

REPORT TITLE: CONSULTATION ON THE DISTRIBUTION OF DISCRETIONARY RATE RELIEF FOR BUSINESSES

14 JUNE 2017

REPORT OF PORTFOLIO HOLDER: COUNCILLOR GUY ASHTON (PORTFOLIO HOLDER FOR FINANCE)

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WARD(S): ALL

PURPOSE

This report seeks approval to consult with major preceptors (Hampshire County Council, Hampshire Fire & Rescue Service & the Police & Crime Commissioner for Hampshire) on the conditions for distributing the £900,000 grant from central government to businesses which have seen an increase in business rates this year due to the latest revaluation. The grant will be redistributed to businesses as discretionary rate relief which will reduce the amount of business rates payable.

The report also seeks delegated authority to the Head of Revenues in consultation with the Portfolio Holder for Finance to implement the relevant scheme determined by the outcome of the consultation. This will expedite the award of relief to the relevant businesses.

RECOMMENDATIONS:

1. That approval is given to consult with Hampshire County Council, Hampshire Fire & Rescue Service and the Police & Crime Commissioner for Hampshire on the conditions listed in paragraph 10.5 for distribution of discretionary rate relief to businesses as described in this report, as well as with local businesses and our two Business Improvement Districts.
2. That, following the consultation described in Recommendation 1, the Head of Revenues, in consultation with the Portfolio Holder for Finance, be granted delegated authority to enact the scheme determined by the outcome of the consultation.

IMPLICATIONS:1 COUNCIL STRATEGY OUTCOME

- 1.1 Delivering an entrepreneurial approach to public services by ensuring the Council maximises key income streams. This will be achieved through increased business rates collection by assisting those businesses which may struggle to pay due to the increase in their rates. Any grant awarded will be funded by the government.

2 FINANCIAL IMPLICATIONS

- 2.1 The scheme has no impact on the Council's funds provided it meets the small number of conditions laid down by government.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 State Aid law will apply to the award of discretionary relief and prevents any one ratepayer receiving over 200,000 euros in aid. This condition potentially limits relief to businesses with multiple premises, depending on the amount of the relief and the number of premises qualifying for the relief in England.

4 WORKFORCE IMPLICATIONS

- 4.1 None

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None

6 CONSULTATION AND COMMUNICATION

- 6.1 A response has already been made to government on the initial proposals of the scheme, as set out and approved for response in PHD740.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 None

8 EQUALITY IMPACT ASSESSMENT

- 8.1 None

9 RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<i>Property</i>	n/a	n/a
<i>Community Support</i>	n/a	n/a
<i>Timescales</i>	n/a	n/a
<i>Project capacity</i>	n/a	n/a

<i>Financial / VfM</i>	All conditions for receipt of the government grant will be included in the Council's final policy for the award of the relief	n/a
<i>Legal</i>	n/a	n/a
<i>Innovation</i>	n/a	n/a
<i>Reputation</i>	The government announced publicly, in the March budget, funding for a business rate relief scheme. This will ensure businesses receive a proportion of that funding in the best possible way.	n/a
<i>Other</i>		

## 10 SUPPORTING INFORMATION:

### 10.1 Background

10.2 At the March Budget 2017, the Government announced additional funding for councils to establish a discretionary business rates relief scheme to support businesses across the country. Following the Budget, the Government provided a consultation document for responses. PHD740 set out the Council's response to the consultation. The consultation can be found at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/598261/Discretionary\\_Business\\_Rates\\_Relief\\_Scheme\\_consultation.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/598261/Discretionary_Business_Rates_Relief_Scheme_consultation.pdf)

The Government consultation also provided draft indicative grant values for the District, and these are set out below.

Local authority	2017-18 Gross bill increase (given property criteria <sup>1</sup> ) (£000s)	Amount of discretionary pot awarded (£000s)			
		2017-18	2018-19	2019-20	2020-21
Winchester	4,503	530	257	106	15

The Council has received information from the DCLG confirming that schemes should progress. The letter confirms that the amount of grant allocation to each authority is as set out in the consultation. The letter also includes the question of whether authorities will be allowed flexibility to move funding between financial years. This will be revisited by the DCLG in quarter 2 of 2017/18 once they have a clearer picture of how local schemes are being shaped. At present, the largest portion of grant will be received in this year (2017/18), reducing to a final payment in the 4<sup>th</sup> year (2020/21) but rates charges, on average, will increase over the next five years as transitional relief reduces and the multipliers increase. This will mean that, as businesses receive the largest proportion of relief in the earlier years, they must make appropriate provision for the future to manage payment of their business rates.

### 10.3 Government's conditions of grant

- 10.4 The conditions for awarding the relief in order to receive the Government's grant will not be fully known until the Government's response to the consultation has been released. It seems unlikely now that this will be released until after the general election. However, so far the Government has confirmed that Local Authorities must consult with major precepting authorities and that any excess grant is repaid at year end.

In the original consultation document the Government states that it assumes support will be provided only to ratepayers facing an increase in their bills following the revaluation. It goes on to state that they will make this a condition of the grant. It further assumes that, "by and large, more support will be provided to:

- ratepayers or localities that face the most significant increases in bills; and
- ratepayers occupying lower value properties"

The consultation also states that the Local Authority's conditions of award must include the ability to recalculate the relief in the event of a change in rateable value (RV).

The Government also expect authorities to award relief under the other grant funded schemes first, where appropriate, before awarding any additional relief for revaluation support. The Head of Revenues will put measures in place to ensure this happens.

### 10.5 The Council's proposed consultation

- 10.6 The Council must consult with key organisations as defined by DCLG and included below with our preferred option.
- 10.7 The Council's preferred option has attempted to comply with Government's intention as well as reflecting on the district's businesses. Our principle is that the scheme is easy to administer in order to make payment swift to assist businesses.

The following criteria are the proposed list of questions for the consultation:

Q1. Following the government's condition referred to above do you agree that the Council should only consider a scheme in respect of businesses which still has an increase in rates after all other reliefs have been awarded?

Q2. In order to ensure that everyone receives an equitable proportion of relief we recommend that a fixed % of the increase in business rates (in cash terms) is awarded to all 'qualifying hereditaments'.

Do you agree?

The % would be designed to spend the entire grant given by government and would be dependent on the outcome of the remaining questions regarding the definition of a 'qualifying hereditament'.

Other options considered were:

- Full allocation of relief spread proportionately across all % increases of rates
- Full allocation of relief spread proportionately across all monetary increases of rates
- All businesses to pay a fixed % of the rates increase - the remainder of the increase to be covered by the relief
- Businesses to pay a fixed % of the rate increase, dependant on a band of RV e.g.
  - Less than £20,000 = 5%;
  - £20,000 to £100,000 = 10%; and
  - Greater than £100,000 = 30%

The remainder of the increase to be covered by the relief

- Businesses receive relief as a fixed monetary amount, dependant on a band of RV e.g.
  - Less than £20,000 = £500;
  - £20,000 to £100,000 = £100; and
  - Greater than £100,000 = £2000
- Businesses receive relief as a fixed monetary amount, dependant on a band of % rate increase e.g.
  - Less than 10% = £500;
  - 10% to 30% = £1000; and
  - Greater than 30% = £2000

Proposals for the definition of a qualifying hereditament are as follows:

Q3. The property should be in the 2017 valuation list as at 1<sup>st</sup> April 2017. This will exclude all new hereditaments from the scheme.

Q4. The increase in business rates is greater than £500. This will ensure a nominal increase of rates.

Q5. All hereditaments must be occupied i.e. not empty, which provides an incentive for business activity

Q6. Should the rateable value be capped at:

£200,000 (preferred option)

£300,000

£400,000

No cap

Q7. Should national businesses with multiple hereditaments in the Winchester district be excluded from the scheme?

Q8. The relief could be given at a flat rate over each of the 4 years or it could be tapered over the 4 years, either increasing or decreasing from the first year.

10.7 The Council have the right to recover overpaid discretionary relief when a successful appeal or changes by the Valuation Office Agency have reduced a business's RV. The adjusted RV must cause a reduction in the increase of rates used to calculate the discretionary relief.

## 11 OTHER OPTIONS CONSIDERED AND REJECTED

11.1 As included in the above.

### BACKGROUND DOCUMENTS:-

#### Previous Committee Reports:-

None

#### Other Background Documents:-

### PHD740 DISCRETIONARY BUSINESS RATES RELIEF

#### APPENDICES:

None