

**REPORT OF: FINANCIAL SERVICES MANAGER**

**TO: EXECUTIVE**

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**Report Author:** Vince Green  
**Tel. No:** 01282 661867  
**E-mail:** vince.green@pendle.gov.uk

## **SUPPORTING SMALL BUSINESSES AND OTHER RATE RELIEF SCHEMES UPDATE**

### **PURPOSE OF REPORT**

1. The purpose of this report is to update the Executive on current developments affecting National Non-Domestic Rating (NNDR) and in particular, schemes of support, both national and local, aimed at supporting eligible businesses adversely affected by the 2017 Revaluation.

### **RECOMMENDATIONS**

2. The Executive is recommended to note the current position and the intention to report on the details of a local scheme of relief to the next meeting of the Executive in August.

### **REASONS FOR RECOMMENDATION**

3. To keep the Executive informed of developments relating to the implementation of schemes of relief for eligible businesses within Pendle.

### **ISSUE**

#### *Background*

4. On the 1<sup>st</sup> April 2017 new rateable values for all business premises in England and Wales came in to force as a result of the 2017 Revaluation undertaken by the Valuation Office Agency.
5. Prior to April 2017, eligible ratepayers with a rateable value of less than or equal to £6,000 were entitled to 100% small business rate relief (SBRR). Those with a rateable value of between £6,000 and £12,000 benefitted from tapered relief from 100% to 0%. As a result of measures announced in the 2016 Budget the Government increased these thresholds from 1<sup>st</sup> April 2017 to £12,000 for the 100% relief and £15,000 for the tapered relief. However, some ratepayers faced with large increases in their rateable value will lose some or all of their

small business rate relief. Similar considerations could apply to those businesses in receipt of rural rate relief.

6. Linked to the implementation of new rateable values, the Government introduced a scheme of transitional relief which has the effect of phasing in increases and decreases in rateable value dependent on the size of business. However, the transitional relief scheme does not provide support in respect of changes in reliefs. Therefore, those ratepayers who are losing some or all of their small business or rural rate relief may be faced with large percentage increases in their rate bills from 1<sup>st</sup> April 2017.
7. As a result, in the Spring 2017 Budget, the Chancellor announced that a new scheme of support would be made available to those ratepayers facing large increases as a result of the loss of small business or rural rate relief due to the revaluation. This is known as the "Supporting Small Businesses Relief Scheme".
8. The onus is now on billing authorities, like Pendle, to implement the support available under the above scheme. The Government has said it will compensate authorities in full for the loss of rates incomes they incur. This will be by way of a Section 31 Grant as happens now with other forms of rating relief.
9. The Government has issued guidance to local authorities to assist with the implementation of this scheme of support which includes the following:
  - Increases in eligible ratepayers bills will be limited to the greater of:
    - (a) a percentage increase of 5%, 7.5%, 10%, 15% and 15% over the period 2017/18 to 2021/22 all plus inflation, or
    - (b) a cash value of £600 per year (£50 per month);
    - (c) those ratepayers on the scheme whose 2017 rateable value is £51,000 or more will not be liable for the supplement of 1.3p to fund small business rate relief whilst they remain eligible under the scheme;
    - (d) ratepayers remain in the scheme for either 5 years or until they reach the bill they have paid without the scheme.
10. At the time of writing this report we have not assessed the potential implications for the Council or the numbers of local businesses affected by this. The NNDR system software provider is working on changes to the software to help facilitate this and more detail will be presented in the next update report.
11. In addition to the scheme outlined above the Government also announced, as part of the Spring Budget, 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.
12. The intention is that every billing authority in England will be provided with a share of the £300m to support their local businesses. We are expected to use our share of funding to develop our own discretionary relief scheme to deliver targeted support to the most hard-pressed ratepayers. The £300m will cover the four years from 2017/18 and is split as follows:
  - 2017/18 £175m      Pendle's share is £50k
  - 2018/19 £85m      £24k
  - 2019/20 £35m      £10k

- 2020/21 £5m £1.5k

13. We have to design a local scheme and consult on it with the major preceptors. We have commissioned external support to assist us with the scheme design and aim to present the detailed scheme to the next meeting of the Executive in August.
14. The Government expects that billing authorities will deliver the scheme through the use of their discretionary relief powers under section 47 of the Local Government Finance Act 1988, as amended. We will be compensated through a Section 31 grant for the cost to the council of granting the relief – up to a maximum amount based on the authority's allocation of the £300m fund.
15. We will await formal confirmation and approval of the Council's scheme before making it publicly available. The funding is limited and the cost of any relief granted in excess of our allocation would fall to be met 50:50 between local and central government.
16. Lastly, the government has also announced a new relief scheme for pubs that have a rateable value of below £100,000. Under the scheme, eligible pubs will receive a £1000 discount on their bill. The government is currently developing this scheme and will confirm the details in due course. The relief will have effect for 2017/18 only.
17. As with the previous scheme outlined above, the council will be expected to use its discretionary relief powers (under section 47 of the Local Government Finance Act 1988, as amended) to grant this new relief for pubs in line with the relevant eligibility criteria. We will be compensated for the cost of granting the relief through a Section 31 grant from Government.
18. The schemes outlined above are additional to the Council's existing discretionary rate relief policy (details of which are on our website at [www.pendle.gov.uk/businessrates](http://www.pendle.gov.uk/businessrates)). As well as responding to the new forms of relief available for business, we will take this opportunity to review and update our existing discretionary non-domestic rate relief policy and will report back on this to the August meeting.
19. As a discretionary form of relief, it is important that any awards are made in compliance with the legislation. Once granted, the legislation requires one year's notice of cancellation to be given and comes to an end at the end of the financial year. We will also need to consider State Aid implications when determining applications for rate relief. In the case of the newly proposed scheme of discretionary rate relief it will be necessary to align the scheme each year with the reduced level of funding made available by government. This is likely to require an annual review.

## **IMPLICATIONS**

### **Policy**

20. The scheme of relief being proposed is a new scheme of support to businesses within Pendle. The scheme will constitute a change in current policy.

### **Financial**

21. These are generally as outlined in this report. Business rates income is currently shared 50:50 between central and local government. The latter share breaks down 40% Pendle, 9% County Council and 1% Fire Authority. The allocation of £50,000 for the local discretionary scheme in 2017/18 is intended to compensate for the 50% local share of income foregone on

implementation of the new relief. Any part of the allocation not used will have to be repaid to the Government.

22. The costs to the Council associated with the Supporting Small Businesses Relief and Pubs relief schemes will be fully reimbursed by government via a Section 31 grant.
23. The cost of external support to help devise the new policy and review/update our existing discretionary rate relief policy is £800 and this will be contained within existing approved budgets.

### **Legal**

24. The government is not changing the legislation around these reliefs. Instead the government will, in line with the eligibility criteria for the Supporting Small Businesses scheme, reimburse billing authorities that use their discretionary powers, under section 47 of the Local Government Finance Act 1988, as amended, to grant relief.

### **Risk Management**

25. The risks appear limited if the government reimburses the council in full for implementing the majority of the reliefs outlined in this report. However, there are risks around compliance and eligibility checks including State Aid considerations and these will need to be addressed in the design of the proposed scheme and the determination of awards. It will also be important to build in sufficient flexibility in our schemes to ensure awards of relief can be contained within government funding allocations where these apply.

### **Health and Safety**

26. There are no health and safety implications arising directly from the contents of this report.

### **Climate Change**

27. There are no climate change or sustainability implications arising directly from this report.

### **Community Safety**

28. There are no community safety issues arising directly from the contents of this report.

### **Equality and Diversity**

29. An equality impact assessment has not been undertaken on the proposed changes given the application of them to all qualifying businesses.

### **APPENDICES**

None.

### **LIST OF BACKGROUND PAPERS**

Guidance issued by the Department for Communities and Local Government on the Supporting Small Businesses Relief Scheme.