

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 9 October 2017

Portfolio:	Policy and Resources
Subject:	Business Rate Discretionary Rate Relief
Report of:	Director of Finance & Resources
Strategy/Policy:	Charitable Relief Policy
Corporate Objective:	A dynamic, prudent and progressive Council

Purpose:

To consider changes to the Council's Business Rate Discretionary Relief Policy to provide assistance to businesses.

Executive summary:

In the March 2017 budget, the Government announced the following measures to assist businesses following the revaluation of all Non-Domestic Properties from 1 April 2017:

- An additional £300m would be made available to Councils to support businesses that had suffered the largest increases in their Business Rate Bills. Fareham will receive £311,000 of this funding over a 4-year period
- A discount of £1,000 would be made available to public houses with Rateable Values up to £100,000.
- Additional funding will be made available to limit the increase in Business Rates following the loss of Small Business Rate Relief due to the revaluation.

This Council already has an established policy for granting Discretionary Rate Relief, but the changes requested by Government, will fall outside the policy. This report seeks to vary the local policy in order to incorporate the proposed changes.

The Government will fully reimburse local authorities for the local share of the discretionary relief granted.

Recommendation/Recommended Option:

It is recommended that the Executive agrees:

- (a) to vary the Charitable Relief Policy to allow relief to be granted in the specific circumstances detailed in the report from 1 April 2017;
- (b) to consult with Hampshire County Council and major preceptors in relation to the provisions of the scheme; and
- (c) to delegate the award of the discretionary relief, as detailed in the report, to The Local Taxation Manager.

Reason:

To offer financial assistance to businesses following the revaluation of commercial premises.

Cost of proposals:

There are no cost implications. The Government has stated that it will reimburse billing authorities with the local share of the relief given in all the circumstances listed.

Appendices:

A: 2017 Revaluation Discretionary Relief Policy
B: Consultation Response

Background papers: Guidance from Department of Communities & Local Government (DCLG)

Reference papers: Discretionary Relief Policy

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Executive Briefing Paper

Date:	9 October 2017
Subject:	Business Rates Relief
Briefing by:	Director of Finance and Resources
Portfolio:	Policy and Resources

INTRODUCTION

1. In the March 2017 budget, the Government announced a number of measures to assist businesses with the impact of the 2017 revaluation.
2. Billing Authorities are expected to deliver the measures using their discretionary relief powers under Section 47 of the Local Government Finance Act 1988. Billing Authorities will be compensated through Section 31 of the Local Government Act 2003.
3. Implementing this scheme will place an additional burden on Billing Authorities and in accordance with the New Burdens doctrine, the Department of Communities & Local Government (DCLG) will carry out an assessment of expected reasonable costs.

New Discretionary Relief

4. An additional £300m of funding has been made available nationally, over a 4 year period, for local Authorities to support businesses who have suffered the largest increases in their Business Rate Bills.
5. The Government initially provided a consultation document requesting views on how the relief should be delivered, but due to the general election the results were never published.
6. The Government have confirmed that Fareham will be allocated £311,000 of the funding split over the 4 year period, distributed as:

58% in year 1
28% in year 2
12% in year 3
2% in year 4

Amount of discretionary pot awarded (£000s)			
2017-18	2018-19	2019-20	2020-21
182	88	36	5

The flexibility to move funding between financial years will be considered in Quarter 2 of 2017/2018, once the Government has a clearer picture of schemes.

7. The share of funding for each Authority has been calculated based on the total increase in 2017 bills excluding the impact of reliefs, for every rateable property:
 - Where the Rateable Value is less than £200,000
 - Where the increase in the 2017 bill is more than 12.5% (before reliefs).
8. The Government has also said that it assumes support will be provided only to ratepayers facing an increase in their bill, by and large more support being provided to:
 - Ratepayers of localities that face the most significant increases in bills; and
 - Ratepayers occupying lower value properties

However, for the avoidance of any doubt, the Government has also stated that the design and administration of the scheme is for each Billing Authority to decide.

9. Of the 3,211 properties in the 2017 Rating List for Fareham, only 690 of these have a Rateable Value below £200,000 and have also had an increase in their rate bill in 2017.
10. Whilst the Government have allocated funding on the basis of Rateable Value increases of 12.5% and over, in Fareham there are only 103 properties in this category. This figure includes all types of national and local businesses, and also billing and precepting authorities.
11. National businesses that have premises across the country may fall foul of State Aid regulations if they were to claim discretionary relief above the €200,000 De Minimis level over a three year period, so it is unlikely that these businesses would claim relief in all their business locations.
12. Billing and precepting authorities are specifically excluded for claiming discretionary relief.
13. Due to the potentially low numbers eligible for relief using the Government's criteria it is proposed that a portion of the relief (a maximum of £120,000) is used to assist ratepayers where the rate bill has increased by 12.5% or above and where the Rateable Value is below £200,000. The relief will be shared amongst all ratepayers in this category, the share being proportionate to the % rise in each case.
14. Eligible ratepayers will be required to pay at least the first £600 of the increase in 2017/2018.
15. In addition to the above, the remaining award for 2017/2018 (at least £62,000) will be used to assist local ratepayers or ratepayers suffering severe hardship due to the revaluation. The Council will consider which properties should receive relief on a case by case basis, taking account of the type of business, the area of the business or businesses and the financial standing of that business. The value of relief awarded will also be considered on a case by case basis. The full policy is attached at Appendix A
16. The Government has stated that it will reimburse billing authorities with the local share of the relief given in all the circumstances listed. A requirement of the funding is that Billing Authorities must consult with major preceptors before adopting the scheme. Officers are aware that Hampshire County Council will provide a joint response to this consultation together with The Police & Crime Commissioner and Hampshire Fire and Rescue Authority. The response is in the form of a standard statement which is not specific to the scheme in each case. An example of the response (provided by a neighbouring Authority) is provided at Annexe B.

17. In light of the standard response expected from Hampshire County Council it is proposed that the Executive's agreement to this scheme which is detailed in Appendix A and the consultation with Hampshire preceptors is all dealt with in this one report. This will allow relief to be awarded swiftly to businesses who are most affected which without further delay.

Pub Relief

18. The Government also announced that it will fund a new relief scheme for pubs that have a Rateable Value below £100,000, as it recognises the important role that pubs play in urban and rural communities across the country. Under the scheme, eligible pubs will receive up to a £1000 discount on their bill. The relief will have effect for from 1 April 2017 for the 2017/18 year only.
19. Eligibility for the relief and the relief itself will be assessed and calculated on a daily basis
20. There is no definitive description of a traditional pub or public house in law which could be readily used to determine eligibility for relief.
21. The Government's policy intention is that eligible pubs should:
- be open to the general public
 - allow free entry other than when occasional entertainment is provided
 - allow drinking without requiring food to be consumed
 - permit drinks to be purchased at a bar.
22. Guidance issued by Government suggests the following venues should be excluded from the scheme, but makes it clear that this list is not exhaustive and it will be for the Local Authority to determine cases.
- restaurants
 - cafes
 - nightclubs
 - hotels
 - snack bars
 - guesthouses
 - boarding houses
 - sporting venues
 - music venues
 - festival sites
 - theatres
 - museums
 - exhibition halls
 - cinemas
 - concert halls
 - casinos
23. Officers will compare Business Rate Records with Licensing records to establish which pubs exactly meet the criteria for relief. All applications will be considered on their own merits.
24. National pub companies which have premises across the country would fall foul of State Aid regulations if they were to claim discretionary relief above the €200,000 De Minimis level over a three year period, so it is unlikely that these businesses would claim relief in all their licenced pub locations.

Supporting Small Businesses

25. A further provision of the Budget was to provide a new scheme of relief for those ratepayers facing large increases as a result of the loss of Small Business Rate Relief (SBRR), following the revaluation.
26. For 2016/17, eligible ratepayers with a Rateable Value less than or equal to £6,000 are entitled to 100% SBRR. Those with a Rateable Value of between £6,000 and £12,000 enjoy tapered relief from 100% to 0%. Following the measures in the 2016 Budget, these thresholds were increased from 1 April 2017 to £12,000 for the 100% relief and £15,000 for the tapered relief. This ensures that most ratepayers currently entitled to SBRR will pay less or nothing following the revaluation. However, some ratepayers that are facing large increases in their Rateable Value will lose some or all of this relief
27. To support these ratepayers, the Supporting Small Businesses Relief will ensure that the increase per year in the bills of these ratepayers is limited to the greater of:
 - a) A percentage increase per annum. of 5%, 7.5%, 10%, 15% and 15% from 2017/18 to 2021/22 (plus inflation), or
 - b) A cash value of £600 per year (£50 per month). This cash minimum increase ensures that those ratepayers paying nothing or very small amounts in 2016/17 after SBRR are brought into paying something.
28. In the first year of the scheme, this means all ratepayers losing some or all of their SBRR will see the increase in their business rate bill capped at £600. The cash minimum increase is £600 per year thereafter. This means that ratepayers who were paying nothing previously, losing all of their entitlement to relief (i.e. moving from £6,000 rateable value or less to more than £15,000) would under this scheme be paying £3,000 by year 5.
29. Those on the Supporting Small Businesses Relief scheme, whose 2017 Rateable Values are £51,000 or more, will not be liable to pay the Business Rate supplement (1.3p) to fund SBRR while they are eligible for the Supporting Small Businesses relief scheme.
30. Ratepayers remain in the Supporting Small Businesses relief scheme for either 5 years or until they reach the bill they would have paid without the scheme. A change of ratepayer will not affect eligibility for the Supporting Small Businesses relief scheme but eligibility will be lost if the property falls vacant or becomes occupied by a charity or Community Amateur Sports Club.
31. Officers believe that there are only 16 properties that fall into this category in Fareham and relief will be awarded to these properties in accordance with guidance from DCLG.
32. There are no cost implications; the Government has stated that it will reimburse billing authorities with the local share of the relief given in all the circumstances listed.

Other considerations

33. Providing discretionary rate relief to ratepayers is likely to amount to State Aid. However the award of the reliefs mentioned above will be State Aid compliant where it is provided in accordance with the De Minimis Regulations.

34. The De Minimis Regulations allow an undertaking to receive up to €200,000 of De Minimis aid in a three year period (consisting of the current financial year and the two previous financial years). It is necessary for Officers to establish that the award of relief will not result in the undertaking having received more than €200,000 of De Minimis aid.

Enquiries:

For further information on this report please contact Adrian Collier. (Ext 4632)