

Cheltenham Borough Council
Cabinet – 12 September 2017
Discretionary Business Rate Reliefs

Accountable member	Councillor Rowena Hay, Cabinet Member Finance
Accountable officer	Jayne Gilpin, Head of Revenues and Benefits
Ward(s) affected	All
Key/Significant Decision	Yes
Executive summary	<p>At the Spring Budget, the Government announced three separate relief schemes to help business ratepayers facing large increases in bills as a result of the 2017 revaluation of business premises. The three schemes are</p> <ul style="list-style-type: none"> • Supporting Small Businesses. A cap will be applied to businesses coming out of small business rate relief to limit the increase in rates payable to no more than £600, or £50 per month in 2017/18. • Relief for Pubs. A discount of £1,000 will be available to pubs with a rateable value of less than 100,000 in 2017/18. • Local Revaluation Support Scheme. A fund of £271,000 has been made available to the Council in 2017/18 to design its own local relief scheme for businesses most affected by increased rates bills. <p>Approval is being sought to award these reliefs using discretionary powers introduced by the Localism Act. The first two reliefs are to be awarded in accordance with the Government set criteria and will be fully funded. The proposed criteria for the Local Revaluation Support Scheme is detailed in appendix 2.</p>
Recommendations	<p>Cabinet is recommended to</p> <ol style="list-style-type: none"> 1. Approve a local discretionary revaluation support scheme for 2017/18 as set out in appendix 2 2. Approve the relief scheme for pubs to be awarded in accordance with the detailed guidance in appendix 3 3. Approve the Supporting Small Businesses relief scheme to be awarded in line with the detailed guidance in appendix 3 4. Due to the volume of cases delegate decisions relating to the application of these reliefs to the Head of Revenues and Benefits and officers in the Business Rates team. In the case of a dispute a reconsideration is to be made by the Chief Finance Officer in consultation with the Cabinet Member Finance

Financial implications	<p>As detailed within the report and appendices. Central Government will fully fund the revenue lost due to these reliefs (discount for pubs and relief for businesses losing small business rate relief), provided the Council uses its powers to grant relief in accordance with the guidance.</p> <p>With regards to local revaluation support, the Government has allocated a specific sum of money to billing authorities for each of the four years 2017/18 to 2020/21 to fund a locally designed relief scheme as set out in para 1.4.</p> <p>Contact officer: Paul Jones paul.jones@cheltenham.gov.uk, 01242 775154</p>
Legal implications	<p>The Council has statutory power to award discretionary rate relief under: S44A</p> <p>S47 (as amended by S69 of the Localism Act 2011),</p> <p>S49 of the Local Government Finance Act 1988 and,</p> <p>S42A & S42B of the Local Government & Rating Act 1997.</p> <p>With the exception of S44a relief, the Council cannot grant discretionary relief in respect of 'excepted hereditaments'. An 'excepted hereditament' is one where the Council or precepting authority would be liable to pay the rates. Additionally, case law has established that, where a discretionary power exists, it must be applied fairly and not arbitrarily.</p> <p>Contact officer: donna.marks@teWKesbury.gov.uk, 0168427068</p>
HR implications (including learning and organisational development)	There are none associated with this report
Key risks	See appendix 1
Corporate and community plan Implications	None
Environmental and climate change implications	None
Property/Asset Implications	<p>There is nothing in this report which impacts on council properties</p> <p>Contact officer: David Roberts@cheltenham.gov.uk</p>

1. Background

- 1.1 In the spring budget the Government announced three new relief schemes to support businesses facing the steepest increases in their business rates bills as a result of the revaluation of business premises from April 2017.
- 1.2 As these reliefs are a temporary measure, the government is not changing business rates legislation; it expects billing authorities to use their discretionary relief powers under section 47 of the Local Government Finance Act 1988 to grant relief.
- 1.3 The Government has set the conditions which must be met for the discount for pubs and relief for businesses losing small business rate relief. It will fully fund the revenue lost due to these reliefs, provided the Council uses its powers to grant relief in accordance with the guidance.
- 1.4 With regards to local revaluation support, the Government has allocated a specific sum of money to billing authorities for each of the four years 2017/18 to 2020/21 to fund a locally designed relief scheme. This Council has been allocated the following amounts:

Amount of discretionary fund awarded (£000s)			
2017-18	2018-19	2019-20	2020-21
271	132	54	8

- 1.5 In addition, in line with the New Burdens doctrine, billing authorities will receive funding towards the administrative costs associated with the introduction of these relief schemes. Each authority will receive £12,000, with an additional payment due once rebilling costs can be established.
- 1.6 The Council can set its own qualifying conditions and the amount of relief to be awarded to local businesses, provided there has been an increase in the amount of business rates payable due to the revaluation.

2. Local Revaluation Support

- 2.1 Extensive modelling has been undertaken to identify business ratepayers who have faced increases in bills and establish how the funding should be distributed.
- 2.2 The proposed scheme is aimed at providing support to smaller local trading businesses. The core principles are as follows:
 - Relief will be available to businesses with rateable values of less than £200,000 and whose business rates bills (net of any existing reliefs) in 2017/18 have increased compared to 2016/17 by more than 3% or £50, whichever is the greater
 - Businesses occupying more than two properties anywhere in the UK will not be eligible. If a business occupies no more than two properties and both are in Cheltenham relief will be available in respect of both properties
 - Empty properties and properties in respect of which charitable, discretionary and community amateur sports club relief (CASC) applies will not be eligible for this relief
 - Larger national and multi-national businesses will not be eligible
 - To ensure the relief goes to trading businesses the following will not be eligible: educational establishments, sports centres, health centres/doctors surgeries and any

publicly funded organisation

- EU State Aid Regulations will apply which limits the amount of Aid an organisation can receive

- 2.3** These core principles will ensure that the funding is targeted to support as many smaller, local businesses as possible.
- 2.4** About 1,200 ratepayers already have nothing to pay due to receiving 100% small business rate relief and will not need help from this scheme.
- 2.5** Ratepayers qualifying for the national reliefs available for pubs and losing small business rate relief will also be eligible for this scheme. Eligibility will be assessed after the national reliefs have been applied.
- 2.6** The scheme will distribute the funding to eligible businesses in proportion to the increase in their rates bill.
- 2.7** The level of relief to be awarded is as follows:

Increase in Rates Bill	Relief
Above 3% or £50, whichever is greater	50% of increase

- 2.8** Based on the modelling undertaken it is estimated that just over £220,000 will be distributed to more than 300 businesses. The scheme is designed not to allocate all of the funding due to it being capped. This will leave some funding available to allocate to qualifying businesses not identified in the modelling or where circumstances may have changed since the modelling, or where properties are retrospectively entered on the rating list.
- 2.9** Many businesses that are likely to qualify have already been identified. In most cases revised bills will be issued to qualifying businesses without the need for application. Details of the scheme will be included and businesses will be asked to notify the business rates team if they are in breach of any of the conditions. Where it is not possible to clearly determine whether a business will qualify application forms will be issued.
- 2.10** Bills will also make it clear that the relief can be recalculated or cancelled in the event of the conditions no longer being met, a change in circumstances or change in rateable value.
- 2.11** Due to the volume of cases delegation is being sought for Officers in the Revenues team to make decisions on the award of reliefs based on the detailed criteria in appendix 2. Although there is no statutory right of appeal, where a decision is disputed it will be reconsidered by the Chief Finance Officer in consultation with the Cabinet Member Finance.
- 2.12** This scheme will apply to 2017/18 business rate bills. A review will be undertaken and a revised scheme will be formulated, based on the funding for future years, in time for 2018/19 bills being issued.

3. Relief for Pubs and Businesses losing Small Business Rate Relief

- 3.1** A discount of £1,000 is available for pubs with a rateable value of up to 100,000 for 2017/18 only.

3.2 The discount is to be awarded in line with the detailed guidance in Appendix 3 using the Council's discretionary powers. Sections 3 and 4 on State Aid and Administration in Appendix 2 will apply to this relief.

3.3 35 pubs have already been identified for this discount and revised bills have been issued.

4. Supporting Small Businesses Relief

4.1 This relief is available to help those ratepayers who as a result of the revaluation have lost all or some of their small business rate relief and face large increases in bills.

4.2 The supporting small businesses relief will ensure that ratepayers losing some or all of their small business rate relief will pay an increase limited to the greater of 5% or £600. The relief will be available for up to five years, reducing each year until the full rate bill is met.

4.3 The relief is to be awarded in line with the detailed guidance in Appendix 3 using the Council's discretionary powers. Sections 3 and 4 on State Aid and Administration in Appendix 2 will apply to this relief.

5. Alternative options considered

5.1 Funding is available for designing and implementing a local business rate relief scheme to businesses hardest hit by the impact of revaluation described in this report. If the policy is not approved and implemented the funding must be returned to the Government.

5.2 With regards to the pubs and supporting small businesses relief, the Government expects billing authorities to grant these reliefs to qualifying ratepayers and will fully reimburse the Council for its share of the cost.

6. Consultation and feedback

6.1 Gloucestershire County Council as a precepting authority receiving funding via the business rates retention system have been consulted through the countywide Chief Finance Officer group. The six billing authorities have worked collaboratively on designing the core principles for relief schemes which have been modified to take account of the size and type of properties and business rate payers in Cheltenham. The County Council is being kept informed of the final scheme.

7. Performance management –monitoring and review

7.1 The number of businesses benefiting from these relief schemes and the total amount awarded will be monitored by the Head of Revenues and Benefits on a monthly basis. A summary position will be reported in the quarterly budget monitoring report.

7.2 A review will be undertaken later this year with further modelling to design a revised scheme for future years based on the Government funding available.

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Appendices	<ol style="list-style-type: none"> 1. Risk Assessment 2. Local Discretionary Business Rates Relief Schemes 2017/2018 3. DCLG Business Rates information letter 4/2017 containing guidance in pubs and supporting small businesses relief
Background information	<ol style="list-style-type: none"> 1. Section 47 Local Government Finance Act 1988, as amended by clause 69 of The Localism Act 2011 2. DCLG Business Rates information letter 4/2017 containing guidance in pubs and supporting small businesses relief. www.gov.uk/government/uploads/system/uploads/attachment_data/file/620750/BRIL_4-2017_Spring_Budget_update.pdf

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1	If the policy is not approved the funding will have to be returned to the government and local businesses will suffer	Paul Jones	12/09/2017	2	1	2	Accept	Cabinet Approves the report recommendations	12/09/2017	Jayne Gilpin	
2	If more local revaluation support is awarded than the funding received from Government the council will be required to cover the cost	Paul Jones	12/09/2017	2	3	6	Accept and Monitor	The amount of relief available to businesses does not allocate all of the funding. Monitoring will be undertaken monthly		Jayne Gilpin	
Explanatory notes Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical) Likelihood – how likely is it that the risk will occur on a scale of 1-6 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability) Control - Either: Reduce / Accept / Transfer to 3rd party / Close											