

## CABINET

18 July 2017

### DISCRETIONARY REVALUATION RATE RELIEF POLICY

#### Report of the Director for Resources

Strategic Aim:	Sound financial planning and workforce planning	
Key Decision: No	Forward Plan Reference: FP/070417/01	
Exempt Information	No	
Cabinet Member(s) Responsible:	Councillor Oliver Hemsley, Deputy Leader and Portfolio Holder for Growth, Trading Services and Resources (except Finance)	
Contact Officer(s):	Saverio Della Rocca, Assistant Director- Finance	01572 758159 sdellarocca@rutland.gov.uk
	Andrea Grinney, Revenues and Benefits Manager	01572 758227 agrinney@rutland.gov.uk
Ward Councillors	N/A	

#### DECISION RECOMMENDATIONS

That Cabinet:

1. Approves the policy detailed at Appendix A.
2. Gives authority to the Assistant Director -Finance, in consultation with the Portfolio Holder for Growth, Trading Services and Resources (except Finance) to determine finalise, and review the Discretionary Revaluation Rate Relief Policy and other rate relief schemes in line with guidance issued by the Government and further local schemes relating to non-domestic rate relief as advised.
3. Approves the classification to be used for public houses as detailed at 4.2.

## **1 PURPOSE OF THE REPORT**

- 1.1 The purpose of this report is to tell members about the additional rate reliefs that central government is putting in place to support ratepayers who have been most affected by the revaluation.
- 1.2 To outline our Discretionary Revaluation Rate Relief Policy and to explain how this relief will be funded and administered.
- 1.3 To ask Cabinet to delegate authority to the Assistant Director-Finance in conjunction with the Portfolio Holder for Growth, Trading Services and Resources (except Finance) to finalise the draft policy set out at Appendix A following any further guidance from central government.

## **2 BACKGROUND AND MAIN CONSIDERATIONS**

- 2.1 In the Spring Budget the Chancellor announced that relief would be made available to ratepayers who are facing large increases in their rates bills as a result of revaluation. The Department for Communities and Local Government (DCLG) have issued guidance to local authorities (Business Rates Information Letter (2/2017): Spring Budget, announcing three new schemes:
  - Support for Small Businesses;
  - Business Rate Relief Scheme for pubs; and
  - Discretionary Relief Scheme.
- 2.2 The Government expects local authorities to award relief to qualifying ratepayers under section 47 of the Local Government Act 1988 as amended by the Localism Act 2011 which enables local authorities to grant relief.
- 2.3 The Federation for Small Businesses has written to the Council asking us to design our scheme to ensure that our discretionary relief funding is used effectively to help small businesses. The Council has considered their representations as part of its policy.

## **3 NEW SUPPORT FOR SMALL BUSINESSES**

- 3.1 This scheme is designed to help small businesses who are facing large increases in their bills from 1<sup>st</sup> April 2017 as a result of the loss of Small Business Rate Relief (SBR) or Rural Rate Relief. SBR is complex as there are a number of rules but generally SBR applies to properties with a Rateable Value of less than 15,000. The supporting small businesses relief will ensure that the increase in the rates bill is limited to the greater of a cash value of £600 per year or the matching cap on increases for small properties in the Transitional Relief scheme.
- 3.2 Formal guidance on the operation of the scheme was issued on 15<sup>th</sup> May 2017 and 20<sup>th</sup> June 2017. The government expects local authorities to grant Supporting Small Businesses relief to all qualifying ratepayers. The guidance and criteria must be adhered to in order to receive grant funding. Members are not required to make any decisions relating to this particular relief.
- 3.3 Officers have identified 34 businesses that may benefit from this new relief.

Examples are given below (in both cases the increase in bills is limited to £600):

- A ratepayer eligible for Small Business Rate Relief whose rateable value increased from 5,900 (paying £0 in 2016/17) to 15,000 would be paying the following in 2017/18.

Bill before reliefs:	£6,990.00
Bill after transitional relief:	£3,058.35
Bill after Small Business Rate Relief:	£3,058.35
Bill after Supporting Small Business Relief:	£ 600.00

- A ratepayer eligible for Rural Rate Relief whose rateable value increased from 8,100 (paying £1,372.20 in 2016/17) to 14,000 would be paying the following in 2017/18.

Bill before reliefs:	£6,524.00
Bill after transitional relief:	£4,198.75
Bill after Small Business Rate Relief:	£2,799.16
Bill after Supporting Small Business Relief:	£1,972.20

#### **4 NEW BUSINESS RATE RELIEF SCHEME FOR PUBS**

4.1 This scheme provides pubs with a rateable value of below 100,000 with a £1,000 discount on their bill for 2017/18. DCLG issued guidance on 20<sup>th</sup> June 2017 which sets out detailed criteria which is summarised as follows:

- Eligible pubs should be open to the general public, allow free entry, allow drinking without requiring food to be consumed and permit drinks to be purchased at a bar.
- It should exclude restaurants, cafes, hotels, snack bars, guest houses, museums etc.

4.2 Members are required to consider what method of classification can be used to help officers decide whether a property is a pub or not. Officers have considered this and recommend that we use:

- the Valuation Office Classification Code of 'CL' which is used to classify licensed properties; and
- the Valuation Office property description of 'Public House and Premises'.

This information is readily available to officers and ratepayers as it is recorded on the rating list.

4.3 Officers have identified 33 pubs that may benefit from this new relief.

#### **5 NEW DISCRETIONARY RELIEF SCHEME**

5.1 The Government has made £300m discretionary funding available to councils over four years to support businesses that face the steepest increase in their rates bills as a result of revaluation. Their expectation is that each authority develops its own scheme and that we target support to the most hard-pressed ratepayers. The scheme will run for 4 years from 1<sup>st</sup> April 2017.

- 5.2 DCLG have advised us that the available funding for the scheme for 2017/18 is £192,000. Funding for future years have not been determined yet and further advice will be given on whether any underspend for 2017/18 can be used for subsequent financial years.
- 5.3 Further guidance on the operation of the scheme is expected from DCLG. In the meantime officers have developed a draft policy to facilitate the prompt and efficient award of relief under this scheme.
- 5.4 The draft policy is set out at Appendix A. A summary of the criteria and administration of the scheme is detailed below:
- The qualifying Rateable Value is less than 200,000 to target support at smaller businesses (Appendix A 4.1-1)
  - The ratepayer faces an increase in their rates bill of more than 12.5% to target those facing the most significant increase. (Appendix A 4.1-2)
  - The ratepayer must have had liability to pay rates on 31<sup>st</sup> March 2017 to target those ratepayers who were paying rates previously i.e. not new ratepayers. (Appendix A 4.1-3)
  - The ratepayer must have been in occupation to support those businesses that are contributing the local economy. Owners of empty properties do not qualify. (Appendix A 4.1-4)
  - The ratepayer only qualifies for this relief after all other available reliefs have been applied. (Appendix A 5.3)
  - Officers will identify qualifying businesses and make awards based on the criteria. There is no need for ratepayers to apply. Ratepayers will be advised in writing of the award and advised of what will happen if their rateable value or their circumstances change. This reduces the cost and time of administration and enables awards to be made promptly and efficiently. (Appendix A 6 & 8)
- 5.5 Officers have based the initial award of support to eligible ratepayers on allocating £160,000 of the available funding. Leaving a sum £32,000 unallocated to cover the following
- A buffer to allow for in year changes to rateable values which tend to be numerous following a revaluation;
  - A buffer to allow for unexpected changes to guidance or further guidance from DCLG or changes to rating law, regulations etc; and
  - Flexibility to move any underspent funding to future years should DCLG permit this flexibility.
- 5.6 We expect DCLG to permit flexibility to use the funding allocated for 2017/18 for future years, this is because the impact will be greater as Transitional Relief is phased out and the rating multiplier increases.
- 5.7 Officers have identified 82 businesses that may benefit from this new relief. An

average award is £1,950.00. Examples are given below:

- A ratepayer whose rateable value increased from 10,750 (paying £4,119.55 in 2016/17) to 16,000 would be paying the following in 2017/18.

Bill before reliefs:	£7,456.00
Bill after transitional relief:	£5,572.41
Bill after Small Business Rate Relief:	£4,719.55
Bill after Supporting Small Business Relief:	£3,617.32

- A ratepayer whose rateable value increased from 97,000 (paying £9,641.80 in 2016/17) to 126,000 would be paying the following in 2017/18.

Bill before reliefs:	£58,716.00
Bill after transitional relief (nil):	£58,716.00
Bill after Small Business Rate Relief (nil):	£58,716.00
Bill after Mandatory Relief:	£12,070.80
Bill after Supporting Small Business Relief:	£ 9,251.71

## 6 SUMMARY OF ALL RELIEFS FOR RATEPAYERS

- 6.1 The table below summarises the estimated gross rates payable for 2017/18 before any reliefs are awarded, all of types of relief that we anticipate to award and the total amount payable by ratepayers in Rutland.

Item for 2017/18	Estimated Amounts	Total number of ratepayers in receipt of relief
Rates payable before reliefs	£15,216,584	1,507
Transitional Relief	£1,201,500	1,112
Small Business Rate Relief	£1,367,773	706
Mandatory Relief i.e. charity shop	£1,565,389	106
Other discretionary reliefs i.e. 20% top-up for a Village Hall	£84,857	56
New support for small businesses	£34,881	34
New scheme for pubs	£33,000	33
New Discretionary Revaluation Rate Relief	£160,000	82
<b>Total rates payable</b>	<b>£10,769,204</b>	

- 6.2 There are 740 ratepayers with nothing to pay in 2017/18 as they are receiving 100% rate relief. There are 220 ratepayers who are benefiting from a reduced bill as a result of receiving some form of rate relief (other than Transitional Relief). There are only 547 ratepayers who are not receiving any type of relief.

## 7 CONSULTATION

- 7.1 The Council is required to consult the Leicestershire Fire Authority. On the basis that the Scheme is fully funded by Government they have no comments to make. No further consultation is required for any decision being sought in this report.
- 7.2 The Federation for Small Businesses has written to the Council to ask us to consider certain principles that target support to small businesses. The criteria in our scheme support this as it provides support to ratepayers with a Rateable Value of less than 200,000.

## 8 ALTERNATIVE OPTIONS

- 8.1 The Government has determined the criteria for the supporting local businesses scheme. There are no alternative options to consider.
- 8.2 The Government has determined majority of the criteria for the scheme for pubs. Officers have considered other methods of classification of pubs such as planning information and licensing records. These have been discounted as it would be time consuming to access this information, increase back office administration and may delay the allocation of awards.
- 8.3 The Government expects local authorities to support ratepayers most affected by revaluation and will provide 50% of the funding to enable us to do so. The Federation for Small Businesses has written to the Council asking us to design our scheme to ensure that our discretionary relief funding is used effectively to help small businesses and this has been considered in the design of the scheme.
- 8.4 Officers have modelled a range of different percentage changes and level of rateable value. The table below demonstrates there is little difference in the number of awards or the level of the award within this range:

Scenario	Number of awards	Average award
Increase in charge of more than 12.5% and RV <200,000	82	£1,951.22
Increase in charge of more than 12.5% and RV <150,000	80	£2,000.00
Increase in charge of more than 15.0% and RV <200,000	82	£1,951.22
Increase in charge of more than 15.0% and RV <150,000	80	£2,000.00
Increase in charge of more than 20.0% and RV <200,000	80	£2,000.00
Increase in charge of more than 20.0% and RV <150,000	78	£2,051.28

- 8.5 Officers have considered how to administer the scheme. Introducing an application process has been rejected as this would increase the burden on ratepayers and back office administration and may delay the allocation of awards.

## **9 FINANCIAL IMPLICATIONS**

- 9.1 The Government will fully reimburse the Council using a grant under Section 31 of the Local Government Act 2003 for awards made that meet the criteria for new Supporting Small Business Relief and new £1,000 relief for pubs.
- 9.2 The Government will fund 50% of awards made under the new Discretionary Revaluation Rate Relief Policy via a Section 31 grant and the remaining 50% through the NNDR3 claim.

## **10 LEGAL AND GOVERNANCE CONSIDERATIONS**

- 10.1 Section 47 of the Local Government Act 1988 as amended by the Localism Act 2011 enables local authorities to grant discretionary relief.
- 10.2 The Council must consider Stare Aid law when providing support to businesses. This is addressed in the draft policy. (Appendix A Section 13)

## **11 EQUALITY IMPACT ASSESSMENT**

- 11.1 An Equality Impact questionnaire has been completed and there are no specific issues arising from the introduction of a Discretionary Revaluation Rate Relief Policy.

## **12 COMMUNITY SAFETY IMPLICATIONS**

- 12.1 There are no community safety implications arising from this report.

## **13 HEALTH AND WELLBEING IMPLICATIONS**

- 13.1 There are no health and wellbeing implications arising from this report

## **14 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

- 14.1 The Government expects local authorities to have in place quick and clear arrangements to administer and award reliefs to ratepayers. Officers are therefore seeking delegated authority to determine and finalise revaluation support schemes for 2017/18 and subsequent years.

## **15 BACKGROUND PAPERS**

- 15.1 There are no additional background papers.

## **16 APPENDICES**

- 16.1 Appendix A Draft Discretionary Revaluation Rate Relief Policy

A Large Print Version of this Report is available upon request – Contact 01572 722577.



# DISCRETIONARY REVALUATION RATE RELIEF POLICY FROM 2017/18 TO 2020/21

Version & Policy Number	Draft V1.0
Guardian	Andrea Grinney Revenues and Benefits Manager 01572 758227
Date Produced	06/06/2017
Next Review Date	

Approved by Scrutiny	
Approved by Cabinet	
Approved by Full Council	

## **Summary of document**

This scheme details how we will operate the locally administered Business Rates revaluation relief scheme (Revaluation Support) for those ratepayers most affected by the revaluation and face the steepest increases in their rates bills. The scheme sets out a robust and fair approach to ensure that we target and provide financial support to those businesses in the greatest need over the 4 year period 2017/18 to 2020/21.

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## 1.0 INTRODUCTION

- 1.1 The Government wishes to support ratepayers who face steep increase in their business rates bills as a result of the revaluation. The Government have made available discretionary funding to support this aim and will reimburse local authorities for the actual cost of revaluation support.

## 2.0 LEGISLATION

- 2.1 The Council has discretionary power under Section 47 of the Local Government Finance Act 1988 as amended by Section 69 of Part 4 of the Localism Act 2011 to award revaluation support.
- 2.2 The Council is not permitted to award revaluation support to itself or to a precepting authority.
- 2.3 The European Union regulates state funded support to businesses and any discretionary relief is likely to amount to state aid. Consideration will be given to this in the award process and this is detailed further at section 13.0.

## 3.0 POLICY AIM

- 3.1 The Revaluation Support scheme aims to provide financial support to ratepayers who:
- Face the most significant increases in their rates bills following the revaluation; and
  - Occupy lower value properties.
- 3.2 The Revaluation Support scheme aims to support the strategic aims and objectives of the Council as detailed in the Corporate Plan 2016-2020.

## 4.0 QUALIFYING CRITERIA

- 4.1 The criteria for awarding revaluation support are as follows:

	<b>Criteria</b>	<b>How this will be measured</b>
1	The Rateable Value of the property on the 2017 Rating List is less than 200,000.	Rateable Value as shown on the Rating List.
2	The ratepayer faces an increase in their rates bill following revaluation of more than 12.5% in 2017/18 compared to its 2016/17 rates bill.	A comparison of the rates bill for 2016/17 and the rates bill for subsequent years.
3	The Ratepayer must have a liability to pay business rates as at the 31 <sup>st</sup> March 2017 or before.	Business Rates Bill for financial year 2016/17.
4	The ratepayer must be in occupation, the scheme does not apply to owners of empty properties who are paying rates.	Business Rates Bill.

- 4.2 The criteria for 2018/19, 2019/20 and 2020/21 will be subject to a reduced percentage whereby revaluation support in these subsequent years will be phased out. This means that ratepayers will receive less revaluation support across the 4 year period of the scheme.

## **5.0 AMOUNT OF REVALUATION SUPPORT**

- 5.1 Ratepayers who meet the qualifying criteria will be awarded revaluation support based on the total net rates payable after other reliefs have been awarded, a percentage of the available funding (£160,000) divided by the total charge for all qualifying businesses.

$$\frac{\text{Net rates payable for 2017/18} \times \text{£160,000}}{\text{Net rates payable for all qualifying businesses}}$$

- 5.2 The whole fund has not been allocated in the first instance. Surplus funding will provide a buffer for any in year changes. It is expected that any funds that are not spend in year can be carried forward to the next financial year.
- 5.3 Awards that amount to the sum of £10.00 or under will not be made, as the council considers these to be inefficient to administer.
- 5.4 All other qualifying reliefs will be awarded first. i.e. Transitional Relief, Small Business Rate Relief, Mandatory Reliefs, other Section 31 grant funded reliefs.

## **6 AWARD PROCESS**

- 6.1 Ratepayers are not required to submit an application to claim revaluation support. Instead officers will undertake a one-off exercise to identify ratepayers who may qualify and thereafter routinely monitor for any new cases and changes throughout the 4 year period.

## **7 DECISION MAKING PROCESS**

- 7.1 Officers will have regard to the policy aims detailed at 3.0 Policy Aim and 4.0 Qualifying Criteria and any other relevant guidance issued by DCLG.
- 7.2 Revaluation Support will be administered and processed by the Business Rates Officer. The decision to award Revaluation Support will be made by the Revenues and Benefits Manager.
- 7.3 Potential awards that are deemed to be of a sensitive or political nature will be referred to the Assistant Director (Finance) for consideration.

## **8 NOTIFICATION OF THE DECISION**

8.1 Ratepayers who are awarded revaluation support will be notified in writing. The notification will state:

- the period of the award;
- the amount of the award for 2017/18;
- that the award may be altered, apportioned or be withdrawn completely if there is a change in circumstances which can include but is not limited to: reconstitution of properties, change in Rateable Value, change to other reliefs, vacation of the property, change in occupier etc.;
- That the award is made on the basis that no state aid is being received by the ratepayer in accordance with section 13.0 below;
- That the award will expire on 31<sup>st</sup> March 2021, or sooner in the event of a change in circumstances detailed above; and
- That the ratepayer must advise us of any changes that may affect their entitlement to Revaluation Support.

## **9 PERIOD OF AWARD FOR REVALUATION SUPPORT**

9.1 Awards of Revaluation Support will usually be made for a 4 year period. In some cases the support will be phased out before the end of the 4 year period is attained.

## **10 CHANGES TO AWARDS**

10.1 Awards will be made initially on the basis that the rates payable for 2016/17 and 2017/18 onwards will remain unchanged.

10.2 Any changes to the rates payable for 2016/17 onwards may affect the amount of revaluation support awarded. In these cases the revaluation support will be recalculated accordingly and the award may be adjusted or apportioned.

10.3 Changes can include but are not limited to:

- A reduction or increase in Rateable Value on the 2010 list;
- A reduction or increase in Rateable Value on the 2017 list;
- A reconstitution of a property such as a split or a merger of one or more properties on the 2010 or 2017 list;
- Removal of the property on the 2010 or 2017 list;
- An increase or decrease in Transitional Relief;
- An increase or decrease in Small Business Rate relief;
- An increase in any other Mandatory or Discretionary reliefs;
- Vacation of the ratepayer;
- State Aid has been received.

## **11 CANCELLATION**

- 11.1 Revaluation Support may be cancelled completely as a result of changes to the rates payable for 2016/17 onwards that result in the ratepayer no longer meeting the qualifying criteria. The changes detailed at point 10 above may also result in cancellation of awards.

## **12 APPEALS**

- 12.1 Rating law does not allow a ratepayer to appeal a decision of the Council on the refusal or non-award of discretionary rate relief. However, in the interests of natural justice we will allow appeals to be made.
- 12.2 If an aggrieved ratepayer wishes to make an appeal against a decision made under this policy then they will need to submit their appeal in writing to the Revenues and Benefits Manager who will consider the appeal within 14 days.
- 12.3 Appeals of a sensitive or political nature will be considered by the Assistant Director (Finance). The ratepayer will be notified of the decision in writing and this decision will be final.

## **13 STATE AID**

- 13.1 State Aid law is the means by which the European Union regulates state funded support to businesses. Providing revaluation support to ratepayers is likely to amount to State Aid. Revaluation Support will be state aid complaint where it is provided in accordance with the De Minimis Regulations (SI 1407/2013).
- 13.2 The De Minimis regulations allow an undertaking to receive up to €200,000 of De Minimis aid in a three year period. To administer De Minimis the Council will ask the ratepayer to inform the Council immediately if they receive or expect to receive more than €200,000 of De Minimis aid in the notification letter.
- 13.3 The Council will only award revaluation relief and will take into account any other discretionary reliefs up to the De Minimis limit.



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