

CABINET

20 March 2018

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| Title: Revised Local Discretionary Business Rate Relief Scheme | |
| Report of the Cabinet Member for Finance, Growth, and Investment | |
| Open Report | For Decision |
| Wards Affected: All | Key Decision: Yes |
| Report Author: Gill Hills – Head of Revenues | Contact Details: Tel: 0208 724 8615 E-mail: gill.hills@elevateeastlondon.co.uk |
| Accountable Strategic Director: Claire Symonds – Chief Operating Officer | |
| Summary <p>This report recommends an amendment to the Local Discretionary Rate Relief Scheme agreed by Cabinet on 17 October 2017 (Minute 52 refers).</p> <p>The scheme stated that qualifying businesses would be granted 5% relief. Initial calculations showed that this would spend £453,000 of the £530,000 allocated by the Government for 2017/18.</p> <p>To date, £291,000 has been awarded and it is therefore proposed that the rate of relief is increased to 8.5% which will ensure that a total of £495,000 is given in relief in the current financial year, leaving a small amount for any hardship claims.</p> <p>The report also details a scheme for the financial year 2018/19 for which the Government has allocated £258,000.</p> <p>It is not possible to accurately forecast the level of relief in respect of 2019/20 and 2020/21 due to changes in charges which have yet to be determined. It is therefore proposed that the Chief Operating Officer be authorised to determine the rate of relief in those years, in line with the principles agreed for the 2017/18 scheme.</p> | |
| Recommendation(s) <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none">(i) Approve an increase in the rate of relief applied under the 2017/18 Local Discretionary Business Rate Relief Scheme from 5% to 8.5% to ensure that the grant funding is fully utilised to the benefit of local businesses in the current financial year;(ii) Approve the Local Discretionary Business Rate Relief Scheme for 2018/19, as set out at Appendix A to the report; and | |

- (iii) Authorise the Chief Operating Officer, in consultation with the Cabinet Member for Finance, Growth and Investment, to finalise the Local Discretionary Business Rate Relief Schemes for 2019/20 and 2020/21, including determining the rate of relief to be applied, in line with the principles within the current policy.

Reason

To support local businesses adversely affected by the 2017 business rates revaluation.

1. Introduction and Background

- 1.1 A revaluation of business properties is typically conducted by the Valuation Office every five years and the last revaluation was planned to take place in 2015. However, the Government delayed this by two years until 2017.
- 1.2 In its spring budget, the Government announced measures to reduce the impact of the 2017 business rates revaluation. A total sum of £909,000 was allocated to the Council to support a four-year business rate relief scheme. The table below sets out the detailed funding allocation for each of the four years.

| Year | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|-------------------|----------|----------|----------|---------|
| Relief | £530,000 | £258,000 | £106,000 | £15,000 |
| % of total budget | 58% | 28% | 12% | 2% |

- 1.3 By Minute 52 (17 October 2017), the Cabinet agreed the Local Discretionary Business Rate Relief Scheme for 2017/18 which was aimed at applying as much relief as possible to small and mid-size businesses, within the Government allotted funds.

2. Amendment to 2017/18 Scheme

- 2.1 The calculations which underpinned the Local Discretionary Business Rate Relief Scheme for 2017/18 projected that £453,000 of the £530,000 allocation would be given in relief. However, it has become apparent that only £291,000 will be allocated to qualifying businesses based on the current 5% rate of relief.
- 2.2 To maximise the level of spend from the budget and ensure that local businesses benefit as much as possible from the Council's scheme, it is proposed to increase the rate of relief from 5% to 8.5% in the current financial year. There are no other changes proposed to the eligibility criteria agreed by Cabinet in October. The increase to 8.5% will mean that approximately £495,000 is made available to local businesses that qualify under the criteria. The remaining £35,000 will be used as a contingency budget for ad-hoc / hardship claims in line with the approved policy and to supplement any additional relief that may be awarded due to Valuation changes, as these can be claimed back until 30 September 2018.

- 2.3 Based on the 8.5% rate of relief, it is estimated that 628 businesses will be eligible to receive an increase in their level of award at an average relief of £762 (the previous estimated average relief was £402). The below table provides a breakdown of the relief value average and the total relief value. This table excludes all accounts where relief has already been awarded which negates the effects of the revaluation, e.g. those who are in receipt of 100% Small Business Rates Relief.

| | |
|-----------------------|----------------|
| Rateable value | <70k |
| Relief Value | £495,518 |
| Number | 628 |
| Average relief | £762 |

- 2.4 It will not be necessary for the current recipients to re-apply as the proposal will merely increase the current level of award.

3. Proposed Scheme for 2018/19 and beyond

- 3.1 The allocation for 2018/19 is £258,000. Based on the current number of qualifying businesses, the proposed rate of relief for 2018/19 is 3.5% which would give an average relief of £348 as shown in the table below.

| | |
|-----------------------|----------------|
| Rateable value | <70k |
| Relief Value | £218,624 |
| Number | 628 |
| Average relief | £348 |

- 3.2 The remaining c£40,000 would again be used as a contingency budget for ad-hoc / hardship claims in line with the approved policy and to supplement any additional relief that may be awarded due to Valuation changes.
- 3.3 With the exception of the lower rate of relief to reflect the reduced funding allocation from the Government, it is proposed to adopt the same scheme for 2018/19 as was agreed for 2017/18. The full scheme for 2018/19 is set out at Appendix A.
- 3.4 Although funding of £106,000 and £15,000 has been allocated by the Government for the 2019/20 and 2020/21 financial years respectively, it is not currently possible to accurately forecast the level of relief that should be applied in those years due to changes in charges which have yet to be determined. It is therefore proposed that the Chief Operating Officer, in consultation with the Cabinet Member for Finance, Growth and Investment, be authorised to finalise the Local Discretionary Business Rate Relief Schemes for 2019/20 and 2020/21, including determining the rate of relief to be applied, in line with the principles within the current policy.

4. Options Appraisal

- 4.1 The proposals in this report are intended to optimise the funding available to local businesses to mitigate the effects of the 2017 business rates revaluation. Any unspent funding within the specific budgets for 2017/18, 2018/19, 2019/20 and

2020/21 cannot be rolled forward into subsequent years so it is important to utilise as much funding as possible in-year.

5. Consultation

- 5.1 The report to Cabinet in October 2017 set out the extensive consultation undertaken by the Council in the development of the 2017/18 scheme. It is not proposed to consult on the schemes for 2018/19 – 2020/21 as the principles are unchanged.
- 5.2 The Council will continue to publicise the availability of the scheme.

6. Financial Issues

Implications completed by: Katherine Heffernan, Group Manager – Service Finance

- 6.1 The Government have awarded £909,000 over a period of four years to provide businesses that have been impacted through the business rates revaluation with some financial support.
- 6.2 As seen in paragraph 1.2, the funding significantly reduces in year 4, by which point the costs of providing any relief to affected businesses will need to be absorbed into the Council's overall budget.

7. Legal Issues

Implications completed by: Dr. Paul Feild, Senior Governance Lawyer

- 7.1 In the 2017 Budget, the Chancellor announced that the Government would make available a discretionary fund of £300 million over four years from 2017-18 to support businesses that face the steepest increases in their business rates bills as a result of the revaluation. The power to apply relief was delegated to local authorities (billing authorities) for them to determine their relief policy.
- 7.2 This will be administered through Billing Authorities discretionary relief powers under section 47 of the Local Government Finance Act 1988. Providing the billing authority's scheme is compliant with the Governments eligibility criteria then it will be compensated for any loss of income it incurs by means of grant payments under s.31 of the Local Government Act 2003.

Public Background Papers Used in the Preparation of the Report:

- "Local Discretionary Business Rate Relief Scheme 2017/18" report and minute, Cabinet 17 October 2017
(<https://modgov.lbbd.gov.uk/Internet/ieListDocuments.aspx?CId=180&MId=9413&Ver=4>)

List of appendices:

- **Appendix A** - Barking & Dagenham Local Discretionary Business Rate Relief Scheme 2018/19