



## **AGENDA ITEM:**

**COUNCIL: 18<sup>th</sup> October 2017**

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**Report of: Director of Housing and Inclusion and Borough Treasurer**

**Contact: Marc Taylor (Extn. 5092)**  
**(E-mail: Marc.Taylor@westlancs.gov.uk)**

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**SUBJECT: DISCRETIONARY BUSINESS RATE RELIEFS**

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Wards affected: Borough Wide

### **1.0 PURPOSE OF THE REPORT**

- 1.1 To provide an update on discretionary rate relief for local businesses using funding provided by Government as announced in the Spring Budget.

### **2.0 RECOMMENDATIONS**

- 2.1 That the discretionary relief schemes that have already been implemented this year under delegated authority be noted and endorsed.
- 2.2 That the further local scheme of relief set out in the Appendix be approved, and that delegated authority be provided to the Director of Housing and Inclusion in consultation with the Leader to finalise and implement the scheme.

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### **3.0 BACKGROUND**

- 3.1 The Government is providing funding to local authorities to enable them to offer business rate discounts to local businesses. This report provides details on these schemes, including their estimated value and the number of businesses that will benefit.

## **4.0 NEW DISCRETIONARY RELIEF SCHEMES**

- 4.1 On the 1st April 2017 new rateable values for all business premises in England and Wales came into force as a result of the 2017 Revaluation undertaken by the Valuation Office Agency. In the Spring 2017 Budget, the Chancellor announced that a new scheme of support would be made available to those ratepayers facing large increases in their business rates as a result of the loss of small business or rural rate relief due to the revaluation. This is known as the “Supporting Small Businesses Relief Scheme”. This scheme will help those ratepayers affected by ensuring that the annual increase in their bills is limited to £50 per month. The relief will continue for up to 5 years.
- 4.2 It is estimated that there are 13 businesses in West Lancashire that are eligible for assistance under this scheme of support, and the total value of this support would be £15,097. These businesses have been contacted to inform them that they will receive this discount, and have been re-billed accordingly.
- 4.3 In addition to the above scheme, the government also announced a new relief scheme for pubs that have a rateable value of below £100,000. Under the scheme, eligible pubs will receive a discount of up to £1,000 on their bill. The relief will have effect for 2017/18 only.
- 4.4 It is estimated that there are 62 pubs in West Lancashire that may be eligible for assistance under this scheme of support. These businesses have been contacted and asked to confirm relevant details including that there are no State Aid implications arising from the award of relief (a potential issue with national pub chains). As soon as these details are confirmed the businesses will be provided with the discount.
- 4.5 Both of these schemes have been implemented under delegated authority as they comply with the Council's long standing aim of supporting local businesses and because their details are largely prescribed by the Government.
- 4.6 The Government is also providing £300m of support over the four year period from 2017-18 to help support those businesses that face increases in their business rates bills as a result of the 2017 Revaluation. This will require the Council to design and establish a new local scheme of discretionary rate relief, and this is explored further in the next section of the report.

## **5.0 PROPOSED NEW SCHEME OF DISCRETIONARY RATE RELIEF**

- 5.1 The Government has calculated West Lancashire's share of the £300m national pot as £288,889 which will be allocated over 4 years as follows:
  - 2017/18 £168,518
  - 2018/19 £81,852
  - 2019/20 £33,704
  - 2020/21 £4,815

- 5.2 These figures have been derived taking into account the total increase in bills (excluding transitional and other reliefs), for every property in England where the rateable value for 2017/18 is less than £200,000 and the increase in the 2017/18 bill is more than 12.5%. The sums shown above represent the maximum that will be available in each year. Any funding not used will be reclaimed by the Government and there is no flexibility to carry funding over between years.
- 5.3 The Government expects that billing authorities will implement a local scheme of relief using their discretionary relief powers under section 47 of the Local Government Finance Act 1988. It will then provide grant funding to compensate for lost business rates income up to the maximum level.
- 5.4 In designing the local scheme of relief, consideration will be given to any other reliefs that the ratepayer is entitled to, because this discretionary relief will be the last type of discount applied to an account. As the relief is awarded as a local discount, awards will be subject to State Aid considerations. The maximum threshold for State Aid is €200,000 over 3 years. A consequence of this limit is that it ordinarily excludes national business chains from accessing relief.
- 5.5 A draft scheme is provided at Appendix 1 for consideration. It is designed so as to fully allocate the funding awarded to the Council and be relatively simple to administer. The scheme sets out the criteria and exclusions that will apply in determining the eligibility of businesses for the scheme.
- 5.6 The Council must consult with the major precepting authorities on our local scheme i.e. the County Council and Fire Authority. A copy of the draft scheme has been submitted to them and any feedback will be provided at the meeting.
- 5.7 There are several variants that could be devised when implementing a local discretionary scheme. The proposed scheme seeks to grant relief to a wide range of small businesses and will compensate them for the majority of the increase in rates they have experienced as a result of revaluation. It is estimated that there are around 60 businesses that will benefit from the scheme.
- 5.8 There may be a potential need to refine the scheme to ensure the value of relief is maximised but remains within the funding available. Consequently it is proposed that a delegated authority be given to the Director of Housing and Inclusion in consultation with the Leader to finalise and implement the scheme.

## **6.0 FINANCIAL AND RESOURCE IMPLICATIONS**

- 6.1 The costs to the Council associated with these discounts schemes should be fully reimbursed by government grant.

## **7.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY**

- 7.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. The report has no significant links with the Sustainable Community Strategy.

## **8.0 RISK ASSESSMENT**

- 8.1 The risks appear limited if, as expected, the Government reimburses the Council in full for implementing these reliefs. However, there are risks around compliance and eligibility checks including State Aid considerations and these will need to be addressed in the determination of awards. It is also important to build in sufficient flexibility into the proposed new local scheme to ensure awards of relief can be contained within the government funding allocation.
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### **Background Documents**

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this report.

### **Equality Impact Assessment**

An equality impact assessment has not been undertaken on the proposed changes given that they will apply to all qualifying businesses.

### **Appendices**

Draft Local Discretionary Business Rate Relief Scheme 2017/18 – 2020/21.

## APPENDIX

### **Draft Local Discretionary Business Rate Relief Scheme 2017/18 – 2020/21**

(a) The scheme is designed to assist qualifying ratepayers who have experienced an increase in their rates liability due to the 2017 Revaluation.

(b) Relief will not be awarded where mandatory relief is granted.

(c) In assessing potential entitlement the Council will compare the rate liability as at the 31st March 2017 after any reliefs and reductions and the rate liability as at 1st April 2017 taking into account any reliefs and reductions.

(d) Relief will be applied at a maximum rate of 75% on the increase in rates payable subject to a maximum award of relief not exceeding £5,000. Awards will only be applied where the amount is £100 or greater. This percentage rate will be adjusted, if required, to ensure that the relief provided shall maximise but not exceed the level of funding provided by the Government.

(e) Relief will only be given to premises liable for occupied rates and which are trading. There is no relief for unoccupied premises or premises that are not trading.

(f) Relief will only be granted to ratepayers who were in occupation as at the 31st March 2017 and in occupation on the 1st April 2017 and for each day subsequently.

(g) Ratepayers taking up occupation after the 1st April 2017 will not be eligible as they will not have suffered an increase due to a revaluation.

(h) Relief will not be awarded on properties which were not on the rating list at 1st April 2017, relief will not apply where properties are entered into the list retrospectively.

(i) Relief may be awarded for more than one premise as long as all other criteria are met.

(j) Relief will not be awarded where:

- the ratepayer has applied for a reduction under S44a of the Local Government Finance Act 1988 (i.e. partly occupied properties); and
- the property has an increase in rateable value after the 1st April 2017 which increases the rate charge above the 1st April 2017 value.

(k) Relief will not be awarded for premises which are wholly or mainly used for Health and Education or Public Sector purposes.

(l) Relief will not be awarded on any premises with a rateable value of £200,000 or more.

(m) If, after relief has been granted, an eligible ratepayer's bill for 2017/18 is *reduced* for any reason, the amount of relief will be reduced or removed accordingly. Where a ratepayer's bill for 2016/17 is *increased* for any reason, the amount of relief will be reduced or removed accordingly.

(n) The level of relief granted in 2018/19, 2019/20 and 2020/21 will be based on the relief awarded in 2017/18, pro rata adjusted to take account of the total funding available

(o) The total value of relief granted in any year by the Council shall not exceed the level of funding it receives from the Government.

(p) Relief will not be granted where its award would not comply with European Union law on State Aid (i.e. the total value of State Aid must not exceed €200,000 under the De Minimis Regulations EC 1407/2013). More information on State Aid can be found at: <https://www.gov.uk/state-aid>

(q) Any ratepayer considered for relief under this scheme will be required to provide such information as is needed by the Council to determine their eligibility.