

**Agenda Item No:** 9.4 **Report No:** 149/17  
**Report Title:** Business Rate Revaluation Support Policy  
**Report To:** Cabinet **Date:** 13 November 2017  
**Cabinet Member:** Councillor Giles  
**Ward(s) Affected:** All  
**Report By:** Ian Fitzpatrick, Director of Service Delivery  
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### **Purpose of Report:**

To consider the proposed Discretionary Business Rate Revaluation Support Policy for those ratepayers adversely affected by the 2017 Business Rates Relief revaluation.

### **Officers Recommendation(s):**

- 1 Approve the Discretionary Business Rate Revaluation Support Policy as set out in Appendix 1.
- 2 Grant the Director of Service Delivery and the portfolio holder for Finance delegated authority to review and, if necessary, amend the Business Rate Revaluation Support Policy at the end of March 2018 and each subsequent year during the operation of the scheme

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## **1 Reasons for Recommendations**

- 1.1 The Government expects local authorities to have in place arrangements to administer and award reliefs to ratepayers as quickly as possible. This report therefore recommends the Discretionary Business Rate Revaluation Support Policy is adopted for 2017/18 and subsequent years.

## **2 Introduction**

- 2.1 In the March 2017 budget, the Chancellor of the Exchequer announced that £300 million was being made available to councils to support those

businesses most affected by the increases in their business rates bills as a result of the 2017 revaluation.

- 2.2** Whilst generally ratepayers are paying less overall in business rates because of the revaluation, there are still a number of businesses that individually have seen an increase in their rates bills.

### **3 Proposed Scheme**

- 3.1** From analysis undertaken during the design of the scheme there are currently 2,900 commercial properties of which 2,053 small businesses (Rateable value of £15,000 or below) did not have an increase above 12.5%. The majority of businesses within this category have a zero rates liability as they are in receipt of 100% Small Business Rate Relief, or are receiving tapered relief.
- 3.2** There are a total of 847 medium to large businesses with rateable values between £15,000 and £200,000.
- 3.3** 730 ratepayers increases were below the threshold of 12.5%; or were either national or multi-national companies; or identified as sectors the Council does not propose to provide support.
- 3.4** From the evaluation and analysis undertaken the scheme is estimated to provide support to approximately 117 Lewes district businesses overall facing the most significant increases.
- 3.5** Via a consultation paper in March 2017, the government outlined how local schemes to distribute the relief should be designed.
- 3.6** Government was clear that councils should use their discretionary powers to deliver the reliefs and design their own schemes as they are best placed to judge the particular circumstances of their local ratepayers and direct the funding to where it's most needed.
- 3.7** The relief should be aimed at ratepayers occupying properties with a rateable value of up to £200,000 whose net rates payable have increased by more than 12.5% over the amount due in 2016/17.
- 3.8** The scheme can only support those businesses that have had an increase in their bills as a result of the revaluation, and not because of other reasons, for example, where the premises have been extended.
- 3.9** The recommended level of relief awarded in year 1 will be 80% of the difference between the 2016/17 and 2017/18 net rates bill of the eligible business
- 3.10** The proposed policy for the award of discretionary rate relief for those ratepayers adversely affected by the 2017 revaluation is set out in Appendix 1

The key features of the policy are as follows:

- Relief will be granted on application only
- Relief will be aimed to support ratepayers with a rateable value up to £200,000
- Support will only be given to those ratepayers facing an increase of more than 12.5%
- Relief will only be given to ratepayers who were in occupation on 31 March 2017 and after 01 April 2017
- All statutory reliefs and exemptions will be applied before any calculation for discretionary rate relief can be considered
- The relief is targeted to local businesses, not national or multi-national by nature

**3.11** The council proposes to exclude the following categories of businesses / organisations:

- Medical services e.g. GP's surgeries and hospitals
- Financial services e.g. banks and pawnbrokers
- Public sector e.g. council buildings and schools
- Leisure sector e.g. gyms and health centres
- Professional services e.g. accountants and solicitors
- Other services e.g. letting agents and estate agents

## **4 Financial Appraisal**

**4.1** The £300 million will be allocated over 4 years and the allocations have been calculated based on the increases in net rateable values locally as a proportion of the increases in bills nationally.

**4.2** The funding provided to Lewes District Council for the scheme through to 2020/21 is as follows:

<b>Amount of Discretionary pot awarded (£000s)</b>				
<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>TOTAL</b>
£235	£114	£47	£7	£403

**4.3** These amounts represent the maximum amount that the council can award in relief for which it will be reimbursed by the government through a section 31 grant of the Local Government Act 2003.

**4.4** The overall estimated cost of the scheme in year 1 for Lewes is £189,000 and will provide support to approximately 117 local businesses

that have faced large increases in the amount they have to pay (more than 12.5%).

**4.5** It is considered prudent to retain £46,000 of the funding to cover eligible rate increases which may arise during the year to allow for changes in rateable value due to appeals.

**4.6** The level of discount will be reviewed in years 2 to 4 as the funding reduces.

## **5 Consultation**

**5.1** Central Government expects billing authorities to consult with their major precepting authorities before adopting any discretionary relief support scheme.

**5.2** Additionally we consulted with local ratepayers, Chamber of Commerce and the Federation of Small Businesses. The consultation ran for a period of 8 weeks and closed on 08 October 2017

**5.3** There was broad agreement on the key principles of the scheme and it is proposed that no further changes are required to the scheme.

**5.4** We recognise that there may be certain business sectors who will not qualify for relief. If this situation were to arise and where there is compelling evidence and justification for inclusion, we could amend the policy from year two onwards.

**5.5** At the point the scheme goes live during November we will be contacting the businesses and asking them to apply before the end of the calendar year

## **6 Legal Implications**

**6.1** As a billing authority, the Council has power to make and implement a Discretionary Business Rate Relief Scheme across Lewes District under section 47 of the Local Government Finance Act 1988

**6.2** Approval of the Scheme is an executive function and proper to be made by Cabinet

**6.3** The provision of tax relief (including discretionary non-domestic rate relief) to businesses could constitute 'State Aid'. However, no business in receipt of this relief would infringe EU rules on State Aid where the total value of this relief, taken together with any other source of state funding, was less than 200,000 euros (approximately £177,000) in a rolling 3 year period. Ratepayers will be required to make a signed declaration

## **7 Risk Management Implications**

**7.1** There is a risk that, without a scheme in place before December 2017, the Council would be unable to award the relief within the current

financial year and this would not reduce the financial burden on businesses affected by the revaluation.

- 7.2 Whilst the scheme is not mandatory, failure to implement the policy to distribute the support to businesses could cause reputational damage to the council.
- 7.3 Modelling of the rating list has been undertaken to ensure that the proposed scheme can be met from the funding allocations. Any overspend would have to be met by the council and the major precepting authorities. Any overspend could also affect the level of service we can deliver in other areas of council activity.

## **8 Equality Screening**

- 8.1 An Equalities and Fairness impact assessment has been completed and was submitted to the Equality and Fairness Planning Group for their comments. The Group has signed off the assessment with no further feedback or comments to add.
- 8.2 It is our view that the policy is robust and evidence shows no potential for discrimination. If, however, any issues are identified in the consultation, or during the first year of implementation, these will be reviewed and, if appropriate, changes will be made to the policy for subsequent years.

## **Background Papers**

Business Rates Information Letter (4/2017): Spring Budget Update, issued by Department of Communities and Local Government

Equalities and Fairness Analysis Findings report

Consultation summary report

## **Appendices**

Appendix 1: Draft Discretionary Business Rate Revaluation Support Policy