

**REPORT TO: CORPORATE SERVICES SCRUTINY COMMITTEE**

**Date of Meeting: 23 NOVEMBER 2017**

**REPORT TO: EXECUTIVE**

**Date of Meeting: 12 DECEMBER 2017**

**REPORT TO: COUNCIL**

**Date of Meeting: 19 DECEMBER 2017**

**Report of: David Hodgson – Chief Finance Officer**

**Title: Local Discretionary Relief Scheme**

**Is this a Key Decision?**

Yes

\* One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions.

**Is this an Executive or Council Function? Council**

**1. What is the report about?**

This report seeks member's approval for a Local Discretionary Relief Scheme policy – attached at appendix 1 – that determines the level of Discretionary Relief to be granted to certain defined ratepayers within the Council's area. This is as a result of the new Discretionary Relief Scheme announced in the Spring 2017 Budget.

**2. Recommendations:**

- 2.1 Corporate Services Scrutiny Committee comment and Executive recommend the Policy to Council for approval.
- 2.2 Delegated authority is given to s151 Officer in consultation with the Leader, to review the scheme, and if necessary, increase the maximum threshold, to ensure the Government funding is fully directed to businesses in Exeter.

**3. Reasons for the recommendation:**

- 3.1 At the Spring Budget, the Government announced the establishment of a £300m discretionary fund over four years from 2017-18 to support those businesses that face the steepest increases in their business rates bills as a result of the 2017 revaluation. Every billing authority in England has been provided with a share of the £300m to support their local businesses, with the expectation of developing local discretionary relief schemes to deliver targeted support to the most hard-pressed ratepayers. This policy will provide a scheme to distribute these funds.
- 3.2 Following the announcement, all s151 Officers of the Devon Authorities were keen to work under a Devon framework, and therefore asked the Devon Revenues & Benefits Group (DrBOG) to produce a policy document that was flexible enough to reflect local issues, funding and political steer. To draw up the policy, common agreement was made by s151 Officers across the following areas:

- 1) Occupied premises only

- 2) Not applicable to new occupiers i.e. those taking up occupation on or after 1 April 2017
- 3) Local businesses only
- 4) A small proportion of funding to be held back for awarding on a case by case basis.
- 5) The majority of funding to be awarded on a formula basis
- 6) A maximum rateable value of £200,000
- 7) An acceptable increase of 2%

3.3 Local discretion has therefore been used to determine:

- 1) Businesses or sectors to be excluded from formula allocation
- 2) A maximum amount of relief that will be awarded
- 3) The percentage of funding kept back for awarding on a case by case basis

**4. What are the resource implications including non financial resources.**

- 4.1 Exeter City Council will be compensated for the cost to the authority of granting the relief up to a maximum amount based on the authority's allocation of the £300m fund (see section 8.4).
- 4.2 New Burdens funding has been awarded for administering the relief. This will be done by staff within the Local Taxation Team.
- 4.3 Applications received under Part B – case by case basis, will need to be considered by the s151 Officer in consultation with the Leader.

**5. Section 151 Officer comments:**

- 5.1 The proposed policy would be broadly in line with the rest of Devon and support is focused on local businesses that have suffered an increase in their bills. Whilst the value of the pot is not large, it will bring some relief to businesses that have seen a rise.

**6. What are the legal aspects?**

- 6.1 As the report identifies, it is for the Council to determine the scope of any discretionary policy. This has been done and the justification/rationale detailed in the report. Should members approve the Policy, then the Council will need to ensure that the Policy is followed when considering whether relief should be granted.
- 6.2 The grant determination states that a condition of the fund is that consultation is undertaken with 'relevant authorities'. Relevant authorities for the purpose of this scheme means:
  - a. Any major precepting authority; and
  - b. Any combined authority
- 6.3 We have consulted with our major precepting authorities on our proposed scheme.

**7. Monitoring Officer's comments:**

This report raises issues about state aid which have not been raised with Legal Services for advice. Whilst it is likely that the sums involved are likely to be de minimis, the Monitoring Officer suggests that it would be prudent to consult with Legal Services before the scheme is adopted by Council.

**8. Report details:**

8.1 At the Spring Budget of 2017, the Government announced three measures to help support businesses that had been impacted by the Revaluation. These measures are:

- a. Supporting Small Businesses
- b. Support for Pubs
- c. A local Discretionary Relief Scheme

8.2 The first two measures are summarised as follows:

#### 8.2.1 Supporting Small Businesses

This helps ratepayers who, as a result of the change in rateable value (as at revaluation), are losing some or all of the Small Business Rate relief (SBRR) or Rural Rate Relief and, as a result, are facing large increases in their bills. The Supporting Small Businesses measure means that any business coming out of SBRR will benefit from an extra cap, meaning their rates will not increase by more than £600 per year (£50 per month). Ratepayers can remain in the scheme for 5 years or until they reach the bill they would have paid without the extra cap.

#### 8.2.2 Support for Pubs

This measure gives a discount of £1,000 on business rates bills for pubs with a rateable value of less than £100,000. The discount is for the 2017-18 financial year only. Where pubs are part of a chain, relief will be available for each eligible property in the chain, subject to meeting State Aid requirements.

8.3 As the criteria for these first two measures has been defined by the Government and are fully funded, we have implemented these. More information about these measures is available at <https://www.gov.uk/government/publications/42017-spring-budget-update>

8.4 Billing authorities will be compensated through a Section 31 grant for the cost to the authority of granting the relief. For the first two measures, the cost will be fully met, but for the third measure (the Local Discretionary Relief Scheme), funding will be up to a maximum amount based on the authority's allocation of the £300m fund. Exeter's share of the fund is as follows;

2017/18 - £357,000  
2018/19 - £174,000  
2019/20 - £71,000  
2020/21 - £10,000

8.5 It is for each local authority to develop their own scheme.

8.6 The scheme proposed in the attached policy fulfils the seven common criteria of the Devon framework as detailed in section 3.2.

8.7 In assessing any potential entitlement to an award under this scheme the Council will compare:

- The rate liability of the ratepayer as at 31 March 2017 after any reliefs and reductions; and

- The rate liability of the ratepayer as at 1 April 2017 taking into account any transitional relief, relief or reductions.

8.8 There are 2 parts to the scheme for consideration;

Part A – formula based for the financial years 2017/18 and 2018/19 only

Part B – on a case by case basis for the 4 financial years from 2017/18

**8.9 Part A – formula based criteria (all criteria must be met)**

8.9.1 Relief can only be awarded where the comparison in 8.7 results in an increase of more than 2%. No relief will be given for the first 2% increase.

8.9.2 For the 2017/18 financial year, relief will be paid up to maximum of £5,000 ( to be reviewed by 31 January 2018 by the s151 Officer in consultation with the Leader, to consider whether the thresholds should be increased to ensure that Government funding is being fully directed to ratepayers in Exeter). For the 2018/19 financial year the amount awarded will be 50% of what was awarded in the 2017/18 financial year.

8.9.3 Relief will only be granted to premises that are liable for occupied rates. No relief will be awarded to empty premises.

8.9.4 Relief will only be granted to ratepayers who were in occupation at 31 March 2017 and still in occupation on 1 April 2017 and for each day subsequent.

8.9.5 Ratepayers taking up occupation on or after 1 April 2017 will not be eligible for relief on the basis that new ratepayers would not have suffered from increases as a result of the Revaluation.

8.9.6 Relief will be targeted at local businesses. For the purpose of this scheme, local businesses are those which have premises wholly or predominately in the Devon area.

8.9.7 Relief may be awarded to a ratepayer who has more than one premises, as long as all other criteria is met.

8.9.8 Relief under Part A will not be awarded where:

- The rateable value exceeds £200,000
- The ratepayer is a national or public body
- The ratepayer has been granted a reduction under S44A of the Local Government Finance Act 1988

8.9.9 Relief under Part A will not be awarded to the following types of business or sectors:

- Betting and gambling premises
- Banks and Building Societies
- Cash Machines/ATMs
- Accountants, Insurance Agents and Financial Advisors
- Pawnbrokers and pay day lenders and similar
- Solicitors and law agencies
- Telecommunications network facilities
- Doctors and GP surgeries
- Supermarkets and discount stores

8.9.9 Additional discretionary relief will not be awarded for rateable value increases after 1 April 2017.

8.9.10 Pubs that meet the criteria under the Government's £1,000 Supporting Pubs Scheme will be able to apply for the difference to bring them up to the £5,000 threshold for 2017/18. For 2018/19, relief will be awarded at 50%. Pubs will be required to apply (where they meet the criteria) for the Government's Supporting Pub Relief first before being considered for the additional relief.

8.9.11 Ratepayers that could qualify for other reliefs such as SBRR, Charity Relief etc. must apply for those reliefs first.

## **8.10 Part B – Case by case basis**

8.10.1 Where any ratepayer can demonstrate that they have experienced financial difficulties as a result of the Revaluation, the Council will consider these on a cases by case basis. The Council will take into account:

- The amount of the increase in rate liability due to the Revaluation
- The amount of rates in relation to other business expenses and income of the business
- The amount of reserves held by the business
- The ability of the business to pay the increase

## **8.11 Reasons for adopting this Scheme**

- Having a mainly formula based scheme for years 1 and 2 means we can identify and then target the support to businesses impacted by the Revaluation
- This scheme ensures that the funding made available by the Government is passed on to those ratepayers impacted by the Revaluation
- The formula based scheme will be easy to administer as it will be easy to identify the qualifying businesses and automatically send them an application form
- This scheme allows for individual businesses that do not meet the formula based criteria to apply
- Under part A of the Scheme (formula based criteria – section 8.9), it is estimated that approximately 370 businesses would benefit from this relief, which for 2017/18 will cost in the region of £312k, giving a potential pot of £45k (12% of funding) for relief awarded under part B of the Scheme (case by case basis – section 8.10).

8.12 Estimating the costs has been extremely difficult as we do not know from our data whether businesses will meet all the criteria such as State Aid rules or being predominantly based in Devon. This is why it is recommended that the maximum threshold level can be increased by the s151 Officer in consultation with the Leader, to ensure that Government funding is being fully directed to support eligible businesses who are impacted by Revaluation.

8.13 Ratepayers have to apply for the relief. As Discretionary Relief falls under State Aid, we will require a declaration from the ratepayer that they do not breach State Aid

rules. The application will also include a declaration regarding trading only or predominantly in Devon.

- 8.14 Relief is calculated on a daily basis, so if a business vacates part way through the qualifying period, then the relief will be apportioned accordingly.
- 8.15 Underspent funding cannot be carried forward to the next financial year. Any overspend cannot be carried forward either, and if we spend above the Government allocated funding for Exeter, the cost to the Council will be approximately 40% of the overspent amount.
- 8.16 As the Government will be reimbursing local authorities by way of a Section 31 Grant payment, the following conditions need to be met:
  - Funding is capped based on allocation levels in section 8.4
  - The grant must be used to support only ratepayers facing an increase in their Business Rate bills following the 2017 Revaluation
  - A qualifying business that is entitled to other reliefs must apply for those reliefs first
  - The grant determination is conditional that the billing authority has consulted with major precepting authorities.

## **9. How does the decision contribute to the Council's Corporate Plan?**

This local Discretionary Relief Scheme supports the Corporate purpose of 'Help me run a successful business in Exeter'.

## **10. What risks are there and how can they be reduced?**

If the scheme costs exceed Government funding then the overspend will need to be met by the pool, however extensive modelling has been undertaken to establish a maximum threshold that will keep the overall cost below the allocated funding, whilst still allowing for a contingency fund for those ratepayers applying under Part B – case by case basis.

Schemes can be subject to legal challenge.

## **11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?**

As this policy relates to Business Rates, the impact is deemed to be low.

## **12. Are there any other options?**

The Government expects all local authorities to have a local discretionary relief scheme in place and has provided new burdens funding to each billing authority, with an additional payment due once rebilling costs can be established in the light of actual numbers of businesses receiving relief. The attached policy determines a scheme that will support those local businesses facing the steepest increase in their Business Rates bill as a result of the 2017 Revaluation, however Members have discretion to decide the contents of the scheme, and to agree funding above the allocated level of funding.

**David Hodgson**  
**Chief Finance Officer**

**Local Government (Access to Information) Act 1972 (as amended)**

**Background papers used in compiling this report:-**

None

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