



**Cabinet**  
24 July 2017

**Report from the Strategic Director,  
Resources**

Wards affected: All

**National Non-Domestic Rates – Discretionary Discount  
Schemes**

**1.0 Summary**

- 1.1 The council collects Business Rates in accordance with the Local Government Finance Act 1988. Income collected is presently shared between central government, the Greater London Authority (GLA) and the council. 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 has therefore just come into effect from 1 April 2017, the first for 7 years
- 1.2 The revaluation has seen some considerable increases in bills for some ratepayers and the government has, as usual after each revaluation, introduced a transitional relief scheme whereby both increases and reduction in bills are phased in over 5 years. However even though the transitional relief scheme has provided some help many businesses will still face considerable increases in their bills year on year. The government therefore announced in the March statement that it would make funding available to councils over the next 4 years 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 next 4 years is £1.878M, with specific allocations for each financial year. However it has yet to be announced whether “unspent” allocations can be transferred to subsequent years.
- 1.3 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. This report therefore seeks approval of the proposed scheme detailed in this report and in Appendix 1, and in view of the numbers of ratepayers who will be entitled to relief seeks 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

- 1.4 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, although actual amounts have yet to be announced.
- 1.5 The government also announced in its March statement 2 other schemes to help specific businesses affected by the revaluation – Support for Pubs which in effect will give a £1000.00 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.

## **2.0 Recommendations**

- 2.1 That the discretionary discount scheme (Revaluation Support) 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.
- 2.2 That the scheme be agreed for this financial year only, i.e., from 1 April 2017 to 31 March 2018. A further report will be presented to Cabinet in 2018 detailing the proposed schemes for 2018/19, 2019/20 and 2020/21 once actual scheme take up and cost is known for 2017/18 and whether or not funding allocations for each year can be moved from one year to another.
- 2.3 That the 2 schemes announced in the March budget (Support for Pubs and Supporting Small Businesses) and detailed in sections 4.0 – 5.3 of the report be approved 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 4.0 – 5.3 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 so it has been 7 years since this was last done. 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 has 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

There are 3,904 “small” businesses (59% of all small businesses), 622 “medium businesses (40% of all medium businesses) and 52 “large” businesses (11% of all large businesses) who qualify for transitional relief in 2017/18. Overall 53% of businesses in Brent are entitled to transitional relief

- 3.3 In this year’s 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 draft 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 The council will therefore need to design its own local discretionary discount scheme for revaluation support, the purpose of which is to provide support to those businesses facing increases in their bills because of the revaluation. The relief scheme will be administered under section 47 of the Local Government Finance Act 1988 as amended. In March 2017 the government issued a consultation paper on its proposals for the design and implementation of the locally administered Business Rates Relief scheme. 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 yet to announce whether or not shortfalls in meeting the fund allocation for 2017/18 can be transferred to subsequent years. So for example if relief totalling £900,000 is awarded in 2017/18 can the shortfall of £196,000 be carried over to 2018/19?

- 3.5 Any scheme needs to be transparent, easy for ratepayers to understand and easy to administer. Seven key criteria on scheme design were identified, these being-

1. Should the discount be a lump sum or a percentage?  
Lump sums can be disproportionate to size of property whereas a percentage is proportionate and provides more help to those facing the

largest increases. It is therefore suggested any relief will be a percentage discount of the net charge rather than a lump sum

2. Should the scheme target specific areas within Brent or be general across all areas?

The revaluation will reflect the locality in terms of movement in rental values over the past 7 years as this will be reflected in the new rateable value. In addition there will be businesses in all areas that will see above inflation increases in their rates bill so by excluding these because they are not in a specific area will be seen as unfair and may be open to challenge. It would also become administratively cumbersome to restrict relief to areas – where would the boundaries be? It would therefore be sensible for relief to be applied equally throughout the borough.

3. Should relief be restricted to local companies or say only to those that are liable nationally for less than 6 properties?

It can be argued that national companies will be in a better position financially to meet their rate liabilities as in some parts of the country some of their properties may see reductions in their rate liabilities. In addition any scheme will be subject to state aid rules which limits the amount of relief a company can receive over a 3 years period. This may well rule out many national companies as they received retail rate relief in 2015/16 which counts as state aid, however it would still prove administratively difficult to administer and check for many national companies if they were included in the scheme. This condition will also result in relief targeting local companies. It is therefore recommended that to relief be restricted to only those organisations who are liable for less than 6 properties nationally

4. Should relief target small and medium sized businesses only or also be available to some large businesses?

The consultation paper expects relief schemes to target those businesses occupying lower value properties. There is no definition of lower value properties, although in calculating the amount of support available the government had regard to businesses with a rateable value of less than £200,000. It seems reasonable to include properties with rateable values of up to £200,000 in any scheme design, particularly as transitional relief will mean that those with rateable values of over £100,000 could potentially see increases in their bills of 45% in 2017/18. By excluding national companies many in this rateable value range will be local businesses

5. Should relief for certain property types or usage, e.g., betting shops, banks, etc., be excluded?

Some types of business maybe considered anti-social and so excluded from relief. The council itself may want to discourage certain types of business. The retail rate relief scheme set a precedent when certain types were excluded, this relief was aimed at helping the retail sector and excluded financial institutions, betting shops, etc. By restricting

relief to organisations liable for less than 6 properties many financial institutions, betting shops, etc., will be restricted as the majority of these types are operated by national chains so it is questionable whether or not there is a need for this. In addition the relief will target all sectors, i.e., manufacturing, industrial, etc., many of which are key to providing growth and employment

6. Should relief be restricted to occupied properties only, i.e., those that were occupied on 1 April 2017, in order to encourage owners of empty properties to bring them back into use?

The council supports bringing empty properties back into use so anything that helps achieve this should be included in any scheme conditions

7. Should businesses who had business rate arrears at 1/4/2017 be excluded from relief?

The government in its consultation paper stated that relief should target those businesses facing increases in their rates bills. If the business had arrears at 1 April 2017 the business cannot argue that they are struggling to pay due to increase in their 2017/18 rates bill. This would not apply to any business that became liable for business rates after 1 January 2017 as there may have been good reason for not paying by 31 March 2017, In addition arrears would have to be more than £500.00 and be subject to recovery action (post Liability Order)

### 3.6

It is also a condition that the council must consult with the GLA on its proposed scheme. In view of this, and that the scheme needs to be agreed as soon as possible so that businesses can benefit from it, a draft scheme was designed in order to seek the views of the GLA. However as well as consulting the GLA in its scheme design and proposal it was decided to extend the consultation to other business organisations and local businesses as well. The consultation asked 7 questions on the principles of scheme design as detailed in 3.5 above, as well as a final question on the proposed discount scheme. The consultation started on Tuesday 30 May and asked for responses by Friday 9 June. Responses were received from 15 organisations/ratepayers and are summarised below:

Question	Agree	Unsure/ No View	Disagree	Comments
1 – Percentage discount?	12	2	0	None (1 respondent did not answer)
2 – Apply to whole council area?	13	2	0	None
3 – Apply to local companies only?	13	2	0	None
4 – Apply to properties with RV between £100K and £200K?	7	3	5	Small businesses wished the scheme to concentrate on relief for small businesses
5 – Apply to all	8	1	6	Those who disagreed would

property types?				like betting shops in particular excluded and 2 of also referred to financial institutions
6 – Occupied properties only?	11	1	3	No comments from organisations who disagreed
7 – Businesses with rate arrears be excluded from the scheme?	8	3	4	Most thought we should award to those in genuine hardship or be given an opportunity to clear arrears before being awarded relief
8 – Agree with proposed scheme?	10	3	0	Overall agreement, no specific comments (2 did not answer)

3.7 Responses were received from the Federation of Small Businesses, West London Business, the GLA and 12 independent companies. There was broad agreement on 5 of the 7 questions, the 2 provoking the greatest response or disagreement were on excluding certain types of business and restricting relief to ratepayers who had no arrears on 1 April 2017. With regards to relief being available to all types of businesses it is recommended that betting shops be excluded and this has been incorporated into the scheme criteria as detailed in Appendix 1. In addition those ratepayers with arrears at 1 April 2017 will not be automatically excluded – they will be given an opportunity to either pay any arrears in full or to agree a repayment plan before relief is applied. Unsurprisingly the majority of small independent businesses who responded wished relief to concentrate on small businesses.

3.8 In formulating the draft scheme it is proposed that properties be divided into small (up to £28,000 rateable value), medium (between £28,001 and £100,000), and large properties as in the transitional relief scheme. However it is recommended that a cap of £200,000 be put on large properties so that any property with a rateable value of £200,000 or more will not qualify. It is also recommended that:-

- 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.

3.9 The scheme will apply for the financial year 1 April 2017 to 31 March 2018 and will provide 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 will be a percentage discount off the net bill (excluding any business rates supplement). The table below also shows estimated number of qualifiers:

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

<b>Increase in Bill</b>	<b>Amount of Discount (percentage of net charge)</b>	<b>Actual Increase after relief</b>	<b>Number of properties that may qualify</b>
3.00% - 4.99%	2%	1% - 2.99%	61
5.00% - 6.99%	3%	2% - 3.99%	87
Over 7.00%	4%	3%+	1,428
<b>Total</b>			<b>1,,576</b>

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

<b>Increase in Bill</b>	<b>Amount of Discount (percentage of net charge)</b>	<b>Actual Increase after relief</b>	
5.00% - 7.99%	3%	2% - 4.99%	58
8.00% - 10.99%	4%	4% - 6.99%	65
Over 11.00%	5%	6%+	421
<b>Total</b>			<b>544</b>

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

<b>Increase in Bill</b>	<b>Amount of Discount (percentage of net charge)</b>	<b>Actual Increase after relief</b>	
Over 15.00%	5%	10% +	39

3.10 The total number of properties that may be entitled to relief under this scheme is 2,159, this being 26% of all business ratepayers in Brent. This is based on excluding national companies and those properties that were unoccupied on 1 April 2017. Of the 2,159 businesses entitled to relief 1,576 (73%) are small businesses, 544 (25%) are medium and 39 (2%) large businesses. The estimated amount of relief that will be awarded is £941,000, this allows for some tolerance and movement so that it does not exceed the amount of funding allocated to Brent for 2017/18 (£1,096,000).

3.11 The scheme 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 2017/18 only in order we can measure take up and success. The government has yet to confirm whether or not any unspent funding (or overspend) for 2017/18 can be offset against subsequent years. In addition the council will be best placed to carry out modelling on the scheme for 2018/19, 2019/20 and 2010/21 in the latter half of this year. A further report will therefore be presented to Cabinet in the final quarter of 2017/18 recommending the discount scheme for these 3 years

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. The business will be required to sign a declaration confirming this. As we have identified the potential qualifiers these will be sent an application form to confirm they meet the criteria including the state aid provision. Where forms are not returned we will try and contact them by telephone and/or email in an effort to maximise take up of the scheme.

3.15 Full details of the scheme 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 announced, further funding for re-billing will follow.

## **4.0 Support for Pubs**

- 4.1 The government announced in its Spring Budget business rates relief for public houses and premises. This proposes a £1,000 discount for pubs that have a rateable value of less than £100,000. This scheme is for the financial year 2017/18 only. 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 final 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.
- 4.2 This relief will also be subject to state aid rules. Approximately 70 businesses have been identified as potential qualifiers and applications will be sent as soon as guidance is released. 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.

## **5.0 Supporting Small Businesses**

- 5.1 In the 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.
- 5.2 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.
- 5.3 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.
- 5.4 This relief will also be subject to state aid rules. 159 businesses have been identified as potential qualifiers and letters have been sent advising them of their potential entitlement. Software changes are required in order to apply the relief to their account, this is expected in August/September, and as soon as this is received relief will be applied to their accounts

## **6.0 Financial Implications**

- 6.1 The three schemes described in this report were announced by the government in its Spring 2017 Budget. 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. Financial Modelling has been undertaken to determine the cost of the proposed scheme, which is estimated at £941,000 and is £155,000 lower than the Government's allocation of £1,096,000 in 2017/18. 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 allocation.

- 6.2 There will be some additional administrative costs borne by the council in implementing and administering these schemes, estimated to be in the region of £15,000 - £25,000. The government has announced that there will be new burdens funding available meet these costs, an initial allocation of £12,000 has been provided for, additional amounts to cover the cost of re-billing, etc., will also be made, although actual amounts have yet to be decided.

## **7.0 Legal Implications**

- 7.1 These schemes were announced by the government in the Chancellor's Spring Budget in March 2017. 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.
- 7.2 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 Puns 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. It has yet to confirm whether or not any overspend or underspend can be offset against subsequent years' allocations. It has announced that there will be new burdens funding available for administering these schemes
- 7.3 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).
- 7.4 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.

- 7.5 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).

## **8.0 Diversity Implications**

- 8.1 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 have been identified and will be sent application forms, the council's web site will also be updated to advise of these schemes. It is anticipated that those who having been identified as potentially entitled and do not apply will be sent follow up letters to ensure maximum take up, as well as contact by telephone or email.

## **9.0 Staffing/Accommodation Implications (if appropriate)**

- 9.1 None

### **Background Papers**

DCLG Business Rates Information letter dated 9 March 2017 - 2/2017 – Spring Budget

DCLG Consultation Paper March 2017 – Proposals on the design and implementation of the locally administered Business Rates Relief Scheme

DCLG Letter 15 May 2017 – Spring Budget 2017 – Business Rates Relief Schemes

DCLG May 2017 - Supporting Small Business Relief Scheme – Guidance

DCLG Business Rates Information Letter (BRIL 4/2017) dated 20 June 2017 – Spring Budget

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