10.3. However, this includes some very large properties, and also smaller properties operated by large organisations, and so may not best target the smaller local businesses.

4.11. Option 2: Exclude large properties (RV £200,000 or more)

4.11.1. This would apply to approximately 400 accounts, with a total rates increase of approximately £1.3 million.

4.11.2. It would enable an award of approximately 30% of the rates increase to each account.

4.11.3. However, this still includes properties operated by large organisations (store chains etc).

4.12. Option 3: Exclude ratepayers who are liable for properties with a cumulative RV of £200,000 or more.

4.12.1. This would apply to approximately 290 accounts, with a total rates increase of approximately £0.7 million.

4.12.2. It would enable an award of approximately 56% of the rates increase to each account.

4.12.3. This is the recommended option, as it provides the greatest amount of relief to smaller, local businesses.

4.13. The calculation of the percentage of the rates increase which could be awarded to each account is based on the assumption that all eligible ratepayers apply for assistance, and that they remain in occupation of the property for the whole of the financial year. It is therefore recommended that the actual award percentage is left variable within the scheme, and that an application deadline is put in place. The exact award percentage will then be calculated after a review of the applications received from eligible ratepayers. In order for businesses to understand the likely value of the relief to them, an indicative award percentage can be included within the invitation to apply.

4.14. **Recommendation:** that Cabinet approves consultation with Herts County Council on the scheme detailed in option 3 above, and delegates authority to the Assistant Director (Finance & Resources) in consultation with the Portfolio Holder for Finance &

Resources to agree to introduce a scheme based on these principles for the year 2017/18 following receipt of the consultation response, and schemes for 2018/19 to 2020/21 after DCLG have decided whether unspent amounts can be carried forward.

5. 100% rural rate relief

5.1. Some small businesses in rural areas are eligible to receive 50% rate relief. This is where the business is the only village shop, post office, pub or petrol station, and has an RV up to £8,500 (shop or post office) or £12,500 (pub or petrol station).

5.2. There are currently two businesses within the Borough which qualify for this mandatory relief.

5.3. Within the Autumn Statement 2016, the Government announced plans to double this to 100% relief from April 2017. However, this requires a change to the LGFA 1988, and had not been expected to come into force until April 2018. (see BRIL 3/2016).

5.4. The required amending legislation had been included in the Local Government Finance Bill which did not complete Parliamentary progress before the General Election. As no Local Government Finance Bill was included within the Queen's Speech, it is not clear when this change to the mandatory relief will be enacted.

5.5. BRIL 3/2016 states: "before the requirement to grant mandatory relief comes into force, we expect local authorities to use their local discount powers to grant 100% rural rate relief to eligible ratepayers from April 2017. Local authorities will be compensated in full for their loss of income as a result of this change."

5.6. **Recommendation:** that Cabinet agrees to award discretionary rate relief top-up to 100% of the rates liability to all ratepayers eligible for mandatory rural rate relief from 1 April 2017, until such time as the mandatory relief is changed to 100%.

6. Local newspaper rate relief

6.1. This relief was originally proposed by the Chancellor during the 2016 Budget, but following a consultation exercise the detailed guidance was not published until after the Autumn Statement 2016.

6.2. Details of the proposed relief are found in Annex A of the Government response to the consultation "The case for a business rates relief for local newspapers". In summary, the scheme will provide a discount of £1,500 in each of the financial years 2017/18 and 2018/19 where a local newspaper occupies office space for the use of journalists and reporters.

6.3. There are currently no ratepayers within the Borough that would qualify for this relief, however, as the scheme runs for two years, and will be fully funded by Government, it is recommended that the Council adopts it in order to support Government policy.

6.4. **Recommendation:** that Cabinet agrees to introduce a Local newspaper rate relief scheme in line with the detailed guidance provided by Government, for the years 2017/18 and 2018/19.

7. State Aid

7.1. Most payments of discretionary rate relief are classed as State Aid, however the payments will be State Aid complaint where it is provided in line with the De Minimis regulations.

7.2. The De Minimis regulations allow a business to receive up to €200,000 (approximately £175,000) of De Minimis aid within a rolling three year period. The Council is required to establish that the proposed award will not result in the ratepayer receiving more than this level of aid.

7.3. This will be done as part of the application process for the rate relief schemes, but in practice is unlikely to have an impact, except within the Support for Pubs scheme.

8. Delegation for future scheme implementation

8.1. Government is frequently asking local authorities to implement discretionary rate relief schemes in order to more quickly implement Government policy, providing detailed guidance about how a scheme should be set up, and fully compensating any income loss when the guidance is followed.

8.2. In these cases, the only flexibility afforded to the Council is the choice of whether or not to adopt the scheme.

8.3. Decision-making in these cases could be streamlined by the delegation of authority to adopt this type of scheme to the Portfolio Holder for Finance & Resources. Where there remains a wider degree of flexibility to the choices being made, or there is a potential cost of implementation to the Council, then those decisions would still be made by Cabinet.

8.4. If this delegation was in place for this report, the only scheme being considered by Cabinet would be the Revaluation relief scheme (section 4).

8.5. **Recommendation:** that Cabinet delegates authority to the Portfolio Holder for Finance & Resources to introduce discretionary rate relief schemes which are proposed, fully funded and have detailed guidance provided by Government.