

EAST LINDSEY DISTRICT COUNCIL EXECUTIVE DECISION NOTICE

1. Decision to be taken: Approval to make best use of the grant from Central Government and amend the Discretionary Rate Relief Scheme, as suggested under Option 1 within the Background Paper.
2. This is a:

PORTFOLIO HOLDER SUPPORTED OFFICER DECISION

Note: This form should not be used for Key Decisions
3. The following is the decision making body or person:

Robert Barlow, Deputy Chief Executive and Section 151 Officer, in consultation with Councillor Fry, Portfolio Holder for Finance
4. Financial implications from this decision have been communicated to the Portfolio Holder for Finance and the Leader? Yes
5. The decision was taken on: 13.03.18
6. Contact Officer and details: Robert Barlow, Deputy Chief Executive & Section 151 Officer
Email: robert.barlow@e-lindsey.gov.uk Tel: 01507 613411
7. List of documents submitted for consideration in relation to the matter in respect of which the decision is to be made :

Business Rates 2017/18 Local Discretionary Rate Relief Briefing Paper – 20.02.18
8. Where the documents are held and where they can be obtained from (except exempt items) when they become available:

Attached
9. The reason for the decision and other alternative options considered and rejected:

To make best use of the funding available.
10. Declaration of any conflicts of interest of the decision making body or the individual:
11. Provide a note of any subsequent dispensations granted by the Head of Paid service:

Financial Implications of this Decision:-

Estimated cost:-


Funded from:- *Government Grant*

Signed: (Head of Paid Service/S151 Officer (or person presiding at the Executive Board where appropriate))



Date: 13.03.18

Name: R. Barlow

Co-signed ()

Date: 13.03.2018

Name: Councillor Fry

Briefing Paper

Business Rates 2017/18 Local Discretionary Rate Relief

Background

The Government announced a £300m national pot would be made available for Local Authorities to design a local discretionary rate relief scheme to assist those businesses it felt had been most adversely affected by the revaluation.

East Lindsey's share of the "pot" means it is able to receive the following support for this relief:

Financial Year	Total Level of Relief Funding Available
2017/18	£420,000
2018/19	£204,000
2019/20	£84,000
2020/21	£12,000
Total	£720,000

This relief applies after all other mandatory and discretionary reliefs have been awarded and is subject to National State Aid rules. At the time that the funding was announced it was not known at that point whether Local Authorities would be able to flex monies between the financial years. It has subsequently been confirmed that Local Authorities are not able to flex monies between financial years.

The East Lindsey Local Discretionary Relief Scheme was approved by Cabinet on 25 July. The approved scheme ensured that all businesses (with an RV under £100,000) that had seen an increase in their business rates bill of less than £1,000 would pay the same amount as in 2016/17. Where increases were larger, they would receive £1,000 in relief.

Subject to State Aid provisions this scheme (based on current valuations) would support 1,045 ratepayers across the district, with up to £367,510 relief, leaving £52,490 in the fund as contingency. In conjunction with this option, Members delegated authority (to the Section 151 Officer, in conjunction with the Portfolio Holder of Finance) to review and revise the scheme in 2017/18 to ensure maximum support is provided to ratepayers in line with the fund available and contingency, including consideration of applications in cases where hardship has been caused as a direct result of the revaluation of individual ratepayers with properties with a RV up to £200,000.

Whilst there is no requirement for application forms, due to the State Aid requirements, letters were issued to those ratepayers identified as meeting the criteria of the Local Scheme requesting that they completed and returned a declaration confirming they fell within the State Aid rules so relief could be awarded.

Reminders were issued to those ratepayers that had not returned their declarations and a proactive telephone exercise was undertaken during January to encourage take up.

As at the 30 January returned declarations have allowed the award of **£203,036** (of the possible £367,510 identified) in relief. To date no applications have been received under the contingency provisions.

Whilst proactive steps have been taken to encourage take up of this relief, under legislation discretionary provisions ratepayers have the right to apply for discretionary relief up to 30 September in the following financial year. Therefore it can not be assumed that those businesses that have not yet returned their declaration don't qualify for the relief.

From a full review of the 1045 cases we estimate that **284** of these businesses are likely to be unable to qualify due to State Aid restrictions, making £106,234 available to be re-used in an adjustment to the original scheme. This in addition to the existing contingency fund of £52,490 for hardship provides an estimated **£158,724** available to adjust our Local Scheme to maximise spend in the first year of the scheme.

Central Government has confirmed that Local Authorities will not be recompensed for any relief awarded after 30 September 2018 for the previous financial year, nor will any relief that has been awarded under this provision that is over the allocation levels confirmed in April 2017. Therefore whilst recognising the importance of adjusting the Local Discretionary scheme so that it maximises support to businesses there is a financial burden on the Local Authority should awards be made outside the required timescales or in excess of allocation levels.

The National Transitional Relief scheme provides protection to ratepayers that would otherwise see significant rises in their businesses rates liabilities as a result of increases in their rateable value following a revaluation. Whilst not incurring immediate significant increases in their bills this will occur in the forthcoming years as Transitional Relief entitlement reduces.

Whilst there is no ability to flex money between financial years this briefing paper outlines potential models showing how the East Lindsey Local Discretionary Relief scheme could be adjusted to help support a number of these businesses, in advance and recommends the preferred option for adoption.

Recognising the limited funding available all modelling has looked at how additional support can be provided to those small businesses within the district that have been most adversely affected by the revaluation. The definition for Small businesses for these purposes is those premises with a RV below £51,000 (i.e. liabilities which are calculated using the small business multiplier).

It will need to be made clear to these ratepayers that any additional support provided is to assist them as they face these future increases in their bills and they should make provision for these increases as the amount of relief we can provide will reduce each year.

Important Note: We are unable to be sure which businesses will not qualify under state aid provisions and (despite our proactive attempts to encourage take up) businesses have until 30 September of the following year to apply. In addition relief entitlement will reduce if there are historic amendments to rateable values or the ratepayer vacates their property. As such where

looking to maximise funding to the level available any scheme is potentially at risk of either under or overspending.

Recommended: Option 1

Where a ratepayer of a small business (RV under £51,000) has an occupied business rates liability, after all other reliefs have been applied, and has had an increase of over 50% in their RV as a result of the 2017 revaluation; award Local Discretionary relief to the value of 35% of the Transitional Relief awarded in 2017/18.

The ratepayer must be in occupation on 31 March 2017 and on or after 1 April 2017 to qualify for the relief. Relief will be apportioned at a daily rate should the ratepayer vacate the property.

This option would support up to 187 businesses assessments across the district, with £169,318.46 of relief (subject to State Aid). We anticipate however that 39 businesses won't qualify saving £23,570.16 making the estimated spend of **£145,748.31**.

In year 1 we estimate this will bring the spend to £407,000 of the £420,000 leaving a small contingency of around £13,000. (estimate is based on those not entitled due to state aid provisions)

Whilst remodelling will be carried out in future years to maximise spend (within the funding available) it is anticipated that any relief awarded for the next two financial years will reduce at the same % as the "pot" (level of funding) decreases.

Alternative Options

Option 2

Where a ratepayer of a small business (RV under £51,000) has an occupied business rates liability, after all other reliefs have been applied, and has had an increase over 50% in their RV as a result of the 2017 revaluation; award Local Discretionary relief to the value of 25% of the Transitional Relief awarded in 2017/18.

The ratepayer must be in occupation on 31 March 2017 and on or after 1 April 2017 to qualify for the relief. Relief will be apportioned at a daily rate should the ratepayer vacate the property.

This option would support up to 187 businesses assessments across the district, with £120,941.76 of relief (subject to State Aid). We anticipate however that 39 businesses won't qualify saving £16,835.83 making the estimated spend of £104,748.31.

In year 1 we estimate this will bring the spend to £365,381 of the £420,000 leaving a small contingency of around £54,619. (estimate is based on those not entitled due to state aid provisions)

Whilst remodelling will be carried out in future years to maximise spend it is anticipated that any relief awarded for the next two financial years will reduce at the same % as the "pot" (level of funding) decreases.

Option 3

Where a ratepayer of a small business (RV under £51,000) has an occupied business rates liability, after all other reliefs have been applied, and has had an increase of over 25% in their RV as a result of the 2017 revaluation; award Local Discretionary relief to the value of 25% of the Transitional Relief awarded in 2017/18.

The ratepayer must be in occupation on 31 March 2017 and on or after 1 April 2017 to qualify for the relief. Relief will be apportioned at a daily rate should the ratepayer vacate the property.

This option would support up to 472 businesses assessments across the district, with £166,545.06 of relief (subject to State Aid). We anticipate however that 112 businesses won't qualify saving £29,950.94 making the estimated spend of £136,594.12.

In year 1 we estimate this will bring the spend to £397,870 of the £420,000 leaving a small contingency of around £22,130. (estimate is based on those not entitled due to state aid provisions)

Whilst remodelling will be carried out in future years to maximise spend it is anticipated that any relief awarded for the next two financial years will reduce at the same % as the "pot" (level of funding) decreases.

The table shown below provides details of the different options. This identifies the number of businesses that could qualify, the number of potential cases restricted due to State Aid and the financial impact of each scheme.

Recommendation

The preferred option is to adopt option 1 and to immediately award the relief to the accounts where a State Aid declaration has already been received or it is obvious the ratepayer will fall within State Aid provisions. This will ensure relief is awarded within the financial year.

Letters will be issued to advise these ratepayers that the relief has been awarded to help support additional increases in rate bills they will face in future years and that they should make provision as the level of relief to be awarded in future years will reduce at same level as the "pot" (level of funding) decreases.

Where there is any doubt that entitlement could be affected by State Aid Restrictions relief will not be awarded without a signed declaration form.

Mark Woolerton

20 February 2018

	Total Number of businesses that could qualify	Number likely to be subject to state aid restrictions	Number expect scheme to support	Total Value of Relief if all Qualify	Value of relief likely not to be awarded due to State Aid restriction	Value of Relief expect to award
<u>Option 1</u> Fund 35% of TR where RV increase 50%+ & RV below £51,000	187	39	148	£169,318.46	£23,570.16	£145,748.31
<u>Option 2</u> Fund 25% of TR where RV increase 50%+ & RV below £51,000	187	39	148	£120,941.76	£16,835.83	£104,105.93
<u>Option 3</u> Fund 25% of TR where RV increase 25%+ & RV below £51,000	472	112	360	£166,545.06	£29,950.94	£136,594.12