

# Crawley Borough Council



**Report to Cabinet  
4 October 2017**

## **Local Discretionary Rate Relief Scheme**

Report of the Head of Finance, Revenues and Benefits – **FIN/421**

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### **1. Purpose**

- 1.1 In the Government Budget on 8th March 2017, the Chancellor announced £300m of extra funding for local authorities to provide discretionary relief to those businesses facing increases in their business rates bills following the revaluation. The Government have described this initiative as 'revaluation support'.
- 1.2 Local authorities have the power to design their own discretionary business rates relief schemes to determine how this 'revaluation support' is distributed across businesses locally.
- 1.3 The Government has placed a condition that extra relief can only be targeted at businesses that have seen their rates bills increased in April as a result of the revaluation after all other adjustments (e.g. other relief schemes) have been applied, this includes small business rates relief.

### **2. Recommendations**

To the Cabinet

- 2.1 The Cabinet is recommended to:
  - a) Approve the adoption of a Crawley Borough Council Local Discretionary Business Rate Relief Scheme based on percentage reduction as set out in the report.
  - b) Delegate to the Leader, the authority to determine future minor amendments to the scheme.

### **3. Reasons for the Recommendations**

- 3.1 In order to distribute Government Grant in line with the recommendations and conditions given by the Government as outlined within this report.

### **4. Background**

- 4.1 The Government has undertaken a national revaluation of all commercial premises in England and Wales.
- 4.2 Every non domestic property in the country has been revalued, these valuations were based on non-domestic properties' rental value at April 2015. This new

valuation list for all non-domestic properties took effect from April 2017. The gross amount of Businesses Rates is based on the property valuation multiplied by a 'national rate multiplier'; there are two multipliers, one for small and another for standard or empty businesses.

- 4.3 The Valuation Office Agency made available online details of individual properties' draft rateable values for the new list, providing ratepayers with an estimate of their business rates bill from April 2017.
- 4.4 The revaluation was designed to be nationally 'fiscally-neutral', meaning the overall income from business rate receipts would remain constant in real terms at the start of the new list. In order to achieve this, given an overall national increase in rateable values, an allowance for appeal settlements and inflation, the multiplier was reduced.
- 4.5 DCLG determined that 'the small business multiplier would fall, from April 2017, from 48.4p by 1.8p to 46.6p; and the standard multiplier also fell from 49.7p by 1.8p to 47.9p to ensure business rate receipts remained constant in real terms'.
- 4.6 The impact on Crawley is that the overall Rateable Value (RV) has increased by 4.53% to almost £269 million; however nationally the increase is 9.1% (in London the average increase is 22.8%).
- 4.7 After applying the new multiplier we will receive less income in the current financial year than the previous financial year. This is adjusted through the 'tariff' that the Council has to pay back to the Government.
- 4.8 In order to manage the impact of the revaluation on ratepayers, a NATIONAL transitional relief scheme will operate, as in previous years. The transitional relief arrangements are designed to be self-funding, with the cost of the relief for those ratepayers facing increases funded from other ratepayers. Details of this are given in Appendix 1.
- 4.9 Small properties (RV up to £20,000) seeing liability increases and subject to Transitional Relief have seen their 2017 increases limited to 5% + inflation of 2%. That is a potential average cumulative increase of 7.1% ( $1 \times 1.05 \times 1.02$ ). Small businesses with a valuation below £12,000 do not pay business rates if they occupy only one property in England. Between £12,000 and £15,000 there is a sliding scale of Small business rates relief.
- 4.10 However, medium sized properties (RV £20,001 to £100,000) seeing large increases and subject to Transitional Relief have seen their 2017 increases limited to 12.5% + inflation of 2%. That is a potential cumulative increase of 14.75% ( $1 \times 1.125 \times 1.02$ ) and we recognise that some ratepayers may have difficulty absorbing such an increase
- 4.11 Worst still, large sized properties (RV £100,001 upwards) seeing large increases and subject to Transitional Relief have seen their increases limited to 42% + inflation of 2% . That is a cumulative increase of 44.84% ( $1 \times 1.42 \times 1.02$ )
- 4.12 In the Government Budget on 8<sup>th</sup> March 2017, the Chancellor announced £300m of extra funding for local authorities to provide discretionary relief to those business facing increases in their business rates bills following the revaluation. The Government have described this initiative as 'revaluation support'.
- 4.13 The DCLG published a consultation for local authorities, on the design of the discretionary relief scheme on 9<sup>th</sup> March 2017, which was prior to the announcement of the General Election. No feedback was given on the consultation.

4.14 Local authorities were given the power to design their own discretionary business rates relief schemes to determine how this 'revaluation support' is distributed across business locally. The consultation stated that the Government expects that billing authorities use their discretionary relief powers under Section 47 of the Local Government Finance Act 1988.

4.15 The grant allocations for Crawley Borough Council are shown in the table below

2017/18	2018/19	2019/20	2020/21
£332,663	£161,579	£66,533	£9,505

4.16 This was based on a formula – based on the total increase in bills (excluding the impact of transitional relief and other reliefs), for every rateable property in the billing authority's area that satisfies both the following conditions:

- a. the rateable property has a rateable value for 2017-18 that is less than £200,000;
- b. the increase in the rateable property's 2017-18 bill is more than 12.5% compared to its 2016-17 bill (before reliefs);

4.17 A summary of the DCLG grant conditions are –

4.18 The Government has placed a condition that extra relief can only be targeted at businesses that have seen their rates bills increased in April **as a result of the revaluation** after all other adjustments (e.g. other relief schemes) have been applied, this includes small business rates relief.

4.19 That billing authorities are to consult with major precepting authorities. In Crawley's case this is West Sussex County Council.

- In accordance with Section 47 of the Local Government and Finance Act certain properties are excluded from discretionary business rates relief. These are properties that are occupied in full or part (otherwise than as a trustee) by the billing authority (Crawley Borough Council), or a precepting authority (in this case West Sussex County Council).

#### 4.20 **Notice Periods**

The Non-Domestic Rating (Discretionary Relief) Regulations 1989 (S.I. 1989/1059) require authorities to provide ratepayers with at least one year's notice in writing before any decision to revoke or vary a decision so as to increase the amount the ratepayer has to pay takes effect. Such a revocation or variation of a decision can only take effect at the end of a financial year. But within these regulations, local authorities may still make decisions which are conditional upon eligibility criteria or rules for calculating relief which allow the amount of relief to be amended within the year to reflect changing circumstances.

Therefore, when making an award for the support for ratepayers, local authorities must ensure in the conditions of the award that the relief can be recalculated in the event of a reduction to the rating list for the hereditament concerned (retrospective or otherwise). This is so that the relief can be re-calculated if the rateable value reduces.

Similarly other reductions in liability will be reflected in a recalculation of the net amount of the award and will be subject to a Government claw back of the funded

relief. In all cases, the cumulative relief awarded cannot exceed the amount available for the year in the Revaluation support fund provided by the Government

As a result of this it is proposed to have a simple scheme based on a percentage reduction; this means that we will not have to have complex software changes in order to calculate the relief.

- 4.21 A consultation process has been undertaken outlining proposed options. See paragraph 13 below.

## **5. Description of Issue to be resolved**

- 5.1 In March 2017, Central Government announced that it would make available a discretionary fund of £300 million over 4 years from 2017/18 to support those businesses that faced increases in their business rates as a result of the revaluation.
- 5.2 Each authority within England has been provided with a share of the £300 million fund to support local businesses. This is to be administered through billing authorities' discretionary relief powers under Section 47 of the Local Government Finance Act 1988.
- 5.3 The funding is not provided equally over the four-year period but in the following percentage terms:

Year 1	Year 2	Year 3	Year 4
58%	28%	12%	2%

Councils will be compensated for any relief granted under Section 31 of the Local Government Act 2003. The annual allocation is shown in paragraph 4.15 above.

Any unspent grant will be returned to the Government.

## **6. Discretionary Business Rates Relief- Implementing a Local Scheme**

In establishing a local scheme with regards to the Government's conditions on payment of the grant and the Council's own economic priorities, the options to be considered include the need to:

- Target relief at businesses that are facing a large increase in their business rates.
- Distribute the relief in a way that is fair and proportionate to the increase in the bills of affected businesses.
- Ensure that the relief is distributed to local businesses smoothly and as quickly as possible.
- Administer the scheme in a cost effective way for the Council.
- Consult with major precepting authorities before the scheme is implemented (West Sussex County Council).

## **7. Proposed new Discretionary Business Rate Relief Scheme 2017 to 2021**

- 7.1 The Council propose that relief under the scheme will be awarded using the following criteria:

- a) The scheme is designed to assist ratepayers who have suffered increases in rate liability due to the revaluation and the subsequent increase to their Rateable Value;
- b) Relief will **not** be awarded when mandatory relief is granted;
- c) In assessing potential entitlement to an award under this scheme, the Council will compare the following;
  - The rate liability of the ratepayer at 31<sup>st</sup> March 2017 (**A**); and
  - The rate liability of the ratepayer at 1<sup>st</sup> April 2017 taking into account any transitional relief or discretionary relief (**B**);
- d) Relief will be awarded where the calculation **A – B** would result in an increase above a level determined in paragraph 10 of this report;
- e) Relief will only be granted to ratepayers who were liable at 31<sup>st</sup> March 2017 and liable on the 1<sup>st</sup> April and for each day subsequently.
- f) Ratepayers becoming liable after the 1<sup>st</sup> April 2017 will **not** be eligible for relief on the basis that new ratepayers would have not suffered from increases due to valuation.
- g) Relief may be awarded for more than one premises as long as all other criteria are met;
- h) Relief will **not** be awarded where:
  - Hereditaments with a Rateable Value of less than £20,000 (who may be entitled to small business rates relief or would otherwise be facing a pre inflation increase not greater than 5%) and those with Rateable Values in excess of £200,000.
- i) Relief will **not** be awarded to hereditaments who are wholly or mainly used by:
  - Accountants and Accountancy firms including Financial Advisors;
  - Banks and Building Societies;
  - Betting and gambling establishments;
  - Cash Machines and ATMs;
  - Charity Shops (where mandatory relief is given or not)
  - Foreign Exchange Bureaus;
  - Insurance Agents;
  - Pawn Brokers, Cheque encashment and Pay Day Lenders;
  - Telecommunications hereditaments including cable and networking;
  - Public Utilities such as Water and Power Companies
  - Where the award of relief would not comply with EU law on State Aid;

## 8. State Aid

- 8.1 State Aid is the means by which the EU regulates state funded support to businesses. Providing discretionary relief would fall within the definition and in order to be compliant with the De Minimis Regulations, they must demonstrate that the award of relief is within the threshold of €200,000 received over a rolling 3 year period. Businesses will be required to declare to the Council if they exceed this threshold.

## 9. Applications for relief under this scheme

- 9.1 Where the ratepayer is known to be a large national organisation the council will require a completed state aid declaration in order to process the relief. In all other cases the council may grant the relief on a provisional basis and require the ratepayer to advise if they would not be entitled to receive this relief under State Aid rules.

## 10. Calculation of relief

- 10.1 For the **2017/18** financial year, the proposed relief will be granted (subject to Government funding limits) as follows;

- Where the Rateable Value of the hereditament at 1<sup>st</sup> April 2017 is greater than £20,001 but less or equal to £100,000 relief will be granted to limit the increase calculated in 7c to a maximum of 7.5 % + inflation
- Where the Rateable Value of the hereditament at 1<sup>st</sup> April 2017 is greater than £100,001 but less or equal to £200,000 relief will be granted to limit the increase calculated in paragraph 7c to a maximum of 17.5% + inflation

Size of Property	Rateable Value (£s)	Restriction on increases
Medium	20,001 to 100,000	7.5% + inflation
Larger properties	100,001 to 200,000	17.5% + inflation

For the **2018/19** financial year, the proposed relief will be granted as follows;

- Based on the 2017/18 annual relief x 48.5% (% Relief will be calculated to 1 decimal place)

For **2019/20** financial year, the proposed relief will be granted as follows;

- Based on the 2018/19 annual relief x 41.2% (% Relief will be calculated to 1 decimal place)

For **2020/21** financial year, the proposed relief will be granted as follows;

- Based on the 2019/20 annual relief x 15% (% Relief will be calculated to 1 decimal place)

**If the calculation in any financial year is less than £10 this will not be awarded due to the costs involved in administering the reduction.**

## 11. Variation and amendment of relief under the scheme

- 11.1 As with all reliefs, the amount of relief awarded under the Discretionary Business Rates relief scheme will be recalculated in the event of a change of circumstances. This will include, for example, a backdated change in rateable value for the hereditament. This change of circumstances could arise during the year in question or during a late year. The Non-Domestic Rating Regulations 1989 (SI 1989/1059) requires the Council to provide ratepayers with at least one year's notice in writing before any decision to revoke or vary a decision as to increase the amount the ratepayer has to pay takes effect. Such a revocation or variation of a decision can only take effect from at the end of a financial year. But within these regulations, the

Council may still make decisions which are conditional upon eligibility criteria or rules for calculating relief which allow the amount of relief to be amended within the year to reflect changing circumstances.

## **12. Other Options to be considered**

- Target all relief through a relief fund which businesses would apply for on a case by case basis. This option would be expensive to administer and may not target all local businesses affected by an increase in their business rates. Businesses would have to prove how the increase in rates has affected their business and that this was a direct result of the revaluation rather than an underlying financial problem with the business.
- A set discount across all business within the borough. This option would be easy to administer however this would limit the allocated funding and would result in the fund allocation being spread very thinly across the Borough and would be less effective in assisting businesses with their rate increases.

## **13. Consultation**

13.1 Consultation on the proposals took place from 15<sup>th</sup> August until 11<sup>th</sup> September 2017. The consultation document was on the website, and was advertised using social media. In addition local businesses were targeted directly including-

- Manor Royal Business Improvement District
- Gatwick Diamond
- The High Street forum
- Town Centre Partnership
- Federation of Small Business
- Sussex chamber of commerce
- Crawley and Gatwick Chamber of commerce

There was also a link to the Councillors' information bulletin.

Questions asked were -

Do you support the proposal, described to offer relief to businesses for revaluation support as a proportion of the increase in their business rate bills?

Are there any circumstances when you believe the Crawley Borough Council should not favour distributing extra business rates relief for 'revaluation support' because it would be against the local community or public's interest?

Do you have any other views and ideas? We welcome your ideas or suggestions to further shape the proposals for the distribution of the extra relief.

Despite this there was only one response from West Sussex County Council, as outlined below –

- It is clearly your intent to apply all grant money received in full to help our local businesses and communities they support, which we welcome.
- We note the scheme is relatively simple, and also simple to administer to keep the overheads down.

- It may be that support to any genuine hardship cases for the small businesses should be considered, but clearly the Borough will be better placed as the billing authority with information on this issue.

## **14. Financial Implications**

- 14.1 The Department of Communities and Local Government (DCLG) has confirmed that local authorities will be fully compensated for offering this extra discretionary relief for 'revaluation support within the capped amounts as shown in paragraph 4.15 above.

## **15. Legal Implications**

- 15.1 The Government's funding is to be provided by way of a grant under Section 31 of the Local Government Act 2003. To access the funding, the Council is required to establish a discretionary scheme for administering the rate relief under Section 47 of the Local Government Finance Act 1988. Such a scheme must also meet the Government's grant conditions.

Section 47 of the Local Government Finance Act 1988 provides an exclusion to the scheme by way of 'excepted hereditaments'. These are properties occupied in full or part by the billing authority, West Sussex County council and any of its functional bodies, and accordingly these shall be excluded from the policy by law.

Aside from these conditions, the Council is free to design its own scheme under Section 47, which gives local authorities a wide power to grant discretionary business rate relief, providing that the scheme is rational and proportionate.

## **16. Equalities Implications**

- 16.1 Before making a decision, Section 149 of the Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following "protected characteristics": age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:

- (i) eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
- (ii) advance equality of opportunity between persons who share a relevant protected characteristic and those do not share it. This involves having due regard, in particular, to the need to:
  - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic.
  - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
  - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- (iii) foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due



regard, in particular, to the need to tackle prejudice and promote understanding.

An Equality Impact Assessment has been completed, this can be found at **Appendix 2**.

Report author and contact officer:

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**BACKGROUND CONTEXT**  
**DISCRETIONARY REVALUATION RELIEF (Government funded scheme)**  
**What are business rates?**

Business rates (also known as non-domestic rates) are a tax on organisations and companies that own or occupy premises which have been constructed or adapted for commercial use including retail uses, offices, storage, workshops, factories and some community facilities.

Business rates are **not** charged on homes - these are subject to council tax instead.

Local councils calculate and collect business rates in their area using the factors dictated by central Government, These include the Rateable Value for the property assessed by the Valuation Office Agency (part of H.M Revenues and Customs), the national Rate Multiplier(s) set each year and other factors including transitional relief, empty rate relief, small business rate relief, Charity reliefs and a number of other adjustment factors. The amount of Rateable Value depends on:

- The size, usage and location of the commercial land or building or part assessed
- A valuation based (in most cases) on the amount of annual rent that the building or office space could be let for on the open market (using 1 Apr 2015 as the valuation date)

Both of these elements are used by the Valuation Office Agency to establish a '**rateable value**'

Any relevant relief and discounts can then be applied by the council to determine the final amount due from a business or organisation liable to pay business rates.

**Revaluation 2017 and the impact on Crawley**

The Valuation Office Agency have undertaken a revaluation of the rateable value of all commercial units subject to business rates throughout England and from 1<sup>st</sup> April 2017. All commercial properties in the borough have been given a new rateable value, used to calculate the amount of business rates payable. The last time there was a revaluation was in 2010.

The 2017 revaluation and the setting of new multipliers by the Government has been fairly neutral in Crawley (a small RV increase overall offset by a small reduction in the national multiplier) but the rebalancing of rental values due to the 7 year gap between valuations has affected everyone and resulted in both winners and losers. Around 1/3 of the business in Crawley are currently receiving transitional relief to phase in the liability increase between 2016 and 2017 limited (pre inflation) to 5% for small properties (RV up to £20,000), 12.5% for medium properties (RV £20,001 to £100,000 ) and 42% for large properties (RV over £100,000).

**Discretionary business rates relief.**

Some relief schemes are determined by the Government and have to be applied in the same way across all local councils in the country. Examples include small business rates relief, empty properties relief, transitional relief and mandatory relief for registered charities. This consultation is not about these national business rates relief schemes. Local councils can set out their own policy for giving relief on business rates in addition to those set by the Government. This is called 'discretionary relief' and will be limited by available funding and also restricted by the limits of relief which can be applied under State Aid rules. When designing a new discretionary business rates relief scheme within those limits, local councils can decide on:

- when relief would be considered
- the maximum amount of relief that could be given
- the length of time that the relief could be granted for
- the types of organisation that can apply for relief.

The report [FIN/329](#) gives the guidance at Crawley for this national scheme.

## EQUALITY IMPACT ASSESSMENT

<b>Name of activity:</b>	<b>'Discretionary Business Rates Relief'</b>	<b>Date Completed:</b>	<b>13/9/2017</b>
<b>Directorate / Division responsible for activity:</b>	<b>Finance, Revenues and Benefits</b>	<b>Lead Officer:</b>	<b>Karen Hayes Head of Finance, Revenues and Benefits</b>
<b>Existing Activity</b>	<input type="checkbox"/>	<b>New / Proposed Activity</b>	<input checked="" type="checkbox"/>
		<b>Changing / Updated Activity</b>	<input type="checkbox"/>

### What are the aims / main purposes of the activity? (Why is it needed? What are the main intended outcomes?)

To allocate Government Grant to local businesses that have seen an increase in their Business rates bill as a result of the national revaluation of all properties.

### What are the main actions and processes involved?

This proposal is to allocate additional relief to businesses affected by increased business rates, the funding will be distributed in proportion to rises in business rates and will favour independent businesses that have been most affected by the revaluation

### Who is intended to benefit & who are the main stakeholders? (e.g. tenants, residents, customers or staff. How will they benefit?)

Local business ratepayers.

### Have you already consulted on / researched the activity? (What consultation has taken place & what were the key findings?)

**What evidence already exists? Are there any gaps that need further investigation? What still needs to be done?)**

Consultation did take place on this proposal. There was no feedback from businesses despite direct targeting. Feedback was received from West Sussex county council who said -

- It is clearly your intent to apply all grant money received in full to help our local businesses and communities they support, which we welcome.
- We note the scheme is relatively simple, and also simple to administer to keep the overheads down.

It may be that support to any genuine hardship cases for the small businesses should be considered, but clearly the Borough will be better placed as the billing authority with information on this issue.

**Impact on people with a protected characteristic** (What is the potential impact of the activity? Are the impacts high, medium or low?)

<b>Protected characteristics / groups</b>	<b>Is there an impact (Yes / No)</b>	<b>If Yes, what is it and identify whether it is positive or negative</b>
<b>Age</b> (older / younger people, children)	No	The funding will be distributed in proportion to rises in business rates and will favour independent businesses.
<b>Disability</b> (people with physical / sensory impairment or mental disability)	No	
<b>Gender reassignment</b> (the process of transitioning from one gender to another.)	No	
<b>Race</b> (ethnicity, colour, nationality or national origins & including gypsies, travellers, refugees & asylum seekers)	No	
<b>Religion &amp; belief</b> (religious faith)	No	

or other group with a recognised belief system)		
<b>Sexual orientation</b> (lesbian, gay, bisexual, heterosexual)	No	

<p><b>What evidence has been used to assess the likely impacts?</b> (e.g. demographic profiles, research reports, academic research, benchmarking reports, consultation activities, staff surveys, customer surveys, public surveys, complaints, grievances, disciplinary cases, employment tribunal cases, ombudsman cases, media reports)</p>		
<p><i>We believe that the propels is likely to have no/minimal impact</i></p>		
<p><b>What resource implications are there to deliver actions from this EIA?</b> (Quantify: people, time, budget, etc.)</p>		
<p>A small grant has been allocated by the Government, businesses will be contacted</p>		
<p><b>Outcome following initial assessment</b></p>		
Does the activity have a <b>positive</b> impact on any of the protected groups or contribute to promoting equality, equal opportunities and improving relations within target groups?	No	
Does the activity have a <b>negative impact</b> on any of the protected groups, i.e. disadvantage them in any way.	No	.

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Decision following initial assessment			
Continue with existing or introduce new / planned activity	Yes	Amend activity based on identified actions	No

Action Plan (Has the EIA identified any positive or negative impact on any of the protected groups which requires action? E.g. adjustments to the approach or documents, changes to terminology, broadening parameters of policy, etc. If so record any actions to be undertaken and monitored)			
Impact identified	Action required	Lead Officer	Deadline

Monitoring & Review	
Date of last review or Impact Assessment:	Not known
n/a	
Date of next 3 year Impact Assessment (from the date of this EIA):	n/a

Date EIA completed:	13/9/2017
Signed by Person Completing:	K Hayes
Date Sent to HR and Equalities Team:	

<b>Approved by Head of Service:</b>	
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NB – The original signed hard copy & an electronic copy should be kept within your Department for audit purposes. Send an electronic copy to the OD Officer in HR & Development. Also, please complete the summary document overleaf. This will be included on the Council's website.

The EIA Toolkit provides guidance on completing EIAs & HR&D can provide further advice.