

# TEWKESBURY BOROUGH COUNCIL

<b>Report to:</b>	Executive Committee
<b>Date of Meeting:</b>	3 January 2018
<b>Subject:</b>	Business Rates Update
<b>Report of:</b>	Graeme Simpson, Head of Corporate Services
<b>Corporate Lead:</b>	Robert Weaver, Deputy Chief Executive
<b>Lead Member:</b>	Lead Member for Finance and Asset Management
<b>Number of Appendices:</b>	One

## **Executive Summary:**

The purpose of this report is to approve the amendment of the Business Rates Policy for New Reliefs to ensure that the Council is able to provide support to those businesses affected by the Business Rates Revaluation.

It also provides Members with an update on the implementation of the other spring budget 2017 business rates changes and further changes announced in the autumn budget.

## **Recommendation:**

- 1. That the revised policy for awarding reliefs to ratepayers facing significant increases in business rates bills, following the 2017 Revaluation, is ADOPTED.**
- 2. That the Business Rates Relief Scheme for Pubs for 2018/19 is ADOPTED.**
- 3. That the doubling of Rural Rate Relief for 2018/19 is ADOPTED.**
- 4. That delegated authority is given to the Head of Finance and Asset Management, in consultation with the Lead Member for Finance and Asset Management, to implement any further business rates reliefs introduced by Government.**

## **Reasons for Recommendation:**

Before new business rates reliefs can be awarded, the proposals must be put before the Council's Executive Committee for consideration and adoption.

## **Resource Implications:**

For all new reliefs the Government has announced that it will reimburse Councils for the actual cost of the relief granted, in accordance with its guidance, through Section 31 grant.

The local scheme aims to distribute no more than the government grant provided for this purpose in the spring budget 2017, namely £191,000 in 2017/2018.

**Legal Implications:**

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. 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 government is directing billing authorities to use to award the new categories of relief.

Relief from taxes, including non-domestic rates, can constitute state aid under European Union legislation. There are block exemptions from state aid rules where aid is below a de minimis level. The de minimis level applies to all de minimis aid received, including other subsidies or grants, in addition to any rate relief given as a de minimis aid. It is 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.

**Risk Management Implications:**

Government believes that local authorities are best placed to judge the particular circumstances of local ratepayers and have therefore directed funding where it is most needed to support local economies. In not implementing the changes we may be subject to reputational risk from the business community.

**Performance Management Follow-up:**

The award of business rates reliefs will be monitored and steps will be taken to maximise take up by business ratepayers.

**Environmental Implications:**

None.

**1.0 INTRODUCTION/BACKGROUND**

**1.1** The government has made several announcements to reduce the burden of business rates for businesses. All government 'local discount' schemes are funded under Section 31 Local Government Act 2003, so the Council is effectively reimbursed by way of a grant for loss of income arising due to the granting of some types of relief. Whilst operated under the discretionary powers available under Section 47 of the Local Government Act 1988 the Council is always expected to adopt them, particularly where the cost of granting and administering the reliefs is met by government funding.

**2.0 Background**

**2.1** The Council collects National Non-Domestic Rates (Business Rates) on behalf of the government under the Local Government Finance Act 1988. The rateable value of all properties is normally reassessed every 5 years. The previous revaluation took place in 2010 but, in October 2012, government announced that it was 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. In the spring budget 2017 the government introduced three measures to provide support to businesses as follows:

1. Supporting small businesses relief;
2. Local discretionary relief schemes; and
3. Rate relief for pubs.

**2.3** In each case the government expected billing authorities to use their discretionary powers under Section 47 of the Local Government Finance Act 1988 to deliver the new reliefs.

### **Spring Budget 2017**

**2.4** On 30 August 2017, Executive adopted a new policy for awarding reliefs to ratepayers facing significant increases in business rates bills following the 2017 Revaluation. Supporting small businesses relief was made available to those ratepayers facing large increases as a result of the loss of small business or rural rate relief. This relief has been implemented and we have been able to provide support to five businesses in the Borough. The qualifying criteria for this relief are very narrow so this small figure is as expected based on the nature of the business rates base.

**2.5** The business rates relief scheme for pubs has also been implemented. Pubs with a rateable value of £100,000 or less have received a discount worth up to £1,000 per year. We have been able to award this relief to 38 pubs in the Borough. Chain type pubs have not been awarded pub relief due to state aid implications, however, if an individual pub applies for relief under the scheme we will consider the application on its own merits.

**2.6** In implementing the local discretionary relief scheme, it has been found that the software system we use cannot deal with the complexity of the scheme agreed by Executive on 30 August 2017. The broad principles of the adopted scheme remain unchanged, but in paragraph 5.1 “the 2017/2018 net bill has increased by 12.5% or more over the 2016/2017 year’s gross liability” needs to be amended to “the 2017/2018 net bill has increased by 12.5% or more over the 2016/2017 year’s net liability” and “for the 2017/2018 year the ratepayer will be eligible to receive relief to reduce the rates increase (less the 12.5% threshold) by 40%” needs to be amended to “for the 2017/2018 year the ratepayer will be eligible to receive relief to reduce the net bill by 40%”.

**2.7** Government is keen for schemes which have not yet been implemented to be introduced as soon as possible and we have received letters from the Local Government Minister, Marcus Jones MP, asking us to make rapid progress in implementing the relief and rebilling eligible businesses. We have identified 20 businesses which meet the scheme criteria and we are able to support in awarding the relief. This low number is mainly due to the number of businesses who would qualify, but occupy more than one property and therefore are excluded from the scheme. We are continuing to analysis the Rating List to see if there are any further businesses we are able to support as if we do not spend the full amount of our grant allocation it will need to be returned to government.

## **2016 Changes**

- 2.8** In the business rates information letter (2/2016) it was announced that the government will legislate to enable local authorities to use their existing discretionary relief powers to support publicly owned public toilets from 1 April 2018. At the time of writing, legislation to allow for this relief has not been brought forward.
- 2.9** The government also intends to bring forward a fully funded scheme for full fibre relief – telecom fibre optics, but it is yet to be implemented as it requires changes to primary legislation. When implemented, the intention is to provide a 100% local discount for five years for all new full fibre infrastructure cabling and will be backdated to 1 April 2017.
- 2.10** The 2016 Autumn Statement confirmed the doubling of rural rate relief available to eligible businesses from 50% to 100%. The 20 December 2016 business rates information letter (BRIL) 3/2016 subsequently set out the government’s intention to amend the relevant primary legislation to require local authorities to grant 100% mandatory rural rate relief. Following the decision not to reintroduce the Local Government Finance Bill for 2018/19, Government expects local authorities to continue to use their local discount powers to grant 100% rural rate relief to eligible ratepayers. Local authorities will be compensated in full for their loss of income as a result of this change.

## **Autumn Budget 2017**

- 2.11** In the autumn budget 2017, the Chancellor announced that the pubs relief scheme would be extended by a further year. The existing guidance and terms for the current scheme will continue to apply in the same way with eligible pubs with a rateable value below £100,000 receiving a £1,000 discount on their bill.

## **3.0 OTHER OPTIONS CONSIDERED**

- 3.1** Members could choose not adopt the reliefs but, in view of the fact that expenditure will be reimbursed, the government expects billing authorities to grant relief to all qualifying ratepayers.

## **4.0 CONSULTATION**

- 4.1** Consultation on the original local discretionary relief scheme was carried out with major preceptors.

## **5.0 RELEVANT COUNCIL POLICIES/STRATEGIES**

- 5.1** Business rates policy for new reliefs.

## **6.0 RELEVANT GOVERNMENT POLICIES**

- 6.1** Policies for relief to support the financial burden on business rates payers.

## **7.0 RESOURCE IMPLICATIONS (Human/Property)**

- 7.1** None directly associated with this report other than officer time.

## **8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)**

- 8.1** None.

**9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)**

**9.1** Central government is either funding the reliefs through direct grant allocations or reimbursement through Section 31 grant.

**10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS**

**10.1** Linked to previous report to Executive Committee on 30 August 2017 – Business Rates Policy for New Reliefs. Changes to the Existing Discretionary Relief Policy.

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**Background Papers:** None.

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**Appendices:** Business Rates Policy for New Reliefs.