

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Chief Executive

to
Cabinet

on

7th November 2017

Report prepared by: Bridget Cowley
Group Manager - Revenues

Business Rates Discretionary Relief Policy

Policy & Resources Scrutiny Committee
Executive Councillor: Councillor A.J Moring
A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To update the current policy in accordance with the Business Rates Discretionary Statutory powers and as specified in the guidance issued in March 2017 by the Department for Communities and Local Government to reflect the new rate reductions announced by the Chancellor in the 2016 Autumn Statement and 2017 Spring Budget.

2. Recommendations

That Cabinet;

- 2.1 Approves the award of Public House Relief of up to £1,000 to qualifying businesses in occupation of Public Houses which have a rateable value of £100,000 or less in accordance with Discretionary Rate relief powers for the financial year 1 April 2017 to 31 March 2018 only subject to State Aid limits;**
- 2.2 Notes that the businesses to qualify for the relief must be a 'Public House' as detailed in 4.4 of this report;**
- 2.3 Notes that where a ratepayer demonstrates their entitlement to the Public House Relief, the Revenues Manager has the authority to award the relief;**
- 2.4 Approves the award of Local Newspaper Relief of up to £1,500 for office space occupied by local newspapers up to a maximum of one discount per local newspaper title and per hereditament, for the financial years 1 April 2017 to 31 March 2018 and 1 April 2018 to 31 March 2019 subject to State Aid limits;**
- 2.5 Notes that where a ratepayer demonstrates their entitlement to the Local Newspaper Relief, the Revenues Manager has the authority to award the relief;**

- 2.6 Approves the award of Supporting Small Business Relief (SSBR) to businesses who as a result of the change in their rateable value at the 2017 revaluation lost some or all of their small business relief in accordance with guidance given by Department for Communities and Local Government for the financial years 1 April 2017 to 31 March 2018 to 1 April 2021 to 31 March 2022, subject to State Aid limits;**
- 2.7 Approves the scheme and amount of Discretionary Business Rate Relief in accordance with section 7 and Appendix G of the revised policy subject to State Aid limits;**
- 2.8 Notes that the Council, through the National Non-Domestic Rate return process, seek full reimbursement of the cost of this relief from Central Government.**
- 2.9 Approves the amended Business Rates Discretionary Relief Policy at Appendix A.**

3. Background and Proposals

- 3.1 In the 2016 Spring Budget the chancellor announced a £1,500 business rates discount for office space occupied by local newspapers, for two years with effect from 1 April 2017.
- 3.2 In the 2017 Spring Budget the Chancellor announced a further three new schemes of relief that would be available to ratepayers who are facing large increases in their Business Rate liabilities from 1 April 2017 as a result of the 2017 revaluation.
- 3.3 The Council has an approved Business Rates Discretionary Relief policy. Instead of changing legislation to allow these new reductions mentioned above, the Government has indicated that Councils should amend their Discretionary Relief powers to grant these reductions. The Government will reimburse the full cost of relief granted.
- 3.4 There are four changes that have been introduced by the Government that require the policy to be amended. The proposed policy is attached as Appendix A and the required changes are shown in the sections below. The key changes are;
 - A temporary relief of £1,000 for Public Houses with a rateable value of less than £100,000.
 - Office space occupied by local newspapers will receive relief of £1,500 up to a maximum of one discount per local newspaper title and per hereditament.
 - Those ratepayers who, as a result of the change in their rateable value following the 2017 revaluation are losing some or all of their small business or rural rate relief, will have a £50.00 per month cap applied to their bill.

- Discretionary Business Rate Relief Scheme (DBRR) which is designed to help those most affected by an increase in their rating valuations as a result of the 2017 revaluation. Every Local Authority will need to set a policy in relation to this new discretionary rate relief scheme introduced from April 2017.

3.5 It is inevitable that in some cases disputes will arise and the appeals procedures agreed on 18th March 2014 by Cabinet in the Business Rates Discretionary Relief Policy will also be applicable to any appeals raised under these schemes.

4. Public House Relief - £1,000

4.1 The Government recognises the important role that pubs play in urban and rural communities across the country. At Spring Budget 2017, the Chancellor announced a £1,000 business rate discount for public houses with a rateable value of up to £100,000 for one year from 1 April 2017.

4.2 The scheme will be available to eligible occupied properties with a rateable value of less than £100,000. The majority of pubs are independently owned or managed and will not be part of chains. Where pubs are part of a chain, relief will be available for each eligible property in the chain, subject to meeting State Aid requirements.

4.3 There is no definitive description of a traditional pub or public house in law which could be readily used by local authorities to determine eligibility. The objective has been to adopt an approach that makes the design and eligibility of the scheme easy to implement by local authorities in a clear and consistent way, is widely accepted by the industry and which is consistent with the Government's policy intention.

4.4 Government's policy intention is that eligible pubs should:

- be open to the general public
- allow free entry other than when occasional entertainment is provided
- allow drinking without requiring food to be consumed
- permit drinks to be purchased at a bar.

4.5 For these purposes, it should exclude:

- restaurants
- cafes
- nightclubs
- hotels
- snack bars
- guesthouses
- boarding houses
- sporting venues

- music venues
- festival sites
- theatres
- museums
- exhibition halls
- cinemas
- concert halls
- casinos

4.6 The proposed exclusions in the list at para 4.5 is not intended to be exhaustive and it will be for the Council to determine those cases where eligibility is unclear.

5. Newspaper Relief - £1,500

5.1 The Government is committed to supporting a strong and vibrant local press. Local newspapers are at the heart of civic life for communities and they remain an important source of information and a vital part of a healthy democracy. In the Autumn Statement 2016, the Chancellor announced a £1,500 business rates discount for office space occupied by local newspapers, up to a maximum of one discount per local newspaper title and per hereditament, for two years from 1 April 2017.

5.2 The relief is to be specifically for local newspapers and by that, the Council means what would be considered to be a “traditional local newspaper”. The relief will not be available to magazines.

5.3 The hereditament must be occupied by a local newspaper and wholly and mainly used as office premises for journalists and reporters.

5.4 The amount of relief is limited to a maximum of one discount per newspaper title (e.g. per newspaper name) **AND** per hereditament. As with all discretionary relief, any grant will be subject to State Aid Limits.

6. Supporting Small Business Relief

6.1 Central Government has increased the thresholds for Small Business Rate Relief from 1 April 2017 to £12,000 for the 100% relief and £15,000 for the tapered relief. Unfortunately, despite these changes, some small businesses may lose all or some of their entitlement to the relief due to increases in Rateable Value due to the revaluation on 1st April 2017.

6.2 The transitional relief scheme (provided under the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016 No. 1265) does not provide support in respect of changes in reliefs.

6.3 The Supporting Small Business relief will help those ratepayers who as a result of the change in their rateable value are losing some or all of their Small Business Relief and, as a result, are facing large increases in their bills.

- 6.4 To support these ratepayers, the Supporting Small Business relief will ensure that the increase per year in the bills of these ratepayers is limited **to the greater of:**
- a. A percentage increase per annum. Of 5%, 7.5%, 10%, 15% and 15% 2017/18 to 2021/22 all plus inflation. For the first year of the scheme the percentage increase is taken against the bill for 31 March 2017 after small business rate relief;
 - Or**
 - b. A cash value of £600 per year (£50 per month).
- 6.5 In the first year of the scheme, this means all ratepayers losing some or all of their small business rate relief will see the increase in their bill capped at £600. The cash minimum is £600 per year thereafter. This means that ratepayers who in 2016/17 paid nothing under small business rate relief and are losing all of their entitlement to relief (i.e. moving from £6,000 rateable value or less to more than £15,000) would under this scheme be paying £3,000 in year 5.
- 6.6 The Government has also decided that those on the Supporting Small Business relief scheme whose 2017 rateable values are £51,000 or more will not be liable to pay the supplement (1.3p) to fund small business rate relief while they are eligible for the Supporting Small Businesses relief scheme.
- 6.7 Ratepayers will remain in the Supporting Small Businesses relief scheme for either 5 years or until they reach the bill they would have paid without the scheme.
- 6.8 A change of ratepayer will not affect eligibility for the Supporting Small Businesses relief scheme but eligibility will be lost if the property falls vacant or becomes occupied by a Charity or Community Amateur Sports Club.
- 6.9 The rules for state aid shall apply when considering Supporting Small Businesses Relief.
- 6.10 The amount of relief awarded under the Supporting Small Businesses relief scheme will be recalculated in the event of a change of circumstances including:
- A backdated change to the rateable value or the hereditament
 - Or**
 - The awarding of another relief.
- 6.11 The Council will calculate the award on a daily basis taking into account the above, and the relief will be re-calculated if the rateable value changes.
- 6.12 Hereditaments eligible for Charity or Community Amateur Sports Club relief or hereditaments which are unoccupied are not eligible for Supporting Small Businesses Relief. Likewise, the same principle applies to properties for which a Section 44A certificate has been granted (apportionment of rateable values for partly occupied properties). The presence of a section 44A certificate will not further reduce the bill found under the Supporting Small Business scheme.

6.13 In accordance with Central Government guidelines all other discretionary reliefs, will be considered **after** the application of Supporting Small Businesses relief.

7. Discretionary Business Rate Relief Scheme

7.1 In Spring Budget 2017, the Chancellor announced that he 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. Government determined that Councils would be 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.

7.2 Every authority within England is to be provided with a share of a £300 million fund to support their local business. Southend-on-Sea Borough Council's share is as follows:

• Year 1 (2017/2018)	£322,000
• Year 2 (2018/2019)	£157,000
• Year 3 (2019/2020)	£64,000
• Year 4 (2020/2021)	<u>£9,000</u>
Total	<u>£552,000</u>

7.3 Councils will be compensated for any relief granted under section 31 of the Local Government Act 2003. Any annual underspend will need to be returned to the Treasury.

7.4 The council is keen to identify ratepayers who may qualify for the relief and as such will look to encourage certain ratepayers to apply. The council will look to simplify the application process wherever possible, but it will expect any ratepayers to provide such information as is required by the Council to support their application.

7.5 The amount of relief is tapered to mirror the reduction in Government funding and will be calculated as follows:

2017/18 award = relief to be granted in line with the scheme detailed in Appendix G of the Southend-on-Sea Borough Council Policy for the granting of Discretionary Non-Domestic Rate relief policy (at Appendix A)

2018/19 award = 2017/2018 award x 50%

2019/20 award = 2018/2019 award x 40%

2020/21 award = 2019/2020 award x 10%

7.6 As with all reliefs, the amount of relief awarded under the Discretionary Businesses Rates relief scheme will be recalculated in the event of a change of circumstances. This will include, for example, a backdated change to the rateable value or the hereditament. This change of circumstances could arise during the year in question or during a later year.

- 7.7 The Non-Domestic Rating (Discretionary Relief) regulations 1989 (S.I. 1989/1059) requires the Council to provide ratepayers with at least one year's notice in writing before any decision to revoke or vary a decision as to increase the amount the ratepayer has to pay takes effect. Such a revocation or variation of a decision can only take effect at the end of a financial year. But within these regulations, the Council may still make decisions which are conditional upon eligibility criteria or rules for calculating relief which allow the amount of relief to be amended within the year to reflect changing circumstances.

8. Other Options

- 8.1 As the award of relief is discretionary the Council could choose not to grant the relief if that is considered appropriate, for example if members consider the awarding of the relief would not be in accordance with the authorities wider objectives. However not awarding the relief will mean the funding being returned to Government.

9. Reason for Recommendations

- 9.1 Central Government expects local authorities to grant relief to qualifying ratepayers and will fully reimburse billing authorities for the actual cost to them under the rates retention scheme. They are also expecting local authorities to amend their current business rates discretionary relief policy to enable the granting of the new relief benefits.

10. Corporate Implications

- 10.1 Contribution to Council's Vision & Corporate Priorities.

The proposals in this report will contribute to the Council's priorities of Prosperous and Excellent.

These new schemes are considered to have a positive economic impact as it could provide around £620,000 to businesses in the borough over a four year period.

- 10.2 Financial Implications

The approval of this policy will allow for the release of Government funding to cover the cost of these new reliefs. It is estimated that in the region of 740 ratepayers may qualify for the new rate relief schemes with a total value estimated to be £620,000. The Government, will, in line with the eligibility put in the guidance, reimburse the Council through the Business Rates claim process.

- 10.3 Legal Implications

These new discretionary powers are introduced by the Localism Act 2011 under Section 47 of the Local Government Act 1988 as amended.

Discretionary Relief is required to be State Aid compliant where it is provided in accordance with the De Minimus Regulations (1407/2013). The De Minimus Regulations allow an undertaking to receive up to 200,000 Euros of De Minimus aid in a three year period (consisting of the current financial year and the two previous financial years). It will be necessary for each ratepayer who is awarded Discretionary Relief to notify the Council if they have received any other De Minimus State Aid, including any other Business Rate Relief they may have received on other property(s) which means they exceed the 200,000 Euros.

10.4 People Implications

The people implications have been considered and there are none relevant to this report.

10.5 Property Implications

The property implications have been considered and there are none relevant to this report.

10.6 Consultation

The Council has consulted with the major preceptor in relation to the Discretionary Business Rate Relief Scheme and has had confirmation from the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority of their acceptance to the Council's proposal for this scheme and this has been taken into account when determining the criteria for the scheme.

There is no plan to carry out a full consultation in view of the required Government guidance on consultation and their requirements for Local Authorities to make the discretionary payments as soon as possible, and the fact that we are reimbursed all costs on any relief that is awarded.

10.7 Equalities and Diversity Implications

This scheme is a Government initiative and therefore this Council has not undertaken an equality and diversity assessment, however, all reliefs granted will be in line with the agreed policy.

10.8 Risk Assessment

Provided the scheme adopted is introduced strictly as specified in the guidance issued by the Department for Communities and Local Government, the council will be reimbursed through the Business Rates claim process.

10.9 Value for Money

There are no specific implications as a result of this policy.

10.10 Community Safety Implications

There are no Community Safety Implications.

10.11 Environmental Impact

There is no environmental impact

11. Background Papers

Government guidance on relief schemes

12. Appendices

Appendix A - Southend on Sea Borough Council Policy for the granting of Discretionary Non-Domestic Rate Relief (November 2017).