



Report Number

Corporate Policy and Resources Committee

Date 9 November 2017

Subject: Non-Domestic Rate (NNDR) – Government New Discretionary Rate Relief Scheme

Report by:

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Purpose / Summary:

This report seeks to clarify the Council's position with regard to the new Government Discretionary Business Rate Relief Scheme for the financial year 1 April 2017 to 31 March 2018.

RECOMMENDATION(S):

That the Policy and Resources Committee members;

1. Agrees Option 1 as the preference for the new Discretionary Rate Relief Scheme for West Lindsey District Council for 2017/18
3. In the event of any surplus during the year 2017/18, delegates any decisions to award additional relief to the Director of Resources.

IMPLICATIONS

Legal:

Section 47 of the Local Government Finance Act 1988 gives billing authorities the discretion to reduce or remit the payment of rates.

Ratepayers who disagree with a refusal to grant relief or by the amount of relief awarded may challenge the decision via Judicial Review, on the grounds that the Council has failed to act reasonably in exercising its discretion.

Financial Implications FIN/98/18

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 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 Government, billing authorities and major preceptors on a fixed percentage basis. The implications of granting Discretionary Rate Relief are set out below:

Type of Relief	Maximum relief	Cost to WLDC Collection Fund	Cost to Lincolnshire County Council	Cost to Central Government
Discretionary	Up to 100%	40%	10%	50%

The scheme is fully funded by Government in the form of Grant funding with £157,000 being available for the proposed 2017/18 scheme.

Based on the preferred Option 1, it is estimated that there is likely to be a surplus of £2,048, if this is realised there is a possibility this may be carried forward under delegation by the Director of Resources.

Future schemes will require approval and be set to match the reducing level of government funding awarded for each financial year.

Staffing :

None directly resulting from this report

Equality and Diversity including Human Rights :

The equality implications have been considered within this report.

Risk Assessment :

Any new policy or decisions made based on such a policy would be open to legal challenge however failing to adopt a policy could damage the Council's reputation.

Climate Related Risks and Opportunities :

None arising from this report.

Title and Location of any Background Papers used in the preparation of this report:

Local Government Finance Act 1988 – Section 47

The Spring Budget 2017 - the Government announced the establishment of a £300m discretionary fund payable over 4 years from 2017/18, to support businesses following the revaluation.

20 June 2017 – Guidance regarding the administration of the scheme was issued by the Department for Communities and Local Government in a Business Information Letter (4/2017)

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

Yes

No

Key Decision:

Yes

No

Executive Summary

This report provides details for implementing a Discretionary Business Rate Relief Scheme for the financial year 1 April 2017 to 31 March 2018.

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.

All billing authorities were notified that they were required to design a discretionary relief scheme and determine the eligibility of ratepayers for support. The scheme should drive economic growth both in terms of content and application and it should ensure that relief is targeted at those ratepayers that have faced the largest increase in their rate bills. The schemes are required to 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.

The scheme and recommendation has been designed with customer first principals in mind and in line with the Corporate Plan principals of ‘people first’ and ‘open for business’.

The three options proposed for implementing a Non-Domestic Rate Discretionary Relief Scheme for the financial year 1 April 2017 to 31 March 2018 are set out in the report and consideration was given to the above and to the Corporate Priority of being open for business and being able to retain, support and facilitate the growth of business in the District.

The options suggested are designed to achieve this.

All schemes have been designed taking into account 2 other schemes which were launched at the same time:

- Public House Relief – for 2017/18 only, to award public houses with a rateable value of up to £100,000 , subject to state aid limits, the sum of £1,000 relief
- Supporting Small Businesses Relief – for 2017/18 only, to ensure that ratepayers facing large increases as a result of the loss of small business or rural rate relief have their increase per year limited to a cash value of £600 per annum.

The scheme has been designed not to exclude any particular sectors, unless specified by Government and, in an effort to be as inclusive as possible across the whole of the West Lindsey district, has not been limited to specific locations.

The recommendation for the local council tax support scheme is option 1 which includes as many businesses as possible in the scheme.

1 Background

Discretionary Relief Scheme

- 1.1 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.
- 1.2 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
- 1.3 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.
- 1.4 Letters were 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 West Lindsey District Council is £157,000 for the proposed 2017/18 scheme.
- 1.5 The total grant distributions for all 4 years of the scheme for West Lindsey District Council are as follows:-
- | <u>2017/18</u> | <u>2018/19</u> | <u>2019/20</u> | <u>2020/21</u> |
|-----------------|----------------|----------------|----------------|
| £157,000 | £76,000 | £31,000 | £4,000 |
- 1.6 Although the Department for Communities and Local Government (DCLG) have outlined their proposals on how a scheme should operate, 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 suggested to determine allocations. Therefore, it is for each billing authority to agree its Discretionary Relief Scheme, having discussed options with their precepting authorities.

The implementation of this scheme has been hindered due to a delay in guidance being issued by the Department for Communities and Local Government however it

is now clear that monies cannot be flexed between years which enables a scheme to be agreed for 2017/18 only.

- 1.7 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.
- 1.8 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.
- 1.9 The DCLG has determined that there can be no virement of monies between financial years so there will be no flexibility to spread relief over different years.

2. New Discretionary Relief Scheme

- 2.1 The 3 options proposed by officers on implementing a Business Rate Discretionary Relief Scheme for the financial year 1 April 2017 to 31 March 2018 are set out below.
- 2.2 Government expect 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.
- 2.3 In advance of any final decisions being taken by West Lindsey District Council the major precepting authorities will be provided with details of the options being considered by the Council.
- 2.4 Billing authorities are not obliged to consult with local ratepayers or to adopt any scheme based on the feedback they receive and therefore being mindful of the cost of a formal consultation and that ratepayers will most likely respond by selecting the scheme they will receive the most relief it has been decided not to undertake a consultation.
- 2.5 The options suggested have sought to adopt the fairest way of distributing the authority's allocation of Government funding and to ensure that as many ratepayers receive relief as possible. 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.

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- 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 district rather than concentrating on a small number of businesses or on any one area or sector.

2.6 Whilst billing authorities can determine their own scheme they do open themselves to challenge if they arbitrarily exclude properties based on their occupancy or where they target relief to certain areas.

2.7 The options suggested have tried to minimise the number of ratepayers that would be excluded from a scheme and with large organisations and multi-national companies, the effect of state aid would invariably prevent them from receiving any relief.

2.8 The exclusions that have been identified and factored into the options suggested are limited to the following:

- Properties with a rateable value greater than or equal to £100,000
- Properties owned by a Precepting Authority
- Properties where liability has increased for any reason other than as a result of the revaluation
- Unoccupied properties
- Properties occupied after 31 March 2017
- 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

Note: 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.

2.9 The number of hereditaments in the local rating list as at 1 April 2017 for the West Lindsey District Council was 2,798. Following the extension of small business rate relief from 1 April 2017, 1,411 now receive 100% relief. With the exclusions referred to in paragraph 2.8 above we are left with 412 properties that could be entitled to relief under the various options.

2.10 The DCLG has determined that there can be no virement of monies between financial years so there will be no flexibility to spread relief over different years and therefore it is important for the Council to make full use of the budget available. The 3 options suggested aim to ensure much of the grant is spent however, in the event of any surplus, the decision to award any additional relief to the option adopted in 2017/18 could be delegated to the Director of Resources.

- 2.11** Once a scheme has been agreed officers will ensure it is publicised and application forms will be 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 will only be awarded once the ratepayer has returned a form and declared any relief awarded will not exceed the state aid limit.
- 2.12** Where a ratepayer has already vacated prior to the adoption of this scheme no calculation to entitlement will be made and no award will be paid.
- 2.13** The Council will not recalculate eligibility for revaluation support in the event of a change to the rating list that effects an eligible property whether retrospective or otherwise.
- 2.14** Relief is calculated on a daily basis based on true liability and therefore where a ratepayer is awarded this relief but vacates during the year an apportionment will be made to this relief.
- 2.15** Relief will be awarded in the following order:
- Transitional relief
 - Supporting small business rate relief
 - Public house relief
 - Local discretionary fund (this scheme)

3. Options for 2017/18

Option 1

- To include a top up for ratepayers receiving relief under the Supporting Small Businesses Relief Scheme (SSBRS) which is a mandatory relief scheme for any qualifying business.
- This will ensure these ratepayers are not penalised for being in the SSBRS and allows a top up to be awarded up to a total sum of 65%.
- To include all public houses
- All properties that are not excluded receive 65% relief on the change in liability from 2016 to 2017
- A de-minimus of £20 is applied so that any account that qualifies for £20 or less relief qualifies for the full amount of the difference
- The properties below are excluded from receiving any reduction

Properties Excluded:
Properties with a rateable value greater than or equal to £100,000
Properties owned by a Precepting Authority
Properties where liability has increased for any reason other than as a result of the revaluation

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Unoccupied properties
Properties occupied after 31 March 2017
Ratepayers in receipt of 100% small business relief
Ratepayers receiving relief under the Supporting Small Businesses Relief Scheme where their increase is above £600 and the amount of their reduction under the SSBR scheme is more than they would receive if they qualified for 65% relief under this scheme

Amount of Extra Relief ratepayers would receive under the new scheme	No of properties affected	Cost of scheme	Surplus from £157,000 budget
65%	15 pubs	£12,094.22	£2,048.64
	10 would qualify for SSBR + top up	£ 2,776.46	
	52 would qualify for full difference up to £20	£ 294.02	
	335 would qualify for 65% of difference	£139,786.66	
	412 Total	Total £154,951.36	

Option 2

- All properties that are not excluded receive 70% relief on the change in liability from 2016 to 2017
- The properties below are excluded from receiving any reduction

Properties Excluded:
Properties with a rateable value greater than or equal to £100,000
Properties owned by a Precepting Authority
Properties where liability has increased for any reason other than as a result of the revaluation
Unoccupied properties
Properties occupied after 31 March 2017
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

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Amount of Extra Relief ratepayers would receive under the new scheme	No of properties affected	Cost of scheme	Surplus from £157,000 budget
70%	387 Total	£150,539.48	£6,460.52

Option 3

- All properties that are not excluded receive 65% relief on the change in liability from 2016 to 2017
- Pubs, who may have already qualified for the additional £1,000 pub relief are included
- The properties below are excluded from receiving any reduction

Properties Excluded:
Properties with a rateable value greater than or equal to £100,000
Properties owned by a Precepting Authority
Properties where liability has increased for any reason other than as a result of the revaluation
Unoccupied properties
Properties occupied after 31 March 2017
Ratepayers in receipt of 100% small business relief
Ratepayers receiving relief under the Supporting Small Businesses Relief Scheme where the increase is above £600

Amount of Extra Relief ratepayers would receive under the new scheme	No of properties affected	Cost of scheme	Surplus from £157,000 budget
65%	15 Pubs	£,12,094.22	£5,665.15
	387 Other	£139,240.63	
	402 Total	Total £151,334.85	

4. Recommendations

The recommendation is for Option 1 to be agreed as the preference for the new Discretionary Rate Relief Scheme for West Lindsey District Council for 2017/18.

In the event of any surplus during the year 2017/18, delegates any decisions to award additional relief to the Director of Resources.

5. Discretionary Rate Relief Scheme 2018/19

It is recognised that whatever decision is reached this would only be a scheme for 2017/18. A review of the scheme will be undertaken annually when more information is provided into the following years grant distribution.