

Cherwell District Council

Executive

4 September 2017

Spring Budget 2017 – Business Rates Relief Schemes

Report of Chief Finance Officer

This report is public

Purpose of report

To provide members of Executive with an update on the Spring Budget 2017 changes to Business Rates and to seek approval of the local Discretionary Business Rate Relief Scheme and Pubs Relief Scheme.

1.0 Recommendations

The Executive is recommended:

- 1.1 To note the contents of the report and any financial implications for the Council.
- 1.2 To approve the adoption of the local Discretionary Business Rate Relief Scheme for 2017-2018.
- 1.3 To approve the adoption of the Pubs Relief Scheme for 2017-2018.

2.0 Introduction

- 2.1 The Council collects National Non-Domestic Rates (NNDR) on behalf of Government under the Local Government Finance Act 1988. The rateable value of all properties are normally reassessed every 5 years. The previous revaluation took place in 2010, but in October 2012 central government announced that they were deferring the 2015 revaluation by two years to 2017.
- 2.2 The 2017 Revaluation has seen considerable increases in bills for some ratepayers and the Government has, as is usual, introduced a transitional scheme for phasing in both increases and reductions. However, even though the transitional scheme has provided some assistance, a large number of ratepayers still face considerable increases in their bills. The Government has, therefore, decided to introduce 3 measures to provide support to businesses as follows:

- Supporting small businesses
- New Local Discretionary Relief Scheme
- New Business Rate Relief Scheme for Pubs

2.3 In each case the Government expects billing authorities to use their discretionary powers under section 47 of the Local Government Finance Act 1988 to deliver these new reliefs.

3.0 Report Details

Supporting Small Businesses Relief

- 3.1 Supporting small businesses relief was introduced for those ratepayers facing large increases as result of the loss of small business rate relief or rural rate relief. For Cherwell District Council it is estimated that this relief will apply to less than 10 businesses. Its effect is to limit increases in business rates to the greater of:
- a. A percentage increase per annum of 5%, 7.5%, 10%, 15% and 15% plus inflation from 2017/18 to 2021/22, or
 - b. A cash value of £600 per year (£50 per month). This cash minimum increase ensures that those ratepayers paying nothing or very small amounts in 2016/17 after small business rate relief are brought into paying something.
- 3.2 Hereditaments eligible for charity or Community Amateur Sports Club relief or hereditaments which are unoccupied are not eligible for Supporting Small Businesses Relief.
- 3.3 Central government will reimburse billing authorities and major precepting authorities for the actual cost to them under the rates retention scheme of the Supporting Small Businesses Relief.

New Discretionary Relief Scheme

- 3.4 In the Spring Budget the Government announced £300m for local councils to finance business rates relief for revaluation support. The Government's extra funding can only support relief schemes targeted at businesses facing an increase in their business rates bill following the 2017 Revaluation. The allocations have been based on the 2017-18 gross bill increase where the business rates bill is increasing by more than 12.5% following revaluation and the property's rateable value is less than £200,000.

The Government's funding allocation for Cherwell District Council is set out below:

2017-18	2018-19	2019-20	2020-21
£736,000	£358,000	£147,000	£21,000

- 3.5 Each billing authority is required to devise its own local Discretionary Relief Scheme for the 2017-2018 financial year and before we can introduce our own scheme there is a requirement to consult with major precepting authorities.
- 3.6 Given that the purpose of the four year government scheme is to provide relief to ratepayers who face an increase in their bill due to the revaluation, that the increases in those bills are being phased in at different rates each year and that many ratepayers' bills will cease to be in transition each year as they reach their full bill, it will be necessary to design a new local Discretionary Relief Scheme each year so the relief can be targeted at those ratepayers still facing increases in their bills.
- 3.7 Billing authorities are expected to deliver the scheme through the use of their discretionary relief powers under section 47 of the Local Government Finance Act 1988, as amended. Billing authorities will be compensated through a Section 31 grant for the cost to the authority of granting the relief, up to a maximum amount based on the authority's allocation of the £300m fund.
- 3.8 Initial analysis has shown that 127 businesses may qualify for the Local Discretionary Relief at a total estimated cost of £387,370.68 if the whole of their increased business rates liability is met above a 12.5% increase. This is significantly less than Cherwell District Council's funding allocation as the occupiers of many of these properties are multi-nationals who it is proposed are excluded from the Scheme.
- 3.9 The proposed draft scheme is attached at Appendix A.

New Business Rate Relief Scheme for Pubs

- 3.10 Business rate relief for pubs is a discount worth up to £1,000 a year where the rateable value is less than £100,000. Subject to state aid rules, it is estimated that 96 businesses in the Cherwell District will be eligible for this category of relief. This measure is for the 2017-2018 financial year only.
- 3.11 Guidance has been issued on the design and delivery of the scheme and the proposed policy is attached at Appendix B.
- 3.12 Government will reimburse billing authorities and major precepting authorities for the actual cost to them under the rates retention scheme of the relief that falls within the adopted criteria for pubs relief.

4.0 Conclusions and Reasons for Recommendations

- 4.1 Members are asked to note the contents of the report and any financial implications for the Council.
- 4.2 Members are asked to approve the local Discretionary Relief Scheme for 2017-2018 as set out at Appendix A.
- 4.3 Members are asked to approve the Pubs Relief Scheme for 2017-2018.

5.0 Consultation

- 5.1 It is a requirement of the local Discretionary Relief Scheme that we consult with major preceptors on the proposed scheme. Oxfordshire County Council has been consulted with and confirmed their agreement to the proposed scheme.

Internal consultation has been undertaken with the Budget Planning Committee who resolved that Executive be recommended to adopt the proposed local Discretionary Relief Scheme and Pubs Relief Scheme. Budget Planning Committee also recommended that Executive be recommended to consider a more robust connection to the business community.

6.0 Alternative Options and Reasons for Rejection

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: Members could choose not to adopt the proposed schemes, but in view of the fact that expenditure will be reimbursed the Government expects billing authorities to grant relief to all qualifying ratepayers.

7.0 Implications

Financial and Resource Implications

- 7.1 The report sets out a proposed Local Discretionary Relief scheme to provide relief to business ratepayers in properties facing substantial business rates rises as a result of the Revaluation. The local scheme aims to distribute no more than the Government grant provided for this purpose in the Spring Budget, namely £736,000, in 2017/18. It is considered prudent to retain 15% (£110,400) of the Government funding to cover eligible rate increases which may arise during the financial year to allow for changes in rateable value due to appeals and other adjustments.
- 7.2 For small businesses and pubs the Government has announced that it will reimburse councils for the actual cost of relief granted, in accordance with its guidance, through Section 31 grant.

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Legal Implications

- 7.3 Section 47 of the Local Government Finance Act 1988 and subsequent amending legislation provides the criteria for awarding discretionary rate relief to certain categories of non-domestic ratepayer.
- 7.4 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.

- 7.5 Relief from taxes, including non-domestic rates, can constitute state aid under European Union legislation. There are block exemptions from the state aid rules where the aid is below a de minimis level. The de minimis level applies to all de minimis aid received, including other Government subsidies or grants, in addition to any rate relief given as a de minimis aid. It will be for the Council to ensure that any relief granted does not transgress state aid rules. The de minimis threshold is €200,000 from all sources to the recipient as a whole over a rolling period of three years.

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Risk Management

- 7.6 Government believes that local authorities are best placed to judge the particular circumstances of local ratepayers and have therefore directed funded where it is most needed to support local economies. Government want local authorities to implement a local Discretionary Relief Scheme as quickly as possible following consultation, and subject to required software changes, to provide financial support to businesses requiring it. In not doing so, we may be subject to reputational risk from the business community. This will be managed as part of the services operational risk register and escalated as and when necessary.

Comments checked by:

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Equality and Diversity

- 7.7 Equalities considerations will be included in the monitoring of the policies, once agreed, to ensure that we are able to demonstrate that relief is awarded fairly and in accordance with the stated criteria.

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8.0 Decision Information

Key Decision

Financial Threshold Met: Yes

Community Impact Threshold Met: Yes

Wards Affected

All

Links to Corporate Plan and Policy Framework

Sound budgets and a customer focused council

Lead Councillor

Councillor Tony Ilott, Lead Member for Financial Management

Document Information

Appendix No	Title
A	Draft local Discretionary Relief Scheme
B	Draft Pubs Relief Scheme
Background Papers	
None	
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