



Cambridge City Council

Discretionary Business Rate Relief Schemes Following Revaluation

Spring Budget 2017

Briefing Paper for Urgent Decision

1. Executive summary

- 1.1 The Government determined to revalue business rates properties which took effect from April 2017. The review was not intended to raise additional revenue, but to update rental values for properties and intended to be fiscally neutral nationally. However, regionally and at an individual business level the effect varied, such that some have encountered significant increases and decreases.
- 1.2 However, the Government has recently determined that local authorities can also provide additional discretionary relief to businesses affected by significant increases via a fund which it has introduced for this purpose (announced in the Spring Budget 2017).
- 1.3 The purpose of this report is to adopt the powers to grant this relief and to set out guidance for the award of discretionary business rate relief to support businesses that have had significant increase in liability from the Government's revaluation 2017.
- 1.4 The report also provides details of additional support to public houses and small businesses encountering large increases in business rates, which are wholly funded by the Government.

2. Recommendations

The Executive Councillor for Finance and Resources is recommended:

- 2.1 To provide a discretionary relief scheme outlined in this report for ratepayers who apply and meet the qualifying criteria, and
- 2.2 To delegate the decision relating to the distribution of the reduced funding in years 2-4 provided by Government to the Head of Revenues and Benefits, which will be allocated to qualifying ratepayers but reduced proportionately in line with the funding provided by Government
- 2.3 To confirm that the Council will utilise its powers under Section 47 of the Local Government Finance Act 1988 to provide relief to qualifying public houses and Small Businesses under the terms of the relief introduced by Government in the Spring Budget of 2017.
- 2.4 It is proposed that adopt these schemes as an urgent decision so that awards can be determined as soon as possible.

3. Background

- 3.1 On 8 March 2017, the Chancellor announced that the Government would make available a fund of £300 million from 2017/18 to 2020/2021 to support businesses across England facing a steep increase in their business rate bills as a result of the 2017 revaluation. The Chancellor stated that local government is best placed to determine how the fund should be targeted to support those businesses within their areas that have the greatest need.
- 3.2 The Government's intention is that every billing authority in England will be provided with a share of the above fund in order for them to support their local businesses and to administer their schemes through discretionary relief powers under section 47 of the Local Government Act 1988.
- 3.3 The Government believes that local authorities are best placed to judge the particular circumstances of local ratepayers and direct the funding where it is most needed to support local economies. The Government has allocated the available funding to each billing authority area based on assumptions about how authorities will target their relief scheme.
- 3.4 Cambridge City Council has been granted £755k to fund its scheme which is to be split over the financial years 2017-18 to 2020-21, in the following proportions.

2017/18	2018/19	2019/20	2020/21
£440k	£214k	£88k	£13k

- 3.5 In summary, the rationale behind the proposals are to:
- Target relief at local businesses that are facing the largest increases in their rate bills as a result of the 2017 revaluation;
 - Distribute the extra relief in such a way to ensure that the smaller businesses receive the greatest support;
 - Ensure that the relief is distributed as quickly as possible and to make any application process as simple as possible to encourage the greatest take-up; and
 - Develop a scheme that is simple and cost effective to administer.
- 3.6 The report also provides details of additional support provided to public houses and businesses that qualify for small business rate relief that are facing large increases as a result of changes to rateable values following the Revaluation; these are administered outside of this discretionary scheme.

4. Locally Determined Discretionary Relief

- 4.1 In line with the Government's recommendations; the council will provide support to those ratepayers who are facing an increase in their rates bill following revaluation (this is a condition of the grant). The council's principles will however consider that more support will be provided to those:
- Ratepayers facing the most significant increase in its bill; and
 - Ratepayers occupying lower value properties.
- 4.2 Taking into account the Government's principles and assumptions in relation to the formula used by central government to calculate the amount and distribution of funding; the normal qualifying criteria for consideration for eligibility for relief is:
- the property has a rateable value for 2017/18 that is less than £200,000;
 - The increase in the rateable property's 2017/18 bill is more than 12.5% compared to its 2016/17 bill.
- 4.3 The Council will operate in a transparent, fair and consistent way to ensure that any relief granted under section 47 of the Local Government Act 1988 is granted consistently to benefit the community as a whole.

- 4.4 The Council will consult with neighbouring authorities to develop consistent process in managing awards made under any discretionary scheme as encouraged by Government.
- 4.5 Given the time constraints and the relatively small funding provision available, it is felt that the preferred option is to apply a targeted relief in keeping with the above principles.

5. Scheme outline

- 5.1 Under these proposals the amount of relief award will be determined by-
- The comparative increase in rates payable by a business from 2016/17 to 2017/18;
 - And the rateable value of the occupied property being below 200k.

When comparing charges and calculating any increase, any Transition Relief or Surcharge will be taken into account before any local discount is applied. (Transitional Relief /Surcharge is a national scheme that already limits the increases or decreases in rate bills following revaluation, the amount awarded varies depending on the rateable value of an individual property and will phase out over 4yrs)

- 5.2 Any business that qualifies for additional relief will receive-

- 5.2.1 A maximum lump sum payment which will be awarded up to the lower of the actual rate liability after any other applicable reliefs; or
- 5.2.2 Receive the maximum level of the award, which may vary depending on the final number of identified qualifying cases.

This is intended to reduce the risk of exceeding the grant award; as any overspend would be 100% cost to the Council.

- 5.3 The scheme outlined below is not designed to target any specific business sector(s) but will apply to local businesses across the City Council area. Other legislated schemes, already identified by central government are in place that assist other ratepayers e.g. relief for pubs, small business rate relief and charitable relief (both mandatory & discretionary).

6. Calculation of the Local Discretionary Rate Relief Scheme

Selection Criteria & Qualifying conditions

- 6.1 The City Council had at the 1 April 2017, 4356 properties in the local rating list and assistance will be targeted at those businesses facing significant increases in their business rates and to those in lower value properties in line with the intentions of Government.
- 6.2 Normally this relates to properties with a rateable value (RV) below £200k and where their liability from 2016/17 to 2017/18 (after all other applicable reliefs) has increased by 12.5% or more. Businesses that fulfil the broad requirements have been analysed to establish the level of relief that may be granted, which provides the greatest reduction and which does not exceed the funding threshold of £440k in year1.

Analysis and initial modelling demonstrate that in year 1 the Council is able to grant the following reductions:

1. Overall charge has gone up between 12.5% and below 20% - a sum equal to 75% of the actual increase will be deducted from the liability for 2017/18 (after all other reliefs), or,
2. Overall charge has gone up by 20% or more - a sum equal to 90% of the actual increase will be deducted from the liability for 2017/18 (after all other reliefs), or,

Examples :

- ABC Ltd, 2016/17 charge £15,000 and 2017/18 charge £17,000. Actual percentage increase 13.3%. Discount entitlement would be £1,500, being 75% of the £2k increase
- 123 Ltd, 2016/17 charge £25,000 and 2017/18 charge £27,000. Actual percentage increase 8% therefore no discount applicable.

If relief is awarded as described approximately £404k would be awarded to all qualifying businesses. This will utilise the majority of year 1 funding whilst allowing flexibility to make awards to other businesses that fall within the scheme due to businesses having RV reductions; this will reduce the likelihood of any overspend.

The percentages model above represents the maximum that could be awarded depending on the number and level of awards and/or unexpected changes to valuations in year; the actual award may however be lower.

A simple application process inviting applications that does not create an excessively heavy administrative burden on the Council, and which is easily understood by ratepayers will be adopted.

Overall the sum of money available is relatively small compared to the total rates collected by the authority (£106m in 2017/18) and therefore needs to be targeted towards a smaller number of local ratepayers.

Spreading the allocation thinly across a larger group of ratepayers is unlikely to have a noticeable impact on the viability of any individual business.

It is felt that supporting businesses with a national presence will not benefit the local community to a significant degree and as schemes develop across the country there could be wide scheme variations where businesses may get relief in one area but not in another.

Consideration has also been given to the fact that funding in years 2, 3 and 4 of the scheme drops dramatically, therefore supporting a smaller pool of ratepayers would ensure that a meaningful award could continue to be made in those years. Although it is recognised that just £13k available for distribution in year 4 will have very little impact on any recipient of the relief. (we are awaiting further clarification from DCLG whether Councils will be given the freedom to 'flex' money between financial years to maximise value for money and help avoid over/under spends)

Supporting a smaller group with the highest level of support is thought to have the greatest impact and in line with the intention of Central Government policy.

The scheme does not seek to allocate the full funding from the outset this is meant to allow some flexibility for in-year changes, for example RV reductions from appeals that would bring an otherwise excluded property into scope. Additionally this would retain some flexibility to re-consider individual cases that do not initially apply for funding.

It is anticipated that the reduced funding available in years 2 – 4 will broadly be allocated to the same qualifying ratepayers in Year 1 but the value of the relief will be reduced proportionately in line with the reduction in funding.

7. General Qualifying Conditions

- Properties must be entered on the 2010 rating list as at 31st March 2017 and on the 2017 list as at 1st April 2017.
- Property entered retrospectively into the lists or which fall within the qualifying criteria following splits or mergers of assessments will be eligible.
- Relief will not be awarded to new occupiers who move into a property after 1st April 2017.
- Relief will be apportioned on a daily basis if the occupier vacates the property.
- The award must comply with state aid law (Annex B).
- Any award will not exceed the rate liability for the year (i.e. the award of relief cannot put an account in credit)
- With all forms of relief the amount of relief awarded will be recalculated in the event of a change in circumstances. This could include, for example, a change to the rateable value of the premises, a change to the period of liability or a change in the amount due as a result of the application of other reliefs/exemptions. Relief may also be varied during the year where eligibility criteria are no longer met.

8. Notice Periods

- 8.1 Non-Domestic Rating (Discretionary Relief) Regulations 1989 (S.I. 1989/1059) requires the council to provide all ratepayers with at least one year's notice, in writing of any decision to revoke or vary a decision that affects the amount of business rates they pay. Such a revocation or variation of a decision can only therefore take effect at the end of a financial year.

Based on the above requirements ratepayers will be notified of their award for each financial year making it clear that it will terminate at the end of the financial year at which point they will be invited to make a new application for relief, the level of which will be determined by the funding available.

As the funding decreases substantially across the scheme period, any award will be for the maximum of one year and relief will terminate at the end of each financial year (31st March).

9. Managing the Process

- 9.1 To ensure transparency, fairness and consistency any consideration to award a business a relief under this policy must meet the criteria set out in this document.
- 9.2 All applications must use the standard application form with additional supporting information as required.
- 9.3 No applications will be considered if the State Aid declaration has not been completed, signed and returned.
- 9.4 Any relief granted will reduce significantly across the 4 years of Government funding.
- 9.5 This is a discretionary scheme, there are no appeal rights to any other body; therefore the council will review any discretionary award decision.

In the first instance decisions on the award or refusal of discretionary relief will be made by a senior officer within the Revenues and Benefits Service. In the event that the applicant applies for a review of the decision this will be considered by the Head of Revenues & Benefits who will have the final decision making power. There will be no further right of review.

10. Additional Business Rate Relief for Public Houses

- 10.1 In addition to the discretionary support outlined above the Government also announced in the Spring Budget additional support for certain public houses. A discount is therefore available for up to £1000 for public houses with a RV of up to £100,000 (subject to state aid limits for businesses with multiple properties) for one year from 1st April 2017. This discount will be applied before consideration of any relief under the Local Discretionary Relief Scheme.
- 10.2 The relief will be applied under Section 47 of the Local Government Finance Act 1988 and the authority will be fully reimbursed for the costs of granting this relief under Section 31.
- 10.3 It is estimated that approximately 80 pubs could qualify for this relief and revenues teams will actively contact these businesses to promote take up. An application form will be required to ensure that state aid rules are not contravened.

11. Supporting Small Business Rate Relief

- 11.1 Further support was also announced to help certain small businesses affected by the revaluation. Known as 'Support to Small Business Relief' the intention is to provide relief to those businesses who, as a result of a change in their rateable value have lost some or all of their small business rate relief and would otherwise be facing a large increase in their rate bill.

This scheme will limit the increase in their rate bills to no more than £600. It is estimated that the City Council has approximately 12 businesses that might qualify. This discount will be applied before consideration of any relief under the Local Discretionary Relief Scheme.

- 11.2 Support for small business will be applied under Section 47 of the Local Government Finance Act 1988 and the authority will be fully reimbursed for the costs of granting this relief under Section 31

12. Financial Implications

Government has confirmed a Section 31 grant allocation of £755k over 4yrs (as detailed at 2.4) to fund the local discretionary rate relief scheme.

Additionally the City Council will be fully reimbursed for relief awarded under the proposals for public house relief and support for small business relief.

13. Risk Management

There is a risk that the authority exceeds the Government funding for the local discretionary relief scheme. The proposed scheme does not allocate the full funding from the outset and close monitoring and adherence to the scheme principles will be used to mitigate this risk.

14. Consultations

As these are Government measures consultation has been undertaken nationally. As encouraged by Government revenues teams have consulted with neighbouring authorities on the design of local schemes

to ensure a level of consistency as far as practicable. Additionally the Authority is required to consult with County Council and the Fire and Police Authorities.

Reference documents:-

Annex A – Properties not normally eligible for relief.

Annex B – State Aid Rules

DCLG Guidance Documents

- Consultation on proposals on the design and implementation of the locally administered business rates relief scheme – issued by DCLG March 2017
- Grant determination letter from DCLG – 28th April 2017
- Update letter from DCLG – 15th May 2017

Annex A

The following is a list of properties that would not normally be eligible for relief under the discretionary scheme, however this is intended as a guide and we would accept any application for relief that fulfils the Government's intention relating to the 2017 Revaluation.

- **Ratepayers occupying multiple properties in Cambridge where the total RV of the individual properties exceeds 200k.**
- **Individual properties with a RV in excess of 200k.**
- **Properties where the increase in charge in 2017/18 compared with 2016/17 is less than 12.5%**
- **All properties identified as being publicly funded**

(inc. precepting bodies, Schools, NHS)

- **All properties that have no liability in 2017/18**
- **Property occupied by Regional, National or Global organisations not excluded elsewhere.**
- **Properties where the ratepayer is currently in receipt of 80% Mandatory Relief**

(note that some ratepayers/properties may fall into more than one category)

Annex B

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. However the support for ratepayers will be State Aid compliant where it is provided in accordance with the De Minimis Regulations (1407/2013)².

The De Minimis Regulations allow an undertaking to receive up to €200,000 of De Minimis aid in a three year period (consisting of the current financial year and the two previous financial years).

To administer De Minimis it is necessary for the council to establish that the award of aid will not result in the undertaking having received more than €200,000 of De Minimis aid.