

Committee: Council

Agenda Item

Date: 25th July 2017

6a

Title: Discretionary Rate Relief Policy 2017/18

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Item for decision
yes

Summary

1. The Government has undertaken a national revaluation of all commercial premises. From 1 April 2017, all premises will have been assigned a new 'rateable value' used to calculate business rates bills. The last time there was a revaluation was in 2010. This will be based on a valuation date of the 1st April 2015

The revaluation has resulted in the business rate bills charged on many businesses and companies in Uttlesford increasing significantly. Business rate bills have increased on average by 16% for most high street shops and premises within the district.

In this year's Spring Budget 2017, the Government announced additional discretionary reliefs which would be brought in under the S47 regulations, to support those businesses facing steep rises in their business rates following the revaluation.

Local Business Rate Discount – funded locally

Section 69 of The Localism Act 2011 amends Section 47 of the Local Government Finance Act 1988 and allows Councils to grant locally determined business rate discounts (in addition to the already available discretionary rate reliefs).

The new power recognises that the current business rates scheme is broadly prescribed by Central Government and its aim is to provide increased flexibility to local authorities to support organisations, recognising variations in economic conditions across and within local authority boundaries.

These new reliefs would be implemented without legislation, and would be fully funded by Central Government under a S31 grant subject to qualifying criteria.

Recommendations

2. The Council is recommended to approve the following reliefs as set out in the main report and Appendix A
 - a. New discretionary rate reliefs
 - i. Supporting Small Businesses Relief
 - ii. Pub Relief
 - b. Revised criteria for Local Rural Rate Relief

Financial Implications

3. The new reliefs proposed to be included in the policy are funded by S31 grant. There is an overall reduction in cost in the local scheme to be amended compared to 2016/17.

Background Papers

<https://www.gov.uk/government/collections/business-rates-information-letters>
<https://www.gov.uk/government/consultations/discretionary-business-rates-relief-scheme>

Impact

Communication/Consultation	None
Community Safety	No specific implications
Equalities	An EQIA is included with the main report
Health and Safety	No specific implications
Human Rights/Legal Implications	No specific implications
Sustainability	No specific implications
Ward-specific impacts	No specific implications
Workforce/Workplace	No specific implications

Mandatory amendments

4. Government have amended the criteria for the mandatory Small Business Rate Relief. Previously 50% relief was given to businesses with a Rateable Value (RV) below £6,000. For businesses between £6,000 and £12,000 a sliding scale of 1% for every £120 RV was applied.
5. The criterion has now been amended to allow 100% relief on all businesses with an RV of less than £12,000. For businesses over £12,000 RV, the sliding scale has been amended to 1% for every £30 of RV up to a maximum RV of £15,000.

6. In previous years the Council 'topped up' the relief to 100% for businesses with an RV below £6,000 and this was funded from S31 grant.

Discretionary Rate Reliefs

7. The Council has an approved discretionary rate relief policy which has been in place since 2014; however this now needs amending to include the new discretionary reliefs and proposed amendments to current reliefs. The updated policy is shown in full in Appendix A.
8. The 2017 revaluation has had a significant impact on many businesses and in particular on our smaller local businesses.
9. The Government has provided transitional relief centrally where the rateable value exceeded a certain cap depending on the size of the business. They have also reduced the multiplier for all and amended the Small Business Rate Relief (point 5) to mitigate the impact of the revaluation. But this still left many businesses struggling with their new rateable values.

New Discretionary Reliefs

10. In the spring budget, Government announced proposals for further new reliefs to support businesses; these are discretionary and will be funded through the S31 grant subject to meeting the prescribed criteria and members approval.
 - **Supporting Small Businesses Relief** – for businesses who are losing some or all of their small business or rural rate relief. This relief will limit the amount of rates payable in each year to the greater of
 - Cash value of £600
 - or
 - The matching cap on increases for small properties in the transitional relief scheme.

The cash minimum increase will stay flat in each year which means that under this scheme by year 5 the eligible ratepayer's bill will not exceed more than £3,000 increase from their 2016/17 bill.

- **Pub Relief** – For Public Houses with a rateable value below £100,000.
 - Eligible Public Houses will receive £1,000 discount
11. The impact of the revaluation has meant 12 businesses have now received rates bills between £4,665 and £9,747, where prior to the revaluation they received full relief from either the Small Business or Rural Rate relief of which they now no longer qualify.
 12. By including the two new reliefs as detailed in point 7 all the worst affected businesses will receive either full or part relief.
 - 46 small businesses will be entitled to Supporting Small Businesses relief, with relief awards ranging from £38 to £9,147

- 34 businesses will receive the Pub Relief

Current transitional reliefs to be amended

13. The Local Rural Rate Relief is discretionary and funded locally. It is proposed that due to the increased rateable values the upper level criteria is increased proportionally from £25,000 to £27,500.
14. The increase in the Local Rural Rate Relief is offset due to the Government increasing the RV eligibility for Small Business Rates Relief plus increasing relief from 50% to a mandatory 100% (point 4-6).
15. In 2016/17 the Council supported 7 businesses via the Local Rural Rate Relief scheme; the cost of this to the Council was £57,403.
16. Due to changes in the Small Business Rates Relief, 3 of the 7 businesses supported through the Local Rural Rate Relief in 2016/17 now receive Small Business Rates Relief.
17. In 2017/18 if the upper limit remains at £25,000 this reduces the number of businesses eligible from the remaining 4 down to 2, the 2 non-eligible businesses would receive no support.
18. If the eligibility is increased to £27,500 all of the remaining 4 businesses would still qualify for Local Rural Rate Relief.

	Cost of Relief	Funded by S31	Funded by UDC
Supported Small Business Rates	£124,000	£124,000	
Pub Relief	£ 35,000	£ 35,000	
Rural Rate Relief @ £25,000	£ 15,378		£ 15,378
Increased cost of Rural Rate Relief @ £27,500	£ 15,378		£ 15,378
Total cost of reliefs	£189,756	£159,000	£ 30,756

Revaluation Relief Fund

19. The Government has announced that £300 million Transitional Relief funding will be allocated for local councils to finance business rates relief for revaluation support.

20. The Government's extra funding will only support relief schemes targeted at businesses facing an increase in their business rate bills following the 2017 revaluation.
21. The revaluation support scheme is a locally determined scheme and the Council is required to consult the major preceptors on any proposed scheme.
22. This funding is available for 4 years on a reducing basis and Uttlesford's share of this funding is shown in the table below

2017/18	2018/19	2019/20	2020/21	Total
£311,000	£151,000	£62,000	£9,000	£533,000

23. The Revenues team are carrying out detailed data analysis on all businesses that either fall outside of the current reliefs or are still in financial hardship after all other reliefs have been applied. This analysis will enable Members to establish a scheme that is fair and targets those businesses who facing financial hardship due to their revaluation.
24. It is anticipated that the scheme criteria will cover a 2 year period
25. The eligibility criteria will be set on a reducing basis in line with the funding available this will allow qualifying businesses time to plan ahead for future years as their relief award reduces.
26. The Business Rates Team will work closely with the Economic Development Team on providing support and guidance to local businesses.
27. A full report with detailed analysis and proposed options for a scheme will be presented to Cabinet on the 10th July.

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
If these reliefs are not implemented this would cause significant financial hardship to local small businesses	2	2	To implement all reliefs as above, there is minimal financial risk as the majority of reliefs are funded by S31

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.