

Discretionary Rate Relief Policy Update

Report of the Finance Portfolio Holder

Recommended:

1. That the updated Discretionary Rate Relief Policy, as shown in the annex to the report, be approved.
2. That the Acting Head of Revenues (Local Taxation), in consultation with the Finance Portfolio Holder, be authorised to make minor amendments to the policy should updated government guidance be received, provided there is no net cost to the Council.

SUMMARY:

- The report seeks approval to introduce new discretionary rate reliefs and make minor amendments to existing reliefs in the Discretionary Rate Relief Policy.
- The report considers revising the eligibility criteria for the Revaluation Relief scheme so that it remains affordable when compared with the grant provided for the relief.

1 Introduction

- 1.1 The Council is responsible for the billing and collection of business rates from all non-domestic properties in the borough.
- 1.2 A number of reliefs are available to mitigate the cost of business rates payable by certain types of business. Some of these are mandatory whereas others are applied locally using discretionary powers.
- 1.3 This report seeks to update the Discretionary Rate Relief Policy in respect of changes to existing reliefs and the introduction of new reliefs into the policy.

2 Background

2017 Budget – Business Rate Reliefs

- 2.1 The Chancellor introduced three new business rates reliefs in his Budget statement on 8 March 2017.
- 2.2 Those reliefs were:
 - Pub Relief
 - Supporting Small Business Relief
 - Revaluation Relief

- 2.3 Pub relief is only applicable for 2017/18 and 2018/19 and will therefore come to an end on 31 March 2019.
- 2.4 Supporting Small Business Relief is a continuing scheme that is fully funded by government. It is aimed at limiting the increases in bills to those businesses coming out of small business rate relief or rural rate relief as a result of the 2017 national revaluation. It will run until 2020/21.
- 2.5 Revaluation Relief gives the Council a set allocation over the period 2017/18 to 2020/21 to help support any business affected by the national revaluation. This is discussed in more detail later in the paper.

2018 Budget – Business Rate Reliefs

- 2.6 The Chancellor announced two new business rate reliefs in his Budget in October 2018 and an extension of a temporary relief scheme. These were:
- Retail Relief (New)
 - Public Convenience Rate Relief (New)
 - Local Newspaper Office Relief (Extended for one year to cover 2019/20)

3 Corporate Objectives and Priorities

- 3.1 Business rates apply to all non-domestic properties. This is mostly closely linked to the Corporate Plan objective of ‘Work and do business’.

4 Options

- 4.1 The extension of the Local Newspaper Office Relief and the new Retail and Public Convenience reliefs will be fully funded by government. It is therefore recommended that these are introduced in accordance with government guidance.
- 4.2 Limited guidance on the two new schemes has been received from MHCLG. It is possible that minor amendments may be needed to the policy as more detail emerges. It is therefore recommended that the Acting Head of Revenues (Local Taxation), in consultation with the Finance Portfolio Holder, be authorised to make necessary changes to the policy in light of any emerging guidance, provided there is no net cost to the Council arising as a result of the changes.

Revaluation Relief - background

- 4.3 Unlike other relief schemes, the government allocated each billing authority a fixed sum from a £300M national pot to help businesses affected by the 2017 revaluation. The split of the allocation and Test Valley’s share is shown in the following table.

	National Allocation £'000	TVBC Allocation £'000
2017/18	175,000	322
2018/19	85,000	156
2019/20	35,000	64
2020/21	5,000	9
Total	300,000	551

- 4.4 The local scheme operating in 2017/18 and 2018/19 is based on the following criteria:
- The property's rateable value must be less than £200,000
 - The property have been in continuous occupation since 31 March 2017
 - Relief would be applied to limit the increase in business rates from one year to the next at 7%
 - A maximum allocation of £5,500 per property
 - More than 50% of the business's rateable value should be in Test Valley (so that support is targeted at local businesses).

- 4.5 The final amount awarded in 2017/18 was £313,248, over 97% of our allocation. The current forecast for Revaluation Relief in the current year is that the allocation of £156,000 will be overspent (maximum £185,000 – see para 7.2 for the implication of this on the Council's budget). It is not yet clear whether the government will provide extra grant to cover any overspend.

Revaluation Relief – 2019/20

- 4.6 An initial forecast of the existing scheme into 2019/20 shows that the amount of relief to be awarded could be as much as £240,000. The main reason for this is related to the unwinding of the complex transitional arrangements that are put in place following each national revaluation.
- 4.7 This report does not seek to delve into the intricacies of Transitional Relief but does identify it as the cause of the potential increase in Revaluation Relief required in 2019/20 if no changes to the scheme are made.
- 4.8 The Council's allocation of government funding is reducing from £156,000 in 2018/19 to £64,000 in 2019/20. It is therefore considered necessary to revise the eligibility criteria for the scheme so that relief can be accommodated within the amount of grant to be received from government.
- 4.9 There are many different ways to determine eligibility for the local scheme. All options assume that the requirements for properties to be occupied and that the majority of the business operates in Test Valley are continued. It is also assumed that for operational efficiency reasons, the minimum amount of relief to be awarded will continue to be £50.

4.10 Relief will only be awarded to businesses already in receipt of Revaluation Relief. It will not be extended to new applicants.

4.11 The following table shows how changes to certain eligibility criteria are forecast to affect the estimated total cost of the Revaluation Relief scheme in 2019/20.

	Maximum RV (£)	Maximum Award (£)	Cap on Bill Increase (%)	Estimated Cost (£)	Number of Accounts
Current Scheme	200,000	5,500	7%	240,280	180
Option 1	200,000	1,000	10%	96,093	161
Option 2	200,000	500	10%	60,872	161
Option 3 (recommended)	200,000	500	9%	66,600	166
Option 4	200,000	250	5%	27,250	109
Option 5	30,000	1,000	10%	61,505	121

4.12 The figures shown in the table assume that all businesses in receipt of Revaluation Relief will continue to receive it for the full year. If any occupiers change or a business successfully appeals its rateable value to the Valuation Office, it is possible that the total awarded will reduce.

5 Option Appraisal

5.1 All the reliefs identified in this report are discretionary. The Council can choose not to award any of the reliefs without penalty. However, as the reliefs will benefit businesses operating in Test Valley and the costs will be met by government funding, this is not recommended.

5.2 It is recommended that the extension of the Local Newspaper Office relief and the introduction of the Retail and Public Convenience Relief schemes be introduced in line with government guidance.

5.3 The table in 4.11 sets out a number of parameter changes that could be incorporated into the Revaluation Relief scheme. Of the five scenarios that were forecast for 2019/20, three show a total grant broadly in line with the government allocation, with one being much higher and the other much lower.

5.4 Of the three options that are in line with the government allocation for 2019/20 option 3 has been recommended for the following reasons:

- It gives relief to the greatest number of businesses in Test Valley, roughly 1/3 more than option 5.
- After allowing for expected changes to account liability in the year, it is expected that this option will use the greatest amount of the Council's allocation.

6 Risk Management

- 6.1 An evaluation of the risks indicates that the existing controls in place mean that no significant risks have been identified at this time.

7 Resource Implications

- 7.1 There are no resource implications arising from the recommended option.
- 7.2 If the Council awards more relief than its allocation of government grant, the additional cost will reduce the surplus on the Collection Fund at the end of the year. The net impact on the Council's budget is 20% of the surplus and therefore the maximum forecast cost of Revaluation Relief to the Council is £5,800 in 2018/19 and £500 in 2019/20.

8 Legal Implications

- 8.1 The powers under which the Council can award each relief and the way that government will reimburse the Council for the relief awarded are shown in the Annex to the report.

9 Equality Issues

- 9.1 No equality issues have been identified in the preparation of this report.

10 Conclusion and reasons for recommendation

- 10.1 The report identifies changes to existing discretionary reliefs and the introduction of new schemes.
- 10.2 All the costs of the recommended option will be fully funded by central government and as such are recommended for approval.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<u>Confidentiality</u>			
It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	1	File Ref:	N/A
(Portfolio: Finance) Councillor Giddings			
Officer:	Carl Whatley	Ext:	8540
Report to:	Cabinet	Date:	13 February 2019