

SUBJECT:	NON-DOMESTIC RATE: DISCRETIONARY RELIEF SCHEME 2017/18
DIRECTORATE:	CHIEF EXECUTIVE AND TOWN CLERK
REPORT AUTHOR:	GARY WATSON, CONSULTANT TO THE REVENUES AND BENEFITS SHARED SERVICE

1. Purpose of Report

- 1.1 To provide an opportunity for Policy Scrutiny Committee to discuss and comment, as part of the consultation, on the implementation of a Non-Domestic Rate Discretionary Relief Scheme for the financial year 1 April 2017 to 31 March 2018.

2. Executive Summary

- 2.1 This report provides an opportunity for Policy Scrutiny Committee to discuss and comment, as part of the consultation, on the implementation of a Non-Domestic Rate Discretionary Relief Scheme for the financial year 1 April 2017 to 31 March 2018.
- 2.2 At the Spring Budget 2017, the Government announced 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 rate bills as a result of the 2017 revaluation.
- 2.3 All billing authorities, in collaboration with other authorities operating within their area, were notified on the 9 March 2017 that they were required to design a discretionary relief scheme and determine the eligibility of ratepayers for support. The schemes must clearly set out the criteria that ratepayers across the local authority area, or within specific locations within their areas, need to meet, in order to qualify for discretionary relief.
- 2.4 Full details of the measure announced in the Spring Budget 2017 can be found throughout the report. The six options proposed by officers on implementing a Non-Domestic Rate Discretionary Relief Scheme for the financial year 1 April 2017 to 31 March 2018 are set out in **Appendix 1** to the report.

3. Background

3.1 General

A report 'Non-Domestic Rate Update' was taken to the Revenues and Benefits - Joint Committee on the 28 June 2017. This provided Members with an update on a variety of non-domestic rate issues. A copy of the report is included in **Appendix 2** to the report.

The report included measures to assist ratepayers that experienced increases in

their rate liability following the revaluation, that were announced by the Chancellor in the Spring Budget 2017. These were:-

- Supporting Small Businesses Relief Scheme
- Support for Pubs Scheme
- Discretionary Relief Scheme

Full details of the Supporting Small Businesses Relief Scheme and Support for Pubs Scheme can be found in **Appendix 3** to the report. This includes the latest steps being taken to award relief to ratepayers at the City of Lincoln Council.

3.2 New Discretionary Relief Scheme

A £300m discretionary fund over four years from 2017/18, to support those businesses that faced the steepest increases in their business rate bills as a result of the recent revaluation, has been established. The intention is that every billing authority will be provided with a share of the £300 million to support their local businesses. Billing authorities are expected to use their share of the funding to develop their own discretionary relief schemes to deliver targeted support to the most hard-pressed ratepayers.

The £300m would cover the four years from 2017/18; the proposed breakdown being:-

- £175m in 2017/18
- £85m in 2018/19
- £35m in 2019/20
- £5m in 2020/21

Under the terms of the grant determinations, all the compensation is being paid to billing authorities in the first instance. The intention is that the sum is to be shared between billing and major precepting authorities in the normal way, with City of Lincoln share being 40%, 50% is borne by the Government and 10% by the County Council.

The DCLG advised Chief Finance Officers in a Business Rates Information Letter (2/2017) on the 9 March 2017 that a consultation paper entitled 'Consultation on proposals on the Design and Implementation of the Locally Administered Business Rate Relief Scheme' had been published that day, with a closing date for responses of the 7 April 2017.

Following the announcement of the General Election, the Government advised billing authorities on 21 April 2017 that whilst the DCLG will continue to work on the Budget measures and associated New Burdens Assessment, they did not expect to publish any documents, or make any further announcements about the Budget measures, before the General Election. However, on 24 April 2017, DCLG announced that they had now considered the responses to the consultation paper

and determined that final allocations to local authorities would be made according to the draft allocations, published as part of the consultation.

Letters were then sent to the Chief Financial Officers of each Billing Authority on the 28 April 2017 to confirm the grant distributions for 2017/18. The total grant distribution for the City of Lincoln Council over the four years is as follows:-

- 2017/18: £198,000
- 2018/19: £96,000
- 2019/20: £40,000
- 2020/21: £6,000

A subsequent letter sent by the DCLG to Chief Financial Officers on the 15 May 2017 stated that councils should now be proceeding with developing their local schemes. Further guidance was issued by the DCLG in a Business Rate Information Letter (4/2017) on the 20 June 2017 which was followed by two further letters sent to Chief Financial Officers on the 22 June 2017; one of which outlined the payment of new burden costs. To date, the responses to the consultation paper have yet to be published.

Before receipt of the letters in May and June, officers had already started to engage with colleagues across the country (and not just those in Lincolnshire), to understand how they were looking to develop their local schemes. Subsequently, the shared service hosted and facilitated a meeting of the local authorities in Lincolnshire on the 4 July 2017, to discuss this issue. It has become evident that the approach being adopted by billing authorities across the country does vary considerably, both in terms of the approach to consultation and the content of the scheme itself. Billing authorities are still awaiting clarification on a number of issues although the Minister for Local Government, Marcus Jones MP, has now confirmed in a letter dated 21 July 2017 that it will not be possible to flex money between financial years.

Although the DCLG outlined their proposals on how a scheme should operate in the consultation paper, they have since made it clear that the design and administration of schemes is for authorities to decide and does not necessarily need to follow the distribution methodology used in the consultation, to determine allocations. Therefore, it is for each billing authority to agree its Discretionary Relief Scheme, having discussed options with their precepting authorities.

3.3 Summary

As will be evident from the report, there has been considerable uncertainty around the three measures announced in the Spring Budget. Therefore, officers took the view early on that it was ill-advised to award any relief until they were sure how each measure would operate. The award of any relief outside of the agreed criteria would result in the local authority not receiving the required funding from Government.

The DCLG advised Chief Financial Officers on the 22 June 2017 that having

worked with local authorities and software suppliers to carry out an assessment of the expected new burden costs associated with implementation of the schemes announced in the Spring Budget, they would provide a flat grant of £12,000 to each billing authority. This was to cover IT, staffing and postage / printing. DCLG has acknowledged the cost of sending out new bills will depend on the exact numbers of affected ratepayers. Therefore, a data collection exercise will be carried out at a later date, with the intention of paying a further new burden of 50p per bill issued.

It should be stressed that all the measures announced in the Spring Budget are to be awarded under Section 47 Local Government Finance Act 1988; the same provisions that are used when awarding discretionary relief to charities, kindred organisations, community amateur sports clubs and on certain properties in rural areas. No one relief can be considered in isolation.

All reliefs awarded at the discretion of a billing authority amount to state aid. Legislation provides that an undertaking is entitled to receive up to €200,000 of de minimis state aid in a three year period (consisting of the current financial year and the two previous financial years). As a result, a billing authority must establish if the award of discretionary relief would exceed the €200,000 of de minimis aid for any undertaking. This is achieved by requesting potential recipients of any relief to sign a declaration, stating the award of any relief would not exceed the state aid limit.

4. Discretionary Relief Scheme 2017/18

- 4.1 The six options proposed by officers on implementing a Non-Domestic Rate Discretionary Relief Scheme for the financial year 1 April 2017 to 31 March 2018 are set out in **Appendix 1** to the report. Whilst officers having taken note of the approaches adopted by other billing authorities, the modelling of the options is unique to the Council.
- 4.2 Central Government believes that billing authorities are best placed to judge the particular circumstances of local ratepayers and direct the funding where it is most needed to support local economies. The Government has allocated the available funding to each billing authority area, based on assumptions about how authorities will target their relief scheme.
- 4.3 Officers now have the benefit of understanding how other billing authorities have approached implementing a Discretionary Relief Scheme. It was suggested in the consultation paper that Government expected billing authorities to discuss options with their major precepting authorities and to consult with them before adopting any scheme. They were advised a Section 31 grant would only be payable to those billing authorities that had consulted with their major precepting authorities.
- 4.4 Prior to the meeting on the 4 July 2017, no billing authorities in Lincolnshire had yet consulted with the major precepting authorities. In advance of any final decisions being taken by the City of Lincoln Council, the Chief Financial Officer will write to the major precepting authorities, to provide details of the options being considered by the Council.
- 4.5 There is no requirement to consult with local ratepayers although a number of

billing authorities, particularly in London, have decided to do so. This is generally achieved by sending out forms for completion or through an on-line survey. The ratepayers are invariably presented with a range of options on how a scheme would work and its potential impact on different ratepayers. The billing authorities are under no obligation to adopt any one scheme, based on the feedback they receive.

4.6 Not surprisingly, individual ratepayers have tended to respond on the basis of selecting the options that would ensure they receive the most relief. This can raise the expectations of ratepayers on the amount of any relief they may be awarded. It has also become apparent that whilst many ratepayers across the country felt aggrieved at the level of their rate increase as a result of the revaluation, they were not expecting to receive any reduction in the amount they are to pay. For these reasons (and mindful that the cost of undertaking such consultation would fall on the billing authority), officers took the view that formal consultation with ratepayers was not necessary.

4.7 That said, officers have been committed from the outset to draft options that fully comply with the objectives set out in the consultation paper. In doing so, all the options put forward ensure as many ratepayers receive relief; not just a few. Officers have sought to adopt the fairest way of distributing the authority's allocation of Government funding. The options are designed to:-

- Ensure that the relief is given out proportionally to the amount a business's bill has increased by and thereby those businesses facing the most significant increases following revaluation, receive the most support.
- Provide for a consistent method of calculating how much relief to award any one business thereby leading to a transparent scheme and one where businesses are treated fairly against clear criteria.
- Ensure that the relief is available to support different types and sizes of business across the whole borough, rather than concentrating on a small number of businesses or on any one area or sector.

4.8 In contrast, there are many examples of billing authorities excluding various types of property from their schemes and on occasions, ratepayers who are in arrears with their payments. A typical example of those ratepayers who are being excluded from schemes are where they are used for the provision of services to visiting members of the public; these include:-

- Financial services (i.e. banks, building societies, cash points, bureau de change, pay day lenders, betting shops, amusement arcades, pawn brokers).
- Professional Services (i.e. solicitors, accountants, insurance agents / financial advisors).
- Miscellaneous Services (i.e. estate agents, letting agents, employment agencies, post office).

4.9 There are many other examples of properties being excluded from schemes; these

range from particular types of shop in a High Street to larger organisations such as the NHS, educational establishments, public utilities and transport companies. Whilst it is for a billing authority to decide on their scheme, they do open themselves to challenge if they arbitrarily exclude properties based on their occupancy or where they target relief to certain areas.

4.10 The line taken by officers in putting forward options is to minimise the number of ratepayers that would be excluded from a scheme. With large organisations and multi-national companies, the effect of state aid would invariably prevent them from receiving any relief. Furthermore, a number of properties that have been excluded from other schemes, do play an important role in the Council; whether that be through the service they provide or by creating employment opportunities.

4.11 The exclusions that have been identified by officers and factored in to the options set out in **Appendix 1** to the report, are limited to the following:-

- Ratepayers in receipt of 100% small business relief;
- Ratepayers receiving relief under the Supporting Small Businesses Relief Scheme where the increase is above £600;
- Ratepayers receiving relief under the Pub Relief Scheme;
- Unoccupied properties;
- Properties occupied after 31 March 2017;
- Properties with a rateable value greater than £100,000; and
- Properties where liability has reduced as a result of the revaluation.

Note: It should be noted that properties occupied by billing and precepting authorities are excluded from the award of any discretionary relief by virtue of Section 47(9) Local Government Finance Act 1988.

4.12 The number of hereditaments in the local rating list @ 1 April 2017 for the City of Lincoln Council was 3,477. Following the extension of small business rate relief from 1 April 2017, 1,077 now receive 100% relief. With the exclusions referred to in paragraph 4.11 above, we are left with 640 properties that could be entitled to relief under any scheme. An analysis of the increases faced by our ratepayers, is detailed below:-

- 169 accounts with an increase of less than £100.
- 94 accounts with an increase of above £100 but less than £200.
- 176 accounts with an increase of above £200 but less than £500.
- 79 accounts with an increase of above £500 but less than £1,000.
- 74 accounts with an increase of above £1,000 but less than £2,000.

- 17 accounts with an increase of above £2,000 but less than £3,000.
- 19 accounts with an increase of above £3,000 but less than £4,000.
- 10 accounts with an increase of above £4,000 but less than £5,000.
- 2 accounts with an increase above £5,000.

4.13 Whilst officers are open-minded as to what scheme to propose, there is a preference to adopting a scheme based on bands rather than one where a fixed % is applied to the increase faced by those ratepayers who may be entitled to relief. Options 1 to 5 all involve a fixed amount of relief being awarded for each band. It ensures the ratepayer can easily identify the amount of relief being awarded and any subsequent changes (i.e. through increases / decreases in rateable value) are straight forward to deal with. From an administrative point of view, Option 5 is considered the most appropriate, as it provides relief to all ratepayers, regardless of the amount of increase in the rate payable.

Officers have engaged with the Leader of the Council and the Corporate Management Team, who have also expressed their support for Option 5.

4.14 It goes without saying that modelling can be carried out in many ways. This could involve increasing / decreasing the number of properties to be included in / excluded from the scheme. There could also be manipulation of the bands (i.e. their range and / or amount awarded in each band). The bottom line is that we have a budget and the options set out in **Appendix 1** to the report ensure we keep within that budget. All the options are designed to result in an underspend as this protects the Council from any subsequent changes in rateable value and liability, which could result in increased levels of relief being awarded.

4.15 Until receipt of the letter from the Minister for Local Government, Marcus Jones MP, on the 21 July 2017, there has been uncertainty over the ability to flex money between financial years. As it would appear a billing authority will not be able to flex money between financial years, it will be important for the Council to make full use of the budget available. A decision to award additional relief in 2017/18 would not need to be taken until the 30 September 2018 and should be delegated to the Chief Financial Officer. In doing so, it will enable the billing authority to increase relief awarded next year when the funding for the scheme will reduce considerably.

4.16 Once a scheme has been agreed, officers will ensure it is publicised and application forms sent to those ratepayers who may qualify for relief. Each ratepayer will be advised on the amount of relief they would have received and how it will be awarded. The relief would only be awarded once the ratepayer has returned a form and declared any relief awarded will not exceed the state aid limit.

4.17 The timetable for implementing a scheme, that takes in to account the existing calendar of meetings, is set out below:-

8 August 2017	Policy Scrutiny Committee	Consider the options to be consulted on
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8 August 2017 to 15 August 2017	Consultation Period	Consult with Lincolnshire County Council and the Police and Crime Commissioner
21 August 2017	Strategic Review Group	
25 September 2017	Executive	Consider responses on the options and recommend final scheme to Council
26 September 2017	Council	Approval of 2017/18 Scheme

- 4.18 There is always the possibility of further support being announced for ratepayers in future Budgets. In the meantime the funding available for a Discretionary Relief Scheme will reduce considerably after 2017/18. It is proposed that the agreed Option be applied to future years but with lower amounts to be used in the 'award column'. This will then be included in main budget reports with delegation to the Chief Finance Officer for final decision. It will not be taken as a separate report. This will ensure the schemes are in place before annual billing.

5. Strategic Priorities

5.1 Let's Drive Economic Growth

A Discretionary Relief Scheme should drive economic growth both in terms of its content and application. It should ensure that relief is targeted at those ratepayers have faced the largest increase in their rate bills and for any relief to be awarded promptly. The options set out in **Appendix 1** to the report are designed to achieve this.

5.2 Let's Reduce Inequality

A key aspiration is '*Let's help people succeed*'. It is important that any Discretionary Relief Scheme is seen to create employment opportunities for residents. The authority looks to protect the poorest people. The Non-Domestic Rate Service is mindful of the strategic priorities when engaging with business ratepayers as they look to recover the business rate. Digital Inclusion, Channel Shift, Financial Inclusion and Partnership Working are all key priorities for the shared service. The options set out in **Appendix 1** to the report are designed to achieve this.

6. Organisational Impacts

6.1 Finance

The measures introduced in the Spring Budget 2017 are all fully funded by Government. Outside of these measures, the cost of awarding discretionary rate relief changed on the 1 April 2013, with the introduction of 50% business rate retention. Other than where Government has agreed to fund any discretionary relief, the cost is split between the Government, billing authorities and major preceptors on a fixed percentage basis. For the City of Lincoln Council, 50% is borne by the Government, 40% by the billing authority and 10% by the County Council.

6.2 Legal Implications including Procurement Rules

Any appeal against a billing authority's decision to refuse the award of discretionary relief would be by way of an application of judicial review to the High Court. In the first instance, any appeal against a decision of officers to refuse an application for discretionary relief will be considered by a panel of two senior officers; one of whom should be the chief financial officer. There is no further right of appeal to members.

6.3 Land, property and accommodation

There are no direct implications arising from this report.

6.4 Human Resources

There are no direct implications arising from this report.

6.5 Equality, Diversity & Human Rights (including the outcome of the EA attached, if required).

The equality implications have been considered within this report.

6.6 Significant Community Impact

There is no change in policy / strategy or the way the service is being delivered.

6.7 Corporate Health and Safety implications

There are no corporate Health and Safety implications.

7. **Risk Implications**

7.1 A Risk Register is in place for the Revenues and Benefits Shared Service.

8. **Recommendation**

8.1 Policy Scrutiny is requested to comment on and consider the option for implementing a Non-Domestic Rate Discretionary Relief Scheme for the financial year 1 April 2017 to 31 March 2018.

Is this a key decision?

Yes / ~~No~~

Do the exempt information categories apply?

~~Yes~~ / No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?

~~Yes~~ / No

How many appendices does the report contain?

3

List of Background Papers:

None

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