

READING BOROUGH COUNCIL

REPORT BY EXECUTIVE DIRECTOR OF RESOURCES

TO:	POLICY COMMITTEE		
DATE:	10 JUNE 2019		
TITLE:	REVALUATION DISCRETIONARY BUSINESS RATES RELIEF SCHEME / RETAIL RELIEF AND DISCRETIONARY RELIEF 2019/20		
LEAD COUNCILLOR:	CLLR BROCK	PORTFOLIO:	LEADERSHIP
SERVICE:	FINANCE	WARDS:	BOROUGHWIDE
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 To provide the Policy Committee with an update on Business Rates Reliefs awarded in 2017/18 and 2018/19 and details of the proposed Local Revaluation Discretionary Relief Scheme for 2019/20 (LRDRS).

The report also provides information regarding the change to retail relief for businesses with rateable values below £51,000 and advises no change to the Council's Discretionary Relief Scheme for 2019/20 (DRS).

2. RECOMMENDED ACTION

The Policy Committee are recommended to:

- 2.1 note the contents of the report and the changes to the Retail Relief scheme;
- 2.2 approve the proposed Local Revaluation Discretionary Relief Scheme for 2019/20; and
- 2.3 note that no changes are made to the Council's existing Discretionary Relief Scheme for 2019/20.

3. POLICY CONTEXT

- 3.1 The Council collects National Non-Domestic Rates (NNDR) under the Local Government Finance Act 1988. Reading is currently part of the Berkshire Pool and is retaining 75% of rates collected (the Pool authorities retained 100% in 2018/19, the first year of pilot status).

4. THE PROPOSAL

4.1 Current Position

- 4.1.1. The rateable value of all non-domestic properties are normally reassessed every 5 years, but the 2015 revaluation was deferred by two years and came into force on 1 April 2017.

4.1.2 Consequently the 2017 Revaluation saw considerable increases in bills for some ratepayers. As with previous revaluations, the Government introduced a transitional scheme to help with the phasing in of both increases and reductions. Whilst the transitional scheme provided some assistance, a large number of ratepayers still faced considerable increases in their bills and the Government subsequently introduced 3 further measures to provide support to businesses in April 2017:

- Supporting Small Businesses Relief
- New Local Discretionary Relief Scheme
- New Business Rate Relief Scheme for Pubs

4.1.3 In each case the Government expected billing authorities to use their discretionary powers under section 47 of the Local Government Finance Act 1988 to deliver these new reliefs.

4.2 Supporting Small Businesses Relief

4.2.1 Supporting Small Businesses Relief continued into 2018/19 for those ratepayers who faced large increases as a result of the loss of small business rate relief and Revaluation increases in 2017/18. For Reading Borough Council Supporting Small Business Relief applied to 42 businesses.

4.2.2 Its effect was to limit increases in business rates for small businesses with a rateable value of £15,000 or less to £600 per year (£50 per month). This maximum increase ensured those ratepayers who would have paid nothing or very little in 2016/17 would pay something going forward. The relief will be applied until either, the next revaluation in 2021 or, the ratepayers bill increases to the level their bill would have been without the relief whichever is first. Over the five years of the expected valuation period the maximum increase would therefore be £3,000 (5 years x £600).

4.3 Local Revaluation Discretionary Relief Scheme

4.3.1 In the Spring Budget 2017 the Chancellor announced £300m for local councils to provide business rates relief to businesses facing an increase in their business rates following the 2017 Revaluation. Reading's allocations were as follows:

- 2017 £1,014,492
- 2018 £492,000
- 2019 £203,000
- 2020 £29,000

4.3.2 Each billing authority was required to devise its own local Discretionary Relief Scheme for the 2017/18 and subsequent years.

4.3.3 The Government issued guidance (attached at Appendix B) on the formula they believed Local Authorities should follow and which the Council used to design its scheme for distributing the relief. In principle the Council's Scheme assists ratepayers whose property has a rateable value below £200k and where the revaluation increased the ratepayer's bill by more than 12.5%.

4.3.4 This relief is subject to State Aid Rules. State Aid legislation is the means by which the European Union regulates state funded support to businesses. Providing discretionary relief to ratepayers is likely to constitute State Aid.

- 4.3.5 Part way through the year, due to the difficulty awarding the relief, the Council amended its Scheme to meet the full business rates of voluntary sector and charitable partner organisations in the Borough. All of the 2017/18 was therefore allocated.
- 4.3.6 In 2018/19 the Scheme was amended to take account of the challenges faced in 2017/18 and Relief was focused in the first instance on smaller properties with RV's under £100,000, limiting bills to the equivalent of inflation only increases.
- 4.3.7 Support has also continued to be provided to voluntary sector and charitable partner organisations. However, it again has been difficult to award the support even though this year rather than asking the bill payer to apply for the relief it was awarded up front and businesses asked to inform us if they didn't think they should receive it due to state aid.
- 4.3.8 To date we have spent £288,080.30 of the £492,000 2018/19 allocation.
- 4.3.9 We propose (subject to State Aid checks) to give the remaining relief of £203,919.70 to the initial cohort of 2017/18 applicants. In general we propose that the State Aid position for the smaller properties will be checked on a "negative assurance" basis (i.e. we will assume it is not an issue and grant the relief), but in advising those eligible that if State Aid is an issue for them they should contact us, so the relief can be adjusted/removed.
- 4.3.10 The relief will be applied retrospectively on a pro-rata basis against their 2018/19 annual bill value. Any surplus on a rate payers 2018/19 account that arises as a result of this will be used to offset their 2019/20 liability.
- 4.3.11 2019/20
We propose for 2019/20 that we again focus our relief in the first instance on smaller properties with RV's under £100,000 using the same conditions as for 2018/19. If the value of relief is greater than the funds available, the relief will be applied pro-rata based on the 2019/20 annual bill value.
- 4.3.12 If there are funds remaining we will then consider our identified partners and charities.
- 4.3.13 And finally, whilst unlikely given the reduction in grant funding from previous years, if there are remaining funds available, it is recommended to give the relief to the initial cohort of 2017/18 applicants on a pro-rate basis (the same methodology as used for 2018/19).
- 4.3.14 We will review and submit a new proposal to the Policy Committee in February 2020 for the distribution of the 2020/21 funding allocation (albeit only £29,000).

4.4 Existing Discretionary Rate Scheme

- 4.4.1 No changes are proposed to the currently agreed scheme and therefore the existing arrangements would carry forward to 2019/20.
- 4.4.2 The Council's current scheme:

Allows consideration of applications for DRR based on the extent to which the application meets all of the following criteria:

- The extent to which the organisation helps Reading Borough Council meet local needs, and
 - The extent to which the organisation matches priorities set out in Reading Borough Council's Corporate Plan, and
 - That the organisation will face hardship if support is not provided through DRR Maximum Discretionary Rate Relief Period
- 4.4.3 DRR will be granted for a maximum of 12 months. In granting DRR we will consider the sustainability of the organisation.
- 4.4.4 DRR will only be granted if there is a risk that the organisation will become unviable, and that the granting of DRR in the short term will make the organisation sustainable for a reasonable period in the future.

4.5 Retail Relief

- 4.5.1 The Government announced in the Budget on 29 October 2018 that it will provide a business rates Retail Discount scheme for occupied retail properties with a rateable value of less than £51,000 in each of the years 2019/20 and 2020/21. The value of discount should be one third of the bill, and must be applied after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied. Where an authority applies a locally funded relief, for instance a hardship fund, under section 47 this must be applied after the Retail Discount.
- 4.5.2 Central government will fully reimburse local authorities for the local share of the discretionary relief (. The Government expects local government to apply and grant relief to qualifying ratepayers from the start of the 2019/20 billing cycle.
- 4.5.3 In general we propose that the State Aid position for the smaller properties will be checked on a "negative assurance" basis (i.e. we will assume it is not an issue and grant the relief), but in advising those eligible that if State Aid is an issue for them they should contact us, so the relief can be adjusted/removed.
- 4.5.4 For Reading Borough Council it is estimated that this relief will apply to circa. 500 properties.

5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1 The purpose of this section is to ensure that proposals contained in reports are in line with the overall direction of the Council by meeting at least one of the Corporate Plan priorities:
1. Safeguarding and protecting those that are most vulnerable;
 2. Providing the best start in life through education, early help and healthy living;
 3. Providing homes for those in most need;
 4. Keeping the town clean, safe, green and active;
 5. Providing infrastructure to support the economy; and
 6. Remaining financially sustainable to deliver these service priorities.

5.2 The proposed scheme helps support the local economy and by only spending the money Government has made available contributes to financial stability and healthy environment for all.

6. COMMUNITY ENGAGEMENT AND INFORMATION

6.1 Our Precepting authorities will be sent a copy of the proposed schemes for comment.

7. EQUALITY IMPACT ASSESSMENT

7.1 Equalities considerations will be included in the monitoring of the application of the reliefs, once agreed, to ensure that we are able to demonstrate that relief is awarded fairly and in accordance with the stated eligibility.

8. LEGAL IMPLICATIONS

8.1 Section 47 of the Local Government Finance Act 1988 and subsequent amending legislation provides the criteria for awarding discretionary rate relief to certain categories of non-domestic ratepayer.

8.2 Section 69 of the Localism Act 2011 provides a new discretionary power to reduce business rates for any local ratepayer. It is this new power that the Government is directing billing authorities to use to award the new categories of relief.

8.3 Relief from taxes, including non-domestic rates, can constitute state aid under European Union legislation. There are block exemptions from the state aid rules where the aid is below a de minimis level. The de minimis level applies to all de minimis aid received, including other Government subsidies or grants, in addition to any rate relief given as a de minimis aid. It will be for the Council to ensure that any relief granted does not transgress state aid rules. The de minimis threshold is €200,000 from all sources to the recipient as a whole over a rolling period of three years.

9. FINANCIAL IMPLICATIONS

9.1 The Council will receive funding from government for all the above reliefs granted with the exception of its own discretionary rate relief scheme. The funding will be re-claimed retrospectively via the yearly NNDR1 and NNDR3 returns to government.

9.2 There is a risk to the authority where the Valuation Office allows an appeal this may have a consequential impact on the allocation of the discretionary relief, we are proposing that where the full funding pot we have been granted has been distributed within the financial year, those that become eligible in year but no funding is exhausted, that they be held on a waiting list, and if funding becomes available because another ratepayer has vacated or had a change that results in them no longer qualifying for their original relief amount, that this released funding is then made available to the next eligible ratepayer on the list. This will keep the cost of the scheme within the funding pot available.

10. BACKGROUND PAPERS

10.1 Business Rates Information Letter 2
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/598272/BRIL_2-2017_Budget_Measures.pdf

10.2 Business Rates Information Letter 1
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/778996/BRIL_1_-_2019_-_General_Information.pdf

- 10.3 New Burdens Funding
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/768817/New_burdens_-_software_costs.pdf
- 10.4 Appendix A - Discretionary Rate Relief Guidance
- 10.5 Appendix B - **Revaluation Relief and Retail Relief Guidance and Criteria**