

Meeting Date	6 September 2017
Report Title	Revaluation Discretionary Rate Relief
Cabinet Member	Clr Duncan Dewar-Whalley, Cabinet Member for Finance and Performance
SMT Lead	Emma Wiggins
Head of Service	Amber Christou
Lead Officer	Zoe Kent
Recommendations	<ol style="list-style-type: none">1. That the Revaluation Discretionary Rate Relief criteria are adopted for 2017/18, with a review prior to year two of the scheme.2. To give delegated authority to the Revenues and Benefits Manager in consultation with the Cabinet Member for Finance and Performance for the award of the Revaluation Discretionary Rate Relief.

1 Purpose of Report and Executive Summary

- 1.1 As part of the Non Domestic Rates scheme the rateable values of businesses are reviewed every five years. As a result of changes in the economy which affected the rental value of commercial properties the revaluation which should have taken place in 2015 was delayed until 2017.
- 1.2 This delay has caused rateable values to increase significantly for some businesses; the Government has provided funding for local authorities to distribute to those businesses who have had an increase in their business rates as a result of an increase in their rateable value as at 1 April 2017.
- 1.3 The Council is required to set criteria as to which businesses will receive relief because the funding provided will not cover the total increase in rates of those affected.

2 Background

- 1.4 In March 2017, Central Government announced that it would make available a £300 million discretionary fund to support those businesses that have faced the steepest increases in their business rates bill as a result of the 2017 revaluation.
- 1.5 Rather than set out a scheme through regulation for the distribution of the fund the Government decided that local councils would be best placed to determine how this fund should be targeted and administered to support those businesses and locations within their area that are in greatest need. The Council has the option to deliver such a scheme through its discretionary relief powers under S47 of the Local Government Act 1988.

- 1.6 The Council is able to provide support for local businesses through the scheme funding up to £592,000 over four years of which 50% will be a loss to the council's business rates collection which will be offset by a grant from Government, with the other 50% being a direct loss to the Government.
- 1.7 The funding of the discretionary scheme will be front loaded with the majority of the funding awarded in 2017/18 and smaller awards available by 2020/21 the fourth year of the scheme.
- 1.8 European Union competition rules restrict Government subsidies to businesses (state aid). Relief from taxes, including business rates could be considered as state aid. An application process will be used to ensure that businesses consider the state aid rules.

Table 1. *Local discretionary relief scheme funding arrangements*

Year of scheme	Percentage of the scheme to be awarded	Cost to the Council reimbursed by Government	Direct Cost to Central Government	Total available funding of the scheme
2017/18	58.3	£172,551	£172,551	£345,102
2018/19	28.3	£83,760	£83,760	£167,520
2019/20	11.7	£34,629	£34,629	£69,258
2020/21	1.7	£5,032	£5,032	£10,064
Total	100	£295,972	£295,972	£591,944

- 1.9 As at 1 April 2017 there were 4,350 businesses based in Swale.

Table 2. *Changes in rateable value*

Change to rateable value	Number affected
Rateable value increased	1,045
Rateable value stayed the same	1,645
Rateable value decreased	1,660

- 1.10 In order to pass on the benefit to local businesses adversely affected by the revaluation, the suggested criteria for the scheme are as follows:
- Revaluation – that relief is available to businesses that experienced an increase in rateable value from 1 April 2017 as a result of the revaluation
 - Rateable value – that relief is restricted to businesses with a rateable value below £100,000

- Rates liability – that relief will only be available to businesses that have experienced an increase in the level of rates payable, after allowing for all other forms of rate relief
- Occupation – that relief will only be made available to businesses that were in occupation of the premises as at 31 March 2017 and remain in continuous occupation.
- National chains – that relief will not be awarded to national chains to help businesses based within Kent. National chains will be defined as those based over multiple locations, also located outside of Kent. This will be considered on an individual basis to take into account circumstances such as franchises.
- Restrictions – that relief will not be awarded to communications hereditaments, communications related services or advertising rights.
- Acceptable increase – that all businesses pay £600 of their increase. This amount is inline with the amount payable by businesses who receive small business rate relief who have had an increase in their rateable value. The Government has suggested £600 as an acceptable increase.

1.11 The scheme should be based on the criteria listed in 2.7 based on an application process. 80% of the funding being distributed to businesses meeting the criteria in 2.7 with the fund apportioned in line with increases experienced by individual businesses.

1.12 The remainder of the funding will be held as a contingency to assist businesses identified as experiencing financial hardship as a result of the revaluation. Applications will be in writing and will be based on the accounts of the business.

1.13 The Council will send an application form to those businesses who meet the listed criteria. The Borough Council wishes to support local small businesses and Discretionary Rate Relief is part of our strategy to support local enterprise.

3 Proposal

1.14 It is proposed that the revaluation discretionary rate relief criteria are adopted for 2017/18.

1.15 Delegated authority should be given to the Revenues and Benefits Manager in consultation with the Cabinet Member for Finance and Performance for the award of the revaluation discretionary rate relief.

4 Alternative Options

1.16 The alternative option is to award the funding on a first come first served basis. This is not recommended because it is likely the funding would not be distributed fairly or to those most in need.

5 Consultation Undertaken or Proposed

- 1.17 We are required to consult with the major preceptors on the design of this scheme, (Kent County Council, Kent Police and Kent and Medway Fire and Rescue Service). A copy of appendix I has been sent to the major preceptors for consideration before 1 September 2017.

6 Implications

Issue	Implications
Corporate Plan	Open for business, embracing localism BV10 – Percentage of non-domestic rates collected
Financial, Resource and Property	The expenditure of the Council will be fully refunded for the cost of the scheme. The Council will also receive a grant towards the administration of the scheme, this however may not cover the cost of administration in full. As part of the council's funding now comes through rates retention it is imperative we use grants awarded through business rates S47 of the Local Government Act 1988.
Legal and Statutory	Local Government Finance Acts 1988, 1998 and 2012.
Crime and Disorder	None
Environmental Sustainability	None
Health and Wellbeing	None
Risk Management and Health and Safety	There is a risk that businesses who have seen an increase in their business rates may struggle to pay the increase. If businesses who have seen an increase in their rateable value are not encouraged to claim we could see a drop in collection rates
Equality and Diversity	None
Privacy and Data Protection	None

7 Appendices

7.1 The following documents are to be published with this report and form part of the report:

- Appendix I: Revaluation Discretionary Rate Relief Draft Criteria August 2017