

Cabinet – 25 October 2017

Discretionary Business Rate Relief

Portfolio: Councillor D Coughlan – Social Care

Related portfolios: Councillor S. Coughlan – Leader of the Council

Service: Money, Home, Job

Wards: All

Key decision: Yes

Forward plan: No

1. Summary

- 1.1 Business rates are charged on most non-domestic properties. Non-domestic properties are business properties such as shops, offices, warehouses and factories and other property that is not classed as domestic. On a regular basis, normally every 5 years, a revaluation of business rates take place to reflect changes in market values. The latest revaluation came into effect on 1 April 2017.
- 1.2 At each revaluation, a transitional scheme is introduced to protect the ratepayer from sharp increases in their rates bills. This is because property values change a good deal between each revaluation and without relief some businesses may face financial difficulties. The scheme works by capping the maximum amount of increase/decrease that can be applied each year. They phase the increases/decreases in gradually over a number of years so that businesses have time to adjust to the changes.
- 1.3 In addition to this transitional scheme the government announced in the last budget a discretionary business rate relief fund to allow local authorities to devise local schemes to assist ratepayers who are facing rising rate bills as a result of the recent revaluation of rateable values.
- 1.4 The relief will have no direct financial impact on the council, provided that the total amount relief awarded is within the funding allocated to Walsall Council
- 1.5 The Localism Act 2011 gives local authorities the power to award business rate relief for classes of businesses it so determines. It is under this power that the local authority can award the discretionary rate relief as outlined in the 2016 Autumn Statement. This report enables Cabinet to make a decision accordingly.

2. Recommendations

The report recommends:

- 2.1 The adoption and publication of the discretionary rate relief scheme as contained within Appendix A of this report, effective from 1 April 2017 to 31 March 2021.
- 2.2 The Chief Finance Officer, in consultation with the relevant Portfolio Holder, is delegated responsibility to review the scheme on a regular basis and amend the scheme where necessary to reflect any changes required by legislation and/or government guidance or significant increased demand which would result in more relief awarded than grant received from the government.
- 2.3 The Chief Finance Officer be granted delegated authority to manage and determine awards of discretionary rate relief under the scheme.

3. Report detail

- 3.1 The government announced in the Autumn Statement that it was going to create a discretionary business rate relief fund to allow local authorities to devise local schemes to assist ratepayers who are facing rising rate bills as a result of the recent revaluation of rateable values.
- 3.2 The business rates on a property are calculated by using the rateable value placed on the property by the valuation officer. The rateable value is equivalent to the open market rental value of the property as at a certain date. Normally a general revaluation of values takes place every five years with the latest revaluation coming into force on 1 April 2017.
- 3.3 Due to the varying changes in the rental value of properties, all over the country and from type of properties, some business ratepayers may be faced with a large increase in rate bills due to the revaluation. To phase in such increases there has been a system for limiting the yearly increases on such properties.
- 3.4 The government have allocated £300m to a fund to allow local authorities to devise its own scheme to assist ratepayers that are facing increasing rate bills because of the revaluation. This relief scheme is in addition to any phasing in of the increase through the transitional scheme or any of the other new or changes in reliefs effective from April 2017.
- 3.5 Walsall has been allocated £341,366 for 2017/18, £166k for 2018/19, £68k for 2019/20 and £10k for 2020/21. Eligible businesses will all need to apply by completing a state aid declaration form. Upon receipt of the form the Money Home Job team will award the relief to the relevant account and send out a revised bill.
- 3.6 The aim of the proposed scheme is to provide support to small local businesses to aid economic growth and support the local community to prosper. To this end it is proposed that relief should only be awarded on occupied properties and the scheme should exclude companies that are ratepayers to 10 or more properties.

- 3.7 The scheme will be effective from 1 April 2017 and any award will be eligible to be back dated to then. Those businesses facing increases in the rate bills that qualify for the relief will have been paying instalments based on the full rates liability before any relief granted. The delay in introducing this relief is due to the grant confirmation being received after 1 April, waiting for government guidance, determination of the scheme to ensure that all awards fall within the government grant level and carrying out consultation to ensure the scheme is fit for purpose. The other two rate reliefs, public house relief and supporting small businesses relief, announced at the same time have already been implemented.
- 3.8 The granting of this discretionary rate relief to small local businesses will assist the Council to meet the Marmot principles by helping to:
- Create and develop healthy and sustainable communities.
 - Create fair employment and good work for all;
 - Ensure a healthy standard of living for all.
- 3.9 The government have stipulated that relief should only be awarded to ratepayers who face a higher rate bill because of the revaluation. The legislation prevents relief being awarded to a local authority or a precepting authority.
- 3.10 The scheme being proposed is detailed in Appendix A.
- 3.11 A condition of the government grant is that the authority consults with their precepting authorities and any combined authority on the proposed scheme. Not only have we carried out this required consultation but we have also consulted with the business community. The outcome of this consultation is outlined in section 12.
- 3.12 Any relief awarded is covered by the European Union's De Minimus rules on state funding and are currently subject to the 200,000 Euros limit over a three year period.

4. Council priorities

Pursue inclusive economic growth & safe, resilient and prospering communities

The recommendations within this report will help local high streets and communities to thrive and contribute towards creating jobs and helping people to get new skills by protecting small businesses from significant increases in business rates.

5. Risk management

If members decide to limit the relief awarded, it may reduce the effectiveness of the scheme discouraging occupation, or continued occupation, of properties within the Walsall area.

There is a risk of the level of awards under the scheme being greater than the grant provided by central government. This is negated by the Chief Finance

Officer having delegated powers to amend the scheme if the demand for the relief increases to such a level that would lead to a potential shortfall in grant.

6. Financial implications

The relief will have no direct financial impact on the council as the proposed scheme has been designed to ensure that the maximum amount of relief awarded will fall within the funding allocated to Walsall Council by the government. Any remaining unused grant will have to be returned to central government.

7. Legal implications

Under the Localism Act 2011 the government introduced changes to Local Government Finance Act 1998 which introduced the power to award business rate relief for classes of business it so determines.

When a council is determining applications for non domestic rate relief it must have regard to any guidance issued by the Secretary of State. In relation to these reliefs that would be the guidance issued by the Department of Communities and Local Government.

8. Property implications

There are no implications, however, if members reject the recommendations and decide to limit the relief awarded, it may reduce the effectiveness of the scheme by discouraging occupation, or continued occupation, of properties within the Walsall area.

9. Health and wellbeing implications

There are no implications, however, if members rejected the recommendations and decided to limit the relief awarded, it may reduce the effectiveness of the scheme and may result in undue hardship on individual business owners.

10. Staffing implications

The administration of the reliefs will be achieved by using existing staffing resources.

11. Equality implications

No implications identified.

12. Consultation

As per central government instructions, consultation on the scheme has been carried out with the following organisations

- Combined Authority
- Police and Crime Commissioner
- Fire and Civil Defence Authority

The combined authority and the police and crime commissioner have stated that they are in support of the scheme, while no comments have been received from the fire and civil defence organisation.

As part of undertaking their normal functions the Locality and Partnership Team have consulted local businesses about the relief and those businesses broadly agree with the principles of the scheme.

Discussions have also been had with directly affected customers to understand the pressures they are facing and how those pressures could be eased by awarding this relief.

Background papers

DCLG - Discretionary Funding for BRR Relief Grant Determination

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Julie Alderson
Executive Director

25 September 2017



Councillor D Coughlan
Portfolio holder

25 September 2017

Appendix A

Walsall Council New Discretionary Rate Relief Scheme

Legislation

The legislation covering the award of this discretionary rate relief is contained within Section 47(5A) of the Local Government Finance Act 1988.

The relief is subject to Section 47(5C) which requires a billing authority to have regard to relevant guidance issued by the Secretary of State.

Award Criteria

- Property has had an increase in business rates due to the revaluation
- Property is occupied for the period of award
- Occupation in the relevant year is for more than 8 weeks
- Ratepayer is not entitled to 80% mandatory charity relief
- Property's rateable value is less than £200,000
- The property is not one of the following
 - Car park or car parking space
 - Advertising right
 - Communication Station
 - ATM
 - Electronic delivery locker
 - Independent distribution network operator
 - Hospital, surgery or health centre
- Ratepayer is not a government department or agency
- Ratepayer is not a pawn broker or related to gambling or pay day loans
- Ratepayer is not an occupier of 10 or more rating assessments in England.
- The award of the relief will not mean that the ratepayer would breach the financial limit under the State Aid De Minimis Regulations

Award Amount

- For 2017/18 an amount equal to the increase in rates payable from 16/17 to 17/18
- The level of award for future years will be determined by assessing the actual level of demand and the level of available grant for that year