

Subject: Non-Domestic Rate (NNDR) – Government New Discretionary Rate Relief Scheme

Report by:

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Purpose / Summary:

This report seeks to clarify the Council's position with regard to the new Government Discretionary Business Rate Relief Scheme for the financial year 1 April 2018 to 31 March 2019.

RECOMMENDATION(S):

1. To agree Option 1 as the preference for the new Discretionary Rate Relief Scheme for West Lindsey District Council for 2018/19
2. To agree that in the event of any surplus during the year 2018/19, decisions to award any additional relief be delegated to the Executive Director of Resources;
3. To agree that as the funding available for a Discretionary Rate Relief Scheme will continue to reduce that the agreed Option for 2018/19 be applied to future years using the methodology outlined in this report, but with a reduction in the percentage of relief granted, in line with Government allocation. The decision for the award of 2019/20 and 2020/21 to be delegated to the Executive Director of Resources in his capacity as Section 151 Officer.

IMPLICATIONS

Legal:

Section 47 of the Local Government Finance Act 1988 gives billing authorities the discretion to reduce or remit the payment of rates.

Ratepayers who disagree with a refusal to grant relief or by the amount of relief awarded may challenge the decision via Judicial Review, on the grounds that the Council has failed to act reasonably in exercising its discretion.

Financial Implications FIN 44/19/CC

The measures introduced in the Spring Budget 2017 are all fully funded by Government. Outside of these measures, the cost of awarding discretionary rate relief changed on 1 April 2013, with the introduction of 50% business rate retention. Other than where Government has agreed to fund any discretionary relief, the cost is split between Government, billing authorities and major preceptors on a fixed percentage basis. The implications of granting Discretionary Rate Relief are set out below:

Type of Relief	Maximum relief	Cost to WLDC Collection Fund	Cost to Lincolnshire County Council	Cost to Central Government
Discretionary	Up to 100%	40%	10%	50%

The scheme is fully funded by Government in the form of Grant funding with £76,000 being available for the proposed 2018/19 scheme.

Based on the preferred Option 1, it is estimated that there is likely to be a surplus of £236, however, there is no provision for end of year flexibility and any unallocated funds cannot be rolled over into the next financial year.

Future schemes will require approval and be set to match the reducing level of government funding awarded for each financial year.

Staffing :

None directly resulting from this report

Equality and Diversity including Human Rights :

The equality implications have been considered within this report.

Risk Assessment :

Any new policy or decisions made based on such a policy would be open to legal challenge however failing to adopt a policy could damage the Council's reputation.

Climate Related Risks and Opportunities :

None arising from this report.

Title and Location of any Background Papers used in the preparation of this report:

Local Government Finance Act 1988 – Section 47 -
<http://www.legislation.gov.uk/ukpga/1988/41/section/47>

The Spring Budget 2017 - the Government announced the establishment of a £300m discretionary fund payable over 4 years from 2017/18, to support businesses following the revaluation - <https://www.gov.uk/government/news/spring-budget-2017-21-things-you-need-to-know> (item 19 refers)

20 June 2017 – Guidance regarding the administration of the scheme was issued by the Department for Communities and Local Government in a Business Information Letter (4/2017)

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/680938/BRIL_4-2017_-_BUDGET_SCHEMES_UPDATE_rev.pdf

22 December 2017 – Business Rates Information Letter (9/2017) issued confirming there is no provision for end year flexibility and unallocated funds cannot be rolled over into the next financial year -

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/670600/BRIL_9_-_2017_-_Admin_-_19_Dec_cm.pdf

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

Yes

No

Key Decision:

Yes

No

Executive Summary

This report provides details for implementing a Discretionary Business Rate Relief Scheme for the financial year 1 April 2018 to 31 March 2019.

At the Spring Budget 2017, the Government announced the establishment of a £300m discretionary fund over four years from 2017/18, to support those businesses that face the steepest increases in their business rate bills as a result of the 2017 revaluation.

All billing authorities were notified that they were required to design a discretionary relief scheme and determine the eligibility of ratepayers for support. The scheme should drive economic growth both in terms of content and application and it should ensure that relief is targeted at those ratepayers that have faced the largest increase in their rate bills. The schemes are required to clearly set out the criteria that ratepayers across the local authority area, or within specific locations within their areas, need to meet in order to qualify for discretionary relief.

The scheme and recommendation has been designed with customer first principals in mind and in line with the Corporate Plan principals of 'people first' and 'open for business'.

The three options proposed for implementing a Non-Domestic Rate Discretionary Relief Scheme for the financial year 1 April 2018 to 31 March 2019 are set out in the report and consideration was given to the above and to the Corporate Priority of being open for business and being able to retain, support and facilitate the growth of business in the District.

The scheme has been designed not to exclude any particular sectors, unless specified by Government and, in an effort to be as inclusive as possible across the whole of the West Lindsey district, has not been limited to specific locations.

The recommendation for the non-domestic rate discretionary relief scheme is option 1 which includes all the businesses who have experienced an increase in the amount of rates payable in 2018/19 and who received an award of this relief during 2017/18.

1 Background

Discretionary Relief Scheme

- 1.1 A £300m discretionary fund over four years from 2017/18, to support those businesses that faced the steepest increases in their business rate bills as a result of the recent revaluation, was established in 2017. Every billing authority will be provided with a share of the £300 million to support their local businesses over the four years and they are expected to use their share of the funding to develop their own discretionary relief schemes to deliver targeted support to the most hard-pressed ratepayers.
- 1.2 The £300 million covers the four years from 2017/18 the breakdown being:-
- £175m in 2017/18
 - £85m in 2018/19
 - £35m in 2019/20
 - £5m in 2020/21
- 1.3 Under the terms of the grant determinations, all the compensation is being paid to billing authorities in the first instance. The sum will be shared between billing and major precepting authorities in the normal way.
- 1.4 Letters were sent to the Chief Financial Officers of each Billing Authority on the 28 April 2017 to confirm the grant distributions for the four years.
- 1.5 The total grant distributions for all 4 years of the scheme for West Lindsey District Council are as follows:-
- | <u>2017/18</u> | <u>2018/19</u> | <u>2019/20</u> | <u>2020/21</u> |
|-----------------|----------------|----------------|----------------|
| £157,000 | £76,000 | £31,000 | £4,000 |
- 1.6 The Ministry of Housing, Communities and Local Government confirmed that the design and administration of schemes is for authorities to decide and it is therefore, for each billing authority to agree its Discretionary Relief Scheme, having discussed options with their precepting authorities.
- 1.7 All reliefs awarded at the discretion of a billing authority amount to state aid. European legislation provides that an undertaking is entitled to receive up to €200,000 of de-minimis state aid in a three year period (consisting of the current financial year and the two previous financial years). As a result, a billing authority must establish if the award of discretionary relief would exceed the €200,000 of de-minimis state aid for any undertaking. This is achieved by requesting potential recipients of any relief to sign a declaration, stating the award of any relief would not exceed the state aid limit.
- 1.8 The Ministry of Housing, Communities and Local Government has determined that there can be no virement of monies between financial years so there will be no flexibility to spread relief over different years.

2. New Discretionary Relief Scheme

- 2.1** The 3 options proposed by officers on implementing a Business Rate Discretionary Relief Scheme for the financial year 1 April 2018 to 31 March 2019 are set out below.
- 2.2** Government expect billing authorities to discuss options with their major precepting authorities and to consult with them before adopting any scheme. They were advised a Section 31 grant would only be payable to those billing authorities that had consulted with their major precepting authorities.
- 2.3** A consultation has been undertaken for the 2018/19 scheme and both the Lincolnshire County Council and the Lincolnshire Police Authority have agreed to the options suggested.
- 2.4** Billing authorities are not obliged to consult with local ratepayers or to adopt any scheme based on the feedback they receive and therefore being mindful of the cost of a formal consultation it has been decided not to undertake a consultation.
- 2.5** The options suggested have sought to adopt the fairest way of distributing the authority's allocation of Government funding and to ensure that relief is paid to those most in need of support.
- 2.6** The number of hereditaments in the local rating list as at 1 April 2018 for the West Lindsey District Council was 2,905 and of those 197 properties were entitled to relief under this scheme in 2017/18.
- 2.7** The Ministry of Housing, Communities and Local Government has determined that there can be no virement of monies between financial years so there will be no flexibility to spread relief over different years and therefore it is important for the Council to make full use of the budget available.
- 2.8** The scheme has been designed to pay relief to those ratepayers who have experienced an increase in the rates payable during 2017/18 and 2018/19 and who received some support under this scheme during 2017/18.
- 2.9** Once the scheme for 2018/19 has been agreed officers will automatically award relief to those ratepayers who qualify. Each ratepayer will be advised of the amount of relief they have received via a new business rate bill.

2.10 Where a ratepayer has already vacated prior to the adoption of this scheme no calculation to entitlement will be made and no award will be paid.

2.11 The Council will not recalculate eligibility for revaluation support in the event of a change to the rating list that effects an eligible property whether retrospective or otherwise.

2.12 Relief is calculated on a daily basis based on true liability and therefore where a ratepayer is awarded this relief but vacates during the year an apportionment will be made to this relief.

2.13 Relief will be awarded after all other reliefs have been considered and awarded.

3. Options for 2018/19

Option 1

- To award relief to those properties that have experienced an increase in the rates payable from 2017/18 to 2018/19 and who received discretionary rate relief under this scheme in 2017/18.

No of properties in receipt of 2017/18 relief	% relief awarded in respect of the increase between 2017/18 and 2018/19	Amount payable	Difference
197	50%	£75,764	Underspend of £236

Option 2

- To award relief to those properties that have experienced an increase in the rates payable from 2017/18 to 2018/19 and who received discretionary rate relief under this scheme in 2017/18.

No of properties in receipt of 2017/18 relief	% relief awarded in respect of the increase between 2017/18 and 2018/19	Amount payable	Difference
197	25%	£37,882	Underspend of £38,118

Option 3

- To award relief to those properties that have experienced an increase in the rates payable from 2017/18 to 2018/19 and who received discretionary rate relief under this scheme in 2017/18.

No of properties	% relief awarded in	Amount	Difference
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in receipt of 2017/18 relief	respect of the increase between 2017/18 and 2018/19	payable	
197	75%	£113,646	Overspend of £37,646

4. Recommendations

The recommendation is for Option 1 to be agreed as the preference for the new Discretionary Rate Relief Scheme for West Lindsey District Council for 2018/19.

This option spends almost all of the award entitlement for 2018/19 and as any surplus cannot be retained to use in future years this would ensure the optimum spend. Option 2 would result in a surplus which would not be beneficial to the ratepayers of this district and option 3 results in an over spend of £37,646.

In the event of any surplus during the year 2018/19, that any decisions to award additional relief be delegated to the Director of Resources.

5. Discretionary Rate Relief Scheme 2019/20

It is recognised that whatever decision is reached this would only be a scheme for 2018/19. A review of the scheme will be undertaken annually and the agreed Option for 2018/19 will be applied to future years using the methodology outlined in this report but with a reduction in the percentage of relief granted, in line with Government allocation.