

CABINET

Agenda Item: 7

Ward: All

Portfolio: Finance

Report Author(s): Steve Shrimplin

Meeting Date:
11 September 2017

SUBJECT: Discretionary Business Rate Relief

	Seen by:	Name	Date
Report Sign off	Chief Executive/ Deputy Chief Executive(s)	Donna Nolan	18 August 2017
	Legal	Lesley Dolan	29 August 2017
	Finance	Paul Deal	17 August 2017
	Group Manager		
	Portfolio Holder	Cllr John Parham	18 August 2017
	Ward Member(s)		
	Summary:	<p>In the Spring Budget of 2017, the Chancellor announced a range of measures designed to provide some relief to the business ratepayers who were most affected by the national revaluation of rateable valuations, effective from April 2017.</p> <p>A key measure was the opportunity for local billing authorities to design a new discretionary relief scheme. Funding was to be provided by central government up to certain levels.</p> <p>After widespread national consultation and following advice from the Department for Communities and Local Government (DCLG), Mendip Council has worked with neighbouring Somerset districts and consulted with our precepting authorities to develop a scheme that provides relief to those most affected by increases in business rates (and not assisted by other forms of relief available) whilst trying to ensure DCLG funding is fully utilised.</p> <p>As such a Draft Policy report is provided, with a preferred recommendation that is considered the most suitable for Mendip Council and our local business ratepayers.</p>	
Recommendation:	<p>Cabinet are recommended to:</p> <ul style="list-style-type: none">• Award a tapered amount of relief to the ratepayers most affected by the steepest rates increase from 2017/18 compared to 2016/17 as a result of the national revaluation and the subsequent increase in their rateable value.		

	<p>This relief will be calculated for 2017/18 and at a reduced level for 2018/19, followed by case by case awards for 2019/20 and 2020/21.</p> <p>This new discretionary relief does not replace the many mandatory and discretionary reliefs already available. See paragraph 2.6 of the Draft Policy in Appendix 1.</p>
<p>Direct and/or indirect impact on service delivery to our customers and communities:</p>	<p>Provides effective support for local businesses and organisations to lower their business rates bills, helping ensure the local economy is kept buoyant. Many of the local businesses and organisations provide great benefit to Mendip residents.</p> <p>This relief is targeted to those most substantially affected by the national revaluation of business rateable values from April 2017. It is limited to ratepayers who had at least a 12.5% increase in their net rates due for 2017/18 compared to 2016/17, those with a rateable value of under £200,000 per year and to those not normally eligible for some other form of mandatory rate relief.</p>
<p>Contribution to Corporate Priorities:</p>	<p>The recommendation is based on the following Corporate Priority on Inclusive Growth:</p> <ul style="list-style-type: none"> • Work with our business community to deliver the ambitions of our Economic Strategy and increase the economic vibrancy of the Mendip area
<p>Legal Implications:</p>	<p>The proposals set out in this report comply with legislation relating to national non-domestic (business) rates discretionary relief. This is covered by S.49 of the Local Government Finance Act, 1988.</p>
<p>Financial Implications:</p>	<p>DCLG have lead the initiative on this discretionary scheme and Mendip Council is to be provided with a share of a national fund to support local businesses.</p>
<p>Impact on Service Plans:</p>	<p>The administration of discretionary rate relief is a joint administration by Mendip's Revenues and Benefits Client Team and our contractor.</p>
<p>Value for Money:</p>	<p>The award of discretionary rate relief is regarded as a cost effective method of helping local businesses and organisations take advantage of lower business rates bills. This applies to local businesses and organisations that meet Mendip's corporate priorities.</p>
<p>Equalities Implications:</p>	<p>This policy ensures all business that meet the criteria are treated equally.</p>
<p>Risk Assessment and Adverse Impact on Corporate Actions:</p>	<p>N/A</p>

Scrutiny Recommendation (if any)	N/A
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1. INTRODUCTION

1.0 This Policy is as a result of the announcement in the Spring Budget, 2017 for local billing authorities to create a new discretionary scheme to help those business ratepayers most affected by an increase in business rates liability from 2017/18 as a result of the national revaluation of rateable values.

1.1 Mendip Council has been advised that it will receive a share of a national fund to help support the policy. See section 3.10 in the Draft Policy document attached (Appendix 1).

Amount of discretionary fund available – Mendip District Council

2017-18	2018-19	2019-20	2020-21
£349,000	£170,000	£70,000	£10,000

2. BACKGROUND

2.0 As a result of the national revaluation in rateable values effective from 1 April 2017 (carried out by the Valuation Office Agency) and the increase in eligibility for small business rate relief (SBRR):

Number of business rate accounts in Mendip	4,252	100%
Qualify for 100% SBRR	1,776	41.77%
Faced higher rates due to a higher rateable value	1,645	38.69%
Faced lower rates due to a lower rateable value	639	15.03%

2.1 This Policy is designed to assist some of those worst affected 1,645 ratepayers.

2.2 The government department responsible for business rates, the DCLG, after consulting nationally, published some guidelines, stating emphasis is to be placed on ratepayers that “face the most significant increases in bills” and “ratepayers occupying lower value properties”. The suggestion from DCLG (and the basis for the level of the national fund), is to identify ratepayers with an increase of 12.5% or higher and that lower value properties be those with a rateable value of less than £200,000 per annum.

2.3 In Mendip, using this criteria meant 173 accounts as at 1 April 2017. For these accounts, the total amount of extra rates due for 2017/18 compared to 2016/17 was £649,188. However, the value of the funding available from DCLG for 2017/18 is £349,000.

2.4 Given Mendip has a budget shortfall over the period covered by this scheme and the fact that Mendip has an existing range of discretionary rate relief schemes, which include the option for ratepayers to obtain relief where there is evidence of financial hardship, it is assumed that the relief will be limited to that covered by the DCLG funding.

2.5 Having considered the DCLG guidance, considered our existing discretionary relief schemes and our corporate priorities and, in collaboration with the other Somerset districts (supported by a national consultant), we have developed a policy for Members approval – see Appendix 1.

2.6 In developing the scheme we considered various methods of providing relief, whilst also taking into account other ratepayers who would also have had increases in their rates for 2017/18. The Policy developed (see Appendix 1 and in particular Section 8.0) will provide relief in 2017/18 that amounts to all the increase in rates less an “acceptable increase” of 12.5%. For 2018/19 relief will be 50% of that awarded in 2017/18 and in 2019/20 and 2020/21 relief will be awarded on a case by case basis, given the much lower DCLG fund available in those two later years. This is Option 3 described next.

3. OPTIONS CONSIDERED

3.0 Three options were considered. These were:

- Option 1 Tapered levels of relief over 4 years with levels set broadly in line with the DCLG funding formula.
- Option 2 Individual case by case discretion over the 4 years.
- Option 3 Tapered levels of relief in the first 2 years followed by case by case award in the next 2 years.

3.1 All the options are based on identifying those ratepayers that had the steepest increased rates liability from 1st April 2017. Based on central government guidance, relief is to be targeted to those with at least a 12.5% increase from 1st April 2017 and to those with a rateable value of less than £200,000 per year. Ratepayers receiving mandatory relief would not normally be eligible. We will though consider applications on a case by case basis (see 8.6 of the Policy) for exceptional circumstances where the ratepayer faces a substantially steep increase from 2016/17 to 2017/18.

3.2 Options 1 and 3 looked at providing tapered relief to match the increase in net rates due but less an “acceptable increase” either for 4 years or 2 years. Various amounts were calculated bearing in mind the DCLG fund available.

3.3 Amount of relief – please see section 8.5 of the Policy. Applying an “acceptable increase” of 12.5% to the 173 accounts identified, the amount of relief to be awarded in 2017/18 would likely be approximately £74,000 less than the £349,000 DCLG fund available. However, the 173 accounts will undoubtedly increase as the Valuation Office Agency – who determine rateable values – are still informing us of backdated assessments that start from pre 1st April 2017. Consequently these ratepayers – if they face a 12.5%+ increase into 2017/18 will be eligible. This includes new assessments, splits and mergers and at this stage is still difficult to quantify. There will likely be some reductions in relief as some of the 173 may successfully appeal against their April 2017 rateable valuation and so will require less relief than originally calculated. All in all, most local authorities have decided to not allocate all their potential DCLG “pot” at this stage bearing this in mind. In addition our Policy does allow for additional exceptional cases to be individually heard.

3.4 In 2018/19, as the DGLG fund is approximately halved, relief awarded would be half of the 2017/18 relief. For 2019/20 and 2020/21 given the much lower DCLG fund,

case by case basis. As Mendip would only be able to claim from the DCLG the actual amount of relief paid, rather than the actual fund available it makes sense to use as much as possible of this fund. Nevertheless Mendip has to be cautious as it cannot reject applications for discretionary relief simply based on the availability of DCLG funding.

3.5 Examples:

2017/18

- Option 1 and 3 – applying an acceptable increase of 12.5%
Ratepayer faces a rates increase of 15%. Relief will be 2.5%.
Ratepayer faces a rates increase of 35%. Relief will be 22.5%
- Option 2
Relief decided by the Council on a case by case basis

2018/19

- Options 1 and 3
Reliefs paid in 2017/18 would be reduced by 50%
- Option 2
Relief decided by the Council on a case by case basis

2019/20 and 2020/21

- Option 1
Relief reduced by further % to reflect decreased DCLG funding
- Option 2 and 3
Relief decided by the Council on a case by case basis

The difference between Options 1 and 3 is that for Option 3, in 2019/20 and 2020/21 all ratepayers would have to apply individually and be considered on a case by case basis.

3.6 Option 3 is the preferred option given the very low central government funding available in those two latter years.

3.7 However, this relief should be subject for Member review prior to 2018/19, along with Mendip's other discretionary relief policies. This would also allow Members the opportunity to have some evidence of the effectiveness of the 2017/18 policy.

3.8 To summarise – approving Option 3 means Mendip are treating all ratepayers that meet the policy criteria with the same formula for receiving relief. Apart from the ratepayers already mentioned as being excluded ((section 8.4), no ratepayer will have to pay more than a 12.5% increase in 2017/18 compared to 2016/17.

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4. RECOMMENDATION

4.0 Members approve the Policy – Appendix 1 which incorporates Option 3.

4.1 This option makes the best use of the potential DCLG fund and allows local businesses that had the steepest rates increases to receive relief. It is equitable in that all eligible ratepayers will have relief based on the same formula and have a maximum increase of 12.5% in 2017/18. It also allows for backdated assessments that are still to come into Rating that will be eligible as well as allowing for individual awards where exceptional circumstances are demonstrated.

4.2 Subject to review by Members ahead of 2018/19, all the ratepayers eligible will receive 50% of that relief in 2018/19. Subject to continuing Rating adjustments, this should equate to the DCLG fund available for 2018/19 although Mendip would want to see some evidence from 2017/18. In 2019/20 and 2020/21 individual case by case applications will be invited given the fact that the DCLG fund is much lower for these years.

4.3 Based on an “acceptable increase” of 12.5% for these 173 accounts, the estimated amount of relief in 2017/18 will be £274,783 leaving a potential £74,217 to allow for relief for backdated Rating Assessments, appeals and exceptional circumstances. (DCLG fund available = £349,000).

5. REASONS FOR RECOMMENDATION

- Helps those most affected by the rates increase due to the national revaluation
- Is open to all ratepayers in Mendip subject to the qualifying criteria
- The relief is applied to all ratepayers based on the same formula
- Helps those ratepayers who do not have access to other sources of rates relief
- Assuming eligibility, the relief can easily be applied from 2017/18 and into 2018/19
- Recognises an acceptable increase of 12.5% for those most affected
- Makes best use of DCLG funding whilst allowing contingency for an unknown amount of backdated rating assessments
- Due to lower % of DCLG funding in 2019/20 and 2020/21, presents the opportunity for the most affected ratepayers in those years to have their cases heard individually.
- Still allows for individual case by case applications from other ratepayers where there is demonstrated exceptional circumstances caused by the national revaluation.
- Does not affect our existing discretionary rate relief scheme that provides help for registered charities, community amateur sports clubs, rural settlement relief, not for profit organisations and the other mandatory and discretionary schemes (see 2.6 in the Draft Policy).

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List of background Papers:

Appendix 1

- Policy for the granting of the Discretionary Business Rates Relief