

# Cabinet



*St Edmundsbury*  
BOROUGH COUNCIL

<b>Title of Report:</b>	<b>Discretionary Rate Relief Following Revaluation – Development of a Local Scheme 2017/2018</b>	
<b>Report No:</b>	<b>CAB/SE/17/037</b>	
<b>Report to and date:</b>	<b>Cabinet</b>	27 June 2017
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<b>Purpose of report:</b>	To adopt a scheme for granting discretionary rate relief for businesses facing the steepest increases in their business rates bills as a result of the 2017 business rates revaluation.	
<b>Recommendation:</b>	<b>It is <u>RECOMMENDED</u> that the Cabinet:</b>  <b>(1) approves the principles of the proposed Discretionary Rate Relief Scheme 2017/2018 (following revaluation) and the guidelines as set out in Report No: CAB/SE/17/037 and its appendices; and</b>  <i>Continued over...</i>	

	<b>(2) gives delegated authority to the Assistant Director (Resources and Performance), in consultation with the Portfolio Holders for Planning and Growth, and for Resources and Performance to agree the scheme guidance for 2018/2019 onwards, in line with the funding available and any feedback from businesses from the 2017/2018 scheme.</b>
<b>Key Decision:</b>  (Check the appropriate box and delete all those that <b>do not</b> apply.)	Is this a Key Decision and, if so, under which definition? Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>
The decisions made as a result of this report will usually be published within <b>48 hours</b> and cannot be actioned until <b>five clear working days of the publication of the decision</b> have elapsed. This item is included on the Decisions Plan.	
<b>Consultation:</b>	Business Forums as per Appendix A
<b>Alternative option(s):</b>	Failing to provide a relief would cause hardship to the businesses concerned and fail to distribute the government's allocation of funding to ease this pressure. Alternative scheme design options have been considered which are covered in the main body of the report.
<b>Implications:</b>	
Are there any <b>financial</b> implications? If yes, please give details	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> As set out in this report.
Are there any <b>staffing</b> implications? If yes, please give details	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> This will be a manual process and we have replied to the Government's consultation on the proposals suggesting new burdens/admin grant should be considered to cover.
Are there any <b>ICT</b> implications? If yes, please give details	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> None as a result of this report
Are there any <b>legal and/or policy</b> implications? If yes, please give details	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> As set out in this report. This is an additional discretionary relief
Are there any <b>equality</b> implications? If yes, please give details	Yes No X <ul style="list-style-type: none"> <li>A screening EqIA has been carried out (see Appendix B)</li> </ul>

<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (after controls)
Adopting this discretionary relief may lead to additional costs or surplus funding in any one year	Medium	Surpluses/deficits might be able to be carried forward but there is no confirmation as yet. The scheme design will be reviewed annually and monitored to ensure we remain within the allocation.	Low
Risk of new guidelines not being implemented by staff	Low	Training and guidance given to staff	Low
Risk of not having guidelines and non-application of discretionary rate relief causes hardship to those most severely affected by the 2017 revaluation.	Medium	Speedy adoption of new guidance to ensure discretionary rate relief awards can be implemented	Low
Risk of a business that doesn't fall within the scheme parameters struggling to meet their business rates liability due to the revaluation	Medium	Introduction of a discretionary hardship fund for businesses adversely affected	Low
<b>Ward(s) affected:</b>		All Wards	
<b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i>		None	
<b>Documents attached:</b>		<b>Appendix A</b> – Guidelines for Discretionary Rate Relief <b>Appendix B</b> – Screening Equality Impact Assessment (EqIA)	

## 1. Key issues and reasons for recommendations

### Background

- 1.1 As part of the Budget on 8 March 2017, the Chancellor announced that the Government would make available a discretionary fund of £300 million 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 revaluation. The Government believes 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 the greatest need.
- 1.2 Every billing authority in England has been provided with a share of the £300 million to support their local businesses. This will be administered through billing authorities' discretionary relief powers under section 47 of the Local Government Act 1988.
- 1.3 The Government has allocated the £300m of available funding to each billing authority, based on certain assumptions (mainly rateable value being greater than £200k and the % increase in bill greater than 12.5%). They went on to say that Local authorities may wish to apply the same rules to their scheme design.
- 1.4 The appendix to the Government consultation document shows west Suffolk councils allocations of the discretionary pot for the MTFS period as follows:

	2017/18	2018/19	2019/20	2020/21	Total
	£000's	£000's	£000's	£000's	£000's
St Edmundsbury	209	102	42	6	359
Forest Heath	227	110	45	6	388
West Suffolk	436	212	87	12	747

This is "the maximum amount of discretionary relief that billing authorities can award for which they and major precepting authorities will be compensated through s31 grant". The compensation will be in line with the current business rate retention scheme shares, i.e. 50% central Government, 40% District/Borough Council, 10% County Council. (So, for example, if St Edmundsbury Borough Council (SEBC) awards £100,000 in total to its ratepayers, it will get £40,000 back in s31 grant, Suffolk County Council (SCC) will get £10,000 and the Government will bear the other £50,000)

- 1.5 Once the 100% rates retention system is introduced everywhere with effect from 2019/20, authorities will see their income reduced by the entire value of the relief given. For any year, the funding arrangements will ensure that all authorities are compensated for the loss of income they incur capped to their allocation by means of grant payments under s.31 of the Local Government Act 2003, or transfer payments between authorities

## **Local scheme design**

- 1.6 Local authorities were invited by Government to design schemes that allocated the Government's funding in such a way as to help those businesses who were most significantly impacted by the 2017 revaluation. In allocating the funding to councils, the Government used an eligibility threshold of £200,000 (i.e. only including businesses with rateable values of less than £200,000) and of 12.5% (i.e. only businesses whose increase in rates was 12.5% or more were included).
- 1.7 In designing the local scheme for St Edmundsbury, officers at West Suffolk councils and Anglia Revenues Partnership modelled what would be the impact on local businesses if the Government's eligibility criteria were replicated locally. It was found that because St Edmundsbury's other reliefs to local businesses were already relatively more generous than the average national picture, the impact of the revaluation had already been offset to some extent. This meant that more businesses could be brought within the parameters of the scheme, while still remaining affordable in terms of the Government's allocation.
- 1.8 Once the scheme is introduced, eligible businesses would receive relief so as to reduce the increase in their business rates bill to a maximum of 10%. Any remaining funding left over following the allocations to these eligible businesses would be allocated to those businesses experiencing extreme hardship as a result of the revaluation, through a discretionary Hardship Fund.

## **2. Engagement with local business rates payers and responses**

- 2.1 We have engaged with local business representatives, through the Suffolk Chamber, Business Improvement Districts (BIDs), MENTA and Federation of Small Businesses, to test the likely impact of the draft scheme design on business rate payers.
- 2.2 The following main points were made in the responses received:
  - The impact of the revaluations are causing significant discomfort to many west Suffolk businesses and are likely in a number of cases to frustrate further investment, business expansion and employment growth.
  - All the stakeholders who responded were pleased that the councils were intending to go further than the Government guidelines and cap the increase at 10% on the basis that it would have a positive impact on many companies who would be able to manage their cash flow better over the coming twelve months
  - However, there was concern that the proposed relief was only for one year and fears expressed that if, next year, companies would be liable for the full increase then the problem would have simply been moved rather than solved.
  - The additional support of the discretionary Hardship Fund was also seen as hopefully helping other businesses in difficult sectors, such as pubs and village shops.
  - The proposed scheme rules were seen as acceptable. There was some

concern at the use of the term 'discretionary' to describe the relief, rather than it being a 'right'

- The particular impact of the revaluation on horseracing trainers in Newmarket was noted (Forest Heath)
- There was a keenness on the part of stakeholder groups to continue to work with West Suffolk councils over the future operation of the scheme, the details of the hardship fund, and business rates policy more generally

### **Draft scheme guidelines**

#### **3.**

3.1 The suggested guidelines from 1 April 2017, detailed in Appendix A sets out the criteria to be taken into consideration in deciding whether relief should be given, the procedure for applications and an appeals process where there has been a refusal to grant relief.

3.2 Awards of relief are reviewed annually and the guidelines will help determine which organisations should receive relief for the period commencing 1 April 2017.

3.3 The total of 132 awards are expected to be given for the 12 month period ending 31 March 2018 as a result of adopting the guidance at Appendix A. There may be further awards as a result of the hardship fund.

3.4 It is proposed that delegated authority is given to the Assistant Director (Resources and Performance), in consultation with the Portfolio Holders for Planning and Growth, and for Resources and Performance to agree the scheme guidance for 2018/2019 onwards, in line with the funding available and any feedback from businesses from 2017/2018 scheme. Any major and significant changes to the overall design of the local scheme would be considered by Cabinet.