

Report to	-	Overview and Scrutiny Committee
Date	-	24 July 2017
Report of the	-	Executive Director of Resources
Subject	-	Business Rates – Reducing the Financial Burden on Local Businesses

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**Recommendation:** It be **RESOLVED:** That the Overview and Scrutiny Committee recommends to Cabinet that:

- 1) the outline discretionary business rate relief scheme detailed in paragraph 9 of this report be approved for consultation; and
  - 2) the outcome of the consultation be reported to Cabinet and Council at their meetings in September 2017.
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**Service Manager: Robin Vennard**

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## **Introduction**

1. In the Spring Budget, the Chancellor of the Exchequer announced three measures aimed to alleviate some of the financial burden on businesses following the national revaluation of business rates that came into force on the 1 April 2017. This report updates Members on progress on their implementation.

## **Supporting Small Businesses**

2. The Chancellor announced that a 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. Initial terms for this scheme were published on 9 March 2017. The transitional relief scheme does not provide support in respect of changes in relief and therefore some ratepayers are losing some or all of their small business or rural rate relief and may be facing very large percentage increases in bills from 1 April 2017. This new relief will limit those covered by the scheme to an increase to £600 each year for the next five years. Officers are awaiting the necessary software upgrade to enable this relief to be calculated and awarded. It is understood that 32 businesses will be positively affected by this change.

## **Support for Public Houses**

3. The Government also announced a new relief scheme for public houses that have a rateable value of below £100,000. Under the scheme, eligible public houses will receive a £1,000 discount on their bill. The relief will have effect for 2017/18 only. Guidance on the qualifying criteria was only received in June 2017. It excludes licensed restaurants, cafes, member clubs and

national pub chains. Qualifying businesses will be written to shortly inviting them to apply for the relief which will be backdated to the 1 April 2017.

### **Discretionary Relief Scheme**

4. The most significant announcement by the Government was the establishment of a £300m discretionary fund over four years from 2017/18 to support businesses. The £300m covers the four years from 2017/18 in the following amounts:

£175m in 2017/18  
£85m in 2018/19  
£35m in 2019/20  
£5m in 2020/21

5. The maximum funding available to Rother over the four years is as follows:

£228,000 in 2017/18  
£111,000 in 2018/19  
£46,000 in 2019/20  
£7,000 in 2020/21

6. Funding will be drawn down annually based on the actual amount of relief granted each year. As Members will see the majority of support will be given in the first year with a rapid drop off in subsequent years. Whilst general guidance has been issued by the Department for Communities and Local Government (DCLG) each Council is largely free to design their own scheme which reflects the issues in their area and which supports economic and social regeneration policies. Whatever scheme is introduced Members will need to be mindful on the need to restrict the relief to the overall funding available.

### **Analysis of Increase in Business Rates on Rother Businesses**

7. Some initial work on the businesses focusing on those most affected by increases in their rateable value has been undertaken. Remember a number of businesses have seen their rateable value decrease. This work has looked at the percentage increases, the amount of increase in rateable value and the type of businesses affected. The percentage increases vary enormously, with the highest increase being 477%. The amount of increase also varies significantly up to £195,000 for one retail warehouse and premises.
8. The type of businesses adversely affected by the revaluation in Rother has been analysed based on the Valuation Office Agency classifications. The top six most affected businesses by type are shown below:

<b>Business Type</b>	<b>Number of business adversely affected by the revaluation</b>
Shops	73
Holiday Units	58
Public Houses	48
Office Accommodation	48
Warehousing	46
Communications (including masts)	45

## Discretionary Relief Scheme Design

9. As referred to above, the Council has a high degree of freedom in its scheme design. It is suggested however that whatever scheme is adopted needs to be simple to administer. The funding referred to above cannot be used to meet the costs of additional administration. To remain within the available funding and to achieve the administrative simplicity it is proposed that the scheme operates within the following parameters:
- a. Relief will be allowed to qualifying businesses as at 1 April 2017. Any business commencing occupation of a property after this date would not qualify for help. This is on the basis that the rate liability would be known to the business before they occupied the property.
  - b. Businesses will have to apply for the help. Applications will enable the Council to check that any other reliefs have been claimed and that any state aid issues are identified.
  - c. Help will be available to businesses with a rateable value of less than £100,000. This will ensure the available funding is targeted at small medium enterprises (SMEs) within the district.
  - d. Relief would be applied after all other qualifying reliefs are awarded e.g. mandatory rate relief, small business rate relief.
  - e. That the following business sectors are excluded from help:
    - Local Authorities (including The District, County Council and any Parish or Town Councils are automatically excluded from receiving relief)
    - Other Precepting Authorities (including the Police and Crime Commissioner and the Fire and Rescue Service are automatically excluded from receiving relief)
    - Other public sector organisations (e.g. National Health Service Trusts etc.; Ministry of Defence etc.)
    - Public Sector Organisations (e.g. Health, Local Government)
    - Utility and Communication companies
    - Financial Services (e.g. banks, accountancy)
    - Gambling establishments
    - Pawn brokers and similar organisations
    - Estate Agents
    - Solicitors
    - Private Schools – post five year old education
  - f. That the amount of relief awarded in the first year will ensure qualifying businesses will pay no more in 2017/18 than the rates paid in 2016/17.
  - g. That the relief awarded for subsequent years be reduced to the following amounts to remain within the available funding:  
  
Year 2 – 48% of the relief awarded in 2017/18  
Year 3 – 20% of the relief awarded in 2018/19  
Year 4 – 3% of the relief awarded in 2019/20

## **Next Steps**

10. Members are asked to consider and agree the proposed discretionary rate relief scheme as outlined in paragraph 9 above. This will be reported to Cabinet on the 31 July for authority to go out to consultation.
11. The scheme itself will need to be worked up in detail over summer period with the intention to report the final scheme to Cabinet and Council in September 2017. The Council is only required to consult with major preceptors but it is intended that consultation will also take place with Federation of Small Businesses and the local Chambers of Commerce.

Malcolm Johnston  
Executive Director of Resources

## **Risk Assessment Statement**

There are no risks to the Council as a direct result of this report.