

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 Head of Revenues, in consultation with the Finance Portfolio Holder, be given authority to add new Discretionary Rate Reliefs into the Discretionary Rate Relief Policy where (a) such new relief is fully funded by government (including any cost of implementation) and (b) there is clear guidance as to which businesses are eligible for the relief

SUMMARY:

- This report presents an updated Discretionary Rate Relief Policy for approval. Changes to the existing policy include an increase to the amount of Retail Relief, the re-introduction of Pub Relief and a change to the way that Revaluation Relief is awarded.
- The report also recommends a change to the Head of Revenues' delegated authority to enable him to introduce new discretionary reliefs where there is no net cost to the Council and eligibility criteria are clearly set out by government.

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 (DRRP) for 2020.
- 1.4 Under current arrangements, Cabinet approval is required for changes to the DRRP and for the introduction of all new discretionary reliefs.

2 Background

Discretionary Rate Relief Policy

- 2.1 The DRRP contains details of all types of discretionary relief available to businesses in Test Valley and sets out the eligibility criteria that must be met in order to be able to benefit from them. The updated DRRP recommended for approval is attached as the annex to this report.

2.2 The DRRP is largely unchanged from the version that was last approved by Cabinet in January 2019. The few changes that are recommended all relate to special reliefs (i.e. those introduced by government to mitigate specific circumstances or to target particular industries). The changes are:

- The re-introduction of Pub Relief. It was announced on 27 January that pubs with a rateable value of less than £100,000 will receive a £1,000 discount from their bill. This re-introduces an earlier scheme that ended on 31 March 2019.
- An increase in Retail Relief. In the same announcement on 27 January, it was confirmed that the amount of Retail Relief available to eligible businesses will increase from one third to 50% for 2020/21.
- Updating the Supporting Small Business Relief eligibility criteria. This relief was introduced in 2017 following the national revaluation to support businesses no longer eligible for Small Business Rate Relief. The change is set out in government guidance and is fully funded by government.
- Revaluation Relief scheme. The funding provided by the government to operate this scheme is reducing next year and will make the current scheme unaffordable. Options for changes to this relief are set out in paragraph 4.

Approval of new discretionary rate reliefs

2.3 There have been a number of new discretionary reliefs introduced in recent years (e.g. pub relief, retail relief) which have been fully funded by central government. The Council has fully implemented all of these reliefs.

2.4 Rather than pass new legislation to introduce these reliefs, the government has generally committed to funding billing authorities for awarding relief under powers contained in section 47 of the Local Government Finance Act 1988. In most cases, the government has also given clear guidance as to the amount of relief that should be awarded and which types of business are eligible to receive relief.

2.5 Depending on the timing of new relief announcements and the requirement to seek Cabinet approval, the Council's ability to introduce the new relief (and pass on the benefits of that relief to local businesses) in a timely manner can be impaired. For example, if a new relief is announced early in the new year, it may not be possible to obtain Cabinet approval in sufficient time to allow that relief to be incorporated into the annual bills that are produced in early March each year.

2.6 To expedite the introduction of new business rate reliefs, it is recommended that the Head of Revenues, in consultation with the Finance Portfolio Holder, be given delegated authority to add new discretionary reliefs into the DRRP, provided that:

- The relief is fully funded by government (including the costs of implementation e.g. system changes), and
- There is clear guidance as to which businesses are eligible for the relief.

2.7 This means that, had the announcement come too late to be included in this report, the Head of Revenues would have been able to update the Policy in respect of the Pub Relief and Retail Relief changes noted above. However, reliefs such as the Revaluation Relief scheme, discussed below, would be outside the scope of this delegation as there is a local decision to be made about eligibility.

3 Corporate Objectives and Priorities

3.1 Business rates apply to all non-domestic properties. The objectives of the DRRP are mostly closely linked to the Corporate Plan's Town Centre and Communities objectives.

4 Options

4.1 The Revaluation Relief scheme was introduced in 2017 following the national revaluation. Instead of giving clear guidance on how to allocate funding, government took the unusual step of giving complete discretion to billing authorities in developing their own local schemes. A fixed amount of funding has been allocated for each year of the scheme (2017/18 – 2020/21).

4.2 Funding allocations were heavily front-loaded. The allocation in 2017/18 was £322,000. This dropped to £156,000 in 2018/19 and £64,000 in the current year. The allocation for 2020/21 is only £9,000.

4.3 Based on current awards of relief, the Council has approximately £12,000 unallocated in 2019/20. The government will only reimburse actual amounts awarded, so it is necessary to revise the policy for 2019/20 to ensure that the maximum possible relief is passed to local businesses.

4.4 Using the current eligibility criteria, it is forecast that the amount of relief to be awarded in 2020/21 will be in excess of £25,000. As the funding allocation is only £9,000 for the year, it is necessary to consider a revision to how relief is awarded.

4.5 The options, set out below, consider the implications of both the current year and forecast position for 2020/21. The options considered are:

- Option 1 – Do nothing
- Option 2 – Use current awards to pro rata top-up in the current year / allocate the full balance for 2020/21 (Recommended).
- Option 3 – Provide a fixed sum of relief to all existing beneficiaries
- Option 4 – Revise the criteria to target specific types of business

4.6 The existing eligibility criteria targets small / medium-sized local businesses. To get relief, at least 50% of a business's total rateable value should be in Test Valley and the rateable value of a property below £200,000. Relief is capped at £500 per property and the minimum amount awarded is £50. The relief is only available to businesses that have been in continuous occupation of their property since 31 March 2017.

5 Option Appraisal

Option 1 – Do nothing

- 5.1 This option would mean that the Council does not allocate the maximum amount possible in 2019/20 and would create a budget pressure in 2020/21. Unspent funding cannot be carried forward from one year to another. This option is not recommended.

Option 2 – Pro rata existing awards to ensure maximum allocation (Recommended)

- 5.2 This option will ensure that the full allocation is awarded to businesses in both 2019/20 and 2020/21.
- 5.3 The method of calculating relief in the existing policy was set to offer greater support to businesses that were impacted most significantly by the revaluation in 2017.
- 5.4 Using the amount of relief that was originally calculated for 2019/20 as the basis for awarding the remainder of the budget will allow those same principles to be continued. This is also the simplest way to allocate relief in 2020/21 considering the low level of funding that is available.
- 5.5 It is estimated that top-up relief of between £50 and £125 will be awarded to 117 businesses in 2019/20 and 106 businesses will receive between £50 and £100 relief in 2020/21.

Option 3 – Provide a fixed sum of relief to existing beneficiaries to ensure maximum allocation

- 5.6 This option is similar to option 2 insofar as it is based on existing beneficiaries and will ensure that the maximum budget allocation is awarded in both years. Awards are estimated to be £90 per business in 2019/20 and £70 per business in 2020/21.
- 5.7 This is the simplest way to award the remaining budget; however, the slightly cruder calculation would result in equal awards of relief to all business. It does not take account of the initial award that was based on each business's individual circumstances. For this reason, this option is not recommended.

Option 4 – Revise the eligibility criteria to target specific types of business

- 5.8 Since the introduction of Revaluation Relief in 2017, the government has introduced other reliefs to target specific types of business. The most significant of these is Retail Relief.
- 5.9 There are 132 businesses receiving relief in 2019/20 split across 16 different rating classifications (e.g. retail, office etc.).
- 5.10 Given the low level of funding available and the existence of other targeted reliefs, this option is not recommended.

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 The recommended option will ensure that the maximum amount of relief is awarded to local businesses without creating an additional cost to the Council.

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 sets out some minor changes to the Discretionary Rate Relief Policy. These changes are all being made in line with government guidance or to ensure that reliefs can continue to be awarded within budget.
- 10.2 New reliefs are introduced by the government from time to time. The Council's ability to introduce these reliefs efficiently helps pass on the benefits of the relief to local businesses as quickly as possible. The recommended change to the Head of Revenues' delegated authority will help to achieve this.

<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
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Report to:	Cabinet	Date:	12 February 2020