

# URGENT CABINET MEMBER DECISION



## Decision:

**That approval is granted:**

- 1. For the local discretionary business rates scheme as set out in report CFM428 which supports the objectives of providing financial support to local small and medium sized businesses in the district.**
- 2. For the local discretionary business rates scheme that is delivered within the financial allocations provided by Government and as set out in report CFM428.**
- 3. For the criteria of the local business rates discretionary scheme that will meet the objectives set out at recommendation 1 above.**

### **(1) Details of Decision**

To seek approval of the local discretionary business rates scheme.

### **(2) Considerations/Evidence**

The following options have been considered but are not included on financial and administrative grounds:

- Target all relief through a hardship fund which businesses would apply for – this would be administratively difficult to support particularly without agreed criteria of 'hardship'
- "Top-up" the Government's allocated funding – the Government allocation is a fixed sum and so the Council could choose to add further funding but this would have to be financed locally.

### **(3) Reasons for Decision:**

The Government has undertaken a national revaluation of all commercial properties in England and Wales. From 1<sup>st</sup> April 2017, all premises were

assigned a new rateable value by the Valuation Office Agency which is used to calculate the level of business rates charged to the occupier. The last revaluation was in 2010. The 2017 revaluation, which has been used for the current year's rating bills, has resulted in the business rates of some premises in the district increasing significantly as outlined below.

In the Spring Budget, the Chancellor announced that the Government would make available £300m of extra funding over 4 years for local authorities to provide discretionary relief to predominantly small, medium and independent businesses facing the steepest increase in their bills as a result of revaluation. South Kesteven's allocation of funding has been confirmed as £568k spread over 4 years as set out in section 1.5 below.

The Council has been given the responsibility to design its own discretionary business rates relief scheme. The proposed scheme includes eligibility and exemptions and the criteria for allocating this additional relief.

Business rates are levied on non-domestic properties which appear in the local rating list. A proportion of the amount collected by the Council is a significant contributor towards the cost of providing local services. Each non-domestic property has a rateable value that is set by the Valuation Office Agency and this is used to calculate the level of business rates charged to the occupier. The most recent valuation came into effect on 1<sup>st</sup> April 2017; the one prior to that being in 2010.

The 2017 revaluation has resulted in the business rates bills of many premises in South Kesteven increasing significantly when compared with the 2010 valuation. Many occupiers are already eligible for relief on their business rates and current reliefs available include small business rate relief; empty property relief; transitional relief; relief for charities and voluntary sector organisations, hardship relief; rural rate relief, and more recently, temporary financial support for pubs.

In the Spring Budget, the Chancellor announced that a new scheme of relief would be made available to those ratepayers facing large increases as a result of the loss of small business or rural rate relief due to revaluation. In this regard specific guidance has recently been issued to authorities about the operation and delivery of this policy. This is known as the 'support for small business' scheme.

The Chancellor also announced that the Government would make available £300m of extra funding over 4 years for local authorities to provide discretionary relief to those businesses facing the steepest increase in their bills as a result of revaluation. The Chancellor stated that individual authorities are in the best position to determine how these extra monies should be targeted and administered in order to support those businesses with the greatest need. Accordingly, there is a need to develop a local scheme, having regard to Government's principles and assumptions - which

is the main focus of this report.

South Kesteven's allocation of Government funding for discretionary relief is set out below. It is important to note that the amount is a fixed contribution from Government and therefore it is suggested that the Council should maximise the opportunity to pass this funding onto those in most need of financial support.

The funding is front loaded for 2017-18 and will be reconciled as part of the closedown for the financial year in order to determine whether any unallocated grant should be returned.

<b>Amount of discretionary pot awarded (£000s)</b>				
<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>Total</b>
332	161	66	9	568

### **Discretionary Business Rate Relief – Implementing a Local Scheme**

In establishing a local scheme and in keeping with the spirit of the Government's narrative and the Council's own economic priorities, the rationale and options to be considered include the need to:

- Target relief at businesses that are facing a significant increase in their business rate bills which could cause hardship – more likely to affect small and medium sized firms and independents with small turnovers rather than larger multi-national and national businesses with high turnovers.
- Distribute the relief in a way that is proportionate to the increase in bills across all businesses and in a fair manner, particularly where small and medium sized businesses are concerned. These are more likely to be ratepayers occupying lower value properties.
- Ensure the extra relief is distributed to local businesses quickly and smoothly.
- Be relatively simple for the Council to administer (temporary funding may be available by Government to support the administrative process).
- Request response to consultation with the precepting authority (Lincolnshire County Council) before the scheme is implemented
- Ensure that the proposal sits in the context of the Council's wider economic growth and development priorities for the Council as a key element of the 'Growth' priority.

### **Proposed Baseline and Thresholds for the New Discretionary Business Rate Relief Scheme – Year 1**

The relief will be available to all eligible small and medium sized businesses in all geographical areas of the Council that are facing a steep year on year increase in their bills arising from the revaluation. It will only be applied after

adjustments for all other relief scheme eligibilities have been factored in, including supporting small business rate and transitional relief.

It is proposed to use 100% of the funding to support eligible businesses set out in this proposal to ensure it has the maximum positive impact for the business community. It is important to note that the proposal will restrict the scheme to the financial allocations provided.

In order to ensure the delivery of the stated objectives it is proposed to target the funding to premises with a rateable value not exceeding £100,000 and where the increase in business rates between 2016-17 and 2017-18 is greater than 3%. This proposed criteria is designed to target the funding at the lower range of commercial properties and the percentage threshold is to reflect the annual increase in rating bills that would ordinarily occur. This proposed criteria follows the spirit of the relief scheme by supporting those businesses hardest hit by the rate increases.

The amount paid will be up to 40% of the increase in business rates payable between the two years after all eligible reliefs have been granted.

With this proposal, approximately 1,000 businesses in South Kesteven would qualify for discretionary business rates relief and enable the Council to allocate the funds in a proportionate and fair way. The initial analysis confirms the eligible businesses would be local (rather than national) enterprises of a small to medium type.

The level of discount will be reviewed in years 2-4 as the funding reduces.

It is proposed that the relief will be applied automatically under the finally agreed criteria so that no application process is required (conditional upon completion by the eligible party of a state aid declaration).

Although there is no statutory right of appeal in respect of any non-award, it is good practice to allow re-consideration of any decision in exceptional circumstances only.

### **Proposed Exclusions**

It is recognised that Members would wish to ensure the finite amount of funding is specifically targeted with the business sector in line with the Government's intentions. In common with other schemes being developed by authorities, it is proposed to incorporate an exclusion list to include the following:

- Multi-national and national chain companies, including franchises
- National financial services – banks, building societies, cash points, payday lenders, betting shops, amusement arcades, pawn brokers, etc.
- National estate agents, letting agents and employment agencies

- Professional services – solicitors, accountants, insurance agents/financial advisors
- NHS and other public bodies
- Premises with a rateable value in excess of £100,000 and rate rises below 3%
- No relief will be given to businesses that were not located in the district prior to 31<sup>st</sup> March 2017 (as they would not have suffered the financial impact of moving between the 2 rating lists)
- No relief will be given to any business under investigation by a regulator
- No relief will be given where there is more than 6 months arrears outstanding from the previous year

### **State Aid**

State aid law is the means by which the EU regulates state funded support to businesses. Providing discretionary relief would fall within the definition and in order for businesses to be compliant with the De Minimis Regulations, they must demonstrate that the award of relief is within the threshold of €200,000 received over a rolling 3 year period. In this regard, businesses receiving the extra relief will need to make a signed declaration.

### **Communications Plan**

Local businesses will be contacted directly and through various business community networks including the local Chamber of Commerce and Business Clubs. Information for residents, Council taxpayers and the general public will be published on the Council's website. To ensure this is undertaken in a planned way, a communications plan will be developed and implemented to promote the scheme.

### **Conflicts of Interest**

**(Any conflict of interest declared by any other Cabinet Member consulted in relation to the decision to be recorded).**

NONE

### **Dispensations**

**(Any dispensation granted by the Monitoring Officer in respect of any declared conflict of interest to be noted).**

NONE

**Decision taken by:**

Name: Councillor Nick Robins  
Cabinet Member for Retail & Visitor Economy

**Date of Decision: 27 July 2017**

**Date of Publication of Record of Decision: 27 July 2017**

**Date decision effective: 27 July 2017**

**This decision has been taken under Special Urgency provisions so that immediate implementation of the scheme can be done to ensure that organisations that are entitled to benefit from the scheme can be billed for the correct amounts and liability orders are not issued for amounts that may no longer remain due where relief has been granted.**

**The decision is not therefore subject to call-in.**