

Cabinet Meeting

13 September 2017

Report title	Business Rates Discretionary Relief	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Corporate Plan priority	Confident Capable Council	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All wards	
Accountable Director	Mark Taylor, Strategic Director - People	
Originating service	Revenue and Benefits	
Accountable employee	Sue Martin Tel Email	Head of Revenue and Benefits 01902 554772 Sue.Martin@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board	22 August 2017

Recommendation(s) for action or decision:

The Cabinet is recommended to:

1. Approve an extension to the local business rates discretionary relief policy.

Recommendations for noting:

The Cabinet is asked to note:

2. That the scheme will need to be reviewed and revised each year in line with the funding available.

1.0 Purpose

- 1.1 To seek approval to extend the Council's local scheme for business rate discretionary relief with effect from 1 April 2017.

2.0 Background

- 2.1 In the March 2017 budget, the Government announced new measures to provide additional support to businesses facing increases in business rates because of the national revaluation.
- 2.2 One of the announcements concerned the creation of a four-year fund, allocated to billing authorities, to enable reductions in rates for those businesses most affected by the revaluation.
- 2.3 Calculation of funding to each council was based on businesses with a rateable value less than £200,000 but that had increased by more than 12.5%.
- 2.4 The Government expects councils to use discretionary powers under section 47 of the Local Government Finance Act 1988 to deliver this new relief.
- 2.5 Billing authorities are required to consult with their major precepting authorities and, where appropriate, combined authorities, before adopting any discretionary relief support scheme.
- 2.6 The Government has indicated that it will not allow any flexibility between years, meaning that each year's allocation must be spent within that year and may not be carried forward into future years.
- 2.7 The amount allocated to Wolverhampton is shown in the following table:

2017-2018	2018-2019	2019-2020	2020-2021
£000	£000	£000	£000
392	190	78	11

3.0 Proposed extension to the local scheme

- 3.1 The original Government announcement indicated that there would be further direction on eligibility for relief. The Government has since decided not to set any criteria, leaving councils to determine their own scheme.
- 3.2 In order to implement an extension to the local scheme and spend the 2017/18 allocation before 31 March 2018, eligibility criteria need to be rules based and straightforward to administer. Ideally, eligible businesses would be identified from data held by the Council, removing the need for an application process.
- 3.3 Councils across the West Midlands Combined Authority are considering a number of principles for the design of their local schemes. There are advantages to having a scheme that is consistent across the region.

- 3.4 The proposed scheme to be adopted awards relief to businesses having an increase in rates payable following the national revaluation and is aligned with the principles being applied by other combined authority members:
- A. Relief to be available to businesses with a rateable value of less than £200,000 at 31 March 2017
 - B. Relief will not be granted on land, car parks, properties which are empty or which are eligible for charitable relief
 - C. 5% of the Government grant allocation will be held back to manage the risk of changes or challenges in year
 - D. Entitlement to relief will be granted for one financial year at a time with the following local variation:
 - E. Relief will be available where there is a minimum annual £25 increase in net payable between 31 March 2017 and 1 April 2017
- 3.5 Analysis of business rates accounts indicates that in the region of 500 businesses would be eligible for relief and a draft policy is included as appendix 1.
- 3.6 Due to the significant difference in funding between years it will be necessary to review the scheme annually. Awards would therefore be made for one year at a time.

4.0 Evaluation of alternative options:

- 4.1 The Council could choose not to extend the local discretionary relief scheme. This option has been discounted as the Government funding provides an opportunity to mitigate increases in rates bills for local businesses.
- 4.2 The Council could choose to target the relief at specific areas or business sectors. This option has been discounted because the revaluation has impacted across all areas and sectors. There is no clear evidence that a particular location or sector has been disproportionately impacted.
- 4.3 The Council could design an assessment process under which businesses would have to apply to the Council for relief. This option has been discounted because the administrative costs of such a process would be significant and would delay distribution of the grant.
- 4.4 The Council could choose to top up the Government funding from its own resources. This option has been discounted because of the impact on the medium term financial strategy.

5.0 Consultation

- 5.1 In line with Government requirements, the outline proposal has been shared with the Police and Crime Commissioner, the Fire and Rescue Authority and the West Midlands Combined Authority.

6.0 Reasons for decision(s):

- 6.1 The proposed scheme is consistent with the Government's initial aim of assisting businesses hardest hit by the revaluation and is aligned with the principles of other local schemes across the region. The administrative process is the most straightforward possible with eligibility predominantly determined from Council data, thereby minimising the time to make awards to affected businesses.

7.0 Financial implications

- 7.1 It will be important to ensure that the total relief awarded is not greater than the Government grant allocation which is £392,000 for 2017-18. Retaining 5% of the allocation as a contingency against changes in eligibility during the year will mitigate the risk of awards exceeding the allocation.

[MH/16082017/I]

8.0 Legal implications

- 8.1 Section 47 of the Local Government Finance Act 1988 gives discretionary power to billing authorities to grant partial or full relief to certain categories of non-domestic ratepayer. The Non-Domestic Rating (Discretionary Relief) Regulations 1989 allow for this relief to be restricted to a fixed period.
- 8.2 Section 69 of the Localism Act 2011 provides a new discretionary power to reduce business rates for any local ratepayer. It is this new power that the Government is directing billing authorities to use to award the new categories of relief.
- 8.3 It will be for the Council to ensure that any relief granted does not transgress state aid rules.

[LW/140817/X]

9.0 Equalities implications

- 9.1 Equalities considerations will be included in the monitoring of the policy to ensure that it is one that will be able to demonstrate that relief is awarded fairly. In this way, Councillors can be confident that the approach will meet the requirements of the Public Sector Equality Duty as established by the Equality Act 2010.

10.0 Environmental implications

- 10.1 There are no environmental implications arising from this report.

11.0 Human resources implications

- 11.1 There are no human resources implications arising from this report.

12.0 Corporate landlord implications

12.1 There are no corporate landlord implications arising from this report.

13.0 Schedule of background papers

13.1 Report to Cabinet (Resources) Panel 25 April 2017
<http://wolverhampton.moderngov.co.uk/documents/s41241/Discretionary%20Rates%20Relief.pdf>

14.0 Appendices

14.1 Appendix 1 - City of Wolverhampton Council Business Rates Discretionary Relief (Revaluation Support) Policy

City of Wolverhampton Council

Business Rates Discretionary Relief (Revaluation Support) Policy

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1. Introduction

- 1.1. This policy sets out circumstances in which relief can be awarded to ratepayers facing an increase in their rates bill because of the national business rates revaluation which took effect from 1 April 2017.
- 1.2. In the Spring Budget 2017 the Chancellor announced £300 million of additional funding to provide financial support to businesses whose rates bill had increased. City of Wolverhampton Council will receive £670,000 of this funding, spread over the four years from 2017/18 to 2020/21.
- 1.3. The Government advised councils to use discretionary powers under Section 47 of the Local Government Finance Act 1988 (as amended by the Localism Act) to develop a scheme for relief that will distribute the additional funding.
- 1.4. The amount of relief given to a business will be proportionate to the amount by which its rates bill has increased.
- 1.5. Relief will focus on small and medium sized businesses, over national and multi-national businesses, on the basis that the latter are more likely to be able to pay an increased bill and because they are likely to have a mixture of increases and decreases in rates bills across their estate nationally.

2. Purpose and principles of the policy

- 1.6. The purpose of this policy is to
 - Ensure that all considerations for awards are dealt with in a fair, consistent and equal manner
 - Set a framework for how the council will make the award
 - Make clear the limited criteria under which relief will be awarded.
- 1.7. The council will identify those ratepayers who are eligible for revaluation relief under this policy framework.
- 1.8. This policy has been written in line with government guidance and awards will only be considered where the conditions to receive full reimbursement from Government are met. Any amendments to government guidance that further restrict the scope of awards qualifying for full reimbursement will take precedence over this policy.

3. Requirements for applications

- 1.9. Applications will not be required as eligibility can be determined from data held by the Council.
- 1.10. The Council will request any supporting evidence it considers necessary to properly assess the award.

- 1.11. Ratepayers must continue to pay any amount of rates that falls due whilst an award is under consideration.

4. Eligibility for the scheme and decision making

- 1.12. Relief will be available to businesses occupying properties which have a rateable value of less than £200,000 at 31 March 2017. Where a business has more than one property within the City with a combined rateable value of £200,000 or more then the business will not be eligible for relief under this scheme.
- 1.13. Relief will be awarded to eligible properties where the increase in rates payable after other reliefs is £25 per year or more. Calculated as the increase in the businesses annualised liability, against the same property, occupied by the same ratepayer from 2016-2017 to 2017-2018.
- 1.14. An amount of relief will be awarded to cover the full amount of the increase, so that the ratepayer will see no increase in their 2017-2018 bill in comparison to the 2016-2017 bill.
- 1.15. There is no limit to the number of properties against which a single business may receive relief under this scheme, subject to state aid rules and exclusions in section 5.

5. Exclusions

- 1.16. Relief will not be paid to ratepayers / properties in the following circumstances
- Properties occupied by charitable or not for profit organisations or Community Amateur Sports Clubs that are eligible for mandatory or discretionary charitable relief
 - Properties that are unoccupied
 - Land and car parks
 - Properties occupied by City of Wolverhampton Council or any other precepting authority
 - Properties occupied by public sector organisations, including surgeries, health centres and hospitals
 - Ratepayers occupying properties on or after 1 April 2017
 - Properties that were not in the rating list on 1 April 2017 (relief will not apply where properties are entered into the rating list retrospectively)
 - Properties that are occupied by national and multi-national companies¹ with multiple hereditaments.

6. Recalculation of reliefs

- 1.17. The amount of relief awarded under the revaluation support relief scheme will be recalculated in the event of a change of circumstances. This could include, for example, a backdated change to the rateable value, or the business moves out.

¹ A group of outlets owned by one company and with a presence in at least three UK regions (England - North East; North West; Yorkshire and The Humber; East Midlands; West Midlands; East of England; London; South East; South West, Wales and Scotland) or worldwide, with similar appearance and providing similar services or goods across the outlets.

- 1.18. A recalculation could happen in any year of the scheme provided the qualifying conditions are met.

7. Other reliefs

- 1.19. Revaluation support relief will be calculated after the application of all other reliefs with the exception of relief for pubs.

8. Duration of awards

- 1.20. Relief will be applied from 1 April 2017 for the 2017/18 financial year only. The scheme will be reviewed and revised in order to distribute the reduced amount of government funding available in the following three years.
- 1.21. A revised bill will be issued reflecting any relief granted.
- 1.22. If a business moves out of a property, the relief will be apportioned to the date of leaving.
- 1.23. Ratepayers are required to notify the Council immediately of any change in circumstances that may affect their entitlement to relief.

9. State aid

- 1.24. The State Aid rules regulate public sector intervention, with the aim of ensuring fair competition and the proper functioning of the single market.
- 1.25. Relief will not be awarded in any circumstances where it appears that an award will result in the ratepayer receiving state aid that is above the De Minimis level. For most organisations, this is currently equivalent to €200,000 within a three-year period.
- 1.26. As awards, will be made without the need for an application, each ratepayer will be required to declare if receipt of relief under this scheme would result in them receiving state aid in excess of the De Minimis level.

10. Review process

- 1.27. There is no statutory right of appeal against a decision made by the Council regarding discretionary rate relief. However, the Council recognises that ratepayers should be entitled to have a decision reviewed if they are dissatisfied with the outcome.
- 1.28. The Council will accept a written request for a review of its decision. The request should include the reasons for requesting a review and any supporting information.
- 1.29. A request for review must be made within one calendar month of the date of the decision letter.

- 1.30. Reviews will be considered by an officer independent of the original decision maker.
- 1.31. The applicant will be notified of the outcome of the review in writing.
- 1.32. This review process does not affect a ratepayer's legal right to seek leave to challenge a decision by way of a Judicial Review.

11. Background papers

<https://www.gov.uk/government/publications/42017-spring-budget-update>.