

## **Business Rates Revaluation Discretionary Relief Scheme 2018-2019**

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### **1. Summary**

- 1.1 On 6 September 2017, Cabinet approved a Business Rates Discretionary Relief Scheme for 2017-18 to award £1.308m financed from a national funding pot of £300m over 4 years. This report sets out the basis for a scheme over the remaining three years of the funding allocation.
- 1.2 As reported in September 2017, the Government announced in the spring budget of 2017 three additional schemes to support businesses as a result of the introduction of the 2017 rating list. All three schemes are to be administered through discretionary relief powers under section 47 of the Local Government Finance Act 1988, and financed through grant payments under Section 31 of the Local Government Act 2003.
- Supporting Small Businesses
  - New Business Rate Relief for pubs
  - New Business Rate Relief Scheme
- 1.3 This report details the parameters for the new business rate relief scheme for Cabinet approval.

### **2. Recommendations**

- 2.1 Members are asked to:
- A. Approve the proposals for the new business rate relief scheme for 2018-19 and subsequent financial years, and confirm a delegation to the Head of Finance, Governance and Assurance in consultation with the Portfolio Holder for Finance, to finalise the scheme for 2018-19 and subsequent financial years.

- B. Approve the use of any remaining government funds to support other businesses on a case by case basis considered by the Council's Section 151 Officer.
- C. Formally approve continuation of £1000 business rate discount in 2018-19 for local pubs with a rateable value up to £100,000.

### **3. Risk Assessment and Opportunities Appraisal**

- 3.1 The authority has a statutory duty to bill and collect business rates.
- 3.2 Funding has been made available to Shropshire Council to support local businesses receiving the largest increases in Business Rates following revaluation in April 2017. As funding cannot be carried forward into future years, the assumption is to attempt to allocate all available grant to local businesses. There is a risk that any under-allocation will result in funds being returned to government that would otherwise have been made available to the local economy. Conversely any over-allocation will need to be funded from Shropshire Council's own resources and there is a risk that over-allocation would reduce the availability of Council resources. To mitigate this officers have designed the scheme to maximise use of the funding, and will monitor the award each year and revisit the scheme later in each year to ensure, as far as possible, that all funds are spent.
- 3.3 Due to the reducing nature of the grant over the four year funding period, the Council will continue to review scheme parameters in subsequent years to ensure that the maximum grant funding available will be distributed to businesses in most need.
- 3.4 There are a very large number of small to medium businesses in Shropshire (approximately 12,000) and without a clear focus for a local scheme, there is a risk that a scheme could become unworkable and could allocate insubstantial amounts of funding across a wide number of businesses. Furthermore, the costs of administering a local scheme could significantly outstrip available resources if designed inappropriately. To mitigate this the scheme is designed to target the most appropriate businesses.
- 3.5 The necessity to design a local scheme over such a large tax base with the inherent complexity of having to take account of other schemes and reliefs (such as small business rate relief, transitional relief and surcharge, local pub relief) creates a risk that some 'qualifying' businesses could be missed. To mitigate this the original scheme for 2017/18 was consulted upon and feedback from that scheme has been taken into account when designing the scheme for 2018/19 and future years.
- 3.6 The revaluation in April 2017 led to some very large increases in RV for some businesses. This increase was offset, to some extent, by changes to the multiplier but more significantly by the impact of transitional relief and other reliefs available. As a result, many businesses that saw a large increase in their RV did not see a large increase in their actual liability for 2017/18. This has resulted in the necessity to design a more complex local scheme to

ensure the funding is spent, but that it is targeted to the most appropriate businesses (which may be different to those identified in 2017/18). As the New Business Rate Relief Scheme funding cannot be carried forward into future years, there is a real danger that businesses are not fully aware of the impact of the RV increase in 2018/19 and later years given the confusing and complex arrangements that were in place in 2017/18. There is a risk that businesses in Shropshire will, to a greater extent, need New Business Rate Relief Scheme funding in the later years of the funding pot, but with the funding available tapering significantly in these later years, and with the inability to carry funding forward, there will not be the support available for these businesses at that time. To mitigate this, we will ensure that correspondence with local businesses gives as full and complete an explanation of the scheme as possible. A reputational risk for the Council in this and later years, however, remains and there is an expectation that complaints and requests for discretionary relief will increase in this and later years with no means available to fund this.

#### **4. Financial Implications**

- 4.1 The two national business rate relief schemes announced by Government; namely support for small businesses losing Small Business Rate Relief and £1000 business rate discount in 2017-18 for local pubs with a rateable value up to £100,000 will be fully funded by central Government through payment of Section 31 grant. The Government have announced that the discount for local pubs should continue into the 2018-19 financial year, and that this will again be funded via Section 31 grant.
- 4.2 The Government announced £300 million of funding over four years for local authorities to establish local discretionary schemes 'to deliver targeted support for the most hard pressed ratepayers'. The amount of grant available reduces over the four year period. The grant allocation is based on the total increase in bills (excluding the impact of transitional relief and other reliefs) for every rateable property in the billing authority's area that satisfied the following conditions:
  - a) The rateable property has a rateable value for 2017-18 that is less than £200,000;
  - b) The increase in the rateable property's 2017-18 bill is more than 12.5% compared to its 2016-17 bill (before reliefs)
- 4.3 Summing the total increase in bills in all billing authority areas and distributing the available funding in each year dependant on the level of the total increase in bills in an individual authority area against the total increase in all areas.
- 4.4 Shropshire Council has been allocated the following share of the fund over the four year period.

Year	Amount of discretionary pot awarded (£000s)			
	2017-18	2018-19	2019-20	2020-21
Shropshire Council	1,308	635	262	37

- 4.5 The Government have made it clear that they will only fund local authorities up to the agreed grant share levels detailed above.
- 4.6 The Government confirmed in a letter to Local Authority Leaders dated 21 July 2017 that there were no plans to allow end of year flexibility with regards to this year’s allocation of the grant. That means that any money that we do not spend in respect of each financial year will be returned to central Government.
- 4.7 The 2017/18 scheme was designed to allocate the full £1.308m to businesses identified as eligible under the scheme. In order to do so £1.338m was initially awarded (£30k in excess of the funding available). Businesses were asked to confirm they wished to receive the relief, but a small number responded to say they did not wish to receive their proposed allocation of the grant. As at 18 January 2018 the actual funds provided to Shropshire’s businesses is £1,300,808, which would result in a small underspend and therefore repayment of grant to central government of £7,192. Over the year a small number of businesses have been added to the rating list by the Valuation Office, and this has offset this small underspend. A risk remains that more businesses will be brought onto the list over the coming months and some of the small underspend could be used to offset this before 30 September 2018.

**5. Background**

- 5.1 All non-domestic property is subject to regular revaluation. The revaluation due for 1 April 2015 was postponed for two years and subsequently came into effect from 1 April 2017.
- 5.2 The Government have made funding available over a four year period to English Local Authorities to establish local discretionary schemes ‘to support those businesses that face the steepest increase in their business rates bills as a result of the 2017 revaluation’.
- 5.3 This has required each local authority to design and implement their own schemes. The Government have confirmed that it is for billing authorities to design their discretionary relief schemes and determine eligibility for support. They have assumed that authorities will only provide support to those ratepayers who are facing an increase in their bills following revaluation, and have made that a condition of the grant. They have assumed, by and large that more support will be provided to ratepayers that face the most significant increases in their bills, and ratepayers occupying lower value properties. Funding arrangements detailed above were broadly calculated in line with these principles. However, the Government subsequently confirmed that money does not have to be spent in accordance with the grant distribution methodology. It is for each authority to design its scheme as it sees fit.

## Basic principles for Shropshire Council Discretionary Relief Scheme

5.4 Shropshire Council's scheme for 2017-18 was based on the following principles.

- a) Relief will not apply to businesses with rateable value of £15,000 or less as eligible small businesses will be covered by small business rate relief. With effect from 1 April 2017 eligible small businesses with RV £12,000 or less will receive 100% small business rate relief, reducing on a sliding scale for eligible businesses with RV between £12,000 and £15,000.
- b) Relief will only be provided to occupied properties
- c) Relief will end when a property becomes unoccupied
- d) New occupiers of properties will not receive relief, as relief is to protect ratepayers from large RV increases from the revaluation. New occupiers will not have been affected by the revaluation
- e) Relief will not be awarded to national businesses. Notification to ratepayers will confirm the state aid limit confirming that a business must not receive more than 200,000 euros state aid in a three years period
- f) Charities already receive a minimum 80% mandatory rate relief and as such will be excluded from new discretionary rate relief
- g) Properties where the RV increases after 1 April 2017 will not receive relief as any revaluation after 1 April 2017 will be as a result of a material change, and not the revaluation. Any such business that qualifies for new discretionary relief will receive apportioned relief from 1 April 2017 up until the date of the material change
- h) Any RV increases with effect from 1 April 2017 should have a zero impact on the award of relief as transitional relief will adjust to compensate for the increase
- i) Any business that qualifies for new discretionary rate relief that has a reduction in RV with effect from 1 April 2017 will have new discretionary rate relief reduced accordingly, potentially to zero depending on the level of RV reduction
- j) Ratepayers that lost their entitlement to small business rate relief following the revaluation and who will have their increases in bills limited to £600 in 2017-18 will be excluded from receiving additional relief under this scheme
- k) New discretionary relief will only be awarded after all other reliefs have been awarded

- 5.5 Based on these parameters for 2017-18, as at 18 January 2018 Shropshire Council has awarded £1,300,808 relief against a total grant of £1,308,000.
- 5.6 It is proposed that the Council continues to model its scheme for the 2018-19 and future years based on these parameters to allocate the maximum grant available in each year.
- 5.7 Officers are currently modelling the potential rates increase for qualifying businesses for 2018-19 based on the above parameters and an appropriate percentage that can be applied to limit the increase in rates for qualifying businesses, while maximising the available grant funding.
- 5.8 Cabinet is asked to approve the New Business Rate Relief scheme in accordance with the above award criteria, and delegate authority to the Head of Finance, Governance and Assurance to finalise the schemes for the 2018-19 and future financial years.

## 6. Additional Information

- 6.1 None

<b>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</b>
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New Business Rates Discretionary Relief Scheme 2017-18 – Cabinet 6 September 2017.
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<b>Cabinet Member (Portfolio Holder)</b>
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David Minnery
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<b>Local Member</b>
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<b>Appendices</b>
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