

Discretionary Business Rate Relief Scheme (Revaluation 2017)



1 Introduction:

In the March 2017 Budget, the Government announced a £300m fund over 4 years for Local Authorities (LA's) to develop their own discretionary schemes to deliver relief to ratepayers who have experienced large increase in bills following 2017 Revaluation.

- National Allocation

2017/2018	£175m
2018/2019	£85
2019/2020	£35m
2020/2021	£5m

Each LA was allocated funds via a formula, and the relief is to be awarded as a Local Discount (under s47 discretionary powers). LA's will be reimbursed via s31 grant.

Resources to LA's have been allocated by calculating the total increase in bills (excluding transitional and other reliefs), for every property in the country (England) where:

- RV for 2017/18 is less than 200k
- Increase in 2017/18 bill is more than 12.5% (medium transition threshold)
- South Lakeland's allocation is as follows for the next four years

2017/2017	£483k
2018/2019	£235k
2019/2020	£97k
2020/2021	£14k

In designing the relief scheme, we need to take into account other (existing and new) reliefs that the ratepayer will be entitled to, as this discretionary relief will be awarded last to an account (i.e. after all other reliefs).

As the relief is awarded as a Local Discount, awards will be subject to State Aid considerations. The maximum threshold for State Aid (for all funding to an undertaking) is €200k over 3 years.

In accordance with Government requirements South Lakeland District Council (SLDC) has consulted (on our proposed scheme) with major precepting authorities.

A consultation paper on the national scheme was published, and this sought responses by 7 April, SLDC has responded to the questions posed by this consultation. The government has responded and have confirmed that any unspent funds cannot be carried forward.

2 National Aims:

Government expects LA's to target relief to:-

- ratepayers or areas facing most significant increase in bills; and
- ratepayers occupying lower value properties

Edward Stanislas from Department of Communities and Local Government (DCLG) has confirmed that LA's need to achieve the above national aims, but that individual schemes could be decided by LA's – therefore we do not necessarily need to be constrained (for example) by the way the formula was calculated, or the transitional scheme.

3 Local Aims:

As the aim of the scheme is to assist ratepayers facing the largest increases in their bills, the proposal is to 'enhance' the national 2017 transitional scheme (which is in place to phase in any large increases).

South Lakeland has many businesses facing large increases in their business rate bills. These appear to be concentrated in a small number of sectors. One of these is Local Government Controlled buildings which are ineligible to receive relief.

In accordance with previous schemes (retail relief) it is felt appropriate to concentrate this assistance to businesses which are focused on Retail (as defined within previous relief schemes) and businesses connected with tourism, with the exception of Self Catering Holiday Lettings. Other sectors not mentioned will be considered on case by case basis with the exception of public funded bodies and power generators.

The relief will be available to all ratepayers except large national chains providing the Rateable Value is over £ 20,000. Businesses below this threshold are adequately protected by the national transitional relief scheme, the phasing of increases for former recipients of Small Business Rates Relief and the proposed Pub relief scheme. Large National Chains are excluded from the scheme and are defined later in the policy.

The scheme will reduce the amount of increase for businesses based upon the Rateable Value of the business as detailed below in section 4

The current transitional relief figures for 2017/18 are:

Small (up to 20k RV)	5% plus 2% inflation*
Medium (20k – 100k RV)	12.5% plus 2% inflation*
Large (over 100k RV)	42% plus 2% inflation*
Very Large (over 500k RV)	42% plus 2% inflation*

*Due to other factors some increase may be in excess of these figures

The budget proposals of restricting increases to £ 50 per month for businesses losing Small Business Rate Relief appears to cater for small businesses.

4 Proposal

The proposal is reduce the amount of the increase based on the Rateable Value of the Business in the first year of this scheme (1st April 2017 to 1st April 2018), for those

businesses with rateable values under £600k facing increases above 7.5% by way of a discretionary local discount.

RV Greater than £ 500k	Relief of 10% of the Rate increase RV
between £ 200k and £ 500k	Relief of 25% of the Rate increase RV
between £ 100k and £ 200k	Relief of 40% of the Rate increase RV
between £ 20k and £ 100k	Relief of 50% of the Rate increase

This would cap reduces the amount of the increases to a maximum of the following percentages:-

Medium (20k – 100k RV)	will pay 50% of the Actual increase
Large (over 100k RV)	will pay 60% of the Actual increase
*Large (over 200k RV)	will pay 75% of the Actual increase
*Very Large (over 500k)	will pay 90% of the Actual increase

*The government hadn't envisaged LA's paying relief to Rate Payers with very large Rateable Values, however the Lake District has a number of large hotels which are not part of large national chains. A number of these face very large increases in their rates payable. A number of these were the victim of Storm Desmond in 2015.

**** Relief will be calculated based on the net rates payable after all other reliefs have been applied compared to 2016/17 rates payable amount.**

It should be noted that the above figures would capture some accounts that are not currently entitled to transition. The proposal therefore caps potential increases for all ratepayers.

In the 3 subsequent years the amount of relief awarded will reduce in line with the funding provided. Therefore the amounts of relief will be as follows

2018/2019	50% of the relief awarded in 2017/18
2019/2020	20% of the relief awarded in 2017/18
2020/2021	2% of the relief awarded in 2017/18

For relief to be awarded in years 2 to 4 there must be no break in eligibility for this relief from 31st March 2017.

In any event, the percentages may be reviewed as funding decreases for the subsequent years of the scheme.

5 Qualification Criteria

5.1 Maximum Level

Relief will only be awarded to businesses with a rateable Value below £ 600,000. This does not match the formula for calculating the relief but allows for a number significant locally owned larger properties to benefit from the relief.

5.2 Increase over scheme value (7.5%)

Rate Payers facing an increase in charge payable over scheme values (after application of all over reliefs, including new Small Businesses and Public House

relief). This scheme should particularly help those ratepayers who are not 'SBRR losers'.

5.3 Liability

The ratepayer must have been liable to occupied rates on the 31st March 2017.

5.4 Ineligible Rate Payers

Relief will not be awarded to Preceptors or other public funded bodies including the National Park

5.5 Changes to property

The increase in Rateable Value must not be a result of changes to the property.

Therefore properties that have been extended or had adjustments to the property which affects the Rateable Value will not qualify

5.6 Number of Properties

Eligibility will only be open to all businesses occupying fewer than 10 Hereditaments.

Reasoning

The scheme seeks to target local and smaller businesses not large chain businesses. In addition, this should remove the added complication of State Aid, as this should only be applicable to larger national businesses.

It would be difficult to gauge the national impact of Revaluation on businesses that have assessments across the country. Many national ratepayers will have experienced falls in rates and well as increases.

5.7 Property is Retail

This will mirror the previous retail relief scheme and eligibility will be determined in accordance with South Lakelands District Council previous scheme, and will include all business open to the general public for the sale of goods and services.

The council previous scheme excludes financial services (e.g. banks, building societies, cash points, betting shops, pawn brokers, payday lenders), other services (e.g. estate agents, letting agents, employment agencies), medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors), professional services (e.g. solicitors, accountants, insurance agents, financial advisors, tutors) and other properties that are not reasonably accessible to visiting members of the public.

5.8 Tourism Related

Business engaged in the tourism industry will also be eligible to claim assistance under this policy providing they meet the qualifying criteria detailed elsewhere in this policy and are not Self Contained Holiday Lets.

5.9 Other businesses

The scheme is open to all types of business providing they are not specifically excluded within the policy and the RV is under £600,000

5.10 Property should be occupied

The relief will not be awarded on empty properties. Properties must have been occupied on the 31st March 2017 and continuously since. Relief will cease if the property becomes empty.

5.11 Property should be trading

This essentially qualifies 5.10. The Ratepayer must be trading and not just occupying as part of an avoidance scheme or to take advantage of this scheme.

5.12 Property is not subject to Mandatory Relief

As 80% relief would already be in place against any increase.

5.13 State Aid

No award will be given if it is likely to break State Aid 'de minimus' value rules (€200k over 3 years).

5.14 Allow for Adjustments (after award)

The scheme allows for in-year adjustments to the relief awarded following change in circumstances for ratepayers (such as a change in RV, award of another relief, or vacation).

5.15 Eligibility Summary

In Summary:

- 1 Increase over scheme value (7.5%)
- 2 Property is not excluded within the policy
- 3 RV is under 600k RV
- 4 Property should be occupied
- 5 Property should be trading
- 6 Property is not subject to Mandatory Relief
- 7 Business not part of National Chain
- 8 State Aid assistances limits are not exceeded
- 9 Awarded for one year at a time subject to review
- 10 Allow for Adjustments (after award)

6 Application Forms

Relief will be awarded on the completion of an application form and on meeting the eligibility criteria set on in this document.

7 Appeals against Rateable Value

Any award of relief will be reduced if the ratepayer subsequently receives a reduction in Rateable Value as a result of appeal. Therefore any Discretionary relief awarded recalculated based on the revised rates payable.

8 Funding

South Lakeland is due to receive the following (maximum) funding:-

2017/18	£483,000
2018/19	£235,000
2019/20	£ 97,000
2020/21	<u>£ 14,000</u>
Total	£829,000

The official link to the website is:

<https://www.gov.uk/government/consultations/discretionary-business-rates-relief-scheme>

As demonstrated by the above, funding decreases over the 4 year period of the scheme.

As part of their consultation process, Government has sought views on the reallocation of funds between years. The government have not responded to this issue therefore it is assumed that reallocation between years will not be allowed.

The basic principle that should be aimed for is the 100% allocation of funds from the scheme, but to also ensure that the LA does not exceed its funding budget (any overspend will have to be met by the LA).

9 Decision Making

Eligibility to relief will be determined in accordance with the criteria set out in this document by the Revenues & Benefits Service Manager or suitable qualified officer in accordance with other Discretionary Relief awarded by this council