



06/17

Delegated decision report

DECISION UNDER DELEGATED POWERS

DECISION CANNOT BE TAKEN BEFORE 26 OCTOBER 2017

Title **DISCRETIONARY RATE RELIEF POLICY**

Report to **THE CABINET MEMBER FOR RESOURCES**

EXECUTIVE SUMMARY

1. The council's Discretionary Rate Relief Policy requires reviewing and updating to include new relief provisions made available by central Government as a result of the revaluation of businesses undertaken by the Valuation Office Agency and upon which new rateable values became operational in April 2017. This includes a scheme of relief to those facing large increases as a result of a loss of small business or rural rate relief and support for those small businesses facing large increases in their bills as a result of revaluation process.
2. This report therefore recommends the approval of a revised Discretionary Rate Relief Policy and approval of the methodology proposed to be adopted for the distribution of discretionary relief to be granted to those businesses most affected by the increases.

BACKGROUND

3. The council is obliged to grant relief on premises which fall into a mandatory category as determined by central government. There are also powers to grant discretionary relief and reductions to ratepayers subject to certain criteria being met. These are set out in the council's current Discretionary Rate Relief Policy approved by the strategic director of resources on 15 February 2013. However, the current policy does not reflect the new reliefs recently introduced of Local Newspaper Relief, Public House Relief, supporting Small Business Relief and New Discretionary Relief Scheme for those ratepayers facing the steepest increase as a result of the revaluation, so further updating has been undertaken in response.
4. The Valuation Office Agency undertook its revaluation of businesses upon which new rateable values were established for the calculation of business rates payable with effect from 1 April 2017. This usually happens every five years. The most recent revaluation came into effect on 1 April 2017, and broadly represents the yearly rent a property could have been let for on the

open market from 1 April 2015. In the spring budget, the Chancellor announced that a scheme of transitional relief would be made available to those ratepayers facing large increases as a result of a loss of small business relief or rural rate relief and support for those small businesses facing large increases in their bills as a result of revaluation process

5. In the case of new reliefs (Supporting Small Businesses, New Discretionary Relief Scheme for those ratepayers facing the steepest increase as a result of the revaluation and Pub Relief), guidance has been issued by central government outlining the actions expected to be taken by local authorities and upon which the proposed policy revisions and allocation of funding has been determined.
6. The Supporting Small Businesses scheme will ensure those ratepayers that have lost some or all of their small business or rural relief will limit the increase to a maximum of £600 per year (£50 a month).
7. The Pub Relief scheme will provide a £1,000 discount for those pubs with rateable values below £100,000.
8. The key points of the guidance for the New Discretionary Revaluation Scheme for assisting those facing the steepest increases are:
 - the scheme is designed to support those businesses that face the steepest increase as a result of the revaluation
 - billing authorities are to determine how the fund should be targeted and administered to support those businesses within their own area
 - billing authorities must set out the criteria that those ratepayers in their local areas need to meet in order to qualify for discretionary relief
 - more support should be provided to ratepayers occupying lower value properties
 - any support provided to ratepayers of revaluation support in excess of the funding will not be funded by central government and therefore it is important awards remain within the allocated funding
9. Central government allocations of funding to cover the cost of relief were confirmed on 21 April 2017 and the Isle of Wight Council's allocation of this funding is £864,000 over a four year period:

2017/18	2018/19	2019/20	2020/21	Total
£504,000	£245,000	£101,000	£14,000	£864,000

Under the terms of grant determination compensation is being paid to billing authorities and the intention is that the sum is to be shared between billing and major precepting authorities. It was the government's intention that each billing authority would receive the funding to develop their own discretionary relief scheme to deliver targeted support to the most hard-pressed ratepayers. The scheme is to be delivered using discretionary powers under section 47 of the Local Government Finance Act 1988, as amended and billing authorities will be compensated through a section 31 grant for the cost to the authority of granting the relief up to the maximum amount allocated.

10. Analysis of the business rates property base has shown that most businesses on the island have seen an increase of 0 to 15 per cent in their rates bill from April 2017. In the development of a local discretionary relief scheme therefore, a number of considerations have been taken into account including:
- the method of distribution that will allow for relief to be targeted in a fair and proportionate manner
 - a scheme that is easy for businesses to understand and administer
 - a means by which it is possible to provide maximum support possible to local small businesses facing the largest increases, within the available grant
 - securing adequate provision of grant for any appeals that may be made and upheld with regards to revaluation
 - a method for recalculating grant due to a change
11. In line with all other local authorities thus far, only occupied properties will be granted relief. Similarly, properties in receipt of mandatory relief will be excluded, together with those used for the provision of the following services:
- financial services (banks, building societies, cash points, bureau de change, payday lenders, betting shops, pawn brokers)
 - other services (estate agents, letting agents, employment agencies)
 - medical services (vets, dentists, doctors, osteopaths, chiropractors)
 - professional services (solicitors, accountants, insurance agents/ financial advisers, tutors)
 - post office sorting office

The proposed option consists of three tiers of rateable values and is designed to comply with government's intentions to support small businesses and in the case of the Isle of Wight, specifically to support local businesses. The overall aim being that the scheme should be easy to administer and is targeted in a fair and proportionate manner so that the relief can be granted promptly to assist businesses who have suffered the highest increases in rate liability due to the revaluation and the subsequent increase in their rateable value.

This scheme with a three tier percentage award with rateable values banded in line with the transitional relief scheme of;

- up to £20,000
- 20,001 to £100,000
- over £100,000

12. The current transitional relief scheme set by central government is designed to limit how much the business rates bill can change each year due to the revaluation. It makes sense to use the same parameters and limitations in order for the New Discretionary Relief scheme to act as an extension to the transitional scheme to further assist ratepayers.

This proposed scheme awards approximately £480,000 of the £504,000 grant allocation in year one and £240,000 of the £245,000 in year two which allows a buffer of £24,000 in year one and £5,000 in year two, for appeals and further discretionary awards above the percentage indicated dependent on circumstances. If there are no appeals it may be possible to award more to those claiming the relief on a case by case basis dependent on circumstances.

This allows provision for smaller businesses facing steep increases and also including medium to large businesses that have also faced a high increase but which are better placed to absorb the rate increase.

13. In assessing any potential entitlement to an award under the Revaluation support scheme, the council will compare the following:
 - The rate liability of the ratepayer at 31 March 2017 after any reliefs and reductions x 365 (**A**)
 - The rate liability of the ratepayer at 1 April 2017 after any reliefs and reductions x 365 (**B**)
 - Relief will be awarded where the calculation **B – A** in the above paragraph would result in an increase above five per cent.

15. Relief will only be granted to ratepayers who were in occupation at 31st March 2017 and in occupation on 1st April 2017.

16. In designing the relief scheme, we need to take into account other (existing and new) reliefs that the ratepayer will be entitled to, as this discretionary relief will be awarded last to an account (after all other reliefs).

Relief will be awarded by three categories of rateable value as set out below:

		Yr1	Yr2
<i>Tier 1</i>		Rateable Value (between £0 and £20,000)	
<i>Increase between</i>		<i>Award up to (% of increase)</i>	
0.00%	5.00%	0	0
5.01%	10.00%	65	32.5
10.01%	15.00%	70	35
15.01%	20.00%	75	37.5
20.01%	25.00%	80	40
25.01%	30.00%	85	42.5
30.01%	35.00%	90	45
35.01%	And above	95	47.5

		Yr1	Yr2
Tier 2		Rateable Value (between £20,001 - £100,000)	
Increase between		Award up to (% of increase)	
0.00%	5.00%	0	0
5.01%	10.00%	55	27.5
10.01%	15.00%	60	30
15.01%	20.00%	65	32.5
20.01%	25.00%	70	35
25.01%	30.00%	75	37.5
30.01%	35.00%	80	40
35.01%	And above	85	42.5

		Yr1	Yr2
Tier 3		Rateable Value (between £100,001 and £200,000)	
Increase between		Award up to (% of increase)	
0.00%	5.00%	0	0
5.01%	10.00%	20	10
10.01%	15.00%	25	12.5
15.01%	20.00%	30	15
20.01%	25.00%	35	17.5
25.01%	30.00%	40	20
30.01%	35.00%	45	22.5
35.01%	And above	50	25

For 2018/19 year 2 the award will be 50 per cent of any award for 2017/18.

17. As central government funding in year 3 and 4 is significantly less than earlier years it will be difficult to imagine meaningful awards being granted to a wide group of ratepayers. In view of this, a case by case approach is recommended and will be applied in line with the criteria already used to assess applications for hardship and the existing discretionary relief scheme (primarily if the organisation is of significant benefit to residents of the Island, including consideration of local employment impacts or the organisation's role in providing services not existing nearby).
18. Businesses who consider that they are eligible for relief will be required to submit an application form to the business rates section, which will undertake and initial assessment to confirm it is valid. The revenues manager will review the application and supporting details and provide a recommendation of award date and percentage of relief to the director of finance and section 151 officer who will make the final decision under his delegated powers.

STRATEGIC CONTEXT

19. By allocating this funding from central government through this discretionary relief scheme it will assist small businesses on the Island by reducing their business rates bill which in turn will enable them to continue to trade and

operate and employ local people supporting growth in economy and ensuring that these resources made available are used in an effective way in line with the council's [Corporate Plan 2015-17](#).

CONSULTATION

20. There is a requirement to consult with major preceptors in relation to the Discretionary Business Rates Relief Scheme in line with the grant determination issued by the Department for Communities and Local Government (DCLG) No.31/3071. A letter has been issued to the police and crime commissioner providing details of the preferred scheme and to date no objection has been received.

FINANCIAL / BUDGET IMPLICATIONS

21. There is no provision for local authorities to charge for the administrative time that has been involved in developing the scheme or in its delivery and any unspent grant cannot be claimed and must be returned as there is no provision for carry over.

LEGAL IMPLICATIONS

22. The Council will use discretionary relief powers under section 47 of the Local Government Finance Act 1988 to grant relief in the prescribed circumstances outlined in the attached policy. Central government has the power to reimburse the relief granted by way of grant under s31 of the Local Government Act 2003. The grant from government is capped at the maximum figures within para 13 above.

EQUALITY AND DIVERSITY

23. The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. An equality impact assessment was completed which has been reviewed and updated. There is no impact on the protected characteristics.

OPTIONS

24. Option 1 – do nothing

Option 2 – approve the amendments and additions of the revised Discretionary Rate Relief Policy

RISK MANAGEMENT

25. There could be a risk that awards of relief could exceed the grant allocated from central government if the total amount was not monitored regularly.
26. The granting of relief will be monitored by the revenues manager on a monthly basis to ensure that the amount of relief granted does not exceed the grant from central government and a report will be provided to the director of finance.

EVALUATION

27. If the council chose not to adopt the revised policy, the council would continue using the current policy in place. This would mean the newly introduced reliefs could not be applied or granted.

If the council approves the amendments and additions it would ensure that the council has a clear, transparent process in place for all Discretionary Rate Relief applications and to administer new reliefs.

RECOMMENDATION

28. Option 2 - Approve the amendments and additions of the revised Discretionary Rate Relief Policy.

APPENDICES ATTACHED

29. [Appendix 1](#) - Discretionary Rate Relief Policy 2017/18
30. [Appendix 2](#) - Equality impact assessment

BACKGROUND PAPERS

The current Discretionary Rate Relief Policy can be found via the following link:
<https://www.iwight.com/documentlibrary/view/discretionary-rate-relief-policy-2013>

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COUNCILLOR STUART HUTCHINSON
Cabinet Member for Resources

Decision

Signed

Date
