



ADUR & WORTHING
COUNCILS

ADC Executive Member for Resources &
WBC Executive Member for Resources
21 December 2020

Decision to be taken on or after
31 December 2020

Key Decision: No

Ward(s) Affected: all

2020/21 Local Schemes for Business Rates Discretionary Relief

Report by the Director for Digital, Sustainability & 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 provided local authorities with grant funding for four 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 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 throughout the four-year period from 2017/18 to 2020/21, 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 2019/20 awards that were made in order that the Executive Members can determine the percentage reductions that should be applied in respect of 2020/21 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 4.8 should be applied in respect of 2020/21

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 undertaken 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 did not amend legislation and instead determined 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 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'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 in respect of 2017/18 and 2018/19) would be eligible for the local scheme

4.4 An analysis of awards as at 31 March 2020 shows that in respect of 2019/20:

	Adur	Worthing
Total number of awards	120	177
Available budget	£23,000	£37,000
Total value of awards made	£21,094.97	£35,582.59
Percentage of the available budget utilised	91.72%	96.17%

4.5 The budgets in respect of 2019/20 were not totally utilised because a number of awards that were initially granted were subsequently amended as a result of the ratepayer vacating the property and the award of discretionary relief being apportioned up to the end date of the liability.

4.6 A significant number of businesses that received an award of local discretionary relief in respect of 2019/20 have no Business Rates to pay in respect of 2020/21 due to the Government’s introduction of 100% Expanded Retail Relief and Nursery Relief. Such businesses do not require support from the local discretionary rate schemes and

therefore, whilst the available budgets for 2020/21 are considerably smaller than last year, there are appreciably fewer businesses that qualify for support.

- 4.7 An analysis of Business Rates accounts that qualify for local discretionary relief in respect of 2020/21 shows the following

	<u>Adur</u>	<u>Worthing</u>
Total number of businesses in receipt of local discretionary relief as at 31.03.2020	120	177
Total number of businesses that qualify for local discretionary relief as at 01.04.2020	64	64
Increase in net Business Rates due from 2019/20 to 2020/21	£33,699.11	£33,272.91
Available budget 2020/21	£3,000	£5,000
Percentage reduction that can be awarded	8.90%	15.02%

- 4.7 It is possible that some ratepayers who are initially granted a discretionary award in respect of 2020/21 will have their awards reduced for the reasons described in paragraph 4.5.
- 4.8 Therefore, whilst the Executive Members should be mindful that total awards cannot exceed the budget that is available each year, it is nevertheless suggested that in order to maximise awards for ratepayers reductions of:
- 8.9% for Adur District Council
 - 15.0% for Worthing Borough Council

should be agreed in respect of 2020/21.

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 as being

Amount of discretionary fund awarded (£000s) for business rate relief					
Council	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'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 usually shared as follows:

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

However for 2019/20 this was changed to reflect the fact that the Council's participated in a business rate pilot and shared as follows:

- Adur / Worthing Council 20%
- West Sussex County Council 55%
- HM Treasury 25%

The Councils will be fully reimbursed for the loss of any income in 2020/21 via 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 previously 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) all or part of the hereditament is occupied for the purposes of one or more institutions or other organisations—
 - (i) none of which is established or conducted for profit, and
 - (ii) 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, or
- (b) the hereditament—
 - (i) is wholly or mainly used for purposes of recreation, and
 - (ii) 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.