

Cabinet 28 November 2017	 TOWER HAMLETS
Report of: Zena Cooke, Corporate Director, Resources	Classification: Unrestricted
Local Business Rates Relief Scheme	

Lead Member	Councillor David Edgar, Cabinet Member for Resources
Originating Officer(s)	Roger Jones – Head of Revenue Services
Wards affected	(All Wards);
Key Decision?	No
Community Plan Theme	A fair and prosperous community

Executive Summary

As part of the Budget on 8 March 2017, 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 intention is that every billing authority in England will be 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

The Government believes that local authorities are best placed to judge the particular circumstances of local ratepayers and direct the funding where it is most needed to support local economies. The Government will allocate the available funding to each billing authority area based on assumptions about how authorities will target their relief scheme.

The Council has been allocated the fifth largest amount nationally of £8.184m over four years, with no relief being funded for the final year of the rating list.

At the Cabinet meeting on 19th September 2017 the following was agreed –

1. Agree the 2 options proposed for awarding the relief on either a fixed amount or based on a percentage increase.
2. Commence a consultation process with local businesses and business organisation.
3. Note that a further report will be presented giving details of the outcome of the consultation and recommendations for the final qualifying criteria to be included in the local relief scheme.

The consultation was open from the 21st September 2017 until the 19th October 2017 and provided options for the Council to design a business rates relief scheme for revaluation support using the Government's allocation of funding to the borough.

The Council provided a number of options indicating no particular preference but invited views that were put forward in relation to determining eligibility to the relief.

The consultation was open to the general public with particular emphasis aimed at the residents, ratepayers and representative organisations that provide advice or services to ratepayers within the borough.

Based on the outcome of the consultation and the objective of ensuring as many businesses benefit from the relief, the relief scheme will be based on a percentage

Recommendations:

The Mayor in Cabinet is recommended to:

1. Agree the proposed scheme in **Appendix A** which will award a total of £4,654,709 to 2,616 local business ratepayers. This represent 80% of the increase experienced by ratepayers as a result of the 2017 Revaluation.
2. Commence rebilling immediately to all qualifying local businesses.

1. REASONS FOR THE DECISIONS

- 1.1 Designing the scheme in this way means that the maximum number of local small to medium businesses are awarded the relief but also takes into account the feedback from the consultation on the types of business to be excluded. These include the following –

To be excluded from the scheme -

Payday lenders

Betting Shops

Public Sector and Local Government buildings

Housing Association Properties

Unoccupied Properties

- 1.2 Excluding the properties identified under the categories above, and those cases that have an overall increase of £100 or less, has resulted in the identification of 2,616 ratepayers that will receive the relief in the first year.

2. ALTERNATIVE OPTIONS

- 2.1 The simplest option would be to allocate a flat rate percentage to all ratepayers but this would not target small to medium sized businesses and would not reflect the size of the increase in rates payable as a result of the revaluation, or give the ability to exclude specific types of business.

3. DETAILS OF REPORT

- 3.1 The Council has been allocated the fifth largest amount nationally for a local discretionary rate relief scheme totalling £8.184m over four years which reduces substantially year on year as shown in the following table, with no relief being funded for the final year of the rating list.

Amount of Discretionary Relief Available						
Gross Increase in Rates Payable from 16/17 to 17/18	2017/2018	2018/2019	2019/2020	2020/21	2021/2022	Total
£40,567,000	£4,774,000	£2,319,000	£955,000	£136,000	£0.00	£8,184,000

- 3.2 To allocate the resource between authorities the Government has assumed that authorities will provide support only to those ratepayers who are facing an increase in their bills following revaluation. This will be a condition of the grant. It further assumes that more support will be provided to;

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

- 3.3 In line with those broad assumptions funding will be allocated to each billing authority by:

Working out the total increase in bills (excluding the impact of transitional relief and other reliefs), for every rateable property in the billing authority's area that satisfies both the following conditions:

- The property has a rateable value for 2017-18 that is less than £200,000;
- The increase in the property's 2017-18 bill is more than 12.5% compared to its 2016-17 bill (before reliefs);

Summing the total increase in bills in all billing authority areas and distributing the available funding in each year in accordance with the formula:

$$A \times B/C,$$

Where:

- A is the total funding available for the year;
- B is the total increase in bills in an individual authority's area; and
- C is the sum of the total increase in bills in all local authority areas.

3.4 Any discretionary relief paid by billing authorities in respect of "revaluation support" in excess of their allocation shown at paragraph 3.4 will not be supported by the Government by a Section 31 grant payment.

3.5 In each year of the scheme, the Government proposes to pay billing and major precepting authorities' Section 31 grant equivalent to their loss of income under the business rates retention scheme. Payments will be based on estimates of the relief to be provided to ratepayers, capped at the maximum of that year's allocation. Grant will be paid to authorities in four equal instalments, quarterly in arrears – i.e. at the end of June, September and December 2017 and the end of March 2018.

3.6 Feedback from the consultation -

3.7 A summary of responses is shown in **Appendix B**. The feedback received has informed the recommendation in this report to allocate the discretionary relief on a percentage basis with some exclusions.

3.8 There were 72 responses in total from local businesses, residents and the GLA. The larger proportion of respondents favoured the allocation based on a percentage increase and reaching as many ratepayers as possible preferring to award to those experiencing an increase over 5% (25) or over £100 (18).

3.9 43% agreed that ratepayers with more than 3 properties should be excluded with nearly 28% being unsure about this.

3.10 The proposal to exclude ratepayers who had experienced an increase of £100 or less was supported by 61% with 57% agreeing the scheme should be fixed for the whole period of the rating list.

3.11 There was general support for excluding certain categories -

Category	Number who selected
Payday Lenders	49
Betting Shops	52
Public Sector & Local Government Buildings	19
Housing Association Properties	15
Unoccupied Properties	52
Other	17
Total	204

Other suggestions included Banks, that would not qualify under the “having more than 3 properties rule, and charities.

There are 53 charitable cases that would benefit from the scheme with a total award of £33,822.39. There was no reason given as to why it was felt that charities should be excluded and they have remained in the scheme.

- 3.12 72% agreed that the relief should be awarded without the need to fill in an application form where the Council was able to ascertain that the qualifying criteria were met.
- 3.13 Just under 50% expressed an interest in attending quarterly workshops and the suggestions put forward by respondents (**included in Appendix B**) will be followed up at the first workshop being scheduled for December 2017.

4. EQUALITIES IMPACT ASSESSMENT

- 4.1 There are no direct equalities issues, but that the policy will support small and medium sized local businesses.

5. COMMENTS OF THE CHIEF FINANCE OFFICER

- 5.1 The reduction in business rates income that would result from awarding this new discretionary relief will be met from a S.31 grant from central government, as long as the discounts awarded do not exceed the total allocation of £8.184m over the four year period 2017- 2022. The relief schemes being proposed are designed to ensure that this is the case. Thus there are no direct financial implications on Council resources arising from this report.

6. LEGAL COMMENTS

- 6.1 National Non Domestic Rates (NNDR) or Business Rates is charged on all non-domestic properties and as a national scheme has been in place since 1990. The government is regularly required to update the ‘rateable values’ of business properties in England to make sure they are paying the right amount of rates. A business rates revaluation took effect on 1st April 2017 and as part of the Budget on 8th March 2017, the Chancellor announced that the Government would make available a discretionary fund of £300 million over four years from 2017-2018 to support those businesses that face the steepest increases in their business rates bills as a result of the 2017 revaluation.
- 6.2 There are a number of reliefs and exemptions available to help meet liability. These may be part of the national scheme or via local discretion which each local authority decides upon. Section 47 of the Local Government Finance Act 1988 gives discretionary relief powers to local authorities, specifically where “it is satisfied that it would be reasonable for it to do so, having the regard to the interests of persons liable to pay council tax set by it.”
- 6.3 Section 47 requires the Council to maintain a Discretionary Rate Relief Scheme. The Council must have a Policy but the scale is discretionary and can be limited by appropriate factors as to what the Council wishes to support subject to Government Guidance. However, the discretionary fund that the

Government is making available will be in the form of a grant made under section 31 of the Local Government Act 2003, specifically sub-section (1) which provides: provided to only support those ratepayers who are facing an increase in their bills following revaluation and this will be a condition of the grant. The Government further assumes that more support will be provided to:

- Ratepayers or localities that face the most significant increases in bills; and
 - Ratepayers occupying lower value properties
- 6.5 European Union competition rules generally prohibit Government subsidies to businesses. Relief from taxes, including non-domestic rates, can constitute state aid. The Council must bear this in mind when granting discretionary rate relief.
- 6.6 Rate relief for charities and non-profit making bodies is not generally considered to be state aid, because the recipients are not in market competition with other businesses. However, where other bodies receive relief and are engaged in commercial activities or if they are displacing an economic operator or if they have a commercial partner, rate relief could constitute state aid.
- 6.7 Relief will be State Aid compliant where it is provided in accordance with the De Minimis Regulations (1407/2013). The De Minimis Regulations allow an undertaking to receive up to €200,000 of De Minimis aid in a three year period (consisting of the current financial year and the two previous financial years).
- 6.8 For all Discretionary Rate Relief, the Council will need to ensure, as best as it can, that awards are in compliance with the De Minimis regulations.
- 6.9 As to Consultation, the consultation has been at a stage when the proposals were still at a formative stage. Sufficient reasons for the proposal to permit intelligent consideration were given and adequate time was given for such consideration and response. The Council has therefore complied with its common law duty in respect of such.
- 6.10 The function of setting a Discretionary Rate Relief Scheme is an Executive One and therefore is for the Mayor in Cabinet to make. Prior to agreeing the Scheme, the product of consultation must be conscientiously taken into account.
- 6.11 When considering setting a Discretionary Rate Relief Scheme, consideration should be given to the arrangements in place to ensure that the power that is exercised is consistent with the Council's best value arrangements. The Council is obliged as a best value authority under section 3 of the Local Government Act 1999 to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness" (the Best Value Duty). Paragraph 8 has certain considerations in respect of this duty

6.12 When deciding whether or not to proceed with the proposals, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector equality duty). Paragraphs 4 and 6 of the report have considerations in respect of this duty.

7. ONE TOWER HAMLETS CONSIDERATIONS

7.1 Any financial assistance to local ratepayers will support economic growth and help local businesses to continue to trade and create local employment.

8. BEST VALUE (BV) IMPLICATIONS

8.1 This proposal will give small and medium local businesses financial support to help alleviate the effect of the increase in rateable values as a result of the 2017 revaluation with all costs being met by central government. The options presented should ensure the most efficient and effective distribution of the funding.

9. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

9.1 There are no SAGE implications arising from this report.

10. RISK MANAGEMENT IMPLICATIONS

10.1 There is a risk that the government funding will be insufficient to meet the full cost of the scheme. The budget for and impact of this policy will be monitored regularly to ensure spending is within the S.31 grant allocation from central government.

11. CRIME AND DISORDER REDUCTION IMPLICATIONS

11.1 There are no crime and disorder implications arising from this report

12. SAFEGUARDING IMPLICATIONS

12.1 There are no safeguarding implications arising from this report.

Linked Reports, Appendices and Background Documents

Linked Report
NONE

Appendices

A - Tower Hamlets Local Discretionary Relief Scheme
B - Summary of Responses

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

Officer contact details for documents:

N/A