

## SOUTH HOLLAND DISTRICT COUNCIL

**Report of:** Portfolio Holder for Finance, Executive Director - Commercialisation (S151)

**To:** Cabinet Tuesday, 25 July 2017  
Council, Wednesday 26 July 2017

**Author:** Sharon Hammond – Head of Service, Revenues and Benefits

**Subject** Business Rates - Local Discretionary Relief Scheme

**Purpose:** The purpose of this paper is to update Members on the introduction of schemes to support businesses following the national revaluation which came into place on 1 April 2017, and seek approval for the implementation of the government schemes and a Locally Administered Business Rate Relief Scheme, to support businesses that face increases in their business rates bills as a result of the revaluation.

### **Recommendation(s):**

#### **That Cabinet recommend that Council approves: -**

- 1) The Locally Administered Business Rates Relief scheme which will limit the increase in 2017/18 business rates bills to £600 for businesses with a Rateable Value of less than or equal to £100,000.
- 2) Delegated authority to the Section 151 Officer in conjunction with the Portfolio Holder for Finance to review and revise the scheme to ensure the council maximises support to businesses to the extent of funding provided, including provision for exceptional hardship on individual cases, and to determine the level of relief for each year of the scheme.

#### **That Cabinet Members approve: -**

- 3) The Supporting Small Business Relief (SSBR) scheme to be operated under the Council's discretionary powers in line with government guidance.
- 4) The Support for Pubs scheme to be operated under the Council's discretionary powers in line with government guidance.

### **1.0 BACKGROUND**

- 1.1 At the spring budget, 8<sup>th</sup> March 2017, the Chancellor announced that funding for a number of different support schemes would be made available to mitigate the impact on businesses as a result of the 2017 national revaluation. These schemes would be administered by local authorities.
- 1.2 The Valuation Office Agency (VOA) completed a revaluation of all non-domestic properties, and new Rateable Values (RV) based on rental values at 1 April 2015 came into effect on 1 April 2017.

- 1.3 The Government has made available a discretionary fund of £300million over four years from 2017/18 to enable local authorities to develop schemes that support those businesses facing increases in their business rates bill as a result of revaluation. This will be administered through the Council's discretionary relief powers under section 47 of the Local Government Finance Act 1988 (as amended).
- 1.4 Every billing authority in England has been allocated a share of this £300million fund to support businesses in their area. Funding has been allocated on the basis of how many properties in the local authority area with an RV under £200,000 were subject to increases of more than 12.5% before other reliefs.

South Holland's allocation is shown in the following table: -

2017-18 (£000s)	2018-19 (£000s)	2019-20 (£000s)	2020-21 (£000s)
£172	£84	£34	£5

This is the maximum amount of discretionary relief that billing authorities can award for which they will be compensated for the loss of income through section 31 grant. (So, for example if South Holland awards £100k in total to its ratepayers, it will get £40k back in section 31 grant, Lincolnshire County Council will get £10k and the Government will bear the other £50k).

- 1.5 The Government provides guidance in terms of businesses that should be supported, and assumes support will be provided to ratepayers or localities that face the steepest increases in bills and occupy lower value properties.
- 1.6 The grant is subject to the condition that there is consultation with major Precepting authorities. Consultation on the scheme proposal has therefore been carried out with Lincolnshire County Council and Police and Crime Commissioner for Lincolnshire.
- 1.7 Following Council decision on the final scheme, potential recipients of relief will be contacted directly and invited to complete a simple application and state aid declaration.
- 1.8 Qualifying ratepayers will be advised that due to the reducing funding by year, the extent of relief awarded in 2017/18 will not continue in future years, and that they need to prepare and budget for higher rates bills and less rate relief from 2018/19.

## 2.0 **OPTIONS**

- 2.1 Various scheme models and approaches have been considered by the Portfolio Holder for Finance and the Deputy Leader / Portfolio for Strategy, Governance and Transformation in order to reach a recommendation to Members for a preferred option.
- 2.2 The main options debated are set out in paragraphs 2.5 – 2.7 below, along with the level of award estimates to be given in the current financial year to 31 March 2018. The amount of relief for future years for each option would need to be modelled on a yearly basis, and for this reason members are asked to delegate authority in this respect.

- 2.3 The indicative level of relief set out in the options relates to 2017/18 only, i.e. the first year of the scheme, and the numbers of potential businesses is the maximum before consideration of state aid implications etc.
- 2.4 The extent of relief that the Council can award will reduce from 2018/19 onwards at the rate the funding reduces each year, however it is anticipated that some businesses fall out of eligibility under state aid rules, and through change in circumstances thereby reducing the level of initially estimated expenditure. Delegation to review and revise the scheme in order to maximise support for businesses in the current year, and to determine the level and extent of relief that can be awarded each future year will ensure scheme adjustment can be made efficiently.
- 2.5 **Recommended. Limit the increase in the rates bill, after all other reliefs have been applied, to £600 in 2017/18, where the RV is less than or equal to £100,000.**

Guidance for this scheme is set out in Appendix A.

This option would support 105 ratepayers across the district, with up to £115,000 relief, leaving £58,000 in the fund as contingency. Break down of relief levels shown in the following table. This model shows that the higher amounts of relief are targeted towards those with higher increases: -

Relief Provided	Below £50	£50 - £200	£200 - £500	£500 - £1000	£1000 - £5000
Number of Ratepayers supported	4	7	24	36	34

In conjunction with this option, Members are requested to delegate authority to review and revise the scheme in 2017/18 to ensure maximum support is provided to ratepayers in line with the fund available, and contingency, including consideration of applications in cases where hardship has been caused as a direct result of the revaluation for individual ratepayers with properties with a Rateable Value up to £200,000.

- 2.6 **Award relief to ratepayers in proportion to the % increase in the amount of rates payable in 2017/18, after all reliefs have been applied and where the Rateable Value is less than or equal to £100,000.**

This option would support 362 ratepayers across the district, with just over £30,000 relief, leaving over £141,000 in the fund available. Break down of relief levels shown in the following table. This model shows that more cases would receive smaller amounts of relief, leaving a significantly higher amount of funding available.

Relief Provided	Below £50	£50 - £200	£200 - £500	£500 - £1000	Above £1000
Number of Ratepayers supported	268	69	14	10	1

Given the low spend on this option, this could be extended further by

- including properties with a Rateable Value up to £200,000. This would increase the relief awarded under this option by a further £12,000, and
- awarding 50% relief, towards those ratepayers whose increase has been capped to £600 by the Governments Supporting Small Business (SSBR) scheme. This would

increase the relief by a further £10,200 bringing the total for this option to just over £52,000 of the available funding, still leaving a large sum, £120,000, available.

**2.7 Limit the increase after all other reliefs have been applied, and with an RV less than or equal to £100,000, to 4%.**

This option would support 299 ratepayers across the district, with £132,000 relief, leaving £40,000 in the fund available as contingency. Break down of relief levels shown in the following table. This model brings in those facing increases below £600.

Relief Provided	Below £50	£50 - £200	£200 - £500	£500 - £1000	£1000 - £5000
Number of Ratepayers supported	59	130	28	52	30

This option does not provide any relief for those with an increase below 4%, or those capped to £600 by the Governments Supporting Small Business (SBBR) scheme, although these could be considered as outlined in 2.4 b) above, or case by case application where hardship, can be demonstrated as a direct result of the revaluation. This scheme contingency could also provide for consideration of applications in cases where hardship has been caused as a direct result of the revaluation for individual ratepayers with properties with a Rateable Value up to £200,000.

2.8 Other options considered but not progressed include awards up to a fixed maximum amount of relief, various % reduction schemes, or a combination of approaches.

**3 REASONS FOR RECOMMENDATION(S)**

3.1 The funding provided allows South Holland to provide a simple to understand scheme that provides support to ratepayers in 2017/18 who are facing increases in their rates bills because of revaluation, and at the same time provides for a contingency in the fund which could be used to extend or expand the scheme, including case by case applications from businesses who as a direct result of the revaluation are facing hardship.

3.2 The delegation of authority will provide for an efficient review and revision process against scheme expenditure, and to determine the level of relief for 2018/19 and future years subject to scheme funding in order to apply to annual bills.

3.3 No business type or ratepayer will be excluded as it is recognised that both national and local business contribute to the prosperity and local employment within the district. It is recognised however that national businesses might drop out of eligibility under state aid rules.

3.4 Section 4 below provides information on the two further schemes announced by the Chancellor, for local delivery under the councils discretionary powers of section 47 Local Government Finance Act 1988, and these are included in this report to have Cabinet ratification to deliver these in line with Government guidance.

## **4 FURTHER SPRING BUDGET RATE RELIEF SCHEMES**

4.1 The Government also announced its intention for provide funding for two other discretionary rate relief schemes. Further guidance is provided in Department for Communities and Local Government (DCLG) Business Rate Information Letter (4/2017), attached at Appendix D.

4.2 The Supporting Small Business Relief (SSBR) scheme will support ratepayers that have lost some or all of their small business or rural rate relief, and, as a result face large increases in their rates bill. To support these ratepayers, SSBR will ensure that the increase per year is limited to the greater of: -

- A cash value of £600 per year (£50 per month).
- The matching cap on increases for small properties in the national Transitional Relief scheme.

There are 33 businesses in South Holland identified as being eligible for SSBR.

Appendix B sets out the Addendum to be added to the Council's existing Discretionary Rate, in line with the guidance set out by DCLG.

4.3 The Support for Pubs scheme will provide for a £1,000 discount for properties with a Rateable Value under £100,000.

31 businesses in South Holland may qualify for this discount.

Appendix C sets out the Addendum to be added to the Council's existing Discretionary Rate, in line with the guidance set out by DCLG.

4.4 Work is underway to implement these reliefs.

## **5 EXPECTED BENEFITS**

5.1 This funding allows South Holland District Council to provide financial support to businesses facing increases because of revaluation, supporting the business community and local economy.

## **6 IMPLICATIONS**

In preparing this report, the report author has considered the likely implications of the decision - particularly in terms of Carbon Footprint / Environmental Issues; Constitutional & Legal; Contracts; Corporate Priorities; Crime & Disorder; Equality & Diversity/Human Rights; Financial; Health & Wellbeing; Reputation; Risk Management; Safeguarding; Staffing; Stakeholders/Consultation/Timescales; Transformation Programme; Other. Where the report author considers that there may be implications under one or more of these headings, these are identified below.

### **6.1 Financial**

6.1.1 The Council will be compensated for the scheme expenditure, to the limit of South Holland's allocation, by section 31 grant.

## 7 **WARDS/COMMUNITIES AFFECTED**

7.1 This scheme will benefit businesses across the district.

## 8 **ACRONYMS**

8.1 SSBR – Supporting Small Business Relief  
RV – Rateable Value  
DCLG – Department for Communities and Local Government  
VOA – Valuation Office Agency

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### Background papers:-

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- DCLG Consultation on proposals on the design and implementation of the locally administered Business Rates Relief Scheme
  - DCLG Business Rates Information Letters 2 and 4/2017
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**Key Decision:** No

**Exempt Decision:** No

**This report refers to a Mandatory Service**

### **Appendices attached to this report:**

Appendix A	Locally Administered Business Rate Relief Scheme
Appendix B	Supporting Small Business Relief
Appendix C	Support for Pubs
Appendix D	DCLG Business Rates Information Letter 4/2017