

Report to Cabinet
13 September 2017
Report of Director of business services
Subject Non-Domestic Rates Discretionary Relief

Item

8

Purpose

To seek approval for a Non-Domestic Rates discretionary rate relief scheme to help those businesses most affected by the recent rates revaluation.

Recommendation

Approve the Discretionary Revaluation Relief scheme for Year 1 (2017/2018) which is based on a banded scheme, excluding businesses which operate nationally, where a fixed amount of relief is awarded for occupied properties based on the amount the ratepayer's bill has increased as at 1 April 2017;

Corporate and service priorities

The report helps to meet the corporate priority a prosperous and vibrant city

Financial implications

None. Funding is available from central Government. This scheme will ensure that spending is within the funding limit.

Ward/s: All Wards

Cabinet member: Councillor Kendrick - resources

Contact officers

Jo Andrews - strategic revenues manager - Anglia
Revenues Partnership, ARP

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Background documents

None

Appendices

A – technical and administrative scheme rules

B – examples of relief calculations

Report

Background

- 1) At the Budget on 8 March, the Chancellor announced that the Government would make available a discretionary fund of £300 million over four years from 2017-18 to support those businesses that face the steepest increases in their business rates bills as a result of the revaluation. The Government believes that local government is best placed to determine how this fund should be targeted and administered to support those businesses and locations within their area that are in the greatest need.
- 2) Every billing authority in England has been provided with a share of the £300 million to support their local businesses. This will be administered through billing authorities' discretionary relief powers under section 47 of the Local Government Act 1988.
- 3) The government has allocated the £300m of available funding to each billing authority, based on certain assumptions. The Government stated that Local authorities may wish to apply the same rules in our allocations. Funding was allocated on the basis of how many properties in the Local Authority area with a rateable value under £200,000 were subject to increases of more than 12.5% before other reliefs.
- 4) The appendix to the government consultation document shows our allocations of the discretionary pot for the MTFS period as follows:

	2017/18 (£000s)	2018/19 (£000s)	2019/20 (£000s)	2020/21 (£000s)
Norwich	484	235	97	14

- 5) This is the maximum amount of discretionary relief that billing authorities can award for which they and major precepting authorities will be compensated through section 31 grant. (So, for example, if Norwich awards £100k in total to its ratepayers, it will get £40k back in section 31 grant, NCC will get £10k and the Government will bear the other £50k)
- 6) The Government have stated that Authorities will not have the power to carry forward unused funds to the next financial year.
- 7) Norfolk Authorities have met to discuss the design of the scheme, including Norfolk County Council. The Governments consultation paper required consultation with major preceptors.
- 8) Once the 100% rates retention system is introduced everywhere, authorities will see their income reduced by the entire value of the relief given. For any year, the funding arrangements will ensure that all authorities are compensated for the loss of income they incur capped to their allocation by means of grant payments under section 31 of the Local Government Act 2003, or transfer payments between Authorities

- 9) Those businesses which have been identified as potential recipients of this relief will be contacted directly and invited to complete a state aid declaration and confirm any other appropriate details. The scheme will also be published on-line to ensure that the business community is aware of the relief available.

Options

- 10) As a condition of receiving funding, Government has specified that Billing Authorities must consult with the County Council when deciding their relief schemes. Norfolk County Council has indicated that they would like to see a consistent relief scheme across the County.
- 11) To try and achieve this, officers from six of the seven Norfolk Billing Authorities, including Norwich City Council, met on 7 April 2017 to discuss the new scheme and possible options for the scheme criteria. The options were:
- a) A scheme to cap increases in business rates bills for occupied properties as a result of the 2017 Revaluation to 12.5% in 2017/2018
 - b) A scheme to award a fixed amount of relief to occupied properties depending on the percentage increase in the 2017/2018 business rates bill due to the 2017 Revaluation, or
 - c) A scheme to award a fixed amount of relief to occupied properties depending on the monetary increase in the 2017/2018 business rates bill due to the 2017 Revaluation
- 12) The group met again on 26 May 2017 and a representative from Norfolk County Council attended. Unfortunately we had to send apologies to this meeting.
- 13) There was agreement from all present that the option 3 was the most favoured for the following reasons:
- It helps the most ratepayers within the funding available,
 - It directly links the relief given with the actual amount a ratepayer's bill has increased by, regardless of the size of their property,
 - It is straightforward to explain to ratepayers, and
 - It should be simple to administer (subject to the constraints of software systems)
- 14) It should be noted that whilst the principle of the scheme will be common across most of the Norfolk Authorities, the bands and the amount of relief awarded for each band will differ depending on the funding awarded, local circumstances and need.

Full details of the proposed scheme – option 3

- 15) The proposed scheme will compare the ratepayer's charge on 31 March 2017 to their new charge on 1 April 2017, after all other reliefs have been awarded. The amount of this increase will then decide how much relief is awarded. This will apply for all years of the scheme. The relief will apply to occupied properties only. The relief is not dependent on the size of the property, but solely on the increase in the

rates bill. This means that a small business that has seen a large increase in their rates bill will receive the same help as a large ratepayer also facing the same increase.

- 16) The cost of awarding relief has been modelled to include all business properties irrespective of the occupier with the following results:-

Increase £	Relief Awarded £	Number Qualifying	Cost £
250 to < 500	125	281	35,125
500 to < 1,000	250	141	35,250
1,000 to < 2,000	500	205	102,500
2,000 to < 3,000	1,000	69	69,000
3,000 to < 4,000	1,500	50	75,000
4,000 to < 5,000	2,000	28	56,000
➤ 5,000	2,500	122	305,000
Total		896	£677,875

- 17) The cost is clearly above the available funding provided by Government, however discretionary rate relief is considered State Aid which means that business ratepayers would only be able to accept relief up to the de-minimus level (currently £59,000 per annum). This means that where the ratepayer is a national company they may not be able to accept any relief.
- 18) To provide certainty over the cost of the scheme and bring the cost under the funding limit, the cost of awarding relief has been modelled excluding businesses who operate on a national basis. Excluding the national businesses from the proposed scheme will reduce the cost below the funding limit and will also allow more relief to be granted to those experiencing the highest increases by increasing the amount of relief awarded to those where increases have been over £5,000:-

Increase £	Relief Awarded £	Number Qualifying	Cost £
250 to < 500	125	201	25,125
500 to < 1,000	250	117	29,250
1,000 to < 2,000	500	163	81,500
2,000 to < 3,000	1,000	34	34,000
3,000 to < 4,000	1,500	30	45,000
4,000 to < 5,000	2,000	21	42,000
➤ 5,000	3,000	47	141,000
Total		613	£397,875

- 19) Key points from the proposed scheme are:

- The principle of the scheme is common across the majority of Norfolk authorities.
- The amount of relief awarded is set at 50% of the lower value of the band, or in the case of the highest band 60%. This means ratepayers receive relief of between 25% and 60% of the increase in their rates bill.
- Ratepayers must have an increase of at least £250 to qualify for Discretionary

Revaluation Relief.

- There is no upper limit and increases of £5,000 and above will receive £3,000 relief.
- The amount of the increase is calculated after all other reliefs are awarded. This means ratepayers may qualify for multiple reliefs, for example Transitional Relief, Charitable Relief, or Small Business Rate Relief, before the new Discretionary Revaluation Relief.
- It applies to occupied properties only so does not benefit owners of empty properties, helping to encourage these back in to use.

20) There are also a number of technical and administrative scheme rules and these are included at Appendix A. Examples of how the scheme will affect different ratepayers are shown at Appendix B.

Future Years

- 21) The principle of the scheme is to award a lesser amount of relief each year so increases in rates bills are gradually phased in. The funding for future years reduces as detailed above.
- 22) The Banded scheme allows the same scheme principles to apply for future years, with a reduced amount of relief awarded for each band reflecting the reductions above. The actual amount of relief that could be awarded in future years depends on the take up of relief in Year 1.

Other Discretionary Reliefs

- 23) Central Government has also announced a number of other Non-Domestic Rates Relief schemes, including Public House Relief and Local Newspaper Relief. Unlike the scheme detailed above, the eligibility criteria are specified by Central Government and the cost of awarding relief is met in full via a grant. These schemes will be implemented by the director of business services under the delegations in Appendix 8 of the constitution.

Integrated impact assessment



NORWICH
City Council

The IIA should assess **the impact of the recommendation** being made by the report

Detailed guidance to help with the completion of the assessment can be found [here](#). Delete this row after completion

Report author to complete

Committee:	Cabinet
Committee date:	13 September 2017
Director / Head of service	Anton Bull
Report subject:	Non-Domestic rates discretionary rates relief
Date assessed:	23/8/17
Description:	To approve a discretionary rate relief scheme to provide relief to those businesses facing the largest increases as a result of the recent rates revaluation.

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Provides support for businesses facing large rates increases
Other departments and services e.g. office facilities, customer contact	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ICT services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Economic development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Financial inclusion	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Safeguarding children and adults	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<u>S17 crime and disorder act 1998</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Human Rights Act 1998	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Health and well being	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Impact			
Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Eliminating discrimination & harassment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Advancing equality of opportunity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Natural and built environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Waste minimisation & resource use	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Pollution	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Sustainable procurement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Energy and climate change	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Risk management	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The scheme ensures that expenditure will not exceed funding

Recommendations from impact assessment

Positive

The overall impact is positive as additional support will be provided for business at no cost to the Council

Negative

Neutral

Issues

Discretionary Revaluation Relief scheme rules

The applicant must be the ratepayer on both 31 March 2017 and 1 April 2017

The hereditament must be occupied on 31 March 2017 and 1 April 2017, and must continue to be occupied in order for the relief to apply

There must have been an increase in the net rates payable, after all other reliefs, due to the 2017 Revaluation, either directly (e.g. RV increase) or indirectly (loss of a relief).

The increase will be ascertained by comparing the net rates payable on 31 March 2017 to the net rates payable on 1 April 2017. The increase is measured on the net rates payable after all other reliefs have been deducted, including transitional, mandatory and discretionary reliefs.

The award for Year 1 will only be for the period 1 April 2017 to 31 March 2018, however:

- The award will be apportioned on a daily basis for the dates the property was occupied if the ratepayer vacates the property,
- The award will be apportioned on a daily basis for the dates the property was occupied if the property becomes unoccupied for any other reason,
- The award will be recalculated if the net rates payable, and therefore the amount of the increase, changes (either up or down),
- The award will reflect any changes backdated to 1 April 2017, but not any taking effect on or after 2 April 2017, and
- Any overpaid relief will be repayable and will be recovered through the rates bill

Awards of relief for a future year will only apply for that year and will be subject to the same rules as above.

The award is subject to State Aid rules and ratepayers are responsible for checking they do not breach these rules if they are awarded relief. Ratepayers will be asked to complete an application form declaring they do not breach the State Aid de-minimus level and confirming any other information required.

The relief will not apply to Excepted Hereditaments – these are those where a precepting authority is the ratepayer. These include accounts for the Borough Council, County Council, Police Authority and Fire Authority.

The relief will not apply to those businesses who operate on a national basis.

Applications for relief will be valid for the four years of the scheme (subject to the above rules).

Examples of how Revaluation Relief will assist ratepayers

Example 1

Mr G is the ratepayer for a City Centre shop. He is the ratepayer on 31 March 2017 and 1 April 2017 and occupies the property on both dates.

Mr G's rateable value (RV) has increased from £8,500 to £13,000 as a result of the 2017 Revaluation. He used to have no business rates to pay as he received Small Business Rate Relief, but his RV increase means he now only receives partial Small Business Rates Relief and has a rates bill of £2,024.

As Mr G meets the criteria he is eligible for Revaluation Relief. His increase means Mr G receives a reduction of £1,000 in 2017/2018. This is equivalent to 49% of the increase in his rates bill.

Example 2

Mrs D is the ratepayer for a small industrial unit on a trading estate. She is the ratepayer on 31 March 2017 and 1 April 2017 and occupies the property on both dates.

Mrs D's RV has increased from £6,000 to £10,000 as a result of the 2017 Revaluation. She does not qualify for any other reliefs so her rates bill has increased from £2,904 on 31 March 2017 to £4,660 on 1 April 2017, an increase of £1,756.

As Mrs D meets the criteria she is eligible for Revaluation Relief. Her increase means she receives £500 Revaluation Relief for 2017/2018. This is equivalent to 28.5% of the increase in her rates bill.

On 1 May 2017 Mrs D sold the property and is no longer the ratepayer. She will still receive the relief for 1 April 2017 to 30 April 2017, apportioned on a daily basis. The new ratepayer will not receive any relief as they do not meet the criteria for having been the ratepayer on 31 March 2017 and 1 April 2017.