

POLICY REVIEW AND DEVELOPMENT PANEL REPORT

REPORT TO:	Corporate Performance Panel		
DATE:	17 July 2017		
TITLE:	Non Domestic Rates: New Discretionary Revaluation Reliefs		
TYPE OF REPORT:	Policy Development		
PORTFOLIO(S):	Leader		
REPORT AUTHOR:	Jo Stanton, Revenues and Benefits Manager		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	Yes

REPORT SUMMARY

PURPOSE OF REPORT:

At the Budget on 8 March 2017 the Chancellor announced the Government would make available a discretionary fund of £300m over four years from 2017/2018 to support those businesses facing the steepest increases in their business rates bills as a result of the 2017 Revaluation. Every Billing Authority has been awarded a share of the £300m based on the increases in their rates bills, and Billing Authorities are free to decide on a scheme to allocate this to their ratepayers.

This report outlines the options considered and the preferred option for a Discretionary Revaluation Relief scheme.

KEY ISSUES:

The Borough Council has over 5,700 non-domestic properties, of which around 3,600 have seen an increase in their bill due to the 2017 Revaluation. The Council has been awarded £709,000 over four years to fund their Discretionary Revaluation Relief scheme.

Billing Authorities are free to decide on any scheme of Discretionary Hardship Relief they wish. The only condition Government has placed on the scheme is that the County Council is consulted in advance of the scheme being decided.

Meetings have been held with other Norfolk Authorities and the County Council to scope possible options for the relief scheme.

OPTIONS CONSIDERED:

A working group of Norfolk Authorities met on 7 April 2017 to discuss the different methodologies for a relief scheme. The general principle of having a scheme where increases for occupied properties are phased in over the four years was agreed and two alternatives were suggested – a scheme limiting increases in bills to a certain percentage, or a ‘banded’ scheme awarding a fixed amount of relief depending on how much a ratepayer’s bill has increased. Within the banded scheme, two options were considered; either an award based on a percentage increase, or an award based on the value of the increase.

The working group modelled the different options within their own funding allocations. The group met again on 26 May 2017 and agreed that a banded scheme based on the value of the increase in ratepayer’s bills was the preferred option. The County also agreed with this approach.

RECOMMENDATIONS:

The Panel agrees to recommend to Cabinet that:

1. The new Discretionary Revaluation Relief scheme for Year 1 (2017/2018) is a banded scheme where a fixed amount of relief is awarded for occupied properties based on the amount the ratepayer's bill has increased as at 1 April 2017,
2. The principle of a banded scheme is retained in Years 2, 3 and 4 with delegated authority given to the s151 Officer, in consultation with the Leader, to review and decide the bandwidths and the value of the relief given to each band, and
3. Delegated authority is given to the Leader to consider individual applications for the new Discretionary Revaluation Relief scheme that do not meet these criteria

REASONS FOR RECOMMENDATIONS:

To ensure a Discretionary Revaluation Relief scheme for ratepayers facing an increase in the bills due to revaluation is agreed and arrangements are in place for future years of the scheme.

REPORT DETAIL

1: Introduction

At the Budget on 8 March 2017 the Chancellor announced the Government would make available a discretionary fund of £300m over four years from 2017/2018 to support those businesses facing the steepest increases in their business rates bills as a result of the 2017 Revaluation. Every Billing Authority has been awarded a share of the £300m based on the total increase in their ratepayers bills, and Billing Authorities are free to decide on their own schemes to allocate this to their ratepayers.

Government will fully fund the cost of the relief providing it is below the amount allocated for each year. We have been awarded the following amounts for our Discretionary Revaluation Relief scheme:

Year	Amount
1 - 2017/2018	£413,000
2 - 2018/2019	£201,000
3 - 2019/2020	£83,000
4 - 2020/2021	£12,000
Total	£709,000

The funding reduces year on year as the expectation is for Billing Authorities' schemes to phase in the increases in rates bills due over the four years so ratepayers eventually reach the point where they are paying their full bill. Therefore the amount of relief needed each year will decrease over the life of the scheme.

Central Government are considering whether to allow funding to be flexed between years, so any over or underspend can be carried forward to a future year, subject to the total cost not exceeding the overall funding. An announcement on this is awaited.

The Borough Council has over 5,700 non-domestic properties of which just over 3,630 have seen an increase in their non-domestic rates bill due to the 2017 Revaluation. Once excluded properties¹ are removed there are around 3,400 properties that could qualify for the relief.

This report outlines the options considered and the preferred option for a Discretionary Revaluation Relief scheme.

2: Proposal

As a condition of receiving funding, Government has specified that Billing Authorities must consult with the County Council when deciding their relief schemes. Norfolk County Council has indicated that they would like to see a consistent relief scheme across the County.

To try and achieve this, officers from six of the seven Norfolk Billing Authorities met on 7 April 2017 to discuss the new scheme and possible options for the scheme criteria. Breckland District Council were not present but had sent their comments. The options were:

¹ Excluded properties are those where the Borough Council, County Council, Police Authority or Fire Authority are the ratepayer, and those where awarding relief would breach the EU State Aid rules which limit the total relief for one ratepayer to €200,000 over three years

1. A scheme to cap increases in business rates bills for occupied properties as a result of the 2017 Revaluation to 12.5% in 2017/2018,
2. A scheme to award a fixed amount of relief to occupied properties depending on the percentage increase in the 2017/2018 business rates bill due to the 2017 Revaluation, or
3. A scheme to award a fixed amount of relief to occupied properties depending on the monetary increase in the 2017/2018 business rates bill due to the 2017 Revaluation

The authorities agreed to take away the options and model the financial impact of each of the schemes then meet again. The headline results of the modelling for our ratepayers are shown at Appendix B.

The group met again on 26 May 2017. Norwich City Council sent apologies and Breckland did not attend, but a representative from Norfolk County Council was present.

There was agreement from all present that the **Option 3** was the most favoured for the following reasons:

- It helps the most ratepayers within the funding available,
- It directly links the relief given with the actual amount a ratepayer's bill has increased by, regardless of the size of their property,
- It is straightforward to explain to ratepayers, and
- It should be simple to administer (subject to the constraints of software systems)

It should be noted that whilst the principle of the scheme will be common across most of the Norfolk Authorities, the bands and the amount of relief awarded for each band will differ depending on the funding awarded, local circumstances and need. For example, Norwich City Council has a large proportion of city centre retail premises with larger rateable values, whilst the majority of increases in North Norfolk District Council's area are for small rural businesses.

3: Full details of the preferred scheme – Option 3

The proposed scheme will compare the ratepayer's charge on 31 March 2017 to their new charge on 1 April 2017, after all other reliefs have been awarded. The amount of this increase will then decide how much relief is awarded. This will apply for all years of the scheme. The relief will apply to occupied properties only.

The relief is not dependent on the size of the property, but solely on the increase in the rates bill. This means that a small business that has seen a large increase in their rates bill will receive the same help as a large ratepayer also facing the same increase. Relief will be awarded for individual accounts so a ratepayer with multiple properties will receive assistance for all their qualifying properties (subject to State Aid).

The following scheme is proposed for Year 1:

Band	Increase From:	Increase To:	Amount of Relief	Number of Ratepayers	Cost
A	£250	£499	£125	396	£49,500
B	£500	£999	£250	106	£26,350
C	£1,000	£1,999	£500	151	£75,500
D	£2,000	£2,999	£1,000	55	£55,000
E	£3,000	£3,999	£1,500	28	£42,000
F	£4,000	£4,999	£2,000	26	£52,000
G	£5,000	No Max	£2,500	44	£110,000
	Total			806	£410,350

Key points from the proposed scheme are:

- It helps the most ratepayers within our Year 1 funding allocation of £413,000,
- The principle of the scheme is common across the majority of Norfolk authorities (although Breckland Council has a different scheme as they are part of ARP),
- The amount of relief awarded is set at 50% of the lower value of the band. This means ratepayers receive relief of between 25% and 50% of the increase in their rates bill²
- Ratepayers must have an increase of at least £250 to qualify for Discretionary Revaluation Relief,
- There is no upper limit and increases of £5,000 and above will receive £2,500 relief,
- The amount of the increase is calculated after all other reliefs are awarded. This means ratepayers may qualify for multiple reliefs, for example Transitional Relief, Charitable Relief, or Small Business Rate Relief, before the new Discretionary Revaluation Relief, and
- It applies to occupied properties only so does not benefit owners of empty properties, helping to encourage these back in to use.

There are also a number of technical and administrative scheme rules and these are included at Appendix C. Examples of how the scheme will affect different ratepayers are shown at Appendix D.

4: Years 2, 3 and 4

The principle of the scheme is to award a lesser amount of relief each year so increases in rates bills are gradually phased in. The funding for future years reduces as shown below:

Year	£	Change £	Change %
1 - 2017/2018	£413,000	-	-
2 - 2018/2019	£201,000	-£212,000	-51%
3 - 2019/2020	£83,000	-£118,000	-59%
4 - 2020/2021	£12,000	-£71,000	-86%
Total	£709,000		

The Banded scheme at Option 3 allows the same scheme principles to apply for future years, with a reduced amount of relief awarded for each band reflecting the reductions above.

The actual amount of relief that could be awarded in future years depends on a number of factors, including the take up of relief in Year 1 and whether central government allows the relief funding to be transferred between years.

The Panel is asked to recommend that delegated authority is given to the s151 Officer, in consultation the Leader, to review and decide the bandwidths and the value of the relief given to each band for years 2, 3 and 4.

² E.g. a ratepayer with an increase of £1,500 in their rates bill will receive relief of £500 = 33% of the increase. See examples at Appendix D.

5: Issues for the Panel to Consider

- **Principles of the Relief scheme:** Does the Panel agree with recommending Option 3?
- **Minimum amount:** is the Panel happy with recommending a minimum increase of £250 before relief is awarded? To award relief to these ratepayers would increase the cost beyond the available funding
- **Upper Limit:** Does the Panel agree to not having an upper limit on increases but awarding the same relief to all those with an increase over £5,000?
- **Occupied Properties:** Does the Panel agree with only awarding relief for occupied properties?

6: Corporate Priorities

The new Discretionary Relief scheme fits with Corporate Priority 1: Provide important local services within our available resources and Corporate Priority 2: Drive local economic and housing growth

7: Financial Implications

Central Government has allocated a fixed amount of funding for each of the next four financial years. Providing the cost of the relief remains within this funding limit, there is no cost to the Council.

Central government may allow funding to be transferred between the four years of the scheme. An announcement will be made soon.

8: Any other Implications/Risks

One of the criteria for receiving relief is that the ratepayer must have had an increase in their rates bill on 1 April 2017 due to the 2017 Revaluation. This means that only those who are liable to pay business rates on 1 April 2017 will qualify and there will be no extra demand after this date from new ratepayers. Using the increase as at 1 April 2017 means the impact for the current and future years can be mapped more accurately.

9: Equal Opportunity Considerations

A Pre-Screening Equality Impact Assessment is included at Appendix A. No impacts are identified.

10: Consultation

The Government consultation on design and implementation of the relief scheme expects Billing Authorities to discuss options with their Major Precepting Authorities at an early stage and to consult them before adopting any scheme. Discussions on scheme design took place with County Officers and confirmation has been received [tbc following review of scheme] from the County's Executive Director of Finance and Commercial Services that the County have been consulted with and are content with the principles of the proposed banded discount scheme.

11: Conclusion

Option 3 allows the Council to help the most ratepayers within the available funding, targeting assistance at occupied properties and directly linking the amount of relief with the size of the increase in the rates bill.

12: Background Papers

DCLG - Business Rates: Consultation on the proposals on the design and implementation of the locally administered Business Rates Relief Scheme (March 2017)

**APPENDIX A:
Pre-Screening Equality Impact Assessment**

Borough Council of

**King's Lynn &
West Norfolk**



Name of policy	New Business Rates Discretionary Revaluation Policy				
Is this a new or existing policy/ service/function?	New				
Brief summary/description of the main aims of the policy being screened. Please state if this policy rigidly constrained by statutory obligations	The Council has been awarded funding to provide additional help to ratepayers whose bills have increased following the revaluation. The recommended option describes the circumstances in which this relief will be given.				
Question	Answer				
<p>1. Is there any reason to believe that the policy could have a specific impact on people from one or more of the following groups according to their different protected characteristic, for example, because they have particular needs, experiences, issues or priorities or in terms of ability to access the service?</p> <p>Please tick the relevant box for each group.</p> <p>NB. Equality neutral means no negative impact on any group.</p>		Positive	Negative	Neutral	Unsure
	Age			√	
	Disability			√	
	Gender			√	
	Gender Re-assignment			√	
	Marriage/civil partnership			√	
	Pregnancy & maternity			√	
	Race			√	
	Religion or belief			√	
	Sexual orientation			√	
	Other (eg low income)			√	
Question	Answer	Comments			
2. Is the proposed policy likely to affect relations between certain equality communities or to damage relations between the equality communities and the Council, for example because it is seen as favouring a particular community or denying opportunities to another?	No				
3. Could this policy be perceived as impacting on communities differently?	No				
4. Is the policy specifically designed to tackle evidence of disadvantage or potential discrimination?	No				
<p>5. Are any impacts identified above minor and if so, can these be eliminated or reduced by minor actions? If yes, please agree actions with a member of the Corporate Equalities Working Group and list agreed actions in the comments section</p>	NA	Actions:			
		Actions agreed by EWG member:			
Assessment completed by: Name Jo Stanton					
Job title Revenues and Benefits Manager	Date 30 May 2017				

Please Note: If there are any positive or negative impacts identified in question 1, or there any 'yes' responses to questions 2 – 4 a full impact assessment will be required.

APPENDIX B

Scheme Modelling Results for all three options

Option 1 – Limiting Increases to 12.5%

A scheme that limits increases to a maximum of 12.5% for all ratepayers in 2017/2018 compared to their 2016/2017 bill. Various options within this scheme were modelled including a maximum Rateable Value and a maximum amount of relief:

Criteria	RV < £200,000 Max Relief £5,000	RV < £200,000 No Max Relief	No Max RV Max Relief £5,000	No Max RV No Max Relief
Number Qualifying	309	309	321	321
Cost	£197,934	£292,006	£254,645	£530,959
Year 1 Allocation	£413,000	£413,000	£413,000	£413,000
% of Year 1	56%	83%	73%	151%

Pros:

Limits the bill to a fixed increase – easy to explain to ratepayers
Could select criteria to ensure the cost falls within the available funding

Cons:

Does not help many ratepayers
Administratively complex
Difficult to continue the principle into future years

Option 2 – Banded scheme based on the percentage increase in the business rates bill

A scheme that calculates the percentage increase in a ratepayer's bill due to the 2017 Revaluation and awards relief based on that percentage. The percentages and amounts of relief are shown in the table below:

% Increase	Relief Awarded	Number Qualifying	Cost
5% to < 7.5% increase	£100	2,944	£224,971
7.5% to < 15% increase	£500	342	£170,118
15% to < 25% increase	£1,000	7	£7,000
>25% increase	£2,000	18	£32,878
Total		3,311	£434,968
Year 1 Allocation			£413,000
% of Year 1			124%

Pros:

Helps lots of ratepayers
Simple to explain as links a fixed amount of a relief to a certain bandwidth
Similar to recent government reliefs where a fixed amount of relief has been given
Easy to amend for future years

Cons:

Exceeds the available funding
Regressive – a 10% increase could be £50 for one ratepayer and £500 for another but they will still receive the same amount of relief.

Could potentially reduce a rates bill to £0 which does not support the objective of gradually helping ratepayers to get used to paying a higher bill

Option 3 – Banded scheme based on the monetary increase in the business rates bill

A scheme that calculates the monetary increase in a ratepayer's bill due to the 2017 Revaluation and awards relief based on that increase. The minimum increase is £250 but there is no maximum. The increases and amounts of relief are shown in the table below:

Band	£ Increase	Relief Awarded	Number Qualifying	Cost
A	£250 to <£500	£125	396	£49,500
B	£500 to <£1,000	£250	106	£26,350
C	£1,000 to <£2,000	£500	151	£75,500
D	£2,000 to <£3,000	£1,000	55	£55,000
E	£3,000 to <£4,000	£1,500	28	£42,000
F	£4,000 to <£5,000	£2,000	26	£52,000
G	>£5,000	£2,500	44	£110,000
	Total		806	£410,350
	<i>Year 1 Allocation</i>			<i>£413,000</i>
	<i>% of Year 1</i>			<i>99%</i>

Pros:

Helps a substantial number of ratepayers (22% of those with an increase) within the available funding

Easy to understand

Links a fixed amount of relief directly to the amount of the increase

No upper limit on the amount of the increase

Administratively straightforward

Easy to retain the principle for future years by reducing the amount of relief awarded to meet the lower funding limit

Cons:

Sets a minimum increase which excludes the remaining ratepayers who have only had a small increase in their bills

APPENDIX C

Discretionary Revaluation Relief scheme rules

The applicant must be the ratepayer on both 31 March 2017 and 1 April 2017

The hereditament must be occupied on 31 March 2017 and 1 April 2017, and must continue to be occupied in order for the relief to apply

There must have been an increase in the net rates payable, after all other reliefs, due to the 2017 Revaluation, either directly (e.g. RV increase) or indirectly (loss of a relief).

The increase will be ascertained by comparing the net rates payable on 31 March 2017 to the net rates payable on 1 April 2017. The increase is measured on the net rates payable after all other reliefs have been deducted, including transitional, mandatory and discretionary reliefs.

The award for Year 1 will only be for the period 1 April 2017 to 31 March 2018, however:

- The award will be apportioned on a daily basis for the dates the property was occupied if the ratepayer vacates the property,
- The award will be apportioned on a daily basis for the dates the property was occupied if the property becomes unoccupied for any other reason,
- The award will be recalculated if the net rates payable, and therefore the amount of the increase, changes (either up or down),
- The award will reflect any changes backdated to 1 April 2017, but not any taking effect on or after 2 April 2017, and
- Any overpaid relief will be repayable and will be recovered through the rates bill

Awards of relief for a future year will only apply for that year and will be subject to the same rules as above.

The award is subject to State Aid rules and ratepayers are responsible for checking they do not breach these rules if they are awarded relief:

- If a ratepayer qualifies for the relief, and it appears to the Billing Authority that State Aid rules will not be breached, the relief will be awarded without the need for an application form. However the ratepayer is required to verify their position regarding State Aid.
- If a ratepayer qualifies for the relief, but the Billing Authority is unclear whether State Aid rules will be breached, the ratepayer is required to complete an application form.

The relief will not apply to Excepted Hereditaments – these are those where a precepting authority is the ratepayer. These include accounts for the Borough Council, County Council, Police Authority and Fire Authority

Applications for relief will be valid for the four years of the scheme (subject to the above rules) and must be received by.... **Can we impose our own rules? What about current Discretionary Relief application rules??**

Appendix D

Examples of how Revaluation Relief will assist ratepayers

Example 1

Mr G is the ratepayer for a Town Centre shop. He is the ratepayer on 31 March 2017 and 1 April 2017 and occupies the property on both dates.

Mr G's rateable value (RV) has increased from £8,500 to £13,000 as a result of the 2017 Revaluation. He used to have no business rates to pay as he received Small Business Rate Relief, but his RV increase means he now only receives partial Small Business Rates Relief and has a rates bill of £2,024.

As Mr G meets the criteria he is eligible for Revaluation Relief. His increase falls in Band D and Mr G receives a reduction of £1,000 in 2017/2018. This is equivalent to 49% of the increase in his rates bill.

Example 2

Mrs D is the ratepayer for a small industrial unit on a trading estate. She is the ratepayer on 31 March 2017 and 1 April 2017 and occupies the property on both dates.

Mrs D's RV has increased from £6,000 to £10,000 as a result of the 2017 Revaluation. She does not qualify for any other reliefs so her rates bill has increased from £2,904 on 31 March 2017 to £4,660 on 1 April 2017, an increase of £1,756.

As Mrs D meets the criteria she is eligible for Revaluation Relief. Her increase falls in Band C and Mrs D receives £750 Revaluation Relief for 2017/2018. This is equivalent to 43% of the increase in her rates bill.

On 1 May 2017 Mrs D sold the property and is no longer the ratepayer. She will still receive the relief for 1 April 2017 to 30 April 2017, apportioned on a daily basis. The new ratepayer will not receive any relief as they do not meet the criteria for having been the ratepayer on 31 March 2017 and 1 April 2017.