

 Brent	Cabinet 12 February 2018
	Report from the Strategic Director of Resources
National Non-Domestic Rates – Discretionary Discount Schemes	

Wards Affected:	All
Key or Non-Key Decision:	Key
Open or Part/Fully Exempt:	Open
No. of Appendices:	1
Background Papers:	6
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1.0 Purpose of the Report

- 1.1 The council collects Business Rates in accordance with the Local Government Finance Act 1988. There is usually a revaluation of the rateable value of all non-domestic properties every 5 years, however the revaluation due in 2015 was delayed for 2 years. A revaluation therefore came into effect from 1 April 2017, the first for 7 years which saw some considerable increases in bills for some ratepayers. Whilst there is a transitional relief scheme whereby both increases and reduction in bills are phased in over 5 years many businesses still faced considerable increases in their bills year on year. The government therefore announced in the 2017 March statement that it would make funding available to councils for 4 years from 2017/18 to enable them to introduce their own discretionary discount scheme in order to provide further help to those businesses facing increases in their bills as a result of the revaluation. The funding for Brent over the 4 years 2017/18 – 2020/21 is £1.878M, with specific allocations for each financial year.
- 1.2 The powers to grant local discounts are within section 47 of the Local Government Finance 1988. To award discounts under this provision it needs committee approval of any scheme. Cabinet agreed the discount scheme for revaluation support for 2017/18 at its meeting on 24 July 2017, however the amount of relief awarded to date is short of the allocation from central government for 2017/18 and any shortfalls in spending cannot be used in subsequent years. This report therefore seeks amendment of the 2017/18

scheme in order to ensure full take up of the allocation for 2017/18. It also seeks approval of the proposed scheme for 2018/19 as detailed in this report and in Appendix 1. In view of the numbers of ratepayers who will be entitled to relief the report also seeks approval to authorise the Chief Finance Officer to implement the scheme so that officers can award these discretionary reliefs which satisfy the set criteria detailed in the report

- 1.3 The government will fully fund the cost of reliefs awarded up to the funding allocation for each year. Additional administrative costs incurred as a result of introducing and running the scheme will be met through new burdens funding
- 1.4 The government has announced the continuation of 2 other discount schemes to help specific businesses affected by the revaluation – Support for Pubs which in effect will give a £1,000.00 discount where their rateable value is less than £100,000, and Supporting Small Businesses whereby businesses facing increases in their rates bill due to losing small business rates relief will have their increases restricted to £600 per annum. The government expects local authorities to introduce these 2 schemes using their section 47 powers. Again these schemes were agreed by Cabinet on 24 July 2017, approval is sought to continue them for 2018/19

2.0 Recommendations

- 2.1 That the discretionary discount scheme (Revaluation Support) for 2017/18 be amended as detailed in Appendix 1 of this report and be approved pursuant to the Council's powers under section 47 of the Local Government Finance Act 1988.
- 2.2 That the discretionary discount scheme (Revaluation Support) for 2018/19 as detailed in Appendix 1 of this report be approved pursuant to the Council's powers under section 47 of the Local Government Finance Act 1988. A further report will be presented to Cabinet in 2019 detailing the proposed scheme for 2019/20 and 2020/21
- 2.3 That the 2 schemes - Support for Pubs and Supporting Small Businesses- and as detailed in sections 3.16 and 3.17 of the report be approved for 2018/19 pursuant to the Council's powers under section 47 of the Local Government Finance Act 1988.
- 2.4 That the Chief Finance Officer be authorised to implement the three schemes as detailed in Appendix 1 and sections 3.0 of this report so that the agreed discretionary discounts for business rates can be awarded in compliance with the scheme criteria.

3.0 Detail

Discretionary Discount Scheme – Revaluation Support

- 3.1 Business rates (also known as non-domestic rates) are payable by the occupiers or owners of all non-domestic premises. The amount payable is based on the rateable value and this is assessed by the Valuation Office Agency (part of HMRC). The rateable value broadly reflects the annual rental value of the property. The VOA maintain a Rating list which shows the rateable value of each property in each council's area.

- 3.2 Every 5 years there is a revaluation whereby the rateable values are reviewed and a new rating list compiled. However the revaluation that was due in 2015 was postponed until 2017. As rental values have changed dramatically over the last 7 years this is reflected in the new rateable values that took effect from 1 April 2017. For Brent the total rateable value increased from £285,256,183 to £318,929,082, an increase of 11.8%. This resulted in some properties seeing very large increases in their rates bills for 2017/18 when compared to 2016/17. Whilst there is a transitional relief scheme that limits the increases in bills for 2017/18 and subsequent years, (see table below), businesses are still experiencing increases well above inflation.

Transitional Relief Scheme – Increases in bills restricted to percentages shown

Size of Business	2017/18*	2018/19**	2019/20	2020/21	2021/22
Small (up to £28,000)	5%	7.5%	10%	15%	15%
Medium (£28,001 to £100,000)	12.5%	17.5%	20%	25%	25%
Large (£100,001+)	42%	32%	50%	16%	5%

*For 2017/18 inflation of 2% is also added

** For 2018/19 inflation of 3% is also added

In 2017/18 over 53% of businesses in Brent were entitled to transitional relief. In 2018/19 this has fallen to xx%, however it should be noted that the percentage increases before transitional relief is applied is much higher than in 2017 -18 – 7.5% for small businesses and 17.5% for medium sized businesses

- 3.3 In the 2017 March Budget, the Government announced £300 million for local councils to finance business rates relief for revaluation support. The Government's extra funding will only support relief schemes targeted at businesses facing an increase in their business rate bills following the 2017 revaluation. The Government's allocation of funding for Brent is:

LA	Amount of discretionary pot awarded (£000s)				Total
	2017-18	2018-19	2019-20	2020-21	
LB Brent	1,096	532	219	31	1,878

- 3.4 It is a condition of the funding that relief can only be awarded to ratepayers facing increases in their bills as a result of the revaluation, it further assumes that relief will be given to those ratepayers facing the highest increases and will target ratepayers occupying lower value properties. It has confirmed that any under or overspends cannot be transferred or offset against any future years.

2017/18 Scheme

- 3.5 The council approved its own local discretionary discount scheme for revaluation support at the Cabinet meeting on 24 July 2017, this being for 2017/18 only. The relief scheme being administered under section 47 of the Local Government Finance Act 1988 as amended. The council consulted with the GLA, other business organisations and local businesses on its proposed scheme and as a result of the this seven key criteria on scheme design were agreed, these being-

- That only businesses who have seen increases in their rate bills in 2017/18 when compared to 2016/17 of more than the percentages specified in the tables below and in Appendix 1 be considered for relief
- The relief be a percentage discount of the net bill
- That the scheme applies to all of the council's area
- That any company who is liable for 6 or more properties nationally be excluded
- That apart for betting shops and gaming establishments the scheme be open to all property types
- That properties unoccupied on 1 April 2017 be excluded from the scheme
- That businesses who have arrears of business rates from previous years be given an opportunity to either pay these in full or agree a repayment arrangement before being considered for relief.

3.6 The scheme for the financial year 1 April 2017 to 31 March 2018 provided for relief to be awarded at different percentages depending on the percentage increase in the property's rate bill for 2017/18 and its size, i.e., small, medium or large as per the table below. The relief is the equivalent a percentage discount off the net bill (excluding any business rates supplement) as per the table below

1. Small properties (up to £28,000) rateable value

Increase in Bill	Amount of Discount (percentage of net charge)	Actual Increase after relief
3.00% - 4.99%	2%	1% - 2.99%
5.00% - 6.99%	3%	2% - 3.99%
Over 7.00%	4%	3%+

2. Medium Properties (rateable value between £28,001 and £100,000)

Increase in Bill	Amount of Discount (percentage of net charge)	Actual Increase after relief
5.00% - 7.99%	3%	2% - 4.99%
8.00% - 10.99%	4%	4% - 6.99%
Over 11.00%	5%	6%+

3. Large properties (rateable value between £100,001 and £199,999)

Increase in Bill	Amount of Discount (percentage of net charge)	Actual Increase after relief
Over 15.00%	5%	10% +

3.7 In last July when the scheme was approved by Cabinet it was estimated that the amount of relief to be awarded was £941,000. This allows for some tolerance and movement so that it did not exceed the amount of funding allocated to Brent for 2017/18 (£1,096,000). However in reality between April and December 2017 relief totalling £750,000 has been awarded, which is £346,000 less than our allocation. This is due to less businesses being entitled

than expected, plus the tolerance and movement has all been downward due to changes in occupation, etc. In order to utilise as much of our allocation as possible and to further help businesses it is therefore recommended that the scheme for 2017/18 be amended by increasing the discount percentages for small and medium sized businesses as detailed below. (Note there are only 26 large businesses receiving a discount so it is recommended the discount for these remain unchanged especially as the consultation exercise carried out wished for relief to be concentrated on small and medium sized businesses). This will be awarded automatically rather than expecting businesses to apply:-

1. Small properties (up to £28,000) rateable value

Increase in Bill	Amount of Discount (percentage of net charge)	Amended Discount
3.00% - 4.99%	2%	3%
5.00% - 6.99%	3%	5%
Over 7.00%	4%	6%

2. Medium Properties (rateable value between £28,001 and £100,000)

Increase in Bill	Amount of Discount (percentage of net charge)	Amended Discount
5.00% - 7.99%	3%	4%
8.00% - 10.99%	4%	6%
Over 11.00%	5%	7%

By applying these changes it is expected that additional relief of £300,000 can be awarded by the end of March 2018, marginally under Brent's allocation.

2018/19 Scheme

- 3.8 The funding for 2018/19 is £532,000, less than 50% of the funding made available for 2017/18. Because the transitional relief scheme is less generous for 2018/19 it means that ratepayers will be seeing larger increases in their bills for 2018/19 than they did for 2017/18 – small ratepayers could be seeing increases of up to 10.7% and medium sized ratepayers' increases of up to 21.03%. Those businesses who received the revaluation support discount in 2017/18 will be seeing even bigger increases. Over 2,100 small businesses will have increases in their 2018/19 bills of more than 4% and modelling has indicated that 1,726 of these would meet the qualifying for a discount. Over 350 medium sized businesses will have increases in their bills for 2018/19 of more than 10% and modelling shows that 279 of these would qualify for a discount
- 3.9 The principles of the revaluation support scheme for 2018/19 should remain the same in order to achieve consistency and transparency. The results of the consultation exercise wished for any scheme to concentrate on small and medium sized businesses, so as funding for 2018/19 is reduced it is recommended that the scheme does not apply to large properties (those with a rateable value for £100,000 or more). In addition as there are many small businesses who will see above inflation increases in their bills for 2018/19 relief should focus on small businesses, whilst still providing help to those medium sized businesses facing large increases in their bills.

- 3.10 The proposed scheme for the financial year 1 April 2018 to 31 March 2019 will therefore mirror the scheme for 2017/18 and provide for relief to be awarded at different percentages depending on the percentage increase in the property's rate bill for 2018/19 and its size, i.e., small or medium as per the table below. The relief is the equivalent a percentage discount off the net bill (excluding any business rates supplement) as per the table below

1. Small properties (up to £28,000) rateable value

Increase in Bill	Amount of Discount (percentage of net charge)	Actual Increase after relief	Estimated number of qualifying businesses
4.00% - 5.99%	2%	2% - 3.99%	400
6.00% - 8.99%	4%	2% - 4.99%	116
9.00% - 11.99%	5%	4% - 6.99%	1,160
Over 12.00%	6%	6%+	50

2. Medium Properties (rateable value between £28,001 and £100,000)

Increase in Bill	Amount of Discount (percentage of net charge)	Actual Increase after relief	Estimated number of qualifying businesses
10.00% - 14.99%	2%	8% - 12.99%	55
15.00% - 19.99%	3%	12% - 16.99%	81
Over 20.00%	4%	16%+	143

Modelling indicates that the value of relief in respect of the above cases would be £568,000, £36,000 more than our allocation, however this year has shown that there will be at least a 10% reduction in this figure due to ratepayers moving and other changes in circumstances. This would reduce the amount of relief for 2018/19 to £508,000.

- 3.11 The scheme for 2018/19 (and 2017/18) is the fairest way of distributing Brent's allocation of government funding for extra relief because:-

- It would ensure that the value of the extra relief given out is proportional to the amount that a businesses' bill has increased by. Those local businesses facing the most significant increases in their bills following the revaluation, would receive the most support under the proposed scheme.
- It would ensure that the extra relief available supports different types and sizes of business across the whole borough, rather than just being concentrated on a very small number of businesses or any one particular high street or sector.
- It provides for a consistent method of calculating how much relief to award any one business, ensuring that the relief scheme is transparent and that businesses are treated fairly against a clear criteria
- This scheme will be easy to administer requiring less manual intervention thus making it less costly than other schemes that were considered.

- 3.12 It is also recommended that some discretion be included in the scheme so that companies facing particular short term difficulties due to the increase in rates may be awarded relief over and above that set out in the tables above and in Appendix 1. They would have to demonstrate financial hardship and that the award of relief will help the long term sustainability of the company. The amount of relief would be restricted to the actual increase in rates bill resulting from the increase in rateable value as a result of the revaluation.
- 3.13 The scheme will apply for 2018/19 only. A further report will therefore be presented to Cabinet in the final quarter of 2018/19 recommending the discount scheme for 2019/20 and 2020/21
- 3.14 Entitlement to relief will also be subject to State Aid rules whereby a business must not have received state aid exceeding 200,000 euros in the last 3 years (current year plus preceding 2). State aid includes reliefs, grants, interest rate and tax relief, subsidies, guarantees, etc. Potential qualifiers have been identified and relief will be awarded automatically after checks have been carried out to ensure they meet the criteria. Qualifying businesses will be advised of their entitlement and of the state aid rules and will be told to notify the council if they do not meet these rules.
- 3.15 Full details of the scheme for 2017/18 and 2018/19 and criteria are detailed in Appendix 1. There will be some administrative costs in implementing and administering the scheme, however the government has announced there will be funding available via New Burdens to cover all or part of it. An initial allocation of £12,000 has been awarded for 2017/18, however it is unclear whether there will be additional funding for 2018/19 other than for billing and postage costs
- 3.16 **Support for Pubs**
- 3.16.1 The government announced in its 2017 Spring Budget business rates relief for public houses and premises. This proposed a £1,000 discount for pubs that have a rateable value of less than £100,000. This scheme was originally for the financial year 2017/18 only, however it was announced in the November 2017 Autumn Statement that it will be extended into 2018/19. The government expects local authorities to use their discretionary relief powers under section 47 of the Local Government Finance Act 1988 to award this relief. The DCLG issued guidance on the award of this relief in its Business Rates Information letter dated 20 June 2017 (BRIL 4/2017) and the scheme will be implemented in accordance with this guidance.
- 3.16.2 This relief will also be subject to state aid rules. Less than 50 businesses qualified for this relief in 2017/18, so a similar number will be entitled in 2018/19. Councils will be fully reimbursed for the costs of reliefs awarded as well as receiving some administrative costs. There is therefore no or little cost to the council of operating this scheme.
- 3.17 **Supporting Small Businesses**
- 3.17.1 In the 2017 Spring Budget 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 rate relief in 2017/18 due to the revaluation.

- 3.17.2 The supporting small businesses relief will help those ratepayers who as a result of the change in their rateable value at the revaluation are losing some or all of their small business rate relief and, as a result, are facing large increases in their bills. To support these ratepayers, the supporting small businesses relief will ensure that the increase in the bills of these ratepayers is limited to £600 per year (£50 per month). Qualifying ratepayers will receive this relief each year until their actual rate liability is reached. As with the other schemes the government expects local authorities to use their discretionary relief powers under section 47 of the Local Government Finance Act 1988 to award this relief.
- 3.17.3 Full guidance on the scheme criteria and operation of the scheme was provided by the Department of Communities and Local Government in May 2017. The scheme will therefore be implemented in accordance with this guidance. Councils will be fully reimbursed for the costs of reliefs awarded as well as receiving some administrative costs. There is therefore no or little cost to the council of operating this scheme. This relief will also be subject to state aid rules. 159 businesses qualified in 2017/18, it is estimated that xxx will qualify in 2018/19.

4.0 Financial Implications

- 4.1 The three schemes described in this report were originally announced by the government in its Spring 2017 Budget, with the extension of the Pub Relief scheme being announced in the 2017 Autumn statement. The actual cost of providing reliefs for small businesses and public houses are fully funded by way of a Section 31 grant. The cost of the Revaluation Support Scheme will be funded by a separate grant with fixed allocations. As this is intended to be locally designed scheme the total cost may vary from the Government's allocation. The Government's allocation is £1,096,000 in 2017/18 and £532,000 for 2018/19. The changes to the 2017/18 scheme anticipate total relief to be awarded at £1,050,000 and modelling suggests relief for 2018/19 will be £500,000. The actual cost may vary marginally as a result of new businesses and changes to valuations but it is not expected to exceed the grant allocations. The cut off point for awarding relief for 2017/18 is 30 September 2018 and for 2018/19 is 30 September 2019.
- 4.2 There will be some additional IT software and administrative costs borne by the council in implementing and administering these schemes, estimated to be in the region of £15,000. The government has announced that there will be new burdens funding available meet these costs and an initial allocation of £12,000 has been announced. Additional amounts to cover the cost of re-billing, etc., will also be made.

5.0 Legal Implications

- 5.1 These schemes were announced by the government in the Chancellor's Spring Budget in March 2017, with the extension of the Pub Relief scheme being announced in the 2017 Autumn statement. Rather than introduce legislation the government expects authorities to implement these schemes by using their discretionary relief powers, introduced by the Localism Act. Section 69 of The Localism Act 2011 amended section 47 of the Local Government Finance Act 1988 to allow authorities to grant business rate discounts. Under this provision authorities can create their own discount schemes in order for example to

promote growth and jobs in its area, or specified areas. Any such scheme would need to be approved by the Council's Cabinet.

- 5.2 Normally the authority would have to fund its share of the cost, however the government will fully fund the costs of the Supporting Small Businesses and Support for Pubs schemes as it expects authorities to implement these schemes in accordance with the guidance. With regards to the Revaluation Support discount scheme the government will fund relief up to its funding allocation for 2017/18 of £1.096M and £532,000 for 2018/19. Any underspends or overspends in these years cannot be transferred or offset against subsequent years. It has announced that there will be new burdens funding available for administering these schemes.
- 5.3 State Aid law is the means by which the European Union regulates state funded support to businesses. Providing discretionary relief to ratepayers is likely to amount to State Aid. Relief for each of these three schemes will be State Aid compliant where it is provided in accordance with the De Minimis Regulations (as set out in Statutory Instrument 1407/2013).
- 5.4 The De Minimis Regulations allow an undertaking (in this case, a business) to receive up to €200,000 of De Minimis aid in a three year period (consisting of the current financial year and the two previous financial years). Officers will need to familiarise themselves with the terms of this State Aid exemption when considering whether to award business rate relief upon receipt of business relief applications, in particular the types of undertaking that are excluded from receiving De Minimis aid (Article 1), the relevant definition of undertaking (Article 2(2)) and the requirement to convert the aid into Euros.
- 5.5 To administer De Minimis it is necessary for the local authority to establish that the award of aid will not result in the undertaking having received more than €200,000 of De Minimis aid. It should be added that the threshold only relates to aid provided under the De Minimis Regulations (aid under other exemptions or outside the scope of State Aid is not relevant to the De Minimis calculation).

6.0 Equality Implications

- 6.1 An Equality Impact assessment has not been carried out as these schemes are aimed at helping businesses, so that no-one will be adversely affected. Those who are likely to be entitled for 2017/18 were initially sent application forms. However as the response rate was poor it was decided to automatically award relief to potential qualifiers after having carried out checks to ensure they met the criteria. This will be replicated in 2018/19. Those businesses awarded relief will be asked to advise us if they fail to meet the State Aid criteria.

7.0 Consultation with Ward Members and Stakeholders

- 7.1 As mentioned in paragraph 3.5, the council consulted with various business organisations, the GLA and local businesses in May and June 2017 on the original scheme criteria and principles of the scheme. Responses were received from the Federation of Small Businesses, West London Business, the GLA and 12 independent companies. There was broad agreement on scheme design and criteria, with the majority of responses wishing relief to concentrate on small/medium sized businesses. As this report is not seeking amendments to the scheme design or criteria a further consultation is not necessary. It is only

the discount percentages to be applied for 2017/18 and 2018/19 which are changing.

8.0 Human Resources/Property Implications (if appropriate)

8.1 None

Report sign off:

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