

	<p>Policy & Resources Committee</p> <p>27 June 2017</p>
<p style="text-align: right;">Title</p>	<p>Business Rates – Revaluation Support, a new discretionary rate relief scheme</p>
<p style="text-align: right;">Report of</p>	<p>Director of Resources</p>
<p style="text-align: right;">Wards</p>	<p>All</p>
<p style="text-align: right;">Status</p>	<p>Public</p>
<p style="text-align: right;">Urgent</p>	<p>No</p>
<p style="text-align: right;">Key</p>	<p>No</p>
<p style="text-align: right;">Enclosures</p>	<p>Appendix 1 – Draft Revaluation Support Policy</p>
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<p>Summary</p>
<p>Revaluation Support is a new discretionary rate relief funded by central government grant (£2.3m over 4 years) that may be used to allocate to businesses hardest hit by the effect of the 2017 revaluation. It is one of three new measures including Support for Small Businesses and Support for Pubs announced in the Spring Budget 2017.</p> <p>A local policy, relevant to the London Borough of Barnet is required to be agreed, to fairly distribute the grant.</p> <p>Funding is being allocated from 2017/18 and the subsequent three years. It is anticipated that the funding will need to be allocated within the year it is awarded, or otherwise returned to central government. Clearer details of the funding constraints and other guidance is still expected to be released during the summer (having been delayed due to the election) however due to the tight timescales and the need to distribute the assistance as quickly as possible, the policy should be agreed ahead of the final details.</p>

Recommendations

1. That the draft policy is agreed - subject to consultation and further emerging guidance from government.
2. Agree that the Deputy Chief Executive be authorised to make further amendments and to implement the policy in conjunction with the chairman of the committee.

1. WHY THIS REPORT IS NEEDED

- 1.1 In the spring budget the government announced three measures relating to business rates.
 - Support for small business
 - Support for pubs
 - A new discretionary relief scheme – to mitigate the effects of the revaluation. To separate this from the existing Discretionary Rate Relief schemes, referred to as Revaluation Support.
- 1.2 A £300m discretionary fund has been established for four years to be awarded to businesses facing the steepest increases in their business rate bills as a result of the revaluation. The LB Barnet share of the £300m is £2.373m.

	Amount of discretionary pot awarded (£000s)			
	2017-18 (year 1)	2018-19 (year 2)	2019-20 (year 3)	2020-21 (year 4)
Local authority				
Barnet	1,384	672	277	40

- 1.3 The funding levels were announced prior to the election being called, but they have since been reconfirmed. A consultation recently closed on the design of the scheme. Authorities have petitioned for greater flexibility to move money between years. We are expecting more details on this in Q2 2017/18. As it stands currently un-awarded grant will be repaid to the government.
- 1.4 This report sets out the objectives and details a draft policy along with the exclusions from the scheme.

2. REASONS FOR RECOMMENDATIONS

- 2.1 Whilst this policy is fully funded by central government, authorities must design their own schemes to fit their own circumstances. Without designing an appropriate scheme, local ratepayers would miss out on a reduction in their rates, and the funding would be returned to central government instead.

2.2 There is still some uncertainty on the administration of the relief scheme and some financial details relating to the allocation between years is not expected until Q2 in 2017/18.

2.3 From our analysis of the revaluation, many ratepayers have no additional rates to pay, or are within inflationary increases. However there are 3,928 which have increases capped to 5 percent, 748 medium sized properties capped to 12.5 percent, and 76 large properties that will have their rates capped at 42 percent. Support should be targeted to those small and medium sized businesses that will not be able to manage the increase.

Revaluation impact	No. of ratepayers
No rates to pay	1,136
No change/ or within inflationary increase	2,376
Decrease in rates	449
Large property with capped increase (42 percent)	76
Medium property with capped increase (12.5 percent)	748
Small property with capped increase (5 percent)	3,928
Total	8,713

2.4 Objectives

2.4.1 The government has set an objective to deliver targeted support to the most hard pressed ratepayers – i.e. those that face the steepest increases as a result of the 2017 revaluation.

2.4.2 This can be achieved through designing a policy that includes the following:

- **Support businesses based on size of property** – the rateable value of the property will determine the size, and the amount of relief.
- **Create a cap of award in £ per property** – a ceiling to the amount of relief awarded per property
- **Criteria to stimulate the right behaviours** – properties must be occupied, include/exclude business types
- **Exclude those already receiving relief from other support schemes** – such as Supporting Small Businesses; and Support for Pubs.
- **Business rates supplement will not be eligible for the relief** – only applies to properties exceeding £70,000 RV
- **Potential excluded business types** – the following business types would not be eligible for the relief
 - **Cafes, restaurants, pubs serving food** – that did not sign up to the Healthier Catering Commitment
 - **Financial services** (e.g. banks, building societies, cash points, bureau de change, payday lenders, betting shops, amusement arcades, pawn brokers)
 - **Other services** (e.g. estate agents, letting agents)

- **Professional Services** (e.g. solicitors, accountants, insurance agents/financial advisers)
- **Post office sorting offices**
- **Other Exclusions** -those recently occupied or new properties, and subject to state aid rules.

2.5 Calculation of relief

- 2.5.1 The draft policy (appendix 1) would award small properties (up to £28,000 RV) between 1-5 percent relief, medium properties (£28,001 to £100,000RV) between 3-8.5 percent relief, and large properties (£101,000 to £150,000RV) – 5 percent. Properties beyond £150,000RV would not be eligible for Revaluation Support.
- 2.5.2 Final modelling of the draft policy across the business rates data is still underway, and will remain during the consultation.
- 2.5.3 It is expected that there may be some further guidance from government on the operation of the scheme – particularly in relation to the allocation of the funding for each year. It is anticipated that the allocation will be permitted to be rolled over from one year to the next, or pulled forward should that be required.
- 2.5.4 As part of the revaluation, ratepayers with increases beyond 5 percent, 12.5 percent and 42 percent for small, medium and large properties, respectively, will already be capped by transitional relief.
- 2.5.5 The allocation of funding is broadly fifty percent smaller in year two, and a further fifty percent smaller in year three. Accordingly the amount of the Revaluation Support would be halved each year – in 2018/19, and 2019/20.
- 2.5.6 In 2020-21, the fourth and final year, the award from government is just £40,000. Accordingly in this year, the grant would be allocated on an case by case basis on application and examination of the exceptional circumstances.
- 2.5.7 Whilst the policy will determine the award/eligibility, some funding will be retained in each year of the years to be awarded as exceptional claims present themselves to the council.

3. **ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1.1 The award made to each local authority is designed to help businesses face the hardest increases. There is no cost to LB Barnet as a result. A failure to design and implement the policy will result in the grant being returned to central government and local businesses may suffer as a result.
- 3.1.2 Consideration has been given to a wider, reduced level of award, but this not considered best use of the grant. Targeting the relief to the small and medium sized businesses will deliver the support to the hardest hit businesses.

4. POST DECISION IMPLEMENTATION

- 4.1.1 Consultation with the GLA, and business rate payers will follow this decision. Consultation would run for a period of four weeks from 3 July 2017 until 30 July 2017.
- 4.1.2 It is proposed that the consultation simply requests feedback on the draft policy.
- 4.1.3 Subject to the outcome of the consultation and any further guidance from government, the policy may be amended. This will be completed and implemented in conjunction with the chairman of the committee.
- 4.1.4 Software houses are still developing mechanisms for accounting for the award but this is expected to be completed during the summer months. Once the consultation period has concluded, urgent eligible applications may be processed by restructuring instalment plans.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The policy supports the Corporate Plan 2015-20 priority for Barnet:

Responsible growth and regeneration – revitalising communities and providing new homes and jobs whilst protecting what residents love about the borough, such as its green spaces, and generating local revenue as Government funding reduces to zero.

- 5.1.2 The council provides support for business and made a commitment to make Barnet the best place in London to be a small business. The Entrepreneurial Barnet strategy outlines the council's vision to make Barnet 'the best place in London to be a small business' and support for the economy to grow.
- 5.1.3 The change in business rates payable is directly linked to inflation and increasing property rents. Supporting business to face those increases will assist in protecting businesses.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 The government have allocated £300m between authorities, of which £2.3m is Barnet's share over 4 years.

2017-18	2018-19	2019-20	2020-21
£1,384,000	£672,000	£277,000	£40,000

- 5.2.2 The amount allocated to Barnet was set out in the government's consultation on 9 March 2017 (<https://www.gov.uk/government/consultations/discretionary-business-rates-relief-scheme>). The actual amount received will be the

amount due to Barnet and the GLA under the current rates retention rules; the government will retain their share.

- 5.2.3 The policy will be implemented by CSG under existing arrangements, and as this is fully funded by central government will not have a negative impact on business rate income budgets. Reducing the amount businesses have to pay will however reduce the burden on the business rate payer, and assist in maximising collection rates.

5.3 **Social Value**

- 5.3.1 This policy sets out the parameters for the delivery of the grant. By developing the policy to support healthy high streets through the Healthier Catering Commitment it can support social and economic benefits.

5.4 **Legal and Constitutional References**

- 5.4.1 The Local Government Finance Act 1988 s.47 provides the statutory authority to provide discretionary rate relief, and s.49 provides for a hardship relief.
- 5.4.2 The Localism Act 2011 gives authorities the ability to give local discounts, by amending s.47 of the Local Government Finance Act 1988.
- 5.4.3 The Councils Constitution Responsibilities for Functions Annex A sets out the terms of the Policy and Resources Committee including responsibility for
- ensuring “Effective Use of Resources and Value for Money
 - the overall strategic direction of the Council including - Local Taxation, Billing, Collection and Recovery.

5.5 **Risk Management**

- 5.5.1 The government set out the desire to support hardest hit businesses from the effect of revaluation in the Spring Budget. Since then details have been emerging, but due to the General Election, the final report on the consultation of the administration of the scheme has not been released.
- 5.5.2 The funding allocation has been confirmed, and the government have indicated that they expect authorities to be designing schemes.
- 5.5.3 There is a risk that without a scheme in place by the autumn that we would be unable to award the relief within the financial year and this would not reduce the financial burden on businesses caused by the revaluation.

5.6 **Equalities and Diversity**

- 5.6.1 The 2010 Equality Act outlines the provisions of the Public Sector Equalities Duty which requires Public Bodies to have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010
 - advance equality of opportunity between people from different groups

- foster good relations between people from different groups

5.6.2 The broad purpose of this duty is to integrate considerations of equality into day business and keep them under review in decision making, the design of policies and the delivery of services.

5.6.3 There is no cost to the local taxpayer, so no burden is created elsewhere in the borough. The scheme is designed to phase the level of support with the level of new revaluation burden.

5.6.4 An initial assessment suggests that no equalities impact is anticipated as a result of these proposals. The policy supports all business organisations in the Borough such as companies, partnerships and sole traders, and therefore direct impact on the protected characteristics is likely to be more evident in small businesses and sole traders. This will be kept under review as proposals develop.

5.7 Consultation and Engagement

5.7.1 Consultation with the public and businesses will commence in July 2017 for four weeks. The open consultation will be available on engage.barnet.gov.uk.

5.7.2 The consultation will seek views on the draft policy and invite comment.

5.8 Insight

5.8.1 The policy uses evidence of best practice and guidance such as benching marking with other authorities.

6. BACKGROUND PAPERS

6.1 None.