

Discretionary Rate Relief Policy Update – Revaluation Support

05 September 2017

Report of Chief Officer (Resources)

PURPOSE OF REPORT				
This report seeks approval of a draft Discretionary Relief Scheme, designed in line with DCLG guidance and financed by Government grant, to provide financial support to those local businesses hardest hit by the recent business rate revaluation in April 2017.				
Key Decision	X	Non-Key Decision	Referral from Cabinet Member	
Date Included in Forthcoming Key Decision Notice		03 August 2017		
This report is public.				

RECOMMENDATIONS OF COUNCILLOR WHITEHEAD:

- (1) **That the Discretionary Rate Relief Scheme for Revaluation Support as set out at *Appendix A* be approved, effective from April 2017.**

1 BACKGROUND

- 1.1 The Government, through the Valuation Office Agency, has recently undertaken a national revaluation of all commercial premises in England and Wales, to assign a new rateable value ("RV") to each property for business rate purposes, with effect from 1 April 2017.
- 1.2 Against a national background of increasing rateable values, particularly in the south of the country, the chancellor announced in his Spring Budget 2017 that the Government would make available a discretionary fund of £300m over 4 years, to support those local businesses that face the steepest increases in their bills as a result of the revaluation.
- 1.3 The City Council's share of this fund amounts to £247k in Year 1 and the Government has recently confirmed that any underspends cannot be carried forward to future years. The minimum allocation to any authority in year 1 was £100k and revaluation support funding provided specifically to the Lancaster billing area for the four year term is set out below:

Year	Value
2017/18	£247,000
2018/19	£120,000
2019/20	£49,000

- 1.4 The Government has provided guidance in terms of businesses that should be supported, assuming that, by and large, more support will be provided to:
- ratepayers or localities that face the most significant increases in bills following revaluation; and
 - ratepayers occupying lower value properties.
- 1.5 Whilst it is made clear that Councils should create their own schemes to take account of their local business issues, there has been an additional steer given from Government around what is deemed as a “substantial increase”, through the way that each authority’s funding has been calculated. The funding allocation allows for the following criteria:
- properties that have rateable values for 2017-18 less than £200,000
 - any increase in the rateable charge that is more than 12.5% compared to the 2016/17 bill
 - applicants declaring that the relief awarded will not exceed applicable state aid limits.
- 1.6 It should be noted also that the Council is precluded from awarding discretionary relief to itself or any other precepting authorities.
- 1.7 In general, the Lancaster district has not seen the large increases in rate bills experienced in other parts of the country. The initial list as at April 2017 indicated that the total rateable value for the billing area had increased by £6m (4%) due mainly to large increases in the power station and university assessments. This was set against a national increase of 9.1% and a North West regional decrease of -0.2%. Currently however, due to amendments the rating list now shows a reduction of £23k (-1.5%) against rateable values for the previous year.
- 1.8 Nonetheless, camping/caravan sites, cemeteries, museums & libraries, leisure facilities and schools have been hardest hit with substantial increases in rateable values, whereas the majority of shops and offices have seen a rateable value reduction, in line with the rest of the North West region.
- 1.9 To add further context, there were two further reliefs for business introduced in the Spring Budget 2017:
- **Supporting Small Businesses:** introduced for businesses facing large percentage increases in their rate bills due to the loss of small business rates relief. To support these ratepayers, the supporting small businesses relief will ensure that the increase per year in the bills of these ratepayers is limited to a maximum cash value of £600 per year (£50 per month), ensuring that those ratepayers previously paying nothing are liable to at least pay a minimum amount for this year.
 - **Rate Relief Scheme for Pubs:** providing a discount of £1,000 for pubs with a rateable value of less than £100,000. This measure is for 2017/18 only.
- 1.10 Any award of revaluation support must also take account of any other relief entitlement.

2 PROPOSAL DETAILS

- 2.1 Drawing on all the above points, **Appendix A** sets out a proposed discretionary rate relief scheme to provide revaluation support to business rate payers in lower valued properties facing substantial rate rises. The local scheme aims to distribute no more than the government grant provided in any year for this purpose, e.g. £247k in year 1. In determining initial allocations (normally at the start of the year), approximately 5% of the government funding would be retained as a contingency to cover eligible rate increases that may arise during the remainder of the financial year. An additional allocation at year end would seek to allocate any remaining balance of available funding. The same basic percentage of relief will apply to all eligible properties, after the application of other scheme principles.

3 DETAILS OF CONSULTATION

- 3.1 As part of the consultation process the Council is obliged to consult with the County Council on its potential scheme and to this end Officers recently chaired a Lancashire wide meeting, to which the County Council was invited; to consider a basic set of parameters on which to base districts' individual schemes. The County Council did not wish to attend the meeting and confirmed that they saw the Council as very much the expert in this area, but they asked to be kept informed as to the Council's eventual scheme.

4 OPTIONS & OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

4.1 Option 1 – Agree to the proposal as recommended

This policy sets out a formal approach to distributing this new discretionary rate relief, providing guidance for officers and a consistent platform in dealing with applications. The approach adopted seeks to maximise use of the grant in an open and equitable way, drawing on Government guidance, and therefore risks associated with any challenge are considered small and manageable.

4.2 Option 2 – Suggest amendments to the proposed policy

Any such amendments would need to have regard to statutory requirements, and therefore should this option be chosen, officers are likely to need extra time to reconsider the implications prior to the re-consideration of an amended policy. There is some reputational risk associated with further delay.

- 4.3 Whatever the scheme design there will be some risk that the scheme will over- or underspend, but targeted assistance and the proposed allocation arrangements are designed to ensure that as far as possible, the cost of relief granted remains within budget.

5 OFFICER PREFERRED OPTION AND COMMENTS

- 5.1 It is recommended that Option 1 be approved. The new policy enables a formal approach to decision making, with criteria in line with the priorities of the Council, benefiting smaller local businesses which have been hardest hit by the revaluation.

6 CONCLUSION

- 6.1 The proposals as set out are considered to be fair and reasonable as a way to distribute available funds, drawing on Government guidance.

RELATIONSHIP TO POLICY FRAMEWORK	
The proposals fit with the Council's priorities of Community Leadership and Sustainable Economic Growth.	
CONCLUSION OF IMPACT ASSESSMENT (including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing):	
The policy demonstrates the commitment to help smaller local businesses throughout the area that have been hit hardest following the revaluation. An Equality Impact Assessment is attached at Appendix B.	
LEGAL IMPLICATIONS	
The Government confirms that billing authorities should deliver their local scheme through the use of discretionary relief powers, under S47 of the Local Government Finance Act 1988, in a similar way to other central government initiatives.	
Providing revaluation support to ratepayers is likely to amount to State Aid. State Aid is the means by which the European Union regulates state funded support for businesses. However, the support for ratepayers will be State Aid compliant where it is provided in accordance with the De Minimis Regulations (Commission Regulation 1407/2013). Each application must be accompanied by a declaration of State Aid compliance.	
FINANCIAL IMPLICATIONS	
The Council will be reimbursed for expenditure up to the maximum allocation, using a grant under Section 31 of the Local Government Act 2003 and therefore it is not expected that the introduction of this new policy will incur additional expenditure.	
OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces:	
No other implications	
SECTION 151 OFFICER'S COMMENTS	
The s151 Officer has contributed to this report, which is in her name (as Chief Officer (Resources)).	
MONITORING OFFICER'S COMMENTS	
The Monitoring Officer has been consulted and has no further comments.	
BACKGROUND PAPERS	Contact Officer: Adrian Robinson Head of Shared Service Telephone: 01772 906023 E-mail: a.robinson@preston.gov.uk
N/A	

**PROPOSED LOCAL DISCRETIONARY RATE RELIEF SCHEME
FOR REVALUATION SUPPORT
LANCASTER CITY COUNCIL**

This scheme forms part of the Council's wider Local Discretionary Rate Relief Policy. It sets out the principles upon which the Council will administer applications for revaluation support from those ratepayers facing the steepest increases in their business rate bill as a result of the 2017 revaluation.

This document sets out the broad framework of principles to be used in decision making for this new scheme covering the four financial years from 1 April 2017 (i.e. ending on 31 March 2021).

Under the scheme, support will only be allowable where a hereditament's rateable value for 2017/18 is less than £200,000 and where a qualifying ratepayer's bill has increased above £600, as a result of the 2017 revaluation.

Subject to the impact upon the Council's overall financial position, relief will be awarded to qualifying applicants up to a maximum amount; this being the sum of their net rates charge for 2017/18 less £600 minimum increase. The ratepayer must therefore pay at least the first £600 of any increase due under revaluation, drawing on other rules in place that apply to small businesses.

As this relief is discretionary, the Council will not grant support in any case where it is not considered appropriate to do so, for example where granting the relief would go against the authority's wider objectives for the local area. Under this same principle, empty property will also be excluded, as the Council discourages leaving property empty as it strives to achieve a vibrant business community.

In making a judgement, Officers will consider the interests of the ratepayer against that of council tax payers in general, taking into consideration local factors.

Scheme Principles:

- the rateable value for 2017/18 must be less than £200,000
- the net rates charge for 2017/18 must have increased in comparison to that for 2016/17
- the ratepayer must have been in continuous rateable occupation prior to 1st April 2017 and liable for a rate charge on 31st March 2017. (Ratepayers occupying premises after 1st April 2017 will not be eligible for relief)
- unoccupied properties will not be eligible for relief
- properties that are not registered on the rating list for a period covering 1st April 2017 will not be eligible for relief
- businesses who benefit from the small business relief cap of paying no more than £50 per month extra (£600 per year) when compared to last year will not be eligible
- businesses whose increase in the amount they are paying compared to last year is less than £50 per month (£600 per year) will not be eligible (to mirror the protection provided for small businesses)
- ratepayers operating an intermittent occupation / tax mitigation / avoidance scheme will not be eligible for relief
- the scheme will target local or regional (North West) organisations. National or multi-national companies, NHS and public sector organisations will not be considered under the scheme
- In line with the previous principle, multiple property owners and/or occupiers may not be considered eligible for relief

- Any award will be evidenced by a completed application form, including state aid compliance. Relief will not be awarded where the award would not comply with EU law on State Aid.

Liability Adjustments:

Where a qualifying ratepayer's rates bill (from 2016/17 as appropriate) is adjusted for any of the following reasons, the amount of their relief due under the term of this policy will be adjusted or removed accordingly:

- an amended rateable value in the 2010 and, or 2017 rating lists
- the provision of a certificated value for the 2010 rating list or historical change
- the application of any additional rate relief or exemption
- vacation and re-occupation of the property
- any other reason

Future Years:

The scheme for this financial year will end on 31 March 2018, with an entitlement period covering 1st April 2017 to 31st March 2018. However, the scheme is based upon a 4 year Government initiative and therefore for Years 2, 3 & 4, relief awarded to qualifying individuals will be reduced in line with the Government's specified level of reduction over the four year term:

Year 1	£247k
Year 2	£120k
Year 3	£49k
Year 4	£7k

Allocation Arrangements

The local scheme aims to distribute no more than the government grant provided in any year for this purpose. Subject to the scheme principles, support will be provided on a % basis, set against the rate increase incurred from financial year 2016/17 to 2017/18, taking into account the first £600 ceiling that all ratepayers need to pay.

In determining initial allocations (normally at the start of the year), an amount equivalent to approximately 5% of the government funding will be retained as a contingency. This is to cover eligible rate increases that may arise during the remainder of the financial year.

An additional allocation at year end will seek to allocate any remaining balance of that contingency, plus any additional amounts that may be available for redistribution, after allowing for any liability adjustments referred to above.

The same basic percentage of relief entitlement will apply to all eligible properties, after the application of other scheme principles.

Decision Making & Appeals:

In line with the Council's wider rate relief decision-making arrangements all decisions regarding the granting of applications of relief under this Policy are determined by the Deputy Director (Customer Services)/Head of Shared Services.

Under the Local Government Finance Act 1988, there is no statutory right of appeal against the Council's use of discretionary powers. However, the Council will accept a customer's request for a review of its decision, with appeals to be presented to the Chief Officer (Resources) for further consideration.

State Aid:

The application form will require the ratepayer to confirm that they have not received any other State Aid that exceeds in total €200,000, including any other rates relief (other than exemptions, transitional or mandatory reliefs) they are being granted for premises other than the one to which this declaration and letter relates, under the De Minimis Regulations EC 1407/2013.

Section 1: Details

Service	Corporate
Title and brief description (if required)	Discretionary Rate Relief Policy Update – Revaluation Support
New or existing	Existing
Author/officer lead	Adrian Robinson (Head of Shared Service)
Date	23 August 2017

Does this affect staff, customers or other members of the public?

Yes, the business community in the local authority area

Section 2: Summary

What is the purpose, aims and objectives?

The scope of the report relates only to non-domestic rate relief, introducing a new discretionary rate relief scheme covering a 4 year period, to distribute Government funded grant by way of revaluation support, to those ratepayers operating a local/regional business in the area, hardest hit as a result of the recent revaluation of rateable values undertaken in April 2017.

Who is intended to benefit and how?

The policy affects business ratepayers as a whole, but more specifically smaller local regional businesses in the area that face an increase in their rate liability arising from the recent revaluation.

A £300m discretionary fund has been established for four years, to be awarded to businesses to mitigate the effects of the revaluation. Lancaster's share of this fund is £423k spread over the term of the scheme, reducing each year.

The Council will target occupied businesses, with a rateable value below £200,000, facing an increase in rate liability. Support will not be granted to empty properties, or where it is not considered appropriate to do so, given the authority's wider objectives for the local area.

Section 3: Assessing impact

Is there any potential or evidence that this will or could:		
• Affect people from any protected group differently to others?		No
• Discriminate unlawfully against any protected group?		No
• Affect the relations between protected groups and others?		No
• Encourage protected groups to participate in activities if participation is disproportionately low (won't always be applicable)?		No
• Prevent the Council from achieving the aims of its' Equality and Diversity Policy?		No

If yes, please provide more detail of potential impact and evidence including:

- A brief description of what information you have and from where eg getting to know our communities data, service use monitoring, views of those affected ie discussions or consultation results?
- What does this tell you ie negative or positive affect?

Age (including older and younger people and children)	No other evidence or expectation of any specific impact.
Disability	No evidence or expectation of any specific impact.
Faith, religion or belief	No evidence or expectation of any specific impact.
Gender (including marriage, pregnancy and maternity)	No evidence or expectation of any specific impact.
Gender reassignment	No evidence or expectation of any specific impact.
Race	No evidence or expectation of any specific impact.
Sexual orientation (Including Civic Partnership)	No evidence or expectation of any specific impact.
Rural communities	Businesses in rural communities have been treated in the same way as all other businesses, therefore no evidence or expectation of any specific impact.
People on low incomes	Revaluation Support has been designed to assist local businesses with their ability to pay increasing rate liability, some of whom may be linked to low income households.

Section 4: Next steps

Do you need any more information/evidence eg statistics, consultation? If so, how do you plan to address this?

No.

How have you taken/will you take the potential impact and evidence into account?

An analysis of the data has taken place to identify the financial impact of this revaluation on business in the area. Over 3,500 properties have either received a reduction in charges compared to the previous year, or have no net charge to pay in 2017/18. Qualifying businesses will be targeted to apply for support.

Consultation has taken place with Lancashire authorities in the development stage and the scheme is to be presented to the County Council, as precepting authority, for consideration and comment.

How do you plan to monitor the impact and effectiveness of this change or decision?

Through general collection rates, take-up, feedback etc.