

LOCAL DISCRETIONARY BUSINESS RATES RELIEF SCHEME

Finance Advisory Committee - 30 January 2018

Report of Chief Finance Officer

Status: For Decision

Also considered by: Cabinet

Key Decision: No

Executive Summary: The Government has set aside £300m in funding over the period 2017/18 to 2020/21 to support those businesses most affected by the revaluation of Business Rates from 1 April 2017. The Government has confirmed that there is no provision for unallocated funds to be rolled over into the next financial year and that any underspend will be returned to DCLG as part of the usual NNDR process. This report sets out the proposals for amending Sevenoaks' local discretionary business rates scheme for 2017/18 to 2020/21 to ensure that funds are allocated for the benefit of local ratepayers.

This report supports the Key Aims of: Supporting and developing the local economy and providing value for money

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Recommendation to Finance Advisory Committee: Members are asked to recommend that Cabinet approve the proposals to:

- increase the maximum percentage relief available for 2017/18 to 2020/21 and allow this to be retrospectively applied to existing recipients;
 - make automatic awards for 2017/18 (subject to a State Aid declaration) to potential recipients who have not yet claimed;
 - apply relief automatically for 2018/19 to 2020/21 (subject to a State Aid declaration);
 - give delegated authority to the S151 officer to amend the scheme in future years to ensure relief if properly targeted and fully utilised for the benefit of ratepayers.
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Reason for recommendation: Relief from business rates provides organisations with valuable support and contributes to the Council's commitment to supporting and developing the local economy.

Introduction and Background

- 1 In the Budget on 8 March 2017, the government announced that £300m in funding over the period 2017/18 to 2020/21 would be provided to support those businesses most affected by the revaluation of business rates from 1 April 2017.
- 2 Sevenoaks' funding allocation is as follows:

Year	Funding available
2017/18	£284,000
2018/19	£138,000
2019/20	£57,000
2020/21	£8,000

- 3 On 14 September 2017 Cabinet approved Sevenoaks' Local Discretionary Business Rates Relief Scheme (Minute. 29). Appendix A contains a copy of the original scheme.
- 4 The scheme targets those ratepayers with a rateable value of £275,000 or more whose net business rates payable (after all other reliefs have been applied) have risen by 10% or more.
- 5 Ratepayers who are part of a national chain are specifically excluded from the scheme as are ratepayers in unoccupied properties and those in receipt of mandatory or discretionary charitable/rural rate relief.
- 6 Initial estimates presented to Cabinet on 14 September 2017 indicated that up to 233 ratepayers could be eligible to apply for relief. Further inspection reduced this number to 211 and application forms were duly issued.

- 7 As at 31 December 2017, 103 applications have been received. Relief amounting to £73,331.86 has been awarded in 79 cases and the remaining 24 have been refused. Refusals have been because the ratepayers have declared themselves to be part of a national chain, are a voluntary controlled school/community school and so funded by Kent County Council and/or because the award of public house relief has taken their percentage rates increase below the threshold.
- 8 Reminders have been sent to all those who have not yet applied and 108 cases remain from the original selection.
- 9 Of the 108 cases remaining that have yet to apply, it is likely that 24 may not qualify as being part of a national chain rather than individual franchises leaving 84 potential awards undecided.
- 10 On 22 December 2017 the Government confirmed that there is no provision for unallocated funds to be rolled over into the next financial year and that any underspend will be returned to DCLG as part of the usual NNDR process.
- 11 Whilst recognising that applications for discretionary rate relief may be made up to six months after the end of the financial year for which relief is sought, the Government expects relief to be provided by the close of the current financial year and encourages authorities with a low take up rate to take additional steps to manage this.

It is suggested that this could include providing automatic awards to eligible businesses rather than inviting applications where viable, subject to confirmation that State Aid requirements are met.

Proposed amendments to the Sevenoaks scheme

Increase the percentage relief available

- 12 The current scheme provides for a maximum award of relief equal to 30% of the increase in the rates payable for 2017/18 after all other reliefs as compared with the rates payable for 2016/17. Relief reduces to 15% in 2018/19, 5% in 2019/20 and 1% in 2020/21.
- 13 The lowest award made so far is £74.82 and the highest £6,847.68, giving an average award of £928.25.
- 14 It is recommended that the maximum awards be increased as follows:

2017/18 - increase from 30% to 50%
2018/19 - increase from 15% to 25%
2019/20 - increase from 5% to 10%
2020/21 - increase from 1% to 1.5%
- 15 Increasing the award to 50% for existing recipients will increase the total relief awarded to £122,220.

Automatic awards

- 16 It is recommended that, subject to approval by the Chief Finance Officer, automatic awards at the higher rate be made to the 84 remaining potential recipients. This will require relief of £94,308 and bring the total spend to £216,528.
- 17 In order to satisfy the requirement to comply with State Aid rules, it is proposed that the ratepayer be provided with a declaration form at the point of the award. The ratepayer will then be required to reject the award if they believe the award will result in them exceeding the State Aid limit.
- 18 This projection still represents an underspend of £67,472 for 2017/18. This will allow for any late applications or challenges to refusal of relief to be considered.
- 19 It is further recommended that relief be automatically applied to bills for 2018/19 onwards and dispense with application forms for future years.

Revised estimates for relief

- 20 Based on the recommended changes, the projected amount of relief awarded will be as follows:

Year	Relief Awarded
2017/18	£216,528
2018/19	£108,264
2019/20	£43,306
2020/21	£6,496

Future changes to the scheme

- 21 In order that the scheme can be more responsive and relief can be applied where it is most needed, it is recommended that delegated authority to vary the scheme for 2018/19 - 2020/21 be given to the S151 officer.

Other Options Considered and/or Rejected

- 22 Relief could be made available to ratepayers with higher rateable values than that proposed. However, this has not been recommended as the current proposals are sufficient to provide significant assistance to the small to medium sized properties within the District.

Key Implications

Financial

Since 1 April 2013 all discretionary relief granted has come under the provisions of the business rate retention scheme. For 2017/18 the cost of relief is initially shared between Central Government (50%), and local authorities (50%). Of this

Sevenoaks District Council is required to fund 40%. However, due to the complexities of business rates retention, the actual financial impact is likely to be significantly lower.

Under the 2018/19 Kent 100% Business Rate Retention pilot, the cost of relief will effectively be shared between Kent County Council (59%), Kent Fire (1%) and Sevenoaks District Council (40%). This cost will be reflected in the calculation of retained business rates income, which will be included the impact of the Kent pilot.

The government has committed to compensating billing and precepting authorities by way of s.31 grant for their share of the cost of awarding local discretionary business rate relief.

Legal Implications and Risk Assessment Statement

There are no legal issues.

Risk Assessment Statement

There are no perceived risks associated with the proposals

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Conclusions

There are clear benefits to the business community of awarding discretionary local rate relief and therefore the proposals are submitted for endorsement as per Appendix A.

Appendices

Appendix A - Guidelines for considering applications for Discretionary Local Business Rates Relief

Background Papers

DCLG Consultation March 2017

<https://www.gov.uk/government/publications/92017-administration>

Business Rate Information Letter 22 December 2017

<https://www.gov.uk/government/publications/92017-administration>

Adrian Rowbotham
Chief Officer for Finance