

Decision Maker: EXECUTIVE

Date: Wednesday 24 May 2017

Decision Type: Non-Urgent Executive Non-Key

Title: **LOCALLY ADMINISTERED BUSINESS RATES RELIEF SCHEME**

Contact Officer: John Nightingale, Head of Revenues and Benefits
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Chief Officer: Director of Finance

Ward: All

1. Reason for report

- 1.1 This report provides information on the design of a local discretionary relief scheme for businesses facing significant increases in their Business Rates liability as a result of the 2017 revaluation.
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2. **RECOMMENDATION(S)**

2.1 **The guidance and parameters of the scheme to be noted**

- 2.2 **A consultation exercise be undertaken with the scheme proposed in this report being recommended for adoption.**

Impact on Vulnerable Adults and Children

1. Summary of Impact: NA
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Corporate Policy

1. Policy Status: New Policy
 2. BBB Priority: Vibrant, Thriving Town Centres
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Financial

1. Cost of proposal: £52k,
 2. Ongoing costs:
 3. Budget head/performance centre: Exchequer - Revenues
 4. Total current budget for this head: £3.69m
 5. Source of funding: contained in overall department budget
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Personnel

1. Number of staff (current and additional): 2 plus Liberata staff
 2. If from existing staff resources, number of staff hours: N/A
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Legal

1. Legal Requirement: Statutory Requirement

Local Government Act 1988

Local Government Act 2003

2. Call-in: Applicable
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Procurement

1. Summary of Procurement Implications: N/A
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Approx 2,600 businesses.
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? No
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

- 3.1 The Chancellor in his Spring 2017 budget announced the Government would make available £300 million over the next 4 years from 2017/18 to support businesses with the steepest increases in Business Rates as a result of the 2017 revaluation.
- 3.2 The DCLG subsequently published a document providing further information and seeking feedback in response to the content. Initially it was announced that the result of the consultation exercise would not be announced until after the General Election. However, we have since been advised that the funding for 2017/18 will be as originally advised. The actual payment to the Authority will be the amount that would be retained by the Authority and GLA under the Business Rates Retention Scheme. This equates to 67% of the funding, 30% for the Authority and 37% for the GLA.
- 3.3 The DCLG have advised that a decision as to whether funds can be transferred across years will not be made until the second quarter of 2017/18.

Funding Allocation

- 3.4 The Government allocated the funding by means of reviewing the number of properties with a 2017 Rateable Value less than £200,000 and experiencing an increase in their liability of more than 12.5%, before any other relief is applied.
- 3.5 Based on this mechanism, Bromley's allocated funding is as follows:

Year	Maximum Programme Funding available £'000	Amount Retained by Bromly (30%) £'000
2017/18	1,405	422
2018/19	682	205
2019/20	281	84
2020/21	40	12

- 3.6 As advised earlier in the report, the Authority will receive the sum that would be retained by the Authority and GLA under the Business Rates Retention Scheme. For 2017/18 this amounts to £941,189
- 3.7 Payment will be made to the billing authority and major precepting authority during the year based on estimates of relief expenditure. Reconciliation will then take place at the end of the year once outturn figures are known. The grant is based on maximum funding and will reduce if the expenditure from the relief scheme is at a lower level. In the same way, assistance provided in excess of the Government funding will need to be met by the Council.

Government Assumptions

- 3.8 It will be for billing authorities, in collaboration with other authorities operating within their area to design a discretionary relief scheme.

3.9 In respect of the scheme design it was assumed:

- Assistance will only be provided to businesses who faced an increase in their bill following revaluation
- More support would be provided to ratepayers or localities that face the most significant increases in their bill
- More support would be provided to those occupying lower value properties

State Aid

- 3.10 Assistance under a “relief scheme” constitutes State Aid. It will therefore be necessary to establish that an award under this scheme will not result in the business receiving more than €200,000 of De Minimis aid in the last three years.
- 3.11 The above requirement removes the opportunity of operating an automated scheme and applications/confirmations will need to be sought.

Consultation

- 3.12 Guidance advises that we will need to consult with the GLA before adoption of a scheme, whilst the information to date does not mandate further consultation, best practice would point to consultation being undertaken and that would reduce the risk of any challenge to the scheme design.
- 3.13 A letter has already been received from the National Federation of Self Employed and Small Businesses asking that assistance be focused on micro and small businesses and setting out an expectation that there is consultation before adoption.

Proposed Scheme

- 3.14 The scheme is designed to mirror the criteria used by the DCLG when allocating the available “pot” between Local Authorities.
- 3.15 Relief is limited to all properties that have a Rateable Value of under £200k and who have suffered a loss (pre-Transitional Relief) of more than 12.5%. They must have seen an increase in their Business Rates liability after all other reliefs have been applied.
- 3.16 In accordance with legislation, businesses will be subject to De Minimis Regulations (less than €200,000 State Aid in the current & previous 2 financial years). This would be a requirement in respect of any scheme to be adopted. Further details are given later in this report.
- 3.17 The following categories would not be granted assistance: LBB properties, properties held by the Official Receiver and properties whilst empty.
- 3.18 Not allowing for empty properties, this would result in approximately 2,600 business receiving assistance.

3.19 Based on the available funding, discretionary relief at the following percentages of the net increase for 2017/18 could be granted:

Financial Year	Percentage
2017/18	25%
2018/19	12.25%
2019/20	5%
2020/21	0.7%

3.20 A hardship fund of £50k be available for those businesses that have experienced an increase in Business Rates as a result of the revaluation and whose circumstances are such that the Authority wishes to provide more assistance than would be payable under this scheme.

3.21 Should the DCLG advise that the Authority is permitted to transfer funds between years a review will be undertaken in year 2 as to the level of assistance that can be provided in subsequent years.

Administration Costs

3.22 The proposal in the report will provide total discretionary relief of £2.4m over a period of 4 years and will require checking with businesses that the combined level of State Aid received from various Authorities does not exceed the maximum permissible. In addition, accounts will have to be adjusted manually to reflect the relief awarded and create the revised demand (the Academy system does not have the functionality to automate the process). Administration costs cannot be met through the available Government funding and it proposed that the estimated four year cost of £52k be absorbed in the overall departmental budget.

Impact Assessment

3.23 At this stage it is not believed that a detailed Impact Assessment is required. However, this will be reviewed in light of the response to the consultation.

4. FINANCIAL IMPLICATIONS

4.1 The table in 3.5 sets out the maximum amount that Bromley will receive towards a locally administered business rates relief scheme. For 2017/18 this amount is £422k.

5 LEGAL IMPLICATIONS

Key issues relating to the introduction of and operation of the scheme including the implications of the state aid regime are set out in the body of the report.

Non-Applicable Sections:	Impact on Vulnerable Adults and Children, Personnel and Procurement
Background Documents: (Access via Contact Officer)	