

## **Wiltshire Council**

### **Cabinet**

**12 September 2017**

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**Subject: Business Rates Discretionary Relief Scheme**

**Cabinet Member: Councillor Philip Whitehead, Cabinet Member for Finance**

**Key Decision: Yes**

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#### **Executive Summary**

Following Government proposals to offer funding for those subject to extraordinary increases in business rates following the latest revaluation of all non-domestic property, this report introduces amendments to the existing discretionary rate relief policy in order to best target the funding available.

The chancellor announced three business rate relief schemes to help businesses most affected by the revaluation that took effect from April 2017.

These were:-

- Supporting small business, ensuring that no business losing small business rates relief or rural rate relief as a result of revaluation faces an excessive increase in bills. (Scheme 1)
- Relief for pubs, a £1000 rebate for all pubs with a rateable value of less than £100,000. (Scheme 2)
- A local discretionary fund – to be distributed to those businesses that face the steepest increase in their business rates bills as a result of the 2017 revaluation, under locally designed criteria. (Scheme 3)

This paper highlights the amounts available and the proposals to award the relief to those businesses in Wiltshire, least able to accommodate large increase in rates payable resulting from revaluation.

This report seeks agreement for changes to the current relief scheme in order to clarify the criteria against which any application for local discretionary rate relief (Scheme 3) will be assessed following the existing guidelines:-

- Awards will be by determined through a process whereby recipients are identified and either awarded relief or invited to apply.
- Applications will be determined by officers against the criteria set out in the report
- Awards will be only begin from the financial year in which a

claim was made.

- Any dispute regarding an award will be resolved using the current appeals process.

### **Proposal**

Council is asked to agree changes to the discretionary rate reduction scheme set out at section 6 of this report, with effect from April 2017.

### **Reason for Proposal**

On 8<sup>th</sup> March 2017 the Chancellor announced that new schemes of relief would be made available to those ratepayers facing large increases as a result of revaluation. He set out three schemes and how they would be funded over four years from 2017/18. The Chancellor stated that local government is best placed to determine how this fund should be targeted and administered to support those businesses that are in greatest need.

This report explains the three schemes, how they will integrate with the existing discretionary rate relief schemes and how the schemes are funded. The report goes on to explain the criteria for awarding the reliefs, the process to ensure the 'best-buy' for the customer and how those funds will be directed.

The Government's intention is that every billing authority in England will identify recipients of the new reliefs and be provided with a share of the £300 million to support their local businesses and will be administered through existing discretionary relief powers under section 47 of the Local Government Finance Act 1988. The proposal sets out the criteria and process by which new relief will be awarded.

**Dr Carlton Brand, Corporate Director**

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### **1. Purpose of Report**

- 1.1 To seek agreement on proposals to amend the Business Rate Discretionary Relief Policy in order to award additional funding to those ratepayers who are facing an increase in their bills following revaluation with effect from April 2017.

### **2. Relevance to the Council's Business Plan**

- 2.1 Under Section 47 of the Local Government Finance Act 1988 local authorities were given discretionary powers to award a variety of reliefs to support and retain services and employment within its communities. These discretionary powers have been amended over the years to offer businesses timely support to cope with various national and local issues ranging from Foot and Mouth outbreak, flooding or the banking crisis. Discretionary rate reliefs have therefore been awarded in a way that supports the council's business plans. The latest reliefs are aimed to protect those hardest hit by the revaluation process which took effect on 1<sup>st</sup> April 2017. The careful and consistent use of discretionary powers are seen as a way of offering support to the local economy and therefore contributing to the council's business plan.

### **3. Main Considerations for the Council**

- 3.1 The council already has a policy and processes by which applications for discretionary relief are assessed, using well tested criteria and case law. These latest reliefs involve the distribution of ring fenced grants to those who are facing an increase in their bills following revaluation. In order to distribute the grants equitably the council must identify those subject to the most significant increases having first applied other reductions and reliefs.
- 3.2 There will be three new discretionary relief schemes which the council can award. The process of identifying recipients differs depending on the scheme and the process of awarding relief will differ. The latest reliefs are not exclusive; a ratepayer may well qualify for rate relief from more than one of the new schemes in addition to existing forms of rate relief or reduction.

- 3.3 The first relief (Scheme 1) is directed at those trading businesses who in the past received either small business rate relief or rural rate relief which was based on the rateable value of the business. Following revaluation a rise in the businesses rateable value will exclude some from qualifying for either small business rate relief or rural rate relief. Government has offered a solution for those affected which have been identified. 135 businesses will have their increased capped at £600 per annum. This relief requires changes made to software operating systems and so awards under this scheme will be delayed until these changes are made.
- 3.4 The second (Scheme 2) of the new reliefs is available to pubs where a £1,000 rebate can be awarded to those with a rateable value of less than £100,000. This relief has already been administered and awarded to 215 trading pubs in Wiltshire.
- 3.5 The most challenging relief to administer is the local discretionary fund (Scheme 3) which can be awarded to any business, hardest hit by the revaluation process, under locally designed criteria. This report focuses on the criteria in order to target available funds to those hardest hit whilst also supporting the council's own business plans to protect the local economy and jobs.
- 3.6 In order to identify those who may be entitled, comparisons have been made between the net rates paid last year which are compared to the net rates due in 2017-18. In order to distribute Scheme 3 grant as widely and as fairly as possible criteria have been considered and set out below which will need to be integrated into the existing discretionary relief policy. These are:-
- That the scheme (scheme 3) is mainly directed at property with a rateable value of £200,000 or less
  - That the ratepayer does not fall into scheme 1 but as a result of revaluation is paying more than 12.5% than in the previous year,
  - That the property is the main or only property belonging to the business and is occupied
  - That the award does not breach regulation regarding state aid and is not awarded to high street chains or nationally established businesses
  - That the award can only amount to 50% of the overall increase in net rates due, once all other reliefs have been awarded.
  - That the business falls into one of the categories set out in Appendix 1
- 3.7 New burdens funding of £12,000 will be made available to each billing authority to meet the costs of identifying recipients, determining entitlement and issuing new bills

## **4. Background**

- 4.1 Non-domestic property was subject to revaluation on a five yearly basis in order to maintain the accuracy of the local non-domestic valuation list.

Valuations are carried out by the Valuation Office Agency who forms part of the Inland Revenue. For a number of mainly political reasons the revaluation scheduled for 2015 was delayed until 2017. Great concern was raised in the media about the detrimental impact the revaluation would have, particularly on the high street and so even before the outcome of the revaluation was known the Government were put under pressure to provide additional funds to support those most adversely affected by the revaluation.

- 4.2 It was during the spring budget that the Chancellor made his announcement regarding the fund he made available to provide extra support, by which time the rate bills had already been produced and dispatched.
- 4.3 The overall impact of revaluation was in fact limited and the existing schemes already in place offered the majority of ratepayers a great deal of protection. However detailed analysis conducted by the Revenues staff has identified some anomalies. The recommendations within this report are based on their analysis which has identified 135 ratepayers who lost small business rate relief or rural rate relief and could have rate increases capped and around 215 possible recipients of pub relief. A further 500 ratepayers have been identified who would qualify for the discretionary fund.

## 5. Cost of Current Scheme

- 5.1 Non-domestic rate income is shared between the council and Central Government with a small proportion given to the Fire Service. Wiltshire Council retains around £0.37 for every £1.00 it collects. The three new schemes are funded in slightly different ways.
- 5.2 Scheme 1 limits or caps the increase in rates payable to a maximum of £600 per annum for those who previously received either small business rate relief or rural rate relief in 2016-17. Any relief awarded under this new scheme will be fully funded by government through a Section 31 grant. (Ratepayers will remain in the supporting small business relief scheme for either 5 years or until they reach the bill they would have paid without the scheme.)
- 5.3 Scheme 2 ensures pubs receive a rebate of £1000 and any relief under this scheme will be fully funded by government, again through a Section 31 grant. Over £205,000 has already been awarded to Wiltshire's pubs this financial year. (There is no indication that this relief scheme will be extended.)
- 5.2 Scheme 3 is the discretionary fund set by central government. The table below sets out the amounts that will be available for distribution over the next four years.

Period	2017-18	2018-19	2019-20	2020-21
Amount	£930,000	£452,000	£186,000	£27,000

## **6 Proposals for Change**

- 6.1 That the existing discretionary rate relief scheme is amended to include three further schemes which will be determined by officers within the Revenues service.
- 6.2 Recipients of Scheme 1 (capping annual increases to £600) will be identified through data analysis and automatically awarded once the software system is updated to cope with this change. It is estimated there will be 135 recipients and the total award will amount of relief is anticipated to be £175,000 in 2017-18.
- 6.3 Recipients of Scheme 2, pub relief, have already been identified and over 200 pubs awarded a rate reduction of £1000. New bills have already been issued with the rebate. It is estimated that this scheme will eventually cost £250,000 in 2017/18.
- 6.4 Recipients of Scheme 3 relief will be identified through analysis and invited to apply for a reduction through a simple consultation and application process, using the latest application form for discretionary rate relief, either on-line or via a form. Invitations to apply will be issued once the report is ratified. Recipients will have to meet the criteria set out in section 3 above and indicate that they have been impacted by the revaluation process. (The consultation and application process will provide an opportunity for a rate relief review by officers to ensure the best arrangement for the ratepayer.) The schemes can also be combined in such a way that it is feasible to award a reduction in rates through scheme 2 however such is the increase in rates payable that they could also qualify for a further reduction under scheme 3.) It is difficult to estimate the cost of the scheme in 2017/18 however research has revealed 500 possible recipients with a total cost of £1.2 million. The maximum funding for the scheme will amount to £930,000 in 2017-18 and fall each year thereafter, (as set out in the table above).
- 6.5 A briefing note will be sent to members, towns and parish council to raise awareness of the scheme, which will also be promoted on the council's website.

## **7. Overview and Scrutiny Engagement**

- 7.1 None.

## **8. Safeguarding Implications**

- 8.1 None

## **9. Public Health Implications**

- 9.1 None

## **10. Procurement Implications**

10.1 None

## **11. Equalities Impact of the Proposal** (detailing conclusions identified from Equality Analysis, sections 4 and 5)

11.1 The amendments follow the criteria set by government which specifically supports those ratepayers who are subject to an increase in their rates due to valuation. However, by their very nature the schemes are discretionary and careful consideration will be given to every award. These schemes are a further addition to range of reliefs which have existed for many years to support ratepayers and will be used in conjunction with other reliefs to ensure the ratepayers receives 'the best buy'.

## **12. Environmental and Climate Change Considerations**

12.1 None

## **13. Risks that may arise if the proposed decision and related work is not taken**

13.1 Failure to offer a means by which funds can be distributed would leave some ratepayers facing excessive increases in the rates bills. Failing to keep the local discretionary rate relief scheme in line with the latest approaches involves a number of risks:

- The first being the complexity of administering schemes with different rules, and explaining these to our customers
- Secondly justifying our position if we chose not to introduce current thinking or legislation and are challenged at an appeal tribunal where disputes over entitlement are settled
- Not meeting our own corporate objectives by failing to support those most adversely affected by revaluation.

## **14. Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks**

14.1 There is a risk that the scheme is not accurately targeted and that the relief, is both obscure, and too complex to apply for. Through analysis, identification of recipients and by directing the application process particularly for Scheme 3, each claim can be given careful consideration and where an application is turned down; there is a process of appeal and dispute resolution already in place.

14.2 There is a risk that ratepayers will expect more generous relief schemes making the challenge of collecting business rates onerous. However through the consultation and application process the Service can consider all options available to support those least able to cope with the

challenges presented by revaluation and its impact on the latest non-domestic rate bills.

## **15. Financial Implications**

15.1 There are no direct financial implications for the authority and the schemes will be fully funded by Government who are also providing new burdens funding of £12,000 to meet the additional administrative costs of the scheme. The challenge facing the authority is the equitable distribution of the funds available. Analysis indicates that around 500 ratepayers could qualify for the discretionary fund available for scheme 3, based on the recommended criteria. If the entire shortfall were to be met the cost would be in the region of £1.2million against a fund of £930,000. Therefore the scheme cannot fund in full the overall increase between rates paid this year and last year. From the outset the council funding will only meet a maximum of 50% of the increase. If, due to limited take up, there is funding unspent then the level of award can be reviewed.

## **16. Legal Implications**

17.1 The council have a duty to operate a business rate discretionary relief scheme. The proposed changes have been instigated by an instruction from Government. The production of this report is to ensure Government's timelines are met so that the process of award the new reliefs can begin.

## **17. Options Considered**

**18.1 Not applicable**

## **18. Conclusions**

19.1 To amend the current discretionary rate relief policy to include the 3 new schemes and to award Scheme 3 relief in accordance with the criteria set out in section 3.6.

### **Michael Hudson (Associate Director, Finance)**

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Date of report

### **Appendices**

Appendix 1 Analysis of possible recipients

**Background Papers -None**