



## CABINET REPORT

**Report Title**

**NNDR Discretionary Rate Relief (Spring budget)**

**AGENDA STATUS:**

**PUBLIC**

<b>Cabinet Meeting Date:</b>	13 <sup>th</sup> September 2017
<b>Key Decision:</b>	Yes
<b>Within Policy:</b>	Yes
<b>Policy Document:</b>	Yes
<b>Directorate:</b>	Francis Fernandes
<b>Accountable Cabinet Member:</b>	Cllr Brandon Eldred
<b>Ward(s)</b>	All

### 1. Purpose

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- 1.1 Agree to levels of discretionary rate relief to be awarded for 17/18, to support those businesses that face the steepest increases in their business rates bills as a result of the revaluation, in accordance with the initiatives announced in the spring budget.
- 1.2 To agree the recommendations detailed in the report.

### 2. Recommendations

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- 2.1 The following schemes be agreed
- 2.2 Support for small businesses losing Small Business Rate Relief, to limit increases in their bills to the greater of £600 or the transitional relief cap for small businesses, for one year from 1 April 2017.
- 2.3 A £1,000 business rate discount for public houses with a rateable value of up to £100,000, subject to state aid limits for businesses with multiple properties, for one year from 1 April 2017

- 2.4 To support individual businesses in the local area who have large increases in their business rates bills as a result of the 2017 revaluation, by restricting the increase in a bill to a maximum of 5%, for one year from 1 April 2017. Subject to the criteria detailed in the body of the report.

### 3. Issues and Choices

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#### 3.1 Report Background

At the Budget on 8 March the Chancellor announced that the Government would provide £300m to support those business most effected by the 2017 revaluation.

The relief is over four years from 2017-18 to support only those businesses that face the steepest increases in their business rates bills as a result of the revaluation.

Local Authorities are to determine how this fund should be targeted and administered to support those businesses and locations within their area that are in the greatest need.

Each LA will be provided with a share of the £300 million to support their local businesses, and will be administered through powers under s47 of the Local Government Act 1988.

The proposed funding allocations are for the total amount of relief to be provided to ratepayers. Under the 50% business rates retention system, it is a 50:40:10 split for Government, NBC and NCC. When 100% rates retention scheme comes into being in 2019-20, LAs will fund all the relief.

Whilst funded, LAs will be compensated by means of s31 grant payments

The relief is in addition to the support granted through the 2017 Revaluation's transitional arrangements and to ratepayers who are losing some or all of their small business rate relief and to pubs.

LAs are to develop their own discretionary relief schemes to deliver further targeted support to those hard-pressed ratepayers. For NBC this should be a collaborative approach with NCC.

The total amount available to support local authority's discretionary relief schemes is £300m

	2017-18	2018-19	2019-20	2020-21
Nationally	£175m	£85m	£35m	£5m
NBC	£190k	£92k	£38k	£5k

Since the budget the DCLG have provided additional guidance on the Local Discretionary Scheme and has confirmed that grant monies cannot be carried

forward to following years. If the relief is not granted, then it is lost, if it is overspent the LAs will meet the cost of the difference.

There are three types of relief to be considered:

- 3.1.1 Support for small businesses losing Small Business Rate Relief, to limit increases in their bills to the greater of £600 or the transitional relief cap for small businesses, for one year from 1 April 2017
- 3.1.2 A £1,000 business rate discount for public houses with a rateable value of up to £100,000, subject to state aid limits for businesses with multiple properties, for one year from 1 April 2017
- 3.1.3 Support to individual businesses in the local area who have large increases in their business rates bills as a result of the 2017 revaluation.

The proposed guidelines for the latter relief, led by Central Government, aim to assist those medium- sized Rate Payers adversely effected by the 2017 revaluation. There is additional assistance provided by other Central Government initiatives to assist with small business Rate Payers affected by the revaluation this includes increasing the small business limits and introducing the supporting small business relief.

This relief should be considered after all other reliefs have been granted. Therefore, in order to model the proposed potential costs a series of detailed assumptions have been made. These include but are not limited to:

- Impact of Small Business Support relief
- Current reliefs and exemptions applied to the accounts
- Eligibility for the new scheme in relation to State Aid implications.
- No assumptions have been made in relation to reductions in Rateable Value in either the 2010 or 2017 lists in relation to appeals lodged with the Valuation Office Agency.

In preparing these guidelines NBC has consulted widely with professional bodies and other local authorities to capture best practise and to maximise the benefit of the scheme to local tax payers.

A brief summary of the guidelines is detailed below:

- The original increase in the rateable property's 2017/18 bill is more than 12.5% compared to its 2016/17 bill (before reliefs).
- The relief will restrict the increase in a bill to a maximum of 5% of the increase in rate yield between years after allowing for inflation and post all relevant reliefs

By restricting the increase to 12.5%, as per the initial guidelines, the Council is providing a more generous relief scheme.

Scheme	Businesses helped	Relief awarded
Initial scheme	147	£149,925
Council scheme	170	£153,110

- The relief will be applied after all other eligible reliefs have been applied, for example transitional relief, small business support scheme relief etc.
- The Local Discretionary Business Rate Relief Scheme applies for the financial year 1 April 2017 to 31 March 2018 only. Under the scheme, relief will only be provided where a qualifying ratepayer's 2017/18 bill has increased in comparison to their 2016/17 bill due to the 2017 revaluation.
- The rateable hereditament has a Rateable Value for 2017/18 that is less than £200,000
- The Ratepayer must be in occupation on 1<sup>st</sup> April 2017
- State Aid rules will apply and before any relief is granted confirmation from the Ratepayer that they are complying with State Aid rules will be obtained.
- Northampton Borough Council the reserve the right to recalculate any actual or proposed relief if there is a change in rateable value (actual, or certified for 31/3/17 or 1/4/17) or a gross liability reduction for 2017/18 due to the granting or implementation of other reliefs, exemptions or the ending of liability.
- All decisions will be made following an application process and will be in accordance with the delegated powers of the Council.
- Exclusions to the scheme are as follows
  - Charitable organisations who are already in receipt of 80% mandatory relief.
  - Properties which are unoccupied
  - Properties with a rateable value of over £200,000
  - Properties where the ratepayer is Northampton Borough Council, or any other billing/precepting authority.
  - Surgeries, health centres and hospitals
  - Betting shops, sex shops and pawnbrokers.
- This is a one year scheme, which be reviewed for 2018/19 as part of approving the Council's budget.
- Sports clubs, local charities and other organisations who already qualify for discretionary relief, will be able to apply for relief on increases over 5%, as above, subject to the limits of the maximum allocation.
- The maximum allocation for this scheme will be £190k.

Based on the above proposals and making assumptions regarding State Aid, it is estimated that this scheme will assist the following types of rate payers.

Property Category Code	Property Category Description	Number	Value
CA	ADVERTISING RIGHTS	2	£204.30
CS	SHOP AND PREMISES	38	£13,686.29
CS	PHARMACY AND PREMISES	1	£719.65
CX	FUNERAL PARLOUR AND PREMISES	2	£249.02
CW10	LAND USED FOR STORAGE, OFFICE AND PREMISES	16	£10,000.96
EN1	DAY NURSERY AND PREMISES	19	£6,277.98
CH	HOTEL AND PREMISES	3	£12,215.84
MT1	COMMUNICATION STATION AND PREMISES	19	£4,141.68
LC1	CLUB HOUSE AND PREMISES	2	£1,187.92
CR	RESTAURANT AND PREMISES	18	£13,022.91
EL1	TRAINING CENTRE AND PREMISES	1	£967.40
LX	RIDING SCHOOL AND PREMISES	1	£76.23
CG1	VEHICLE REPAIR WORKSHOP AND PREMISES	2	£3,741.54
CO	OFFICES AND PREMISES	2	£207.85
CG	PETROL FILLING STATION AND PREMISES	3	£6,358.81
MS2	AMBULANCE STATION AND PREMISES	2	£1,429.86
CX	VETERINARY SURGERY AND PREMISES	5	£3,812.37
LS2	GOLF COURSE AND PREMISES	1	£2,723.47
IX	SCRAPYARD AND PREMISES	1	£155.00
CX	CAR SALES SITE AND PREMISES	2	£1,281.39
CW	WAREHOUSE AND PREMISES	5	£8,480.65
IF3	WORKSHOP AND PREMISES	2	£6,415.30
CX	DISPLAY LAND & PREMISES	2	£768.29
CX	GARDEN CENTRE DISPLAY SITE	1	£114.35
CX	LORRY PARK AND PREMISES	1	£127.05
CS1	BANK AND PREMISES	1	£90.46
LS	COUNTY CRICKET GROUND & PREMISES	1	£3,092.31
CX	HAND CAR WASH, DISPLAY LAND AND PREMISES	2	£844.88
CL	PUBLIC HOUSE AND PREMISES	15	£50,716.25
	<b>Total</b>	<b>170</b>	<b>£153,110.01</b>

## 3.2 Issues

- 3.2.1 There is an issue that funding is limited to a maximum amount and that it can only be granted for the year it is intended. A separate scheme will have to be implemented for future years based on ever reducing funding.
- 3.2.2 Businesses will welcome the additional reduction in their business rates, but may feel the administration process is cumbersome for the relief they may achieve. The Council will mitigate this by ensuring the application process is a smooth and easy as possible, whilst ensuring good governance.

- 3.2.3 Some businesses may become reliant on the additional relief and may face steeper rises in the future, as transitional relief is phased out, at the same time these reliefs come to an end. Businesses should therefore treat this as a “one-off” relief and plan for the relief not being available in future years.
- 3.2.4 The Council has already identified potential businesses that will benefit from these reliefs, and will start to be contacted following the decision being made. This will take the form of explaining the opportunity, an application form and a State Aid declaration form.
- 3.2.5 This will also be supported by information on the Council website, press, radio, Facebook and Twitter coverage, to ensure that the maximum of relief is available.

### **3.3 Choices (Options)**

3.3.1 There are 3 possible options:

3.3.2 Agree and approve the schemes

- It is in keeping with the ethos and finances of the Council.
- It will aim to distribute the available funding for the Local Discretionary Fund to the maximum number of occupied properties as possible in line with the guidelines.

3.3.3 Propose amendments to the proposed scheme.

- Amendments can be proposed but must have due regard to their legality, the finances of the Council and their administrative viability. Due to the nature of the funding arrangements, there is limited scope to amend the proposed scheme. Examples could be varying
  - The percentage of the award or
  - Period that that the relief is granted for, or
  - Size of Rateable Value as at 1<sup>st</sup> April 2017, or
  - Type of occupation. The current scheme is for occupied premises only.
- However any variation to the proposed policy may be outside and above the funding criteria by Central Government and any additional cost will need to be fully funded by the Council.
- Types of property use, or specific areas, could be a criteria for awarding the relief; however any exclusions that cannot be justified through the Council’s overall objectives could potentially be seen as the Council fettering its discretion and therefore could be challenged.

3.3.4 Not implement the proposed policy.

- The scheme is in keeping with Central Government initiatives, not implementing a scheme may mean the Council are working to a scheme that has not kept pace with the changing legislation and social climate, resulting in administrative and adverse reputational issues. It is best practice to regularly review policies and guidelines.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1 The report sets the scheme in the relevant areas for the Council.

### **4.2 Resources and Risk**

4.2.1 The key opportunity is to revise the policies and support local businesses who have been adversely effected by the 2017 revaluation.

The cost of granting the above reliefs will be approximately £153k and it has been assessed that the proposed changes have a low likelihood of creating a low financial Impact on the Council budgets.

In respect of Discretionary Rate Relief, the cost of the scheme is met by Central Government. The financial risks are an increase in applications that meet the guidelines, or by amendments by the Valuation Office Agency that increase the number of properties that could qualify. This risk is mitigated as the cost will be shared by both Central Government, Northamptonshire County Council and NBC. This will be closely monitored.

No assumptions can be made in relation to reductions in Rateable Value in either the 2010 or 2017 lists through appeals lodged with the Valuation Office Agency. Where these appeals are settled and result in a reduction to the 2010 and/or the 2017 list then this may potentially result in an adjustment to the relief provided under these guidelines. Equally, some reductions may make a ratepayer no longer eligible to claim the relief.

### **4.3 Legal**

4.3.1 Section 47 of the Local Government Finance Act 1988 (as amended) permits Northampton Borough Council, as the billing authority, to agree a scheme on Discretionary Rate Relief.

4.3.2 The Council must have regard to any relevant guidance issued by the Secretary of State. The Secretary of State has provided a Business Rates Information Letter (4/2017): Spring Budget Update. It is confirmed by the author of this report that the relevant guidance has been considered and applied to the proposed Discretionary Rate Relief.

### **4.4 Equality and Health**

4.4.1 There are no such implications in this report.

#### **4.5 Consultees (Internal and External)**

4.5.1 Consulted with  
Northamptonshire County Council  
Legal Services  
Section 151 Officer and Finance

#### **4.6 How the Proposals deliver Priority Outcomes**

4.6.1 Priority 4 – Making every £ go further

Provide Value for Money to protect local services, the outcomes NBC want to achieve are:

- Public money used to maximum benefit - It will aim to distribute the available funding for the Local Discretionary Fund to the maximum number of occupied properties as possible.

#### **4.7 Other Implications**

4.7.1 There are no such implications in this report.

### **5. Background Papers**

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5.1 With reference to Legislation and guidance from the DCLG in respect of Revenues and Benefits Services, including:

- The Local Government Finance Act 1988
- The Local Government Finance Act 2012
- The Non-Domestic Rating (Levy and Safety Net) Regulations 2013
- De Minimis Regulation (Regulation 1998/2006) as set out in EC Regulation 1998/2006 as published in the Official Journal of the European Union on 28 December 2006)
- <https://www.gov.uk/government/publications/42017-spring-budget-update>
- [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/598272/BRIL\\_2-2017\\_Budget\\_Measures.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/598272/BRIL_2-2017_Budget_Measures.pdf)

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