

## **Report to the Cabinet**

**Report reference: C-018-2017/18**

**Date of meeting: October 2017**



**Epping Forest  
District Council**

**Portfolio: Finance**

**Subject: Business Rates – Discretionary Relief and 100% Retention**

**Responsible Officer: Rob Pavey (01992 564211).**

**Democratic Services: Gary Woodhall (01992 564470).**

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### **Recommendations/Decisions Required:**

**(1) That, in accordance with section 47 of the 1988 Local Government Finance Act, the Discretionary Rate Relief Scheme be approved following the 2017 Revaluation shown in Appendix 1; and**

**(2) That delegated authority be given to the Director of Resources, in consultation with the Finance Portfolio Holder, to enter into any Essex wide application to become a pilot for 100% business rates retention.**

### **Executive Summary:**

In March 2017 the Chancellor of the Exchequer announced a £300 million funding package for Local Authorities to each devise a local discretionary business rate relief scheme for those facing an increase in their bills following the 2017 Business Rates Revaluation. The relief will be funded by the Government via s31 grant. This authority's scheme targets local businesses and applies a 65% reduction in the increase in bills for those businesses in 2017/18 with future amounts of relief reducing in future in line with the s31 grant the Council will receive.

On 1 September the Department for Communities and Local Government (DCLG) published an Invitation to Local Authorities in England to pilot 100% business rates retention in 2018/19. A possible application is currently being explored with other Essex authorities but the deadline for applications is 27 October. As it will not be possible to seek approval for the detailed application from either the Finance and Performance Management Cabinet Committee or Cabinet before the deadline, delegated authority is requested for the Director of Resources, in consultation with the Finance Portfolio Holder, to determine this Council's participation in any Essex wide application

### **Reasons for Proposed Decision:**

Members must approve a Discretionary Policy to enable the relief to be awarded. The recommended policy is shown in Appendix 1 to this report.

To provide a mechanism that allows this Council to participate in an Essex wide pilot for 100% business rates retention.

## Other Options for Action:

- (i) To vary the criteria for relief; or
- (ii) To not approve a policy and not award any relief.
- (iii) To decide now that this Council does not want to participate in a business rates retention pilot.

## Report:

### Discretionary Rate Relief Scheme

1. In 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. Each local authority is to devise its own scheme 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. This will be administered through billing authorities' discretionary relief powers under section 47 of the Local Government Finance Act 1988. Following periods of consultation and then purdah for the general election the Government has finalised the arrangements for the scheme, following a number of queries from Local Government. This report details this authority's scheme which is attached as Appendix A.

2. The scheme runs over a period of 4 years and the Council will receive funding for its share of the cost of the scheme through a section 31 grant. The funding is heavily weighted towards the early years of the scheme and there cannot be a transfer of monies between years. The full allocation of funding for this authority's scheme is laid out below in Table 1. Half of this money will be paid back as section 31 grant to reflect the 50% local share of the Business Rates Retention scheme. Local Authorities have been asking for the flexibility to switch funding between the years of the scheme to provide a more equal distribution across its life but the DCLG have now confirmed that it is not possible.

**Table 1 – Allocation of scheme funding per year**

2017-18	2018-19	2019-20	2020-21
299,000	145,000	60,000	9,000

3. There are however conditions that the Government has laid down that in order for the grant to be paid. The conditions require grant to be used to support only ratepayers facing an increase in their bills following revaluation; and to require billing authorities to consult their major precepting authorities. The maximum rateable value of a property which is eligible to receive the relief is £200,000.

4. Other than the conditions above, it is for each local authority to devise its own scheme. In the light of this IT suppliers have said that they are unable to supply bespoke solutions to each authority due to each scheme being different. There will therefore need to be a degree of manual intervention to administer any scheme. The more complex the scheme that is created then the more resource it will take to administer. This particularly applies to retrospective changes in rateable value, reliefs and occupations. The scheme that is attached therefore is a balance that attempts to target relief whilst balancing this with its administrative efficiency.

5. The scheme that is being brought forward to Members in this report targets local businesses. It therefore excludes national and multi-national companies as well as chains and also publically funded organisations. In calculating eligibility we have had to take account of all other reliefs that a business may receive as well as other reliefs announced in the 2017 Budget namely pub relief of £1,000 and Supporting Small Business Relief aimed at those who had lost Small Business Rate Relief as a result of the 2017 Revaluation. After these calculations 520 businesses that had an increase in their bills following revaluation are eligible for relief within the Council's scheme.

6. Given the funding that is available to this authority it is possible to grant eligible ratepayers a 65% reduction in the increase in their rate bills. As an example, if a business had a rates bill of £5,000 in 2016/17 and this increased to £6,000 in 2017/18 the granting of 65% relief would limit the increase to £350 so the revised bill for 2017/18 would be £5,350. A 65% reduction in the increase in eligible rates bills would cost £290,000 which gives the authority an additional £9,000 in the event that there are any businesses that may qualify but have not currently been identified. The average relief award to businesses would be £557.69.

7. In administering the scheme it would require manual intervention on each award should circumstances change with the ratepayer such as vacation, award of other relief or reduction in rateable value. For all other reliefs the IT system automatically recalculates each relief on a daily pro rata basis. As stated previously, this would not be possible with this relief. It is therefore proposed within the Council's scheme that should the liability of an eligible ratepayer change in relation to their 2017/18 bill the relief granted is not amended unless the adjustment such as the award of relief or vacation results in a credit balance on the bill and a refund would otherwise be awarded.

8. The amounts of relief granted in future years would reduce in line with the s31 grant available to the authority shown in Table 1 above. The recommended levels of relief awarded are shown below as percentages of the increase in 2017/18 bills from those of 2016/17:

2017-18	2018-19	2019-20	2020-21
65%	32%	13%	2%

The relief would only apply as long as the ratepayer who was in occupation of the property on 31st March 2017 did so in future years.

9. There is a need for the Council to consult with the other major precepting authorities regarding the scheme in order to ensure the s31 grant is payable. Officers have consulted with Essex County Council, the Essex Police and Crime Commissioner and Essex Fire and Rescue Authority and any comments received will be reported to this meeting.

10. Members are therefore recommended to support the scheme shown in Appendix 1 so that officers can commence awarding the relief to eligible ratepayers. Having identified the eligible ratepayers officers will not require an application form to be completed.

#### Pilot for 100% Business Rates Retention

11. Prior to the General Election much work had been done across local government looking at the funding of local authorities and how a system of 100% retention of business rates might work. However, in the lead up to the election the various working groups had been put on hold by DCLG and as they have not been re-convened it was something of a surprise when DCLG issued a prospectus inviting applications from areas wanting to be pilots for 100% business rates retention.

12. The prospectus was issued on 1 September and applications must be submitted by 27 October. As DCLG expects more applications than will be affordable it has set out four selection criteria:

- (i) Pools should operate across a functional economic area. For counties this means all district and unitary authorities within the county must participate as well as the county council.
- (ii) Pilots based on two-tier areas will be given priority.
- (iii) Proposals should promote the financial sustainability of the authorities involved.
- (iv) Evidence should be provided of how pooled income from growth will be used across the pilot area.

13. At a meeting of Finance Portfolio Holders and Chief Finance Officers on 25 September there was general support for an application to be made and the officers were asked to clarify various matters with DCLG and work up an application. To assist with the application an external consultancy has been commissioned to provide some financial modelling.

14. Governance proposals for the pilot and the financial modelling will be discussed by the Essex Finance Officers group on 13 October. Any application will then need to be finalised and submitted to DCLG by 27 October. This timescale does not permit a further report back to either the Finance and Performance Management Cabinet Committee or Cabinet so it is proposed to give the Director of Resources, in consultation with the Finance Portfolio Holder, delegated authority to determine whether this Council will participate in any application for an Essex wide 100% business rates retention pilot.

**Resource Implications:**

The Council will receive s31 grant for the discretionary relief that is awarded. There is therefore no adverse effect on the Council's finances.

The Council has already gained additional resources through the current business rates pooling arrangement. It is likely that 100% retention will further enhance this.

**Legal and Governance Implications:**

The relief is granted under s47 of the Local Government Finance Act 1988.

The designation of any pool for 2018/19 will be in accordance with paragraph 35 of Schedule 7B to the Local Government Finance Act 1988.

**Safer, Cleaner and Greener Implications:**

No implications.

**Consultation Undertaken:**

Consultation has taken place with Essex County Council, the Essex Police and Crime Commissioner and the Essex Fire Authority the results of which will be reported to the meeting.

**Background Papers:**

None.

**Risk Management:**

Being part of any business rates pool means you are taking on the risk of having to contribute towards shortfalls in income in partner authorities. This risk is mitigated in the current Essex pool through the exclusion of authorities that have predicted shortfalls. The prospectus makes it clear that all authorities in a county area must be included in any 100% retention pilot. To mitigate this, officers are seeking a “no detriment” guarantee from DCLG. These guarantees were provided for the 2017/18 pilot authorities but the prospectus states that these may not be available to 2018/19 pilots.

## **Appendix 1 - Business Rates Revaluation 2017: Local Discretionary Rate Relief Scheme**

The Council will adopt the following scheme to apply Discretionary Rate Relief under section 47 of the Local Government Finance Act 1988 to businesses that comply with the following conditions:

1. The rateable value of the property is less than £200,000 within the 2017 Valuation List.
2. The ratepayer was in occupation of the property on 31<sup>st</sup> March 2017 and 1<sup>st</sup> April 2017.
3. Following the 2017 Revaluation and the application of all other reliefs the ratepayer's bill increased.
4. The property is occupied. Empty properties do not qualify.
5. Only local businesses and charities are eligible. National businesses and charities, multi-national organisations and publically funded bodies are not eligible.
6. The relief awarded will only vary on a pro rata basis when any change in liability results in a credit balance.
7. Any changes made to the 2010 Valuation List after the 1<sup>st</sup> April 2017 will not be taken into account within this scheme.

The relief will cease when:

1. The ratepayer on 1<sup>st</sup> April 2017 vacates the property.

The qualification for the relief is for four years unless the ratepayer vacates the property.

The amount of relief granted will vary between years in proportion to the amount of s31 grant the Council receives as outlined below. The percentages relate to the increases in the bills between 2016-17 and 2017-18 for all years during the scheme. Future increases such as inflationary and transitional phasing will not be taken into account.

2017-18	2018-19	2019-20	2020-21
65%	32%	13%	2%

### **Administration of the relief**

The relief will be administered by the Council's Business Rates team including any adjustments to amounts that may be required.

Any appeals against a decision relating to the scheme will be dealt with by the Director of Resources and Assistant Director (Revenues).