

TELFORD & WREKIN COUNCIL**CABINET - 14 SEPTEMBER 2017****LOCALLY ADMINISTERED TEMPORARY BUSINESS RATES RELIEF SCHEME****REPORT OF ASSISTANT DIRECTOR: FINANCE AND HR****LEAD CABINET MEMBER – CLLR LEE CARTER****PART A) – SUMMARY REPORT****1. SUMMARY OF MAIN PROPOSALS**

- 1.1 In March 2017's Budget Statement, the Chancellor announced that funding for "Locally administered business rate schemes" would be made available to councils to help provide further support for businesses affected adversely by the national "business rates revaluation" exercise.
- 1.2 Funding for the locally administered business rate scheme has been allocated by the Government to councils on a formula basis. The amounts for Telford & Wrekin are shown below. The Government will compensate authorities for the lost business rates income they incur as a result of the new scheme up to the maximum of each years' allocation.

2017-18	2018-19	2019-20	2020-21
£400,000	£194,000	£80,000	£11,000

- 1.3 After a long period of delay, the Government have recently confirmed that there is no flexibility to move funding between allocated years; i.e.: if we don't spend all funding in year one, we can't roll some forward to future years.
- 1.4 The funding formula was calculated by the Government based on the following:
- Properties with a rateable value of less than £200,000, and
 - The increase in rateable value of the property was more than 12.5% before reliefs.

The proposed discretionary scheme has therefore been prepared with these businesses in mind.

- 1.5 Businesses already benefit from a range of relief schemes to reduce the burden of business rates where appropriate criteria are met. In broad terms, these include:-

- 1.6 **Small Business Rate Relief** – If the single or main property is shown on the rating list with a rateable value of less than £12,000, the ratepayer will receive a 100% reduction in their rates bill for this property. Between £12,000 and £15,000, the percentage reduction reduces by approximately 4% for every £120 in rateable value.

Ratepayers who are not entitled to another mandatory relief and occupy a property with a rateable value which does not exceed £51,000 will have their bill calculated using the lower “small business non-domestic rating multiplier” (46.6p in 2017/18), rather than the national non-domestic rating multiplier (47.9p in 2017/18).

From 1 April 2017 property values have been updated by the Valuation Office Agency. Where a business loses some or all of their small business or rural rate relief as a result of this new value, ratepayers will not be expected to pay an increase in business rates of £600 per year or £50 per month.

- 1.7 **Charitable Relief** – registered charities are entitled to mandatory relief of 80% of their rates bill and may be entitled to a discount of up to 100% in some circumstances.
- 1.8 **Pub Relief** – Public Houses with a rateable value below £100,000 will be entitled to a £1,000 discount
- 1.9 **Transitional Relief** - At each revaluation, to smooth the impact of significant increases and decreases in rateable value, the government introduces a national transitional relief scheme which phases in large increase or decreases. The following has been awarded in Telford and Wrekin for 2017/18:

Property size	Upwards cap to phase in increases		Downwards Cap to phase in decreases	
	No. of properties	Value of Transitional relief given	No. of properties	Value of ‘excess payments’
Small	1765	£1,171,932	294	£125,249
Medium	233	£924,545	163	£688,340
Large	13	£530,056	205	£2,787,023
Total	2011	£2,626,533	662	£3,600,612

This table shows that 2,011 businesses are receiving relief which assists in phasing in the increase in rateable value.

Other reliefs e.g. empty property relief are available. This is already a complex system and the Council’s Business Rates team actively support our local businesses to try and ensure that they benefit from all reliefs to which they are entitled.

- 1.10 However, this report relates specifically to the proposed “Locally Administered Temporary Business Rates Relief” scheme which is set out in Appendix A. The

principles for this scheme been developed in conjunction with Shropshire Council. If approved by both councils, the proposals will be adopted as a Shropshire wide scheme and provide consistency to businesses in awards which are made within the County. Appendix B shows how the relief would be distributed across the Borough.

- 1.11 The scheme has been designed to provide temporary relief to small and medium sized local businesses. Larger businesses with a rateable value above £200,000 have been excluded from the scheme on the basis that they were not considered by the Government when determining the Council's funding allocation.
- 1.12 National businesses have also been excluded from the scheme to ensure that they do not contravene state aid regulations (businesses may not receive more than €200,000 state financial support over a three year period from whatever source). Verification of this would add considerable additional complexity and administrative cost and so the scheme has been designed to enable the provision of support to local businesses.
- 1.13 The scheme operates on a tapering basis, so each year the award will reduce in line with government funding allocations.

2. RECOMMENDATIONS

Members are asked to:

- 2.1 Approve the proposed locally administered business rate relief scheme as set out in this report.**
- 2.2 Approve delegation to the Assistant Director: Finance & HR to administer any future new reliefs which are fully funded by the Government and introduced under the Council's discretionary powers.**

1 **SUMMARY IMPACT ASSESSMENT**

COMMUNITY IMPACT	Do these proposals contribute to specific Co-Operative Council priority objective(s)?											
	Yes	<i>Financial support will be provided to local businesses which results in jobs retention and prosperity within the borough.</i>										
	Will the proposals impact on specific groups of people?											
	Yes	<i>Businesses that receive the relief will benefit financially from the award of the relief which is provided.</i>										
TARGET COMPLETION/DELIVERY DATE	<i>Awards to be made by 30th September, or as soon as practicable after.</i>											
FINANCIAL/VALUE FOR MONEY IMPACT	Yes	<p>In the 2017 Spring Budget, the Government announced the establishment of a £300m discretionary fund over the period 2017/18 to 2020/21 to provide additional relief to businesses adversely affected by the Revaluation 2017. As local authorities currently retain a percentage of business rates income through the business rates retention scheme, the Government will reimburse authorities for the lost income associated with granting this relief via Section 31 grant, capped at a maximum amount based on that year's allocation. Grants are subject to consultation having taken place with major preceptors; they will be paid quarterly in arrears and reconciled to actual spend at year end.</p> <p>The total allocated to Telford & Wrekin Council is £685,000 which represents the total amount of relief which can be provided to ratepayers at no cost to the local authority:</p> <table border="1"> <thead> <tr> <th></th> <th>Total Allocation/Relief to ratepayer</th> </tr> </thead> <tbody> <tr> <td>2017/18</td> <td>£400,000</td> </tr> <tr> <td>2018/19</td> <td>£194,000</td> </tr> <tr> <td>2019/20</td> <td>£80,000</td> </tr> <tr> <td>2020/21</td> <td>£11,000</td> </tr> </tbody> </table> <p>There will be no reimbursement of the lost income relating to any relief granted in excess of the allocation in any year and this will be borne locally.</p>		Total Allocation/Relief to ratepayer	2017/18	£400,000	2018/19	£194,000	2019/20	£80,000	2020/21	£11,000
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		<p>New burdens funding will be provided by the Government to cover reasonable additional costs associated with IT changes and additional administration costs.</p> <p>PH – 16/8/2017</p>
LEGAL ISSUES	Yes	<p><i>The Government's funding is to be provided by way of grant under s 31 of the Local Government Act 2003. To access the funding, the Council is required to establish a discretionary scheme for administering the rate relief under s 47 of the Local Government Finance Act 1988, and the scheme will have to also meet the Governments grant conditions.</i></p> <p><i>Aside from the conditions, the Council is free to design its own scheme under s 47, which gives local authorities a wide power to grant discretionary business rate relief, subject to the condition that the local authority may only grant the relief if it is satisfied that it would be reasonable to do so having regard to the interests of council tax payers in its area. The Council may set guidelines as to the allocation of relief.</i></p>
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	<p><i>Although cost modelling of the proposed scheme has taken place, there is a risk that the amount of relief awarded will exceed the funding which the Government will provide. In this case the reduction in retained rates relating to any over allocation would be funded by the Council by 98% (2% Fire)</i></p> <p><i>There has been a delay in Government guidance on the new local relief schemes being issued and the Government are now very keen that councils now implement the schemes as soon as possible.</i></p>
IMPACT ON SPECIFIC WARDS	No	

PART B) – ADDITIONAL INFORMATION

2 INFORMATION

2.5 Locally Administered Discretionary Relief

4.1.1 In April 2017, businesses were subject to a change in the rateable value of their business premises due to a revaluation by the Government's Valuation Office Agency. The impact of this change on the 5046 business premises within the borough was:

- 62% had an increase in value
- 23% had a decrease in value
- 15% had no change

4.1.2 At each revaluation, to ease the impact of significant increases and decrease in rateable value, the government introduces a national transitional relief scheme which phases in large increase or decreases. The following has been awarded in Telford and Wrekin for 2017/18:

Property size	Upwards cap to phase in increases		Downwards Cap to phase in decreases	
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4.1.3 In addition to the transitional relief scheme, there are a range of other reliefs which are available within the existing scheme to support businesses which include small business rate relief, charitable rate relief, empty property relief, etc.

4.1.4 The proposal is for the new discretionary relief scheme for 2017/18 to be set at 65% of the increase in business rates as a result of the revaluation, net of other reliefs. Relief will be awarded to properties with a rateable value under £200,000, where the increase in rateable value is more than 5% as a result of the revaluation. The guidance is designed to be simple in nature to minimise the administrative burden to the Council and also create a scheme which is as easy as possible for ratepayers to understand. It is anticipated that there will be approximately 337 businesses which will benefit from an award of discretionary relief.

- 4.1.5 Consultation with major preceptors is a requirement of the funding by the Government. For Telford and Wrekin Council, this applies to Shropshire Fire Service and West Mercia Police.

The Fire Authority had not yet expressed an opinion on the proposed scheme at the time of finalising the report.

The Police have responded as follows:

“The PCC’s office appreciate the opportunity to comment on the draft proposals as a major preceptor, however, as you are aware the Police and Crime Commissioner is not directly impacted by the proposals and therefore has no specific comments to report on the consultation document or proposals. The Police and Crime Commissioner does however, welcome any steps taken to support local communities including businesses within our region.”

- 4.1.6 At the end of the financial year, the Council will be required to complete a statutory statistical return which will report on the amount of money spent. The funding allocation given to the Authority will be reduced if the expenditure incurred as part of the relief scheme is at a lower level and recently the Government confirmed that any underspend could not be carried forward by councils to distribute in the following year but would be taken back centrally by the Government. Assistance provided to businesses in excess of the Government funding allocation will need to be met the Council forcing further reductions in front line services.
- 4.1.7 Part funding for the discretionary fund has been provided by the Government for a four year period as outlined in the table in 1.2. Allocations for 2018/19, 2019/20 and 2020/21 will be made towards the year of the previous financial year, and are expected to be in the region of:
- 2018/19: 20-40%
 - 2019/20: 8-20%
 - 2020/21: 1-5%

3 PREVIOUS MINUTES

None

4 BACKGROUND PAPERS

None.

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