

Subject:	Revaluation Discretionary Rate Relief for Business Rate Payers		
Date of Meeting:	12 October 2017		
Report of:	Executive Director – Finance & Resources		
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Ward(s) affected:	All		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 On 1 April 2017, the Government's Valuation Office Agency (VOA) implemented their nationwide Revaluation of all Business Rates properties. A significant number of businesses have seen changes to their liabilities as a result. Councils have no control or influence over the implementation of the new Rateable Values (RVs). However, the government is providing funding to Local Authorities to support businesses affected most severely. This support takes the form of a Discretionary Rate Relief scheme.
- 1.2 Government have stipulated that the 4-year funding must be deployed in the year denoted, starting this year, and therefore the timescales for drafting and approval of a scheme are of the essence to meet this requirement. Proposals have therefore been drafted following brief consultation with the sector and key stakeholders in order to bring a report to the October 2017 Policy, Resources & Growth Committee for members' consideration. This report outlines how the local scheme is proposed to operate.

2. RECOMMENDATIONS:

- 2.1 That Policy, Resource & Growth Committee approves the proposed 2017/18 Discretionary Rate Relief Scheme.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 Revaluation was carried out by the government's Valuation Office Agency to ensure that all RVs accurately reflected changes in the property market. Revaluations usually happen every 5 years, although the government deferred the expected 2015 revaluation for a further 2 years.
- 3.2 The review resulted in significant increases in Business Rates for some ratepayers, and decreases or minimal changes for others. The council has no control or influence over the implementation of the new RVs.
- 3.3 RV is the starting point of calculating a ratepayer's Business Rates bill. Although the RV may have gone up for a property, the percentage increase they actually experience could be different, once all relevant calculations are taken into

account. The design of this scheme is therefore based on the amount they actually have to pay after all permitted adjustments have been applied.

- 3.4 In line with previous revaluations, the government had already provided a scheme of transitional relief in time for when the annual bills were sent out in March 2017. Some of the larger RV increases were therefore already reduced initially with changes to be brought in gradually over the following years. Where there were decreases to RV, the more significant of these changes were also to be brought in gradually. However, even after transitional relief, some businesses were still left with significant increases.
- 3.5 There are 11,002 Non-Domestic properties where there is a liability to pay Business Rates. 3,579 (32.5%) of these properties have seen an increase of more than 2%. 2,910 had an increase of 0-2% (26.5%), and 3,181 (28.9%) had a decrease. 1,332(12.1%) were not paying Rate Relief last year (for example because they were not in occupation) and so did not experience an increase.
- 3.6 Increases vary dramatically, sometimes even within the same sector. For example, in the category of shops, where there are 4,282 liabilities, the average change to bills (not RV, but rather the final amount payable) is -1.02%. However, whereas some premises have seen significant decreases, others are up by percentages generally between 0 and 15%, and some significantly higher, with a handful over 100%.
- 3.7 Small Business Rate Relief thresholds were changed by the government for 2017/18. This means that more small businesses became entitled to 100% relief. In 2017/18, most ratepayers with an RV of up to £12,000 can receive 100% relief, whereas in 2016/17, the threshold was £6,000. For RV's of £12,001 to £15,000 the amount of relief goes down gradually from 100% to 0%.
- 3.8 The government announced its discretionary rate relief scheme outline proposals in the spring budget giving insufficient time or detail for 2017/18 Business Rates bills to be amended. The bills did include transitional relief and the new amounts of Small Business Rate Relief. The details of the scheme were further delayed by parliamentary business being suspended because of the general election.
- 3.9 The spring budget also introduced two other support measures, again too late to be included in the Annual Bills:
 - Pub relief – a £1,000 discount for pubs with a Rateable Value of less than £100,000 (see Appendix 1 for the government's eligibility criteria); and
 - A cap on any increases resulting from businesses losing some or all of their Small Business Rate Relief (increase capped to £600 for the year).
- 3.10 Both pub relief and the small business rate relief cap were implemented by September 2017, once the relevant software updates had been provided by our software company.

Design of the Discretionary Scheme

- 3.11 Although the discretionary scheme is to be designed locally, the government has stipulated that it must be used for the most significant increases of Business Rates resulting from revaluation.
- 3.12 The scheme proposal aims to provide a meaningful amount of relief to a broad range of ratepayers, without spreading the relief too thinly and therefore limiting the benefit or impact. In line with other reliefs and discretions, the scheme is designed to be fair, simple and transparent, with minimal administrative burden on businesses and the council.
- 3.13 Other Local Authorities are putting their schemes into place. Some councils designed their schemes before the government confirmed key details around the funding but most are bringing proposals for approval imminently.
- 3.14 The funding allocated to Brighton & Hove is as follows:

Financial Year	Funding £
2017/18	1,123,000
2018/19	546,000
2019/20	225,000
2020/21	32,000
	1,926,000

- 3.15 Government have confirmed that unspent budget cannot be carried forward to future years, so in designing how the scheme will operate, the aim is to maximise the allocation of £1.123m in 2017/18.
- 3.16 In other proposed schemes we have seen to date, there are variations on the qualifying criteria, thresholds and amount of relief. The maximum range of qualifying RV in some other authorities is £200,000, but with a smaller amount of relief awarded to the recipients. Some authorities have excluded certain types of property, for example financial institutions and betting shops among others. Another theme is whether national and multi-national companies should have access to the relief.
- 3.17 The Brighton & Hove scheme is designed with simplicity and transparency in mind and has a £125,000 Rateable Value threshold that would allow for a more generous and meaningful relief to be applied to the qualifying properties. The scheme also aims to reflect the importance of small business to the health of city's economy.
- 3.18 It is therefore proposed that ratepayers will be eligible for relief if they meet the following criteria:
- Rateable Value is £125,000 or less, and;
 - Increase of Rateable Value is 5% or greater, and;
 - Increase of bill is 5% or greater.
- 3.19 Those qualifying for relief will have the increase in their bill capped at 5%.

3.20 The following do not qualify for Discretionary Rate Relief:

- National and multi-national companies and organisations.
- Properties occupied by the council or a precepting authority (such as the fire authority or police).
- New occupants since 1 April 2017.
- Those experiencing an increase solely because last year's bill was not a full bill (for example because of part year occupancy, or temporary reliefs being applied).

3.21 New occupants since 1 April 2017 do not qualify for this rate relief, because the government stipulates that the ratepayer must have experienced an increase of Rateable Value since last year. This is not possible if the ratepayer was not in occupation of the property last year. Rateable Values are publicly available on the Valuation Office Agency's website, so new businesses are able to see what their RV would be before they commit to a property.

3.22 National and multi-national companies and organisations are excluded from receiving Revaluation Discretionary Rate Relief, so that the focus of the policy can be on supporting local business. Larger companies are likely to be better placed to manage Business Rates changes across their whole portfolios, which may include reductions in some areas.

3.23 A range of factors will be considered in determining whether an organisation has a national or multi-national identity. Each case will be looked at on its own merits, and some or all of the following may help to determine an organisation's status for the purpose of this policy:

- Number of known properties outside of Brighton & Hove
- Location of the organisation's registered office
- Information on the organisation's website and other publicly available records

3.24 The scheme is intended to be easy for ratepayers to access and for the council to administer. Therefore there will not be an application process. Where the criteria are met, relief will be applied by the Business Rates team automatically.

3.25 There will be no right of appeal since the relief is to be applied if a ratepayer meets the criteria. If a dispute arises concerning the application of the relief, it would be dealt with as a query through the Business Rates team. If the ratepayer is not satisfied with the response, they will then follow the established corporate complaint procedure.

3.26 On the basis of the Business Rates caseload in September 2017, only 394 Rateable Values are higher than £125,000. However, once we take into account those who have not experienced an increase, and after applying the criteria outlined in this policy, around 1950 ratepayers (approximately 18%) will receive Revaluation Rate Relief.

3.27 With any scheme adopting simple criteria there can be a small number of cases where a ratepayer does not meet the set criteria but where other extenuating or

exceptional circumstances would have made it desirable to apply a relief. The Business Rates team will consider such applications on a case by case basis. However, the core criteria would still have to apply, namely that there must be an increase in Rateable Value due to the Revaluation. Relief will already have been awarded to those meeting the policy criteria, so funding will be limited. Therefore, in relations to these potential additional cases, preference will be given to any ratepayer affected by exceptional circumstances, where there is a significant impact on their business.

3.28 In the subsequent 3 years of the scheme, the aim is to maintain similar criteria, but adjust the thresholds to adapt to the budget for that year. This approach also means that there will be an opportunity to incorporate lessons learnt from year one of the scheme. The scheme will become significantly smaller as the funding reduces by roughly half for the next 2 years, and is minimal in the final year.

3.29 Other types of rate relief are available and are summarised in Appendix 2.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The government's overarching transitional relief scheme reduces each year, meaning that full rates increases will not be felt until future years. To reflect this, the main alternative consideration was to profile the scheme to be more generous in years two and three. However, the government later confirmed that funding is set for each year and may not be reallocated into other years, so the local scheme must follow the amounts set by government.

4.2 Changes were made to the scheme as a result of the consultation (see below).

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 A public consultation ran from 18 August 2017 to 18 September 2017.

5.2 The consultation was available on the website and publicised on social media and via a press release. The link was sent to the Federation of Small Business, who agreed to publicise the consultation in their newsletter. Additionally the consultation details were sent to the Chamber of Commerce for circulation, along with the Brighton and Hove Economic Partnership Board and the Brighton BID.

5.3 There were 21 submissions. Further feedback was received from the Brighton and Hove Economic Partnership board meeting on 19 September 2017.

5.4 Although the number of submissions was relatively low, there was broad support for the proposals. However, there was one common area of disagreement, and that was to do with national and multi-national companies.

5.5 In the original proposals, the only proposed exclusion was council properties. We did not exclude national and multi-national companies, due partly to the potential complexities involved in administering such an exclusion. 43% disagreed with this part of the proposal. The comments reflected strongly that we should not need to support national and multi-national companies. Upon consideration of the feedback we have decided that the policy should exclude such organisations after all, for the reasons stated in section 3.

- 5.6 The Rateable Value threshold in the consultation was £120,000 and this was felt to be reasonable. 47% agreed or strongly agreed, whereas 19% disagreed. The proposed method of dealing with disputes received 53% support and 34% disagreement. In light of removing national and multi-national organisations, we are able to increase the threshold to £125,000.
- 5.7 There was a representation from the Brighton and Hove Food Partnership that we should prioritise 1) small retailers supplying fresh or frozen fruit and veg, especially in deprived areas where people have limited access to fresh food; and 2) food social enterprises, and community owned cafes/pubs. We considered these points and felt that the existing criteria should be used to establish eligibility. It is likely that small to medium retailers and operations will already come into scope for support.
- 5.8 The final representation, also from the Brighton and Hove Food Partnership, was that we should provide support to businesses who have signed up to the Living Wage. The council is committed to Brighton and Hove becoming a Living Wage city. There are currently 347 businesses who have pledged to pay the living wage in Brighton and Hove (www.livingwagebrighton.co.uk). However, to introduce any criteria or additional support for Living Wage employers, we would need to establish an untested administrative process that proves they are following through with their pledge, and this may be prohibitively complex. Legal advice suggested that we may also need to re-consult as a significant change to the basic criteria of the policy. This would be counter-productive for businesses who need the help as soon as possible. However, we can consider options around a Living Wage criteria for future years of the scheme, and also look into whether any other Local Authorities have similar criteria.
- 5.9 Other comments were made about the impact of the Revaluation itself on small businesses and in particular, guest houses and small hotels. The council has no control over the setting of the Rateable Values, but this scheme is designed to provide additional mitigation for the impact of increases, on top of measures already announced by the government to support small businesses.

6. CONCLUSION

- 6.1 Revaluation Discretionary Rate Relief will have a beneficial impact on local business and therefore should be implemented as soon as possible after approval.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The council will receive section 31 grant funding from government equivalent to 49% of the actual cost of the scheme up to the scheme limits in paragraph 3.14 so there is no cost to the council through this discretionary relief. This means for 2017/18 the section 31 grant due to the council will be up to £0.550m of the £1.123m.

Finance Officer Consulted: James Hengeveld

Date: 14/09/17

Legal Implications:

- 6 The grant has been made available to the council under section 31 of the Local Government Act 2003. This is a general power allowing Government to pay grant to local authorities towards expenditure to be incurred. Conditions may be imposed on the use of the grant. It is required to be administered by the council under its discretionary relief powers in section 47 of the Local Government Finance Act 1988. The power is subject to a requirement that the council is satisfied that reducing the amount payable is reasonable, having regard to the interests of persons liable to pay council tax. In that the proposed scheme is funded by the grant, it cannot affect other ratepayers, and as such is a reasonable. As the committee responsible for exercising the council's functions in relation to the administration, collection and enforcement of National Non-Domestic Rates, it is within the committee's power to approve the 2017/18 Business Rates Revaluation Discretionary Rate Relief Scheme.

Lawyer Consulted:

Liz Woodley

Date: 17/09/17

Equalities Implications:

- 7.1 Rate Relief support may mean that some organisations are better able to survive financially than they were without the support. Charitable rate relief already exists for many organisations that provide support to individuals and communities.

Sustainability Implications:

- 7.2 none

SUPPORTING DOCUMENTATION

Appendices:

1. Definition of Pub Relief
2. Other types of available relief.

Documents in Members' Rooms

None

Background Documents

None

