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| To: | City Executive Board |
| Date: | 20 August 2017 |
| Report of: | Head of Financial Services |
| Title of Report: | **Discretionary Business Rates Support Schemes** |

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| Summary and recommendations | | |
| Purpose of report: | | To advise Members of additional rate relief schemes arising from the Government’s Spring budget and to agree the recommendations below. |
| Key decision: | | Yes |
| Executive Board Member: | | Cllr Susan Brown, Customer and Corporate Services |
| Corporate Priority: | | A Vibrant and Sustainable Economy  An Efficient and Effective Council |
| Policy Framework: | | None |
| Recommendations: That the City Executive Board resolves to: | | |
| 1. | **Delegate authority** to the Head of Financial Services the authority to administer  a) the Public Houses Relief Scheme and  b) the Supporting Small Business Relief Scheme. | |
| 2 | Approve the Revaluation Discretionary Relief Scheme for businesses for 2017-18 at Appendix 1 | |
| 3. | **Delegate authority** to the Head of Financial Services to administer and award thereliefs in theRevaluation Discretionary Relief Scheme as outlined in Appendix 1 including revising the scheme for the subsequent 3 years. | |

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| Appendices | |
| Appendix 1 | Revaluation Discretionary Relief Scheme |
| Appendix 2 | Risk register |
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# Introduction and background

The rateable values of all non-domestic properties have recently been re-assessed by the Valuation Office Agency. Properties are normally revalued every 5 years; the last revaluation was in 2010. However, the latest revaluation has been delayed by 2 years.

New rateable values came into force on 01/04/2017. As a result of the revaluation and changes to the Small Business Rate Relief and Rural Rate Relief schemes, some businesses are facing large increases in the amount they have to pay.

When a revaluation takes place the government designs a transitional relief scheme which phases in any large increases or decreases in rateable values over several years. Any such schemes must be implemented by the Council as a billing authority.

# Spring budget Additional Relief Schemes

In the Spring budget in March 2017, the Chancellor announced three further relief schemes to support certain businesses as a result of the 2017 revaluation exercise.

* Public Houses Relief Scheme

Eligible public houses with a rateable value of below £100,000 will receive up to £1,000 discount on their bill in 2017/18. This will be treated as a local discount and backdated to 1 April 2017.

* Supporting Small Businesses

From 1 April 2017 the thresholds for Small Business Rate Relief have been changed and this along with the revaluation has resulted in some businesses facing large increases in the amount payable. These businesses will have their increases capped.

* Revaluation Discretionary Relief

A £300 million pot of money will be distributed to local authorities over the next 4 years for them to help businesses facing large increases. The funding allocation is based on the number of properties with rateable values of under £200,000 and experiencing an increase in rates from the previous year, before other reliefs, of more than 12.5%. Consultation around this scheme was open to everyone, but sought views in particular from businesses and their representative bodies, English local authorities and the Local Government Association (LGA). The consultation closed in early April. Further progress was then delayed by the general election.

The design and administration of revaluation discretionary relief schemes is for local authorities to determine, and does not have to follow the distribution methodology used to determine the grant allocations. This policy is independent of the Council’s existing Discretionary Rate Relief policy, which is aimed at charitable bodies, Community Amateur Sports Clubs and Non-profit making organisations.

# Details of each scheme

Public House Relief Scheme

This Relief applies for one year only to occupied properties. The eligibility criteria listed in Business Rates Implementation Letter (BRIL 4/2017) will determine the level of relief available. The intention is that eligible public houses should:

* Be open to the general public
* Allow free entry other than when occasional entertainment is provided
* Allow the consumption of alcohol without requiring food to be consumed
* Permit drinks to be purchased at a bar

For these purposes it will exclude certain premises such as restaurants, cafes, nightclubs, hotels, snack bars and guest houses amongst others. The Council has identified 121 properties to date which it believes will be eligible for this relief.

Supporting Small Businesses

Following further guidance from the Department for Communities and Local Government (DCLG) 14 properties have been identified which will potentially benefit from the cap on business rate increases for small businesses.

The Supporting Small Business Relief will ensure that the increase per year in the bills of these ratepayers is the greater of:

1. a percentage increase p.a. of 5%, 7.5%, 10%, 15% and 15% (2017/18 to 2021/22) all plus inflation; or
2. a cash value of £600 per year (£50 per month). This cash increase ensures that those ratepayers paying nothing or very small amounts in 2016/17 after small business rate relief pay something.

Many authorities are awaiting software from their suppliers, which is due to be delivered mid- August, which will allow them to calculate the relief available to each property affected.

Revaluation Discretionary Relief

Billing authorities are responsible for designing the Revaluation Discretionary Relief schemes that will operate in their areas. Officers have consulted, as required, with the Council’s major preceptors (Oxfordshire County Council and Thames Valley PCC) and met with other Oxfordshire authorities, including those operating shared services, to agree a county-wide Revaluation Discretionary Relief Scheme. The scheme will allow for each authority to apply local variances in line with each authority’s grant allocation. The DCLG has announced the amounts it intends to allocate to this authority over the next 4 years as follows:

# Grant allocation

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| **Local authority** | **2017-18 Gross bill increase** | **Amount of Discretionary pot (000s)** | | | |
|  | **(000s)** | **2017-18** | **2018-19** | **2019-20** | **2020-21** |
| Oxford City Council | 4,085 | 481 | 233 | 96 | 14 |

# Administration costs

The DCLG intends to pay authorities a new burden sum in respect of the additional administration and IT related costs of administering the new schemes, in line with the current New Burdens Framework. A flat rate of £12,000 will be paid to all billing authorities. A further new burden sum of £0.50 per bill reissued will also be paid.

As a condition of this award, the relief will need to be recalculated in the event that there is a change of ratepayer for a property.

At present it is not clear whether the Council will be able to carry forward any underspend in the current financial year. The DCLG has advised that it will return to this question in quarter 2 of this financial year. This has made designing a new scheme difficult, mainly due to the risks involved in overspending the grant, but officers are conscious that central government is pushing billing authorities to get initial assistance out to non-domestic ratepayers as soon as possible.

# Proposals for the Revaluation Discretionary Relief Scheme

The proposed scheme which is set out in Appendix 1 is for the 2017/18 financial year only. Given the tapering nature of the grant and the uncertainty over carry forwards of underspends the scheme will be reviewed for subsequent years.

Taking into account the reduction in the funding pot a reduced percentage of relief on bills will inevitably be available to non-domestic ratepayers in future years.

To calculate the level of relief that will be available officers have identified ratepayers they think will be eligible using the criteria in the proposed scheme (at Appendix 1) and calculated what the cost of the relief would be allowing for various percentage increases. To allow for changes to the 2010 list Rateable Values and new properties that have or will be bought into the list retrospectively, it is proposed that 15% of the grant will be kept to cover the cost of these changes. Having considered the funding available and the need to retain a percentage of that funding for adjustments and appeals, based on the modelling carried out, an 8.5% reduction in the 2017/18 rates liability after reliefs will be offered to those businesses falling within the qualifying criteria. This is estimated to cost approximately £360k.

Officers will review the funding monthly, and will consider offering a further reduction up to the full rates liability for cases where the ratepayer is still showing signs of hardship, subject to there being sufficient money available.

Depending upon take-up from ratepayers, the Council may be able to make a top-up awards of relief later in the year if a need is identified, or carry forward of any underspend is allowed to be used to further assist in future years.

There will be no reimbursement of funding from Central Government if the allocated pot of money becomes overspent.

Applicants will apply for the relief and any awards of relief will be backdated to 1 April 2017.

# Implementation

Despite the schemes being introduced in the Spring budget, authorities were told not to progress implementation due to the uncertainty created by the general election. In a recent Spring budget update issued on 20 June authorities were given the go ahead to proceed with developing the three schemes and to progress with awarding relief along the following lines:

* Billing Authorities are expected to deliver the schemes through the use of their discretionary rate relief powers. Businesses will be invited to make an application for any or all of the reliefs available and the Council will need to ensure that they have completed a declaration that State Aid levels will not be exceeded.
* The legislation on State Aid is the means by which the European Union regulates state funded support for businesses. Providing discretionary relief to ratepayers is likely to amount to State Aid. However the support for ratepayers will be State Aid compliant where it is provided in accordance with the *de minimis* regulations (EC 1407/2013)14.
* The *de minimis* regulations allow an undertaking (a business) to receive up to €200,000 of ‘*de minimis*’ aid over a rolling three year period (consisting of the current financial year and the two previous financial years).
* The Council will design a simple application form and send it to those thought to qualify from July. A review of cases that do not have any other Business Rate reliefs is underway to check eligibility.
* Authorities will be reimbursed in full for any reliefs given to public houses and in respect of supporting small businesses via Section 31 grants. Authorities have been allocated money over the next four years to support the Revaluation Discretionary Relief Scheme.(See para 10)
* All reliefs granted will be backdated to 1 April 2017.

# Financial implications

The Public House Relief Scheme and the Supporting Small Business Scheme are to be 100% funded by central government through a grant made under Section 31 of the Local Government Act 2003.

The same legislation is used to fund the to the Revaluation Discretionary Relief, up to a maximum amount based on the authority’s allocation of the new £300m fund, and having regard to the % central and local shares (under the Business Rates retention scheme. The authority will receive 50% of the allocation of the grant as its share. However this will then be shared between billing and precepting authorities in the normal way using data provided in the NNDR 3 return.

An additional £12,000 of new burdens funding will be paid to Oxford City Council to cover the administration and IT costs of the three new relief schemes

Further administration, stationery and postage costs will be incurred in re-issuing bills for the current financial year, for which additional new burdens funding will be paid at 50p per bill issued. A data collection exercise will be undertaken by the DCLG at a later date to establish these costs, as at this early stage the numbers of changes are hard to estimate.

# Legal issues

Billing authorities are expected to deliver all three schemes through the use of discretionary relief powers under section 47 of the Local Government Finance Act 1988, as amended.

Local authorities will be reimbursed using grants under Section 31 of the Local Government Act 2003.

# Level of risk

A risk register is attached at Appendix 2. The risk of awarding relief at a percentage greater than the grant is a possibility, as is the miscalculation of the number of eligible businesses.

**Equalities impact**

No equalities impact assessment is required. In the consultation conducted by the DCLG relating to the Revaluation Discretionary Relief, conditions require the grant to be used to support only ratepayers facing an increase in their bills following revaluation.

The Public House Relief Scheme and the Supporting Small Business Relief scheme identify certain conditions that need to be met to award the reliefs; therefore we cannot deviate from these conditions.

There are no concerns that the policy will have a differential impact on anyone with a protected characteristic

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| Background Papers: None |

**Appendix 1**

**Oxfordshire Districts- Revaluation Discretionary Relief**

It is proposed that each Billing Authority’s scheme adopts a consistent approach to this relief, with local discretions added as appropriate, dependant on local need and funding allocations.

Facts

* The Scheme will be funded by Section 31 grant allocated to authorities over a period of 4 years with reduced levels of funding year on year.
* The amounts of grant are already allocated to each authority and will be paid to authorities quarterly in arrears
* This scheme will run for one year only, and will be reviewed before allocations are made in each future year, due to the reduced level of funding year-on-year
* 15% of the grant will be retained to allow for Rateable Value (RV) adjustments/ Appeals etc.
* A change in ratepayer or the property becoming empty terminates entitlement to this discretionary relief
* The Government has yet to confirm whether or not any unspent grant can be carried over into future year/s

Qualifying Criteria

1. The ratepayer must be in occupation on 31/03/2017. No relief will be awarded to those taking up occupation on or after 01/04/2017.
2. All other mandatory reliefs must have been applied for prior to an application for Revaluation Discretionary Relief being considered.
3. The 2017 RV must be under £200,000.( This is based on the original funding allocation methodology)
4. This scheme will also apply to ratepayers if they are already in receipt of other capped Spring budget reliefs
5. Where a property is formed following a split or merger after 31/03/2017 but qualified before the split or merger a new calculation will be carried out.
6. An application form must be completed. All applications will be considered on their merits. Relief is intended for those that have fallen out of Small Business Rate Relief and are facing large increases. Relief will apply from 1 April 2017. A new application will be required in each subsequent year if applicable
7. Increases to the 2017 RV only will not affect the award.
8. Recalculations will be made where reductions in RV for either the 2010 or 2017 list are made.

Exclusions

Relief will not be awarded to:

1. Precepting bodies (i.e. County, District or Parish Councils and Thames Valley Police Authority).
2. Banks, Building Societies or other major financial institutions.
3. Multi-national businesses or large chains.
4. NHS properties.
5. Charities, as they are already subject to Mandatory Relief of 80%

In agreement with the other Oxfordshire Districts it is proposed that a % relief is applied, based upon grant allocation.

This relief is subject to State Aid Rules. State Aid law is the means by which the European Union regulates state funded support to businesses. Providing discretionary relief to ratepayers is likely to amount to State Aid.