

WELWYN HATFIELD COUNCIL  
CABINET – 8 AUGUST 2017  
REPORT OF THE EXECUTIVE DIRECTOR (RESOURCES, ENVIRONMENT AND  
CULTURAL SERVICES)

BUSINESS RATES – BUDGET CHANGES AND NEW DISCRETIONARY RELIEF  
SCHEME

**1 Executive Summary**

- 1.1 The Chancellor presented his 2017 Spring Budget to the House of Commons on 8 March 2017 and this included three business rate announcements. The April Cabinet meeting agreed to give delegated authority for the Executive Director (Resources, Environment & Cultural Services) in consultation with the Executive Member for Resources to agree non-domestic rate discretionary relief guidelines for those businesses facing large increases in rates payable following the 2017 rating revaluation. The purpose of this report is to inform Members of the final discretionary relief guidelines which have been agreed in consultation with Hertfordshire County Council, and to provide an update on the other two budget business rate announcements.

**2 Recommendation(s)**

- 2.1 That Cabinet note the local discretionary rate relief guidelines in appendix A to support businesses that face the steepest increases in their business rates bills as a result of 2017 revaluation.

**3 Explanation**

- 3.1 Non-domestic rates and the national multiplier is set by central government and not the local authority. Each non-domestic property has a rateable value which is set by the Valuation Office Agency (VOA), an agency of HMRC. The rateable value broadly represents the yearly rent the property could have been let for on the open market on a particular date.
- 3.2 Rateable values are used by local councils to calculate business rates and revaluation is the updating of all rateable values of all business properties. The VOA generally reassesses all rateable values in England and Wales every five years, based on their open market rental value on a fixed date although the last revaluation was in 2010. The April 2017 revaluation is based on rental values on 1 April 2015. Revaluation is done to maintain fairness in the system by redistributing the total amount payable in business rates, reflecting changes in the property market.
- 3.3 Concerns have been raised nationally following the revaluation exercise and this has resulted in business rate budget changes to absorb the impact of some of the rate increases following revaluation. One of the measures announced was to distribute funding to local authorities to provide discretionary relief to target individual cases, where business rates bills have increased significantly following

reevaluation. The guidelines for awarding this relief are shown in Appendix A. The Government has made £300 million available to local authorities over four years from 2017-18, to provide discretionary relief to those ratepayers facing significant increases in their bills following the reevaluation. The total amount allocated for the Council's scheme (including other preceptors' shares) is as follows and we will not award relief exceeding these thresholds:

- 2017/18 £300,000
- 2018/19 £146,000
- 2019/20 £60,000
- 2020/21 £9,000

- 3.4 The Government expects us to will deliver the scheme through the use of our discretionary relief powers under section 47 of the Local Government Finance Act 1988, as amended. We will be compensated through a Section 31 grant for the cost to the authority of granting the relief, up to a maximum amount based on our allocation of the £300m fund. These guidelines are based on the Government's consultation document and in consultation with Hertfordshire County Council. This discretionary relief scheme will only provide support for those ratepayers that face the largest increases in their business rates bills as a result of 2017 revaluation. We wrote to 51 qualifying businesses and invited them to apply for relief by 4 August 2017. Each of these businesses will receive approx. 90%+ relief based on their net rates payable.
- 3.5 The other reliefs announced in the budget related to support limiting increases in bills to £600 per annum for small businesses that lost their small business rate relief entitlement, and a discount of £1,000 for smaller pubs. The discount for pubs only applies to pubs with a rateable value below 100,000 and excludes restaurants and night clubs. On the basis of this we have only included pubs that are described as such in the Valuation Office Agency rating listing and 41 pubs in the borough have been awarded relief. These have all been contacted.
- 3.6 The support for small businesses cannot be applied until the end of August 2017 when we have the required software available to calculate the relief these qualifying businesses will be entitled to.

## **Implications**

### **4 Legal Implication(s)**

- 4.1 Section 47 of the Local Government Finance Act 1988 permits the billing authority to grant discretionary rate relief. From 1 April 2012, this was amended by the Section 69 of the Localism Act 2011, which removed the previous restrictions of discretionary relief to only apply to charities and other organisations of prescribed types.

### **5 Financial Implication(s)**

- 5.1 Local government will be fully compensated for the cost of these measures. Payments to billing authorities will be made during the course of the year, based on estimates of the amount of relief that each billing authority will give. Amounts will be reconciled following the end of the year when outturn figures are available. We have also received some new burdens funding for this work.

**6 Risk Management Implications**

6.1 A risk assessment has not been prepared in relation to the proposal in this report as there are no significant risks inherent in the proposals.

**7 Security & Terrorism Implication(s)**

7.1 There are no security and terrorism implications with the recommendation in this report.

**8 Procurement Implication(s)**

8.1 There are none.

**9 Climate Change Implication(s)**

9.1 The proposals in this report will not impact on greenhouse gas emissions.

**10 Link to Corporate Priorities**

10.1 The subject of this report is linked to the Council's Corporate Priority: Engage with our communities and provide value for money.

**11 Equality and Diversity**

11.1 An initial impact assessment has been carried out on our proposed discretionary rate relief policy and there were not any differential impacts identified.

Name of author	Farhad Cantel
Title	Client Support Services Manager
Date	July 2017

<b><u>Welwyn Hatfield Borough Council</u></b>	<b><u>Discretionary Rate Relief – Budget Support Guidelines</u></b>
<b>Considerations</b>	<b>Criteria</b>
<p><b>Qualifying criteria:</b> RV(Rateable value) less than £200k at 1.4.2017</p> <p><i>Based on funding allocation from Government</i></p>	<p>The aggregate rateable value of all businesses owned locally/nationally/internationally as we believe that this relief is needed by our local small ratepayers rather than national organisations.</p>
<p><b>Qualifying criteria:</b> Increase greater than 12.5% as a result of revaluation and nothing else</p> <p><i>Based on funding allocation from Government</i></p>	<p>This will be after all reliefs and based on net rates payable. We will compare 2016/17 net liability and 2017/18 net liability – remembering that increase must be as a result of the revaluation.</p>
<p><b>Qualifying criteria:</b> Status of property</p>	<p>Occupied only.</p> <p>For those applicants who occupied during 2016/17, their part year liability will be annualised before comparing with the 2017/18 liability to ensure they comply with the 12.5% increase requirement.</p>
<p><b>Qualifying criteria:</b> Type of Business</p>	<p>All business that meets core criteria are eligible for relief.</p>
<p><b>Funding allocations</b> Location of Business</p>	<p>All business that meet core criteria, regardless of location are equally eligible for relief.</p>
<p><b>How to allocate funds</b></p>	<p>We will provide the same percentage of relief to each qualifying organisation.</p> <p>The % to be granted will be determined once all qualifying applicants have been approved.</p> <p>Total assistance limited to funding allocated</p> <ul style="list-style-type: none"> <li>• 2017/18 £300,000</li> <li>• 2018/19 £146,000</li> <li>• 2019/20 £60,000</li> <li>• 2020/21 £9,000</li> </ul> <p>Keep to allocation formula – no caps or De Minimis</p>
<p><b>Application process</b> <i>(need to apply to make state aid declarations)</i></p>	<p>Closing date process – because you then know how much “increase” has been experienced by the applicants and can award proportionately.</p>

<p><b>Changes in circumstances</b></p> <p>(A) What happens when the RV goes down or other reliefs are subsequently granted?</p>	<p><b>Recommended</b></p> <ol style="list-style-type: none"> <li>1. If RV reduces or other reliefs are granted, leading to a less than 12.5% increase on 2016/17 then all revaluation support removed.</li> <li>2. If RV reduces or other reliefs are granted, but retains an increase in excess of 12.5%, - recalculate entitlement based on initial allocation %.</li> <li>3. We would also remove all relief retrospectively if we later established that it had been awarded incorrectly. E.g. based on aggregate rateable value nationally.</li> </ol>
<p><b>Changes in circumstances</b></p> <p>(B) What happens if RV goes up</p>	<p>Nothing – there are no spare funds to award after the initial allocation. – may entertain consideration in subsequent years allocation</p>
<p><b>Changes in circumstances</b></p> <p>(C ) New occupier</p>	<p>Revaluation support ends, as this occupier has not experienced the increase – pro rata award to original applicants occupation</p>
<p><b>Changes in circumstances</b></p> <p>(D) Property becomes empty</p>	<p>Revaluation support ends– pro rata award to original applicants occupation</p>
<p><b>How long to award for</b></p>	<p><b>Recommended</b></p> <p>Award for all of 2017/18 – until there is;</p> <ul style="list-style-type: none"> <li>• a change of occupier</li> <li>• the property becomes empty or change in RV excludes from entitlement</li> </ul>
<p><b>State Aid rules</b></p>	<p>Must have declaration to confirm complies with De Minimis requirements. Ask for details of all existing awards of state aid at time of application to us, and remind them that if they exceed state aid rules they must declare it to us.</p>
<p>a) If DCLG agree that we can flex the spend over the 4 years rather than be restricted to outline allocations</p>	<p><b>Recommend</b></p> <p>Allocated funds available to be granted, equally over 4 years.</p>
<p>b) Consultation</p>	<p>Consultation will take place with Hertfordshire County Council</p>
<p><b>Applications</b></p>	<p>Applications will need to be made by completing an application form for relief</p>
<p><b>Hardship</b></p>	<p>Relief will be given if ratepayers meet the basic conditions arising from Revaluation. Relief will not be awarded on the grounds of hardship.</p> <ul style="list-style-type: none"> <li>• Total RV under £200k</li> <li>• Increase over 12.5% from Revaluation and nothing else</li> <li>• State aid rules compliant</li> </ul>
<p><b>Appeals process</b></p>	<p>Section 47 discretionary rate relief awards are</p>

	<p>administered under the Local Government Finance Act 1988 and awards are not subject to a statutory appeals process. Appeals therefore will be decided by Welwyn Hatfield Borough Council whose decision is final. Where an application for discretionary rate relief is refused an appeal against this decision must be made in writing. The appeal will be considered by Client Support Services Manager or the Revenue &amp; Benefit Client Officer, who did not make the original decision.</p> <p>Appeals will not be entertained where the level of funding awarded will be exceeded. The appeals process will be based on the appeals process In existing DRR policy</p>
<p><b>Awards</b></p>	<ul style="list-style-type: none"> <li>• One years' notice</li> <li>• Awards can't exceed available funds</li> </ul> <p>All ratepayers to be advised that relief is only awarded up to the end of the financial year in question and they will need to reapply for relief for future years. This will meet the requirements of Regulation 2 to SI 1989/1059 as there will be no revocation and 12 months' notice to end the relief awarded is not required.</p>