

To the Chair and Members of Council

Proposed new Supporting Small Businesses Rates Relief Scheme

Relevant Cabinet Member(s)	Wards Affected	Key Decision
Mayor Ros Jones	All	Yes

EXECUTIVE SUMMARY

1. At the Spring Budget on 8 March 2017, the Government announced three new relief schemes aimed at supporting those businesses facing increases in their business rates bills as a result of the 2017 revaluation. Two of the new schemes ('Business Rates Local Discretionary Relief' and 'Pubs Relief') will be the subject of separate reports to be presented to Council in September. This report impacts on the potential **26** businesses that have lost Small Business Rate Relief or the potential **2** businesses that have lost Rural Rate Relief as a result of changes to the valuation of their properties from 1st April 2017. It provides a proposed scheme of relief to limit the impact of any increase in Business Rates payable resulting from the changes.
2. The Government has confirmed that it is not intending to change the legislation around reliefs. Instead, eligibility criteria and guidance has been issued by the Department of Communities and Local Government (DCLG) on 16th May 2017. The guidance confirms that billing authorities are expected to deliver the scheme through the use of their discretionary relief powers under section 47 of the Local Government Finance Act 1988, as amended by the Localism Act 2011.
3. The guidance also confirms that the Government will, in line with the eligibility criteria for the Supporting Small Businesses Scheme, reimburse billing authorities that use their discretionary relief powers to grant relief. Central Government will fully reimburse local authorities for the local share of the Supporting Small Businesses Relief via a grant under section 31 of the Local Government Act 2003. To receive the funding, the scheme must be designed in line with the DCLG guidance eligibility criteria. The local authority has no discretion in this.
4. In view of the fact that such expenditure will be reimbursed, the Government expects billing authorities to grant Supporting Small Businesses Relief to all qualifying ratepayers. In order to receive reimbursement, the relief must be awarded in line with the DCLG guidance.
5. Local authorities will be asked to provide an estimate of their likely total cost for providing the relief in a one off estimate for 2017/18. Central Government

will then provide payments to local authorities for their share of the cost of the estimated relief for 2017/18. The final cost to local authorities will be calculated and reconciled as part of year-end processes.

6. The proposed scheme for supporting small businesses in Doncaster is attached at Appendix 1 to this report.

EXEMPT REPORT

7. The report is not exempt.

RECOMMENDATIONS

8. That Doncaster Council adopts the policy as detailed at Appendix 1 for supporting small businesses in Doncaster. This policy is in line with the guidance issued by DCLG which is attached at Appendix 2.
9. That the Council approves the award of relief to qualifying local businesses through this scheme for the 5 years 2017/18 through to 2021/22.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

10. Analysis of Business Rates records has identified 28 properties that are potentially eligible for this relief. 26 of these have lost some or all of their Small Business Rates Relief and 2 have lost some or all of their Rural Rate Relief.
11. In addition to the qualifying ratepayers, the citizens of Doncaster generally will benefit from the scheme as the relief supports these businesses and, in turn, the economy to thrive.

BACKGROUND

12. For 2016/17, eligible businesses with a rateable value less than or equal to £6,000 were entitled to 100% Small Business Rate Relief. Those with a rateable value of between £6,000 and £12,000 received tapered relief from 100% to 0%. Following the measures in the 2016 Budget, these thresholds were increased to £12,000 for the 100% relief and between £12,000 and £15,000 for the tapered relief. This ensured that most businesses previously entitled to Small Business Rate Relief will pay less or nothing following the 2017 revaluation. However, some businesses that are facing large increases in their rateable value have lost some or all of their Small Business Rate Relief.
13. For 2016/17, properties which were deemed as the sole post office, general store, pub or petrol station in rural settlements were (subject to rateable value thresholds of £8,500 for post offices and general stores, and £12,500 for pubs and petrol stations) entitled to 50% Rural Rate Relief. This increased to 100% relief from 1 April 2017. However, some businesses previously eligible for Rural Rate Relief may have lost that entitlement if their rateable value increased above the thresholds due to the revaluation.
14. The Government's Transitional Relief scheme limits how much a ratepayer's bill can change each year as a result of revaluation. This means changes to

bills are phased in gradually. The limits are based on the property's rateable value and whether the bill is increasing or decreasing as a result of revaluation. For bills that are increasing, the limits for 2017/18 are 5% for properties with a rateable value under £20k; 12.5% for properties with a rateable value between £20k and £100k; and 42% for properties with a rateable value over £100k.

15. The Transitional Relief scheme does not provide support in respect of changes in reliefs. Therefore, those ratepayers who are losing some or all of their Small Business or Rural Rate Relief may be facing large percentage increases in bills from 1 April 2017. The new scheme of relief announced in the Spring Budget is designed to help those ratepayers.
16. Supporting Small Businesses Relief (SSBR) will ensure that the increase per year in the bills of these ratepayers is limited to the greater of:
 - a. a percentage increase p.a. of 5%, 7.5%, 10%, 15% and 15% 2017/18 to 2021/22 all plus inflation. (Unlike the Transitional Relief scheme, for the first year of the scheme the percentage increase is taken against the bill for 31 March 2017 after Small Business Rate Relief or Rural Rate Relief); or
 - b. a cash value of £600 per year (£50 per month). This cash minimum increase ensures that those ratepayers paying nothing or very small amounts in 2016/17 after Small Business Rate Relief are brought into paying something.
17. In the first year of the scheme, this means all ratepayers losing some or all of their Small Business Rate Relief or Rural Rate Relief will see the increase in their bill capped at £600. The cash minimum increase is £600 per year thereafter. This means that ratepayers who were previously paying nothing under Small Business Rate Relief and are losing all of their entitlement to relief (i.e. moving from £6,000 rateable value or less to more than £15,000) would, under this scheme, be paying £3,000 in year 5.
18. Those on the Supporting Small Businesses Relief Scheme whose 2017 rateable values are £51k or more will not be liable to pay the supplement (1.3p) to fund Small Business Rate Relief while they are eligible for Supporting Small Businesses Relief.
19. Ratepayers remain in the Supporting Small Businesses Relief scheme for either 5 years or until they reach the bill they would have paid without the scheme (i.e. in the main Transitional Relief scheme). A change of ratepayers will not affect eligibility for the Supporting Small Businesses Relief Scheme but eligibility will be lost if the property falls vacant or becomes occupied by a charity or Community Amateur Sports Club (in line with the DCLG guidance).
20. As with all reliefs, the amount of relief awarded under the Supporting Small Businesses Relief Scheme will be recalculated in the event of a change of circumstances. This could include, for example, a backdated change to the rateable value or the hereditament. This change of circumstances could arise during the year in question or during a later year.

21. State Aid law is the means by which the European Union regulates state funded support to businesses. Providing discretionary relief to ratepayers is likely to amount to State Aid. However the Supporting Small Businesses Relief scheme will be State Aid compliant where it is provided in accordance with the De Minimis Regulations (1407/2013).
22. The De Minimis Regulations allow an undertaking to receive up to €200,000, (around £173,000), of De Minimis aid in a rolling three year period (consisting of the current financial year and the two previous financial years). The DCLG guidance requires authorities to obtain a declaration about the level of State Aid received by the occupier concerned.

OPTIONS CONSIDERED

23. Option 1: Do Nothing

The Government has not legislated for this scheme but has, instead, advised that local authorities can use their discretionary relief powers under section 47 of the Local Government Finance Act 1988, as amended, to grant relief. However, as the relief is funded by Central Government, is for the benefit of local business, and will contribute towards the Council's priorities of assisting businesses to thrive and to develop our local economy, this option is not recommended.

Option 2: Award relief under different criteria to the DCLG guidance

Using section 47 discretionary relief powers, the Council could decide on different criteria to award relief to small businesses adversely affected by the revaluation other than that specified in the DCLG guidance. However, this option is not recommended as the relief would not then be funded via Section 31 Central Government grant and the cost of the relief would have to be met by the Council.

Option 3: Award relief under the DCLG guidance criteria

The DCLG guidance criteria is designed to ensure that those businesses losing some or all of their Small Business or Rural Rate Relief as a result of the revaluation do not have to pay more than £600 extra per year over the next five years. The Government has committed to reimbursing billing authorities and those major precepting authorities within the rates retention scheme for the actual cost to them of awarding relief that falls within the definitions in the DCLG guidance. **This is the recommended option.**

REASONS FOR RECOMMENDED OPTION

24. For the reasons outlined above, **Option 3** is the recommended option as the relief will support local businesses losing some or all of their Small Business Rate Relief or Rural Rate Relief as a result of the revaluation. The relief will ensure that those businesses have the increase in their bill capped at £600 in the first year and a cash minimum increase of £600 per year thereafter during the five-year life of the scheme. Using the DCLG guidance award criteria will ensure that the Council and the major precepting authority (South Yorkshire Fire and Rescue) are fully reimbursed by Central Government for the actual cost to them under the rates retention scheme of awarding the relief.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

	Outcomes	Implications
	<p>All people in Doncaster benefit from a thriving and resilient economy.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> • <i>Mayoral Priority: Be a strong voice for our veterans</i> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	<p>Awarding relief for those qualifying businesses will help to assist businesses to thrive and to assist in the development of Doncaster's economy.</p>
	<p>People live safe, healthy, active and independent lives.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	
	<p>People in Doncaster benefit from a high quality built and natural environment.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	
	<p>All families thrive.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	
	<p>Council services are modern and value for money.</p>	<p>It is proposed that relief is awarded in line with DCLG guidance. As such, the relief will be funded via section 31 grant at no cost to the Authority.</p>
	<p>Working with our partners we will provide strong leadership and governance.</p>	

RISKS AND ASSUMPTIONS

25. There is a risk of failure to identify qualifying businesses and award the relief accordingly. This risk will be managed by thorough checking of business rates records to ensure all qualifying businesses are identified, and publicity of the scheme on the Council's website. We will be communicating with all businesses we believe are eligible.
26. There is a further risk of failure to award relief in line with the Government's criteria and guidance meaning that that we are not reimbursed for relief awarded. It is expected that the Business Rates system provider will provide a software solution to automatically calculate relief in line with the Government's criteria. The risk will be further managed via supervisory checks of the awards.

LEGAL IMPLICATIONS

27. Local authorities can grant Discretionary Rate Relief for supporting small businesses as described in this report using its powers under section 47 of the Local Government Finance Act 1988, as amended by the Localism Act 2011.
28. The legislation states that the local authority may only grant relief if it would be reasonable to do so having regard to the interests of Council Tax payers in its area. Given that the Government has committed to reimburse local authorities for the relief awarded under this scheme, it is deemed to be in the interests of the Authority's Council Tax payers to award this relief. The legislation also requires a local authority to have regard to any relevant guidance issued by the Secretary of State when deciding whether to grant relief.
29. As set out in the body of the report, the relief given must be in accordance with State Aid Regulations.

FINANCIAL IMPLICATIONS

30. Analysis of Business Rates records has identified **28** properties that are potentially eligible for this relief. Assuming none of the businesses fall foul of the State Aid De Minimis Regulations, the maximum total relief awarded to these businesses in 2017/18 would be **£45k**.
31. Central Government will reimburse local authorities including major precepting authorities, i.e. South Yorkshire Fire and Rescue for Doncaster, for the local share of the discretionary relief via a grant under section 31 of the Local Government Act 2003.
32. Local authorities will be asked to provide an estimate of their likely total cost for providing the relief in a one off estimate for 2017/18. Central Government will then provide payments to local authorities for their share of the cost of the estimated relief for 2017/18. The final cost to local authorities will be calculated and reconciled as part of year-end processes.

33. DCLG has recognised that implementing the new relief schemes places additional burdens on billing authorities. They have recently confirmed that local authorities will be paid a flat rate of £12k New Burdens funding for additional administration and IT related costs of administering the three new relief schemes announced in the Spring Budget. In addition, local authorities will be paid 50p for each bill reissued as a result of awarding these reliefs.

HUMAN RESOURCES IMPLICATIONS

34. Due to the small number of businesses that qualify for this relief, there are no HR implications associated with the implementation of this scheme.

TECHNOLOGY IMPLICATIONS

35. It is expected that the Business Rates system provider will provide a software solution to automatically calculate relief in line with the Government's criteria. However, as this is not a legislative change, this will need to be confirmed. ICT resources will be required to apply any software upgrades needed to support the proposed relief scheme, together with any required changes to the business rate bills. Early consultation with ICT is needed to ensure the required work and timescales are fully understood and included in the forward work plan.

EQUALITY IMPLICATIONS

36. This relief is available to all those affected by a loss of Small Business Rates or Rural Rate Relief following the 2017 revaluation. Therefore, there are no equality implications.

CONSULTATION

37. No consultation has taken place on the proposed scheme as it is in line with the national DCLG guidance and therefore fully funded by Central Government.

BACKGROUND PAPERS

Appendix 1: DMBC Supporting Small Businesses Rates Relief Scheme

Appendix 2: DCLG "Supporting Small Businesses Relief Scheme" guidance

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