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| Subject: | Business Rates Relief Schemes | | |
| Date of Meeting: | 12 July 2018 | | |
| Report of: | David Kuenssberg, Executive Director – Finance & Resources | | |
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| Ward(s) affected: | All | | |

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 The report outlines two Business Rate Relief schemes, each to be approved by Policy, Resources and Growth Committee.
- 1.2 Discretionary Rate Relief for community and voluntary organisations
This is an update to an existing policy, proposing how officers will use discretion to award rate relief of up to 100% for charities, community and voluntary organisations with social value underpinning this discretion.
- 1.3 Revaluation Rate Relief
This is a scheme to assist ratepayers following the national revaluation of all Business Rates properties in 2017. Government has provided local authorities with four years of funding to support those most adversely affected by changes to their bills. The scheme was previously approved for year one (2017-18) and this report sets out how we will administer the scheme for the remaining three years.

2. RECOMMENDATIONS:

- 2.1 That Committee approves the policy for Discretionary Rate Relief at Appendix 2.
- 2.2 That Committee approves the proposals in paragraphs 3.13 to 3.20 concerning Revaluation Rate Relief for 2018 to 2021, summarised as follows:
 - The policy from 2017-18 shall be continued for the remaining lifetime of the Revaluation Rate Relief scheme
 - The qualifying Rateable Value threshold shall be reduced to £80,000 for 2018-19.
 - Starting thresholds for future years shall be set at £40,000 for 2019-20 and £15,000 for 2020-21
 - Officers shall be empowered to alter the thresholds incrementally during each year, or to alter the other parameters of the scheme, to maximise the use of available government funding

3. CONTEXT/ BACKGROUND INFORMATION

Discretionary Rate Relief for community and voluntary organisations

- 3.1 The Local Authority has a long-established power in legislation to reduce Business Rates for organisations that are either charities or community/voluntary organisations not “established or conducted for profit”. The current policy enables officers to make decisions on a case by case basis, considering factors such as value to the community, financial health of the organisation in terms of ability to pay some or all of their rates liability, the ability to raise funds, and whether there are any one-off emergency factors. The proposed new policy puts social value at the heart of the decision-making for rate relief.
- 3.2 The [Brighton and Hove Social Value Framework](#) sets out a strategy for recognising the contribution that organisations make to the wider community. The principle also applies to how we allocate rate relief.
- 3.3 Beyond legally defined government reliefs, the council can then use its discretion to award local rate relief as follows:
- For charities / Community Amateur Sports Clubs (CASCs) – able to award up to 20% more relief on top of the existing 80% reduction they automatically receive, reducing the bill to zero in some cases.
 - For other community organisations and organisations in the voluntary sector who do not already receive full Small Business Rates Relief– able to award up to 100% relief.
- 3.4 Awards of rate relief are budgeted to cost £0.072m in total. The council pays 49% of this, whilst the Fire Authority pays 1% and government pays 50%. Given that the fund is limited, the council is not able to support all organisations, so the policy has to enable officers to prioritise awards of relief.
- 3.5 In deciding whether an organisation will qualify for discretionary relief, the policy at appendix 2 is proposed. Some of the considerations from the policy are:
- Social value – what does the organisation deliver in outcomes that create social value?
 - Financial resources – what does the organisation have in terms of surplus, running costs, and contingency?
 - Additional income- what income streams, grant and fund raising capacity does the organisation have?
 - Affordability - what could the organisation reasonably afford to pay towards their Business Rates?
 - One-off issues - are any emergency or unforeseen factors severely affecting the organisation?
 - Financial impact on residents - the council is required by law to consider the interests of the local taxpayer, in relation to Council Tax and Business Rates.

- Accessibility - does the organisation have a membership policy that is open to all members of the community; or if not, is there a specific group that the organisation seeks to support or promote?
 - Equalities - does the organisation have an equalities policy?
- 3.6 It is proposed that applications are considered on a case by case basis. The starting point for all decisions will be whether the organisation adds social value to Brighton and Hove. Whilst we will have broad consideration of all the criteria in paragraph 3.5, no one factor will be solely determinative of the final decision.
- 3.7 In order to ensure that the reach of the scheme is maximised, it is proposed that awards are capped at £8,000 – significant enough to make a difference to the financial wellbeing of an organisation.
- 3.8 It is proposed that charity shops are excluded, given that they have an inherent opportunity to raise funds and in some cases have a national infrastructure to draw upon. In addition, faith organisations solely promoting faith should be excluded on the basis that social value is confined to a narrow and self-selecting cadre of residents.
- 3.9 It is further proposed that the caps are reviewed on an annual basis to ensure that social value is maximised.
- 3.10 The principle of discretion underlies this policy and so the Revenues Team Leader may decide to award an additional amount above the maximum award, where the interests of local taxpayers outweigh the loss of additional funding available to other applicants across the city.
- 3.11 Decisions will be made by the Business Rates Team Leader. Applicants will have the right of appeal and their case will be reviewed by an officer more senior to the Business Rates Team Leader.
- 3.12 A consequence of current government legislation is that businesses occupying a property with a Rateable Value of below £15,000 receive up to 100% relief, whereas a charity in the same property receives only 80% relief. This is because the government increased the amount of Small Business Rate Relief (SBRR) available from 50% to 100%, but did not change the rules for charities at the same time. If a charity in this situation would otherwise have qualified for SBRR applies for assistance, the council can use its discretion to rectify this discrepancy and top up the relief to 100%. The financial considerations in paragraph 3.5 and Appendix 2 will still apply.

Revaluation Rate Relief

- 3.13 On 1 April 2017, the Government's Valuation Office Agency implemented their nationwide Revaluation of all Business Rates properties. Revaluation resulted in significant increases in Business Rates for some ratepayers, and decreases or minimal changes for others. The Local Authority has no control or influence over the implementation of the new RV's.

- 3.14 In response to concerns from the business community and to mitigate any material impact, the government gave local authorities funding to implement Discretionary Rate Relief; Brighton & Hove received the following:

| | £'000 |
|----------------|--------------|
| Year 1 2017/18 | 1,123 |
| Year 2 2018/19 | 546 |
| Year 3 2019/20 | 225 |
| Year 4 2020/21 | 32 |
| Total | 1,926 |

- 3.15 This report sets out a proposed policy for years two, three and four of the scheme.
- 3.16 Criteria in year one were broadly successful in distributing relief. However there were more national and multi-national organisations than expected and this resulted in an underspend of the fund. In years two to three it is proposed that we use the same criteria as before, but change the qualifying thresholds.
- 3.17 In the consultation for last year, it was clear that respondents felt that help should be directed towards local businesses. However, in order to ensure that all of the fund reaches those organisations, the thresholds may need to be adapted incrementally during the year.
- 3.18 It is therefore proposed that starting thresholds will be set, to take effect at the beginning of a financial year, but then those amounts may be adjusted in-year in order to bring more ratepayers into the scope of support if necessary.
- 3.19 The table below sets out the thresholds for 2017-18 and the proposed starting thresholds for the remaining years of the scheme:

| Qualifying thresholds | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|------------------|-----------------|-----------------|-----------------|
| Rateable Value | £125,000 or less | £80,000 or less | £40,000 or less | £15,000 or less |
| Minimum increase of RV due to Revaluation (as at 1 April 2017) | 5% | 5% | 5% | 5% |
| Minimum increase of actual liability (as at 1 April 2017) | 5% | 5% | 5% | 5% |

- 3.20 We have a further £0.2m to allocate in respect of 2017-18 and this must be awarded by 30 September 2018, otherwise this funding will be lost. This amount will be allocated, by raising the 2017-18 threshold from £125,000 to £175,000. If the fund still has not been spent at that point, the threshold will be raised incrementally.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 Alternative options considered for Discretionary Rate Relief (community and voluntary sector) included simplifying the scheme so that there were bands of relief for different types of organisation. Consideration was also given to working

jointly with Communities and Equalities to harmonise and possibly consolidate decision-making into one area.

- 4.2 It was not practical to bring the two schemes together as they are very different in how they operate, and this would have created significantly more administration for which neither the Revenues & Benefits team, nor the Community and Equalities team is resourced. However, there will continue to be links between the two teams.
- 4.3 In terms of the scheme design itself, other options did not allow the flexibility of true discretion and they would have had a narrower focus, which may not have been in line with the broad spectrum of social value that the council is seeking to encourage.
- 4.4 For Revaluation Rate Relief, we considered whether employers paying the Living Wage could be recipients of an enhanced amount of relief. There was some support for this in the consultation. However, the administration for such a measure would involve individual applications and evidencing of finances, against a backdrop of the fund being half the size it was in year one. One of the successful features of year one was that no application form was required and relief was awarded to any ratepayer who met the criteria. The financial impact of awarding an extra amount for living wage cases is unknown, because there is no comprehensive public record of which employers pay the living wage. For these reasons we have not included a living wage criteria.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 An options analysis was developed and then explored with assistance from the Community & Equalities team.
- 5.2 A public consultation for both elements resulted in 4 responses for Revaluation Rate Relief and 14 responses for Discretionary Rate Relief.
- 5.3 In the case of Discretionary Rate Relief, the consultation set out the example categories of social value listed in the Brighton and Hove Social Value Framework. Most categories gained broad support, with “reducing inequality” deemed as “very important” by all respondents. “Safe, happy children, young people and families” was also valued very highly. The least valued categories in terms of deemed importance were “the economy” and “ensuring the city has a range of quality housing and support to suit households”, although it should be noted that there are limited conclusions to be drawn from the relatively small sample size of respondents.
- 5.4 There was broad support for awarding top up relief to charities who would otherwise have been entitled to Small Business Rate Relief.
- 5.5 There was recognition that the fund is very limited and so the impact in terms of enhancing social value may also be limited.
- 5.6 Most respondents tended to agree that there needed to be a maximum award of relief. In the consultation, the suggested maximum was £10,000. However, to ensure that there are appropriate budgetary controls on the fund, the maximum

proposed amount is now £8,000, with a caveat for allowing further discretion in certain circumstances.

- 5.7 Regarding Revaluation Rate Relief, there was very little change proposed to last year's scheme and a limited number of respondents (four, one of which represented a board of local businesses). One organisation was in favour of supporting living wage employers. There were no clear objections to the proposals, but there are limited conclusions to be drawn from the small sample size of respondents.

6. CONCLUSION

- 6.1 The policies for a) Discretionary Rate Relief and b) Revaluation Rate Relief are recommended for approval by the committee.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The budget for the 2018/19 discretionary rate relief for community and voluntary organisations is £0.072m and was agreed by this committee as part of the Business Rates Tax base report in January 2018. The budget is funded 49% by the City Council, 1% by the fire authority and 50% by central government in line with the Business Rate Retention scheme and therefore the net cost to the council is £0.035m in 2018/19. Any variance against the budgeted amount forms part of the overall business rates retention income forecast for the current year and would be incorporated into the level of resources available for the 2019/20 budget.
- 7.2 The revaluation rate relief is funded through Section 31 grant from government. The annual awards must be spent by September of the following financial year giving an 18 month allocation period. Any unused grant is returned to government.

Finance Officer Consulted: James Hengeveld

Date: 08/06/18

Legal Implications:

- 7.3 Part III (Non-Domestic Rating) of the Local Government Finance Act 1988 sets out the rules for mandatory and discretionary rate reliefs referred to in paragraph 3.3 for registered charities, CASCs, other community organisations and non-profit making organisations. The proposed changes to the Discretionary Business Rate Relief Scheme are compatible with the legislative framework.
- 7.4 The grant for the Business Rates Revaluation Relief Scheme 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 1988 Act. 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. As the relief is funded

by government, no person liable to pay council tax is adversely affected by a decision to award relief as proposed in the new scheme.

Lawyer Consulted: Liz Woodley

Date: 11/06/18

Equalities Implications:

- 7.5 An Equalities Impact Assessment has been carried out.
- 7.6 The organisations affected by Discretionary Rate Relief generally support some of the more vulnerable groups in the city, although there are some concerned with the arts and recreation. Those groups will have a social value of some nature in order to qualify for relief.
- 7.7 If an organisation falls into financial difficulty there will be a varying range of people impacted. Rate relief, if awarded, helps to stabilise the financial position of applicants and helps to maintain the support provided to their client groups. So there is a positive impact of awarding rate relief.
- 7.8 The focus of the policy ensures that as far as possible, relief is targeted towards organisations that a) provide social value and b) most need the support in order to provide services to their clients, members or service users.

Sustainability Implications:

- 7.9 There are no sustainability implications

Any Other Significant Implications:

- 7.10 There are no other significant implications

SUPPORTING DOCUMENTATION

Appendices:

- 1. Table of Social Values
- 2. Discretionary Rate Relief Policy

