



ADUR & WORTHING  
COUNCILS

The Executive Member for Resources,  
Adur District Council  
The Executive Member for Resources,  
Worthing Borough Council  
8 June 2018

Key Decision: No

Ward(s) Affected: all

## Report in respect of the 2018/19 local schemes for Business Rates Discretionary Relief

### Report by the Director for Digital & Resources

#### Executive Summary

##### 1. Purpose

- 1.1 The Joint Strategic Committee considered a report on 5 December 2017 that explained that some businesses have seen a fall in their Business Rates liabilities as the result of the revaluation of Rateable Values from 1 April 2017 whilst other businesses are subject to an increase in their bills. To mitigate the impact of the increased business rate bills on local businesses, the Government has provided local authorities with grant funding for three years to fund a local relief scheme to minimise the impact of higher bills.
- 1.2 Following a public consultation the Joint Strategic Committee recommended to the respective Full Councils on 14th and 19th December 2017
  - The criteria against which local discretionary schemes should to be implemented;
  - That the percentage reductions in business rate bills in respect of 2017/18 should be 30% and 38% for Adur District Council and Worthing Borough Council respectively.
- 1.3 The full Councils also accepted the recommendation that whilst the qualifying criteria would remain the same for 2018/19, authority to determine the percentage reductions should be delegated to the respective Executive Members for Resources.
- 1.4 This report therefore provides an analysis of the 2017/18 awards made in order that the Executive Members can determine the percentage reductions that should applied in respect of 2018/19 local discretionary schemes for Adur and Worthing.

## 2. Recommendations

The Executive Members are asked to:

- 1) Note the content of this report; and
- 2) Determine whether the percentage reductions detailed in paragraphs 5.3 to 5.5 and paragraph 5.7 should be applied in respect of 2018/19

## 3. Context

- 3.1 From 1 April 2017 the Rateable Values that form the basis of calculating Business Rates bills for all non-domestic properties were changed following a revaluation exercise by the Valuation Office Agency.
- 3.2 Whilst some ratepayers saw a reduction in the amount of Business Rates that are payable, others saw an increase and in the Spring Budget on 8 March 2017 the Chancellor announced three new reliefs to assist the latter
- A reduction of up to £1,000 per annum for pubs
  - Support for Small Businesses
  - Discretionary relief scheme which is to be determined by each local authority
- 3.3 In order to introduce these reliefs the Government has not amended legislation and instead they will be awarded by local authorities through use of their existing powers to grant discretionary assistance under Section 47 of the Local Government Finance Act 1988, as amended.
- 3.4 Local Authorities are fully reimbursed for the loss of Business Rates income via grants under Section 31 of the Local Government Act 2003. In the first instance payment will be made by the Government to the billing authority which will then share monies with the major precepting authority - West Sussex County Council (WSSCC).

## 4. Issues for consideration

- 4.1 The Government announced a national budget of £300m over four years from 1 April 2017 allocated as follows
- £175m in 2017/18
  - £85m in 2018/19
  - £35m in 2019/20
  - £5m in 2020/21
- 4.2 The amount of grant that has been allocated to Adur and Worthing would support the following amounts of rate relief:

|          | 2017/18<br>£'000 | 2018/19<br>£'000 | 2019/20<br>£'000 | 2020/21<br>£'000 |
|----------|------------------|------------------|------------------|------------------|
| Adur     | 115              | 56               | 23               | 3                |
| Worthing | 186              | 90               | 37               | 5                |

4.3 Subject to ratepayers satisfying the “State Aid rules” (whereby a business cannot receive more than €200,000 of state-funded support in a rolling three-year period) and the local discretionary relief being awarded after all other reliefs had been applied, the criteria that were agreed by the Full Councils in December 2017 were that:

- The ratepayer should be liable to pay Business Rates at the address on or before 1 January 2017
- Properties with a Rateable Value below £15,000 will not be eligible (on the basis that they are highly likely to qualify for Small Business Rates Relief)
- Properties with a Rateable Value above £200,000 will not be eligible (on the basis that such properties were not included in the calculation of the Government Grant)
- Pubs (that also potentially already receive a reduction of £1,000 per annum) would be eligible for the local scheme

4.4 An analysis of awards as at 31 March 2018 shows that in respect of 2017/18:

|   | Adur     | Worthing |
|---|----------|----------|
| Total number of awards                      | 154      | 241      |
| Available budget                            | £115,000 | £186,000 |
| Total value of awards made                  | £80,550  | £122,449 |
| Percentage of the available budget utilised | 70.04%   | 65.83%   |

4.5 The primary reasons why not all the available budgets were used are:

- At the time the analysis of potential awards was considered by the Joint Strategic Committee on 5 December 2017, reductions known as “Support for Small Businesses” (whereby the increase in the amount of Business Rates payable was restricted to the greater of 5% in 2017/18 or a cash value of £600 per year) had not be awarded; and
- The accounts in respect of a number of ratepayers who were initially granted a local discretionary award were subsequently cancelled (typically because the ratepayer vacated the property)

and in respect of the latter this resulted in awards of discretionary relief being apportioned up to the end date of the liability.

4.6 A comparison of the budgets that are available in respect of 2018/19 with the Business Rates liabilities for those ratepayers in receipt of the local discretionary relief as at 31 March 2018 shows that

|   | <u>Adur</u> | <u>Worthing</u> |
|---|-------------|-----------------|
| Total Business Rates charge for 2017/18 after all reliefs (including local relief) have been awarded <sup>1</sup> | £2.608M     | £3.667M         |
| Total Business Rates charge for 2018/19 after all reliefs (excluding local relief) have been awarded <sup>2</sup> | £2.864M     | £4.329M         |
| Increase in Business Rates from 2017/18 to 2018/19 <sup>3</sup>   | £255,867    | £661,837        |
| Available budget 2018/19 <sup>4</sup>   | £56,000     | £90,000         |
| Percentage reduction that can be awarded <sup>5</sup>   | 21.89%      | 13.60%          |

Notes

Point 3: this figure is equal to point 2 minus point 1

Point 5: this figures is equal to point 4 divided by point 3

4.7 Whilst it is likely that some ratepayers who are initially granted a discretionary award in respect of 2018/19 may move out of the property before the end of the financial year (thereby reducing the discretionary award, appointed to the end of their liability rather than up to 31 March 2019, such changes cannot be predicted and the Executive Members should be mindful that total awards cannot exceed the budget that is available each year.

4.8 It is therefore suggested that reductions of:

- 21% for Adur District Council
- 13% for Worthing Borough Council

should be agreed in respect of 2018/19.

## 5. Financial Implications

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 split as follows:

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

5.4 Councils will be compensated for any relief granted under section 31 of the Local Government Act 2003. However, a key criteria of this reimbursement will be that all Billing Authorities will consult with major precepting authorities when designing their scheme.

5.5 The Councils' allocation of the Government funding for discretionary relief for local businesses has been confirmed.

| Amount of discretionary fund awarded (£000s) for business rate relief |                  |                  |                  |                  |       |
|---|------------------|------------------|------------------|------------------|-------|
| Council   | 2017-18<br>£'000 | 2018-19<br>£'000 | 2019-20<br>£'000 | 2020-21<br>£'000 | Total |
| Adur  | 115              | 56               | 23               | 3                | 197   |
| Worthing  | 186              | 90               | 37               | 5                | 318   |

5.6 Under the business rate retention scheme, the cost of any relief awarded is shared as follows

- Adur / Worthing Council 40%
- West Sussex County Council 10%
- HM Treasury 50%

The Councils will be fully reimbursed for the loss of any income in 2018/19 via a grant (using a grant under section 31 of the Local Government Act 2003).

5.7 The funding was front loaded to 2017/18. Any unused funds at the year end will be returned to the Government.

5.8 In addition, each Council has received a small £12,000 one-off grant for the administrative and IT costs associated with introducing the new reliefs.

## 6. Legal Implications

6.1 The power to grant discretionary relief is set out in Section 47 Local Government Finance Act 1988 as amended by the Localism Act 2011. The legislation states the qualifying conditions as one or more of the following:

*“(a) the ratepayer is a charity or trustees for a charity, and the hereditament is wholly or mainly used for charitable purposes (whether of that charity or of that and other charities);*

*(b)the hereditament is not an excepted hereditament, and all or part of it is occupied for the purposes of one or more institutions or other organisations none of which is established or conducted for profit and each of whose main objects are charitable or are otherwise philanthropic or religious or concerned with education, social welfare, science, literature or the fine arts;*

*(c)the hereditament is not an excepted hereditament, it is wholly or mainly used for purposes of recreation, and all or part of it is occupied for the purposes of a club, society or other organisation not established or conducted for profit”*

Section 47 (1) (a) of the Act allows the billing authority concerned to determine the rules to be applied in applying the discretionary relief.

It is for billing authorities to design their own discretionary relief schemes and determine the eligibility of ratepayers for support. The scheme must clearly set out the criteria that ratepayers across the local authority area need to meet in order to qualify for discretionary relief and it is very important that billing authorities have readily understood guidelines for deciding whether or not to grant relief and for determining the amount of any relief given.

The Non-Domestic Rating (Discretionary Relief) Regulations 1989 requires charging authorities to give notice of the making or revocation of a decision to grant discretionary relief, and of the making or variation of a determination of the chargeable amount (or of the rules for calculating the chargeable amount) payable during any period when the charging authority has decided to grant relief.

Section 31 Local Government Act 2003 provides the discretion for a Minister of the Crown to pay a grant to local authorities towards expenditure incurred by it. These grants are to be paid in an amount and manner for the person paying that grant to determine, and under such conditions as they may determine.

## **Background Papers**

Local Government Finance Act 1988

Local Government Act 2003

Letter from the Department for Communities and Local Government dated 28 April 2017

Business Rates Information Letter (2/2017)

Business Rates Information Letter (4/2017)

De Minimis Regulations (1407/2013)

Joint Strategic Committee report 5 December 2017 (agenda item 8)

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## **Sustainability & Risk Assessment**

### **1. Economic**

Maximisation of the available grant funding for discretionary rate relief will support businesses throughout the area.

### **2. Social**

#### **2.1 Social Value**

Matter considered and no issues identified.

#### **2.2 Equality Issues**

Matter considered and no issues identified.

#### **2.3 Community Safety Issues (Section 17)**

Matter considered and no issues identified.

#### **2.4 Human Rights Issues**

Matter considered and no issues identified.

### **3. Environmental**

Matter considered and no issues identified.

### **4. Governance**

Matter considered and no issues identified.