

**REPORT OF: FINANCIAL SERVICES MANAGER**

**TO: EXECUTIVE**

**DATE: 24<sup>th</sup> AUGUST 2017**

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**Supporting Pendle Businesses  
Business Rates Relief (Local Discretionary scheme)**

**PURPOSE OF REPORT**

1. The purpose of this report is to propose a draft scheme of discretionary rate relief for local businesses in 2017/18 using funding provided by Government as announced in the Spring Budget. This report follows an update report to the June meeting of the Executive which set out the background and context to this scheme and other forms of support for business rates. The June report can be viewed [here](#) (item 12 refers).

**RECOMMENDATIONS**

2. The Executive is recommended to:
  - a) consider and endorse the principles of the draft local scheme of relief as proposed at Appendix 1 and,
  - b) grant delegated authority to the Financial Services Manager in consultation with the Portfolio Holder for Finance to conclude and implement the scheme in the current financial year.

**REASONS FOR RECOMMENDATION**

3. To keep the Executive informed of developments relating to the implementation of schemes of relief for businesses within Pendle and seek approval to a local scheme of discretionary relief for businesses impacted by the 2017 Revaluation.

**ISSUE**

*Background*

4. On the 1<sup>st</sup> April 2017 new ratable 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. In the Spring 2017 Budget, the Chancellor announced that a new scheme of support would be made available to those ratepayers facing large increases in their business rates 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". This scheme will help those ratepayers affected by ensuring that the annual increase in their bills is limited to £50 per month.
6. It is estimated that there are 13 businesses in Pendle that are eligible for assistance under this scheme of support. Arrangements will be made to apply this assistance quickly once we have received the required system software upgrade from our provider; this is expected later this month.
7. In addition to the above scheme, the government 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 relief will have effect for 2017/18 only. By mid-August this relief had been applied to 14 premises with further awards to follow once confirmation is received that there are no State Aid implications arising from the award of relief (a potential issue with national pub chains).
8. The focus of this report is the design of a local scheme of discretionary rate relief. This is required in order to disburse the Council's share of a £300m funding pot that the government has made available over a four year period from 2017-18 to support those businesses that face the steepest increases in their business rates bills as a result of the 2017 revaluation.
9. The funding of £300m has been allocated to Councils via a formula with Pendle due to receive the following amounts:

	£'000
• 2017/18	100
• 2018/19	48
• 2019/20	20
• 2020/21	3

10. The funding allocations have been derived by calculating the total increase in bills (excluding transitional and other reliefs), for every property in England where the rateable value for 2017/18 is less than 200k and the increase in the 2017/18 bill is more than 12.5%. The sums shown above represent the maximum that will be received in each year. Any funding not used will be reclaimed by DCLG and there is no flexibility to carry funding over between years.
11. The Government expects that billing authorities will implement a local scheme of relief using their discretionary relief powers under section 47 of the Local Government Finance Act 1988. We will be compensated through a Section 31 grant for the cost of our share of local relief up to the maximum allocated to the Council each year from the £300m fund.
12. In designing the local scheme of relief, we have to take into account any other reliefs that the ratepayer is entitled to; this is because this discretionary relief will be the last applied to an account. As the relief is awarded as a local discount, awards will be subject to State Aid considerations. The maximum threshold for State Aid is €200k over 3 years. A consequence of this limit is that it ordinarily excludes national business chains from accessing relief.

13. A draft scheme is provided at Appendix 1 for consideration by the Executive. It is designed so as to fully allocate the funding awarded to the Council and be relatively simple to administer. Eligible businesses are those with a rateable value of less than £200,000 as per the government's funding methodology. A number of other exclusions are proposed and details of these are set out in the draft scheme at [Appendix 1](#).
14. We are required to consult with the major precepting authorities on our local scheme (i.e. County Council and Fire Authority). A copy of the draft scheme has been submitted to them and any feedback will be provided at the meeting.
15. There are several variants that could be devised when implementing a local discretionary scheme. The scheme proposed at Appendix 1 seeks to grant relief to a wide range of smaller, local businesses and will compensate them for the majority (75%) of the increase in rates they have experienced as a result of revaluation. Where possible the intention is to auto-apply relief to reduce the burden on business save where there are potential state aid considerations. In such cases we will require a signed declaration from the ratepayer.
16. Work to identify eligible ratepayers and model the financial impact is nearing completion at the time of writing this report. However, given the potential need to refine the scheme to ensure the value of relief remains within the funding available, the Executive is asked to grant delegated authority to the report author in consultation with the Portfolio Holder for Finance to finalise and implement the Council's local scheme of relief.
17. Once approved, relief will be awarded from the 1<sup>st</sup> April 2017 and the objective is to use the funding allocation in full during the year. Where recovery action may be being considered for non-payment of rates, regard will be given to the likelihood of relief being granted under this or other approved schemes of relief and such action will be modified accordingly.
18. It will be necessary to update our existing policy on granting discretionary rate relief in view of these new schemes. This work is underway and the updated policy will be presented to the Executive in due course with the aim of submitting it to Council in October for formal approval.

## **IMPLICATIONS**

### **Policy**

19. The Council has an existing policy of awarding discretionary rate relief. The scheme being proposed represents an extension of this policy using existing legal powers to do so.

### **Financial**

20. These are generally as outlined in this report. Business rates income (net of reliefs) 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 £100,000 for the local discretionary scheme in 2017/18 will be fully funded by Government with the Council reimbursed for its share of the cost via a Section 31 grant.
21. The costs to the Council associated with the Supporting Small Businesses Relief and Pubs relief schemes will also be fully reimbursed by government via a Section 31 grant.

22. Based on a listing of all premises which have seen an increase in rates due to revaluation there are an estimated 361 businesses potentially falling within the scope of this scheme of relief. Applying the proposed scheme exclusions reduces this to an estimated 301 eligible businesses with an average percentage increase in rates payable of 12.5%. The estimated value of relief totals £90k based on 75% of the increase. This leaves £10k for any changes and/or the extension of this scheme of relief to those businesses left with a minimum increase of £600 under the Supporting Small Businesses Relief Scheme referred to above in this report.

## **Legal**

23. 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**

24. 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 determination of awards. It is also important to build in sufficient flexibility in our scheme to ensure awards of relief can be contained within government funding allocations.

## **Health and Safety**

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

## **Climate Change**

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

## **Community Safety**

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

## **Equality and Diversity**

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

## **APPENDICES**

**Appendix 1** – Draft Local Discretionary Business Rate Relief Scheme 2017/18 – 2020/21.

## **LIST OF BACKGROUND PAPERS**

Guidance issued by the Department for Communities and Local Government.

**DRAFT**

**Pendle Borough Council**  
**Local Discretionary Business Rate Relief Scheme 2017/18 to 2020/21**

**1. Introduction**

In the March 2017 Budget, the Government made funding of £300m available to local authorities to provide support to businesses that face the steepest increases in their business rates as a result of the 2017 Revaluation.

Councils have to design their own local scheme of discretionary relief using the funding made available by government. Pendle has been allocated the following amounts for each year:

	£'000
2017/18	100
2018/19	48
2019/20	20
2020/21	3

This document sets out the Council's proposals for a local discretionary business rate relief scheme for each of the years shown above.

**2. Proposed local scheme of discretionary business rate relief**

- (a) The scheme is designed to assist qualifying ratepayers who have experienced an increase in their rates liability due to the 2017 Revaluation and subsequent increase to their rateable value.
- (b) Relief will **not** be awarded where mandatory relief is granted.
- (c) In assessing potential entitlement the Council will compare the rate liability as at the 31<sup>st</sup> March 2017 after any reliefs and reductions and the rate liability as at 1<sup>st</sup> April 2017 taking in to account any transitional relief, discretionary reliefs and exemptions.
- (d) Relief will be applied at a maximum rate of 75% where the above calculation results in an increase in rates payable subject to a maximum award of relief not exceeding £5,000. Awards will only be applied where the amount is £10 or greater.
- (e) Relief will only be given to premises liable for occupied rates. There is no relief for unoccupied premises.
- (f) Relief will only be granted to ratepayers who were in occupation as at the 31<sup>st</sup> March 2017 and in occupation on the 1<sup>st</sup> April 2017 and for each day subsequently.
- (g) Ratepayers taking up occupation after the 1<sup>st</sup> April 2017 will **not** be eligible as they will not have suffered an increase due to a revaluation.
- (h) Relief will **not** be awarded on hereditaments which were not on the rating list at 1<sup>st</sup> April 2017; relief will not apply where properties are entered in to the list retrospectively.

- (i) Relief will be targeted to local businesses i.e. those that have premises wholly in the Council's area; not those that are national or multi-national.
- (j) Relief may be awarded for more than one premise as long as **all** other criteria are met.
- (k) Relief will **not** be awarded where:
- i. mandatory relief is awarded; or
  - ii. where the ratepayer has applied for a reduction under S44a of the Local Government Finance Act 1988 (i.e. partly occupied hereditaments); and
  - iii. the hereditament has an increase in rateable value after the 1<sup>st</sup> April 2017 which increases the rate charge above the 1<sup>st</sup> April 2017 value.
- (l) Relief will **not** be awarded for hereditaments which are wholly or mainly used for:
- Central and Local government purposes
  - Police and Fire and Rescue Services
  - NHS purposes and Doctors and GP Surgeries
  - Schools / Academies / Colleges / Other educational establishments
  - Banks and Building Societies
  - Cash machines / ATMs
  - Betting and gambling premises
  - Pawn Brokers and Pay day lenders
  - Car parks
  - Mail sorting and delivery offices
  - Telecommunications network facilities
- (m) Relief will **not** be awarded on any hereditament with a rateable value of £200,000 or more.
- (n) If, after relief has been granted, an eligible ratepayer's bill for 2017/18 is *reduced* for any reason, the amount of relief will be reduced or removed accordingly. Where a ratepayer's bill for 2016/17 is *increased* for any reason, the amount of relief will be reduced or removed accordingly.
- (o) The level of relief granted in 2018/19, 2019/20 and 2020/21 will be 48%, 20% and 3% respectively of the relief awarded in 2017/18.
- (p) The total value of relief granted in any year by the Council shall not exceed the level of funding it receives from the Government.
- (q) Relief will **not** be granted where its award would not comply with European Union law on State Aid (i.e. the total value of State Aid must not exceed €200,000 under the De Minimis Regulations EC 1407/2013). More information on State Aid can be found at: <https://www.gov.uk/state-aid>
- (r) Any ratepayer considered for relief under this scheme will be required to provide such information as is needed by the Council to determine their eligibility.