

**HUNTINGDONSHIRE DISTRICT COUNCIL**

<b>Title/Subject Matter:</b>	Business Rates Discretionary Revaluation Relief Scheme 2017/18
<b>Meeting/Date:</b>	Cabinet – 12 October 2017
<b>Executive Portfolio:</b>	Executive Councillor for Strategic Resources – Councillor JA Gray
<b>Report by:</b>	Revenues and Benefits Manager
<b>Ward(s) affected:</b>	All

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**Executive Summary:**

Business Rates are a tax charged on non-domestic properties. The amount payable is determined by a Rateable Value (RV) set by the Valuation Office Agency (VOA) and a nationally set multiplier. The VOA is required to undertake a revaluation of RV data every five years, but the 2015 revaluation was delayed for two years to 2017.

The Government has established a £300m discretionary fund over four years from 2017/18 to support those businesses facing the steepest increases in their business rates bills as a result of the revaluation.

Billing authorities are expected to use their share of the funding to develop their own discretionary scheme to support businesses within their area that face the greatest need.

A scheme has been developed for 2017/18 after seeking Members' views through an options paper that was considered by the Policy Development Group. The scheme has been designed to award the maximum available funding of £345,000 to around 160 local businesses.

Funding decreases each year over the life of the four year scheme and so the policy will be reviewed on an annual basis to ensure that on-going support is given to small local businesses most affected by the revaluation.

A consultation exercise with the major preceptors and the combined authority has been undertaken on the proposed scheme to meet the conditions set out by the Department for Communities and Local Government (DCLG) prior to presenting the proposed policy to Members.

**Recommendation(s):**

It is recommended that Cabinet:

- 1) approves the Business Rates Discretionary Revaluation Relief Scheme for 2017/18
- 2) delegates authority to the Executive Councillor for Strategic Resources to agree the revised Business Rates Revaluation Schemes for the next 3 consecutive years

## **1. PURPOSE OF THE REPORT**

- 1.1 Business Rates are a tax charged on non-domestic properties; the liability is based on a combination of a nationally set multiplier and the rateable value (RV) for the property. The RV is determined by the Valuation Office Agency (VOA), which compiles a Rating List for each billing authority area. Huntingdonshire District Council (HDC) plays no role in setting the RV but is responsible for collecting the income.
- 1.2 The VOA is required to undertake a full revaluation of Rating Lists every five years to ensure that each RV is at an appropriate level reflecting the current economic climate and is broadly reflective of the rental value of the premises. The Government delayed the revaluation which was due in 2015 by two years, which means that the 2010 Rating List remained in use for seven years rather than five.
- 1.3 With every revaluation, the Government specifies a national scheme of Transitional Relief. This scheme sets limits on how much a ratepayer's bill can increase or decrease as a result of the revaluation.
- 1.4 Following the publication of the 2017 Rating Lists, the Government decided that the Transitional Relief scheme did not provide sufficient support for some businesses, and so the Chancellor announced three additional relief schemes as part of the Spring 2017 budget.
- 1.5 The remit and parameters of two of these schemes (Pub Relief and Supporting Small Businesses) were approved by a report that went to Cabinet on 9 February 2017 (National Non-Domestic Rates Discretionary Rate Relief Policy). The third relief - Discretionary Revaluation Relief Scheme falls outside of the scope of the earlier report and needs to be considered and approved by Members.
- 1.6 In its role as a billing authority, Huntingdonshire District Council (HDC) has the power to introduce discretionary reliefs for business rates in accordance with Section 47 of the Local Government Finance Act 1988.

## **2. BACKGROUND**

- 2.1 As a result of the 2017 revaluation process, the Government introduced three relief schemes in addition to the transitional relief scheme:
  - a) Pub Relief: Pubs with an RV of up to £100,000 will be awarded a business rates discount of £1,000 for 2017/18. We initially awarded relief to around 90 ratepayers within the District but as occupiers change throughout the course of the year, the scheme will allow any new occupiers to benefit from this relief. This relief only applies in 2017/18.
  - b) Supporting Small Businesses: Small Business Rates Relief (SBRR) is a national scheme which reduces the rates payable by occupiers of some small properties. As a result of the revaluation, some businesses no longer qualify for SBRR and so a transitional scheme was introduced to limit the impact of any increase. The scheme caps any increase to 5% + inflation for the first year and then set percentage increases each year up until 2021/22 unless the property drops out of the scheme. In 2017/18, around 50 ratepayers within the District benefited from this relief.

- c) Revaluation Relief: A £300 million fund for Billing Authorities to devise their own discretionary relief schemes to support local businesses most affected by the revaluation.
- 2.2 DCLG allocated funding for the Revaluation Relief to local authorities based on the total rate increases for properties where the bill increased by more than 12.5% following revaluation and the RV is less than £200,000.
- 2.3 HDC's allocation of this funding is £592,000 spread across the next 4 years. This funding is frontloaded for 2017/18.

<b>Amount of discretionary grant awarded (£000's)</b>					
	2017-18	2018-19	2019-20	2020-21	Total
	£000	£000	£000	£000	£000
HDC	345	168	69	10	592

- 2.4 DCLG has not issued any detailed guidance on how the scheme should be operated locally. The only conditions which have been set in order for relief to qualify for this funding are:
- The billing authority must consult with their major precepting authorities and combined authority
  - The scheme must provide relief only to ratepayers who have seen an increase in their business rates bill due to the revaluation
- 2.5 The Government will make grant payments to both HDC and the County Council to offset the cost of any relief under this scheme which meets these conditions. However, if the value of the relief granted exceeds the allocation shown above, the cost of any additional spend will fall on HDC.

### 3. ANALYSIS

- 3.1 Members' views were sought through an options paper that was considered by the Policy Development Group with the Portfolio Holder for Strategic Resources taking the lead. This fed into the development of the proposed HDC policy which ensures that the reliefs awarded as a result of this grant meet local priorities and makes full use of the funding.
- 3.2 A mandatory consultation has also been undertaken with Cambridgeshire County Council, the Fire Authority and the Cambridgeshire and Peterborough Combined Authority. No responses were received from this consultation.
- 3.3 The proposed HDC policy (Appendix A) has been designed using the principles that determined the level of DCLG funding along with a number of other conditions that maximises the amount of relief that can be awarded to local businesses. The emphasis has been placed on supporting smaller, local businesses and so multi-national businesses are specifically excluded from the list of qualifying criteria.

The qualifying criteria are as follows:

- the business was liable for business rates on or before 31 March 2017;
- the rateable value for 2017/18 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 before reliefs;
- the property is occupied;
- the business is not part of a national or global organisation;

- the award must comply with State Aid requirements;
  - relief will be apportioned on a daily basis if the occupier vacates the property or a change in circumstances renders them ineligible for relief;
  - any relief will be calculated after all other reliefs have been applied and will not exceed the rate liability for the year.
- 3.4 Using this criteria, around 160 local businesses would benefit from a share of the £345,000 funding.
- 3.5 The scheme is designed to have a small underspend as a contingency that would enable HDC to make payments to a business adversely affected by the revaluation that does not meet the criteria set out above. A decision to make this type of award would be done on a case-by-case basis.
- 3.6 The Non-Domestic Rating (Discretionary Relief) Regulations 1989 (S.I. 1989/1059) require the Council to provide ratepayers with at least one year's notice in writing before any decision to revoke or vary a decision that increases the amount of business rates payable. Awards of discretionary relief under this scheme will be awarded for the period of one year only with the relief being specified for the period 1 April 2017 – 31 March 2018 which negates the requirement for the year's notice.
- 3.7 The policy at Appendix B will be used to award support in 2017-18. Funding reduces significantly over each of the remaining three years of the scheme and although it is intended to use the same basic principles for schemes in future years, it may be necessary to change some of the parameters within the qualifying criteria to ensure that any award of relief granted is meaningful. Because it is intended that future schemes will remain inherently the same, it is proposed that the funding distribution for the years 2018-22 is delegated to the Executive Councillor for Strategic Resources.

#### **4 COMMENTS OF OVERVIEW & SCRUTINY**

- 4.1 The comments of the relevant Overview and Scrutiny Panel will follow.

#### **5. TIMETABLE FOR IMPLEMENTATION**

- 5.1 It is proposed that the discretionary relief will be awarded to qualifying businesses in time for when the November 2017 instalment becomes payable. Relief will automatically be awarded to businesses that meet the necessary criteria.

#### **6. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND / OR CORPORATE OBJECTIVES**

- 6.1 The Business Rates Discretionary Revaluation Relief scheme will help HDC to meet the strategic objective of developing stronger and more resilient communities.

#### **7. CONSULTATION**

- 7.1 A mandatory consultation exercise has taken place with the major preceptors and the combined authority. No responses were received.

#### **8. RESOURCE IMPLICATIONS**

- 8.1 HDC's funding allocation for 2017/18 is £345k. This is the total amount of relief to be provided to ratepayers. Under the 50% business rates retention system, the reduction in business rates receipts from the award of the revaluation relief will generally result in a reduction in local authorities' business rates income of 50% of the value of the relief. Government has undertaken to reimburse the cost of providing relief via a grant under s.31 of the Local Government Act 2003.
- 8.2 Any spend above the limit of the funding will be a cost to HDC.

## 9. REASONS FOR THE RECOMMENDED DECISIONS

- 9.1 The proposed method of distributing the funding in line with the HDC Discretionary Revaluation Relief Scheme attached at Appendix B, gives the greatest amount of relief to small local businesses most affected by the Business Rates revaluation. This reflects the aims contained within the Government's consultation paper and helps to promote a strong local economy.
- 9.2 It is anticipated that the scheme for 2018/19 and beyond will retain the same basic principles as the scheme for 2017/18 but will be based on reduced funding. Therefore, once the initial policy has been approved by Cabinet, future adjustments should be minimal and so it is recommended that the decision on funding distribution is made by the Executive Councillor for Strategic Resources.

## 10. LIST OF APPENDICES INCLUDED

Appendix A – HDC Discretionary Revaluation Relief Scheme 2017/18

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