

## **8. LOCAL DISCRETIONARY RATE RELIEF SCHEME TO PROVIDE REVALUATION SUPPORT TO MID SUSSEX BUSINESSES**

REPORT OF: HEAD OF CORPORATE RESOURCES  
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Wards Affected: All  
Key Decision: No  
Report to: Cabinet  
5<sup>th</sup> September 2017

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### **Purpose of Report**

1. This report sets out proposals for a local Discretionary Rate Relief Scheme for Mid Sussex District Council to assist businesses facing an increase in their bills for 2017/18 arising from the revaluation.

### **Summary**

2. Councils have been given funding from the Government to distribute to businesses facing increases in Business Rates following the revaluation and have the power to design their own relief schemes. Mid Sussex District Council has £650,000 to award over 4 years with £379,000 available in 2017/18.
3. The proposed scheme targets relief at independent, small and medium sized businesses in Mid Sussex facing an increase in their Business Rates of £300 or more following the revaluation. It is proposed that £20,000 is allocated to a fund to support businesses facing hardship that support the Council's business growth priorities. Allocation of the remaining £359,000 allows 470 eligible businesses to be assisted through relief of 52% of the increase in their Business Rates, which would be automatically deducted from bills for 2017/18.

### **Recommendation**

4. **Cabinet is requested to adopt the Local Discretionary Rate Relief Scheme for revaluation support as set out in this report.**
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### **Background**

5. The Government has undertaken a national revaluation of all commercial premises in England and Wales. From 1 April 2017, all premises in the District have been assigned a new "rateable value" by the Valuation Office, used to calculate the level of business rates charged to their occupier. The last time there was a revaluation was in 2010.
6. The Budget on 8<sup>th</sup> March 2017 saw the announcement of £300 million extra funding for local authorities to provide discretionary relief to those businesses facing increases in their business rates following the revaluation. The Government have described this initiative as "revaluation" support.
7. Mid Sussex's allocation of the Government's funding for discretionary relief is £650,000 spread across the next 4 years, as shown in the table below:

LA	Amount of discretionary pot awarded (£000s)				
	2017/18	2018/19	2019/20	2020/21	Total
Mid Sussex	379	184	76	11	650

8. Local authorities have the power to design their own discretionary business rates relief scheme to determine how the funding for “revaluation support” is distributed across businesses locally. This is subject to certain Government conditions, including that this extra relief can only be targeted at businesses that will see their rates bills increase in April 2017 as a result of the revaluation. Billing authorities are required to consult their major precepting authorities before adopting a scheme, which in our case is West Sussex County Council.

### Transitional and Other Reliefs Available to Businesses

9. Overall in Mid Sussex as a result of the revaluation, 698 business premises have seen a reduction in their rateable value, 395 no change and 3,267 an increase. There is a transitional relief scheme in place, with increase in bills limited based on the size of the business. Small businesses are defined as having a rateable value up to £20,000, medium between £20,000 and £100,000 and large at over £100,000. Transitional relief limits increase in bills arising from the revaluation as follows:

Year	Small property	Medium property	Large property
2017/18	5%	12.5%	42%
2018/19	7.5%	17.5%	32%
2019/20	10%	20%	49%
2020/21	15%	25%	16%
2021/22	15%	25%	6%

There is also a prescribed level of inflation each year, which for 2017/18 is 2% meaning that the actual transitional relief limits this year are 7.1% increase for small businesses, 14.5% for medium and 44.84% for large.

10. There are other Government schemes in place to support businesses following the revaluation. These include support for pubs that have a rateable value of below £100,000, which will receive a £1,000 discount on their bill for 2017/18. There is also a Supporting Small Businesses Relief Scheme, which provides relief to businesses who as a consequence of the revaluation have lost relief under the small business or rural rate relief schemes. Businesses eligible for such relief will have the increases in their bills in 2017/18 capped at £600.
11. Government guidance on the operation of the Supporting Small Businesses Relief Scheme was not released until after the election in May and it has taken councils time to amend their software programmes used to run their Business Rates systems. This delay in establishing how small businesses will have their bills reduced by this scheme has also delayed progress with councils developing their own Discretionary Schemes.

### Principles behind the design of a Discretionary Business Rate Relief Scheme for Mid Sussex.

12. The Government’s assumptions behind the design of local authority discretionary relief schemes is that relief can only be targeted at businesses that have had an

increase in their bills following revaluation. A proposed rationale behind the development of a discretionary rate relief scheme for Mid Sussex is to:

- Target relief at businesses that are facing an increase in their business rate bills following the revaluation, encompassing small and medium sized businesses in different sectors and locations across Mid Sussex.
- Distribute the extra relief in a way that is proportionate to how much a businesses' bill has gone up by, and in a fair manner.
- Assess eligibility for discretionary relief net of other reductions such as transitional relief.
- Ensure that the extra relief is distributed to local businesses quickly and smoothly.
- Be relatively simple for the Council to administer.

### **Proposed Scheme to be adopted by Mid Sussex District Council**

13. The proposed scheme targets relief at independent small and medium sized business, with a rateable value below £100,000. To be eligible businesses need to be facing an increase in their bill in 2017/18 of £300 or more net of all other reliefs. The £300 threshold is suggested in order to target businesses hardest hit and takes into account administrative costs of paying what would be comparatively low levels of relief.
14. It is also suggested that businesses that have not occupied premises in the District for the full 2016/17 financial year (since at least 1 April 2016) and/or have left the District since 1 April 2017 should not be eligible. This complies with the spirit of the scheme and avoids the administrative burden of calculating pro-rata relief.
15. It is proposed that multinational and national chain companies should be excluded from relief. It is considered that these businesses are better equipped to cope with the increase in business rates. They are likely to occupy premises around the country and in some areas business rates have fallen following the revaluation. This will also pick up on sectors of the economy that the Council would not wish to promote such as betting shops, which are normally national chain shops. Examples of national chain companies to be excluded include Boots, Barclays Bank, Sainsbury's, Tesco, WH Smith, Wetherspoons, Pizza Express and Vodafone.
16. Section 47 of the Local Government Finance Act 1988 excludes properties occupied by the billing and precepting authorities from discretionary business rate relief. It is proposed to exclude from the Council's relief scheme premises occupied by wider public sector organisations, such as health, fire, police and local authorities.
17. The suggested scheme sets aside £20,000 in 2017/18 to be used on an exceptional basis to target support to organisations that are facing hardship from the revaluation and contribute to the Council's business growth priorities. This could include supporting comparatively new businesses that have started up in the District. It is suggested that the decision to allocate this relief is to be taken by the Deputy Leader and Cabinet Member for Resources and Economic Growth.
18. The £20,000 contingency leaves £359,000 to be distributed in relief for 2017/18. Analysis of those small and medium sized businesses in the District that meet the criteria, suggests that the total increase faced is £682,912 by 470 businesses. Calculating relief on a proportional basis would allow the award of relief at 52% of the increase. This would be automatically allocated against the Business Ratepayers' bills.

19. Providing discretionary rate relief to ratepayers is likely to amount to State Aid and comes under the De Minimis Regulations that only allow an undertaking to receive up to 200,000 euros of de minimis aid in a rolling three year period. By targeting relief at small to medium size independent businesses it is unlikely that ratepayers will be in receipt of other benefits that could be interpreted as State Aid to take them over the 200,000 euro limit. It will be necessary however to obtain confirmation of this from the ratepayer when the relief is awarded.
20. Distribution of relief in 2018/19 to similar businesses assisted in year 1 using the year 2 grant of £184,000 would allow for a level of relief of 27% of increases to be awarded. The Government indicated in its consultation paper on the scheme that it was minded to allow some flexibility for councils to use their pot of discretionary relief over the four years. It has subsequently indicated that a final decision on this will not be taken until the second quarter of 2017/18. If it was confirmed that this flexibility exists and the Council decided to use the entire remaining fund for relief of £271,000 in year two of the scheme 2018/19, distribution of relief to similar businesses assisted in year one would allow for a level of relief of approximately 39%.

### **Policy Context**

21. The scheme is consistent with the Council's Economic Development priorities of supporting small and medium sized enterprises.

### **Other Options Considered**

22. There are other schemes that the Council could adopt, including targeting relief at particular types of businesses or geographical areas. Also prioritising relief on public interest grounds or using all of the funding for a hardship fund and inviting applications. It is considered that the proposed scheme meets the rationale set out in paragraph 12 of this report.

### **Financial Implications**

23. The Department for Communities and Local Government (DCLG) has confirmed that local authorities will be fully compensated for offering this extra discretionary business rates relief for revaluation support through the Section 31 Grant. Payment of grant is on an annual basis over four years. If a scheme was adopted that paid all of the relief over 2 years, this means that the Council will need to fund government funding commitments in the latter years (2019/20 and 2020/21) upfront from its funds totalling £87,000.

### **Risk Management Implications**

24. A failure to design and implement a Local Discretionary Rate Relief Scheme would result in the grant being returned to central government and local businesses may suffer as a result.

### **Equalities and Customer Services Implications**

25. No direct implications, but the proposed scheme is supportive of the councils economic priorities including equality for businesses and economic opportunities for all residents.

### **Other Material Implications**

None.

## **Background Papers**

None.