

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From: Cabinet Member for Finance – Peter Patrick	Report Number: BCa/17/8
To: MSDC Cabinet BDC Cabinet	Date of meeting: 10 July 2017 13 July 2017

Business Rates – Discretionary Relief Scheme

1. Purpose of Report

- 1.1 In the March 2017 Budget the Chancellor announced that the Government would provide £300m over the next four years to local authorities to support those businesses most affected by the April 2017 revaluation. Consultation on the proposals of the scheme closed on the 7th April after a four week period.
- 1.2 This report provides details of the funding that will be received and outlines the principles being considered to be included in a local policy.

2. Recommendation:

- 2.1 That Cabinet approves the discretionary local rate relief policy.
- 2.2 That Cabinet give authority to the Assistant Director – Corporate Resources in consultation with the Cabinet Member for Finance and the Leader to vary the scheme this year and in future years to keep it in line with Government guidance and local circumstances.
- 2.3 That the Cabinet give authority to the Shared Revenues Partnership to administer and determine applications for relief within the policy.

3. Financial Implications

- 3.1 The table below provides details of the funding that was proposed in the consultation. The government has considered the responses to the consultation on the scheme announced in the March Budget 2017 for discretionary Business Rates relief and determined that final allocations to local authorities will be made according to the draft allocations published as part of the consultation.

	2017/18	2018/19	2019/20	2020/21
Babergh	£182,000	£89,000	£36,000	£5,000
Mid Suffolk	£217,000	£105,000	£43,000	£6,000

However taking into account the current retained NNDR model the Council's will receive 50% of the above pot i.e. their funding share. The payments will be made quarterly in arrears.

- 3.2 If the policy results in more expenditure than the grant received, the additional cost will fall to the Councils.

4. Legal Implications

- 4.1 The granting of this relief will be administered through the Council's discretionary relief powers under section 47 of the Local Government Finance Act 1988.

5. Risk Management

- 5.1 The report is most closely linked with the Councils' Significant Business Risk numbers 2a – Business Growth and 5f – Financial Sustainability. Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
If the policy criteria unintentionally excludes ratepayers who the Council would want to support then there is the possibility that key businesses for the district could get into financial difficulty or even close	2 (Unlikely)	2 (Noticeable)	The policy will be reviewed after 6 months to see if there have been any unintended consequences
If the funding provided by Government is insufficient to meet policy requirements then the shortfall will have to be picked up by the Councils	2 (Unlikely)	2 (Noticeable)	The criteria has been set based upon the funding allocation A regular review of expenditure will be undertaken and reported

6. Consultations

- 6.1 Initial consultation took place with Open for Business to produce a draft policy for discussion.
- 6.2 The Government consultation suggested there would be a requirement to consult with major preceptors. The policy attached at Appendix A was sent to Suffolk County Council on 20th May, requesting comments by 5th June. No comments have been received.
- 6.3 A letter to Leaders from Marcus Jones MP, received on 22nd June 2017, suggested that local businesses should also be consulted. Following this, a copy of the draft policy has been sent to the Suffolk Chamber and Federation of Small Businesses. A verbal update will be given at the meeting of any feedback received.
- 6.4 The Suffolk Chief Finance Officers are in discussion to see if there are principles that can be adopted across Suffolk, or whether it would be possible to create a Suffolk-wide policy. Currently the policies are being brought forward on different timescales, so it is likely that the basics will be consistent, but that there will be some local variations.

7. Equality Analysis

7.1 The discretionary relief policy will be applied to businesses and therefore does not have any direct impact on individuals with the protected characteristics.

8. Shared Service / Partnership Implications

8.1 There is some interest in establishing consistency in a countywide policy, but if this is not possible a joint policy between Babergh and Mid Suffolk will be agreed.

9. Key Information

9.1 In the March 2017 Budget the Chancellor announced that the Government would provide £300m over the next four years to local authorities to support those businesses most affected by the April 2017 revaluation. DCLG carried out a consultation exercise to capture feedback on proposals of how the scheme would be administered. In particular they sought views on:

- Allocation of resources to local authorities
- Arrangements under which local authorities will be compensated for loss of income
- Operation of discretionary relief schemes, including conditions to be attached to Section 31 Grants

9.2 Although the Government has not reported on the outcome of the consultation or issued any further guidance, they have confirmed that the final allocations to local authorities will be made according to the draft allocations published as part of the consultation. The funding is based upon the following conditions:

- Rateable value less than £200,000
- Increase in 2017/18 is more than 12.5% compared to their 2016/17 bill (before reliefs)
- Subject to state aid rules

9.3 Local authority Leaders (copy to Chief Executives) received a letter from Marcus Jones MP on 22nd June 2017 urging councils to design and implement their discretionary relief policies as soon as possible, to enable the relief to be granted to businesses in need.

9.4 The granting of this relief will be administered through the Council's discretionary relief powers under section 47 of the Local Government Finance Act 1988.

9.5 The funding from the Government will be received quarterly in arrears. There is a requirement to refund any unspent money, however the Government has committed to review the possibility of money being moved between financial years. They will report back on this later in the year.

9.6 Taking all this into account, the Councils will need to design a discretionary relief scheme and determine the eligibility of business ratepayers that they wish to support. In designing the scheme there is a requirement to consult with Suffolk County Council and also a desire that local businesses should be consulted.

- 9.7 Work has been undertaken to identify principles that should be included in the Councils' policy for awarding relief (Appendix A).
- 9.8 The criteria within the policy has been developed in order to ensure it meets the Government's intention of supporting those ratepayers that face the steepest increase in their Business Rates bills as a result of revaluation and that the ratepayers are those occupying lower value properties.
- 9.9 Once the policy has been agreed the Business Rates team will contact those ratepayers identified as qualifying for relief to obtain a state aid declaration. Once this is received the relevant amount of relief will be granted and amended bills issued accordingly.
- 9.10 The proposed policy for local rate relief will increase the number of reliefs available to support ratepayers. The others being
- **Transitional Relief**
 - Rateable values below £20,000 will receive transitional relief to limit the increase to 5%
 - Rateable values between £20,000 and £100,000 will receive transitional relief to limit the increase to 12.5%
 - Rateable values over £100,000 will receive transitional relief to limit the increase to 42.5% (However local rate relief will apply to those ratepayers with a rateable value less than £200,000)
 - **Small Business Rate Relief**
 - Ratepayers only uses one property
 - Rateable value is less than £15,000
 - Rateable values less than £12,001 – no Business Rates to pay
 - Rateable values £12,001 to £15,000 relief will go down gradually from 100% to 0%
 - **£600 cap on increase for 2017/18** for those who due to revaluation no longer qualify for small business rate relief
 - **£1,000 off Business Rates for pub's** with a rateable value less than £100,000.

10. Appendices

Title	Location
(a) Local relief policy	Attached

11. Background Documents

11.1 Original DCLG consultation

<https://www.gov.uk/government/consultations/discretionary-business-rates-relief-scheme>

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