

additional papers 1



Overview and Scrutiny Committee

Thu 26 Oct
2017
7.00 pm

Committee Room Two
Town Hall
Redditch

REDDITCH BOROUGH COUNCIL

*making
a
difference*

www.redditchbc.gov.uk

**If you have any queries on this Agenda please contact
Jess Bayley and Amanda Scarce**

Town Hall, Walter Stranz Square, Redditch, B98 8AH

Tel: (01527) 64252 (Ext. 3268) or 881443

**e.mail: jess.bayley@bromsgroveandredditch.gov.uk /
a.scarce@bromsgroveandredditch.gov.uk**



Overview and Scrutiny

Committee

Thursday, 26th October, 2017

7.00 pm

Committee Room 2 Town Hall

Agenda

Membership:

Cllrs:

Jane Potter (Chair)
Gay Hopkins (Vice-Chair)
Matthew Dormer
Andrew Fry
Pattie Hill

Gareth Prosser
Paul Swansborough
Jennifer Wheeler
Nina Wood-Ford

4. Local Discretionary Relief Scheme - Pre-Scrutiny (Revenue Services Manager)
(Pages 1 - 12)

This page is intentionally left blank

REDDITCH BOROUGH COUNCIL**OVERVIEW AND SCRUTINY COMMITTEE**

26th October 2017

DISCRETIONARY NON-DOMESTIC RATES REVALUATION SUPPORT SCHEME

Relevant Portfolio Holder	Cllr John Fisher
Portfolio Holder Consulted	Yes
Relevant Head of Service	Amanda Singleton, Head of Customer Access and Financial Support
Ward(s) Affected	All
Ward Councillor(s) Consulted	None Specific
Key Decision / Non-Key Decision	Key Decision

1. SUMMARY OF PROPOSALS

- 1.1 Non-Domestic Rating law provides for periodic revaluations of the Rateable Values from which a ratepayer's liability for rates are calculated. Revaluations can lead to significant increases in the rates payable by some ratepayers. Relief from the effects of revaluation are provided for through transitional relief under which large increases in rates are phased in over a number of years.
- 1.2 The last revaluation took place in April 2010 and therefore the 2017 revaluation resulted in a number of businesses at a national level facing large increase in their rates liability.
- 1.3 The Government has provided local authorities with funding so that they may design their own local schemes to support ratepayers facing significant increases in their bills. The report asks for agreement on the criteria for allocating this additional relief.

2. RECOMMENDATIONS**2.1 The Committee is asked to RECOMMEND that:**

2.1.1 The criteria for allocation of Discretionary Revaluation Support as appended to this report in Appendix 1 are adopted.

2.1.2 The Executive Director of Finance is provided with delegated authority, after consultation with the relevant portfolio holder, to adjust the percentage relief awarded in years 2018/19 and onwards in order to ensure that the maximum level of support is provided to businesses and that the Government funding meets the overall costs of the relief.

REDDITCH BOROUGH COUNCIL**OVERVIEW AND SCRUTINY COMMITTEE**

26th October 2017

3. KEY ISSUES**Financial Implications**

- 3.1 The Government has provided funding for the award of Discretionary Revaluation Support. The amount of funding available to Redditch Borough Council for the award of the scheme will be:

Amount of Discretionary Funding awarded (£000s)			
2017/18	2018/19	2019/20	2020/21
124	60	25	4

- 3.2 The level of funding available to the authority for award of the relief has been fixed and will not be adjusted should the costs of the scheme exceed Government funding. Therefore if the overall costs of Revaluation Support exceeds funding the authority would be required to meet a proportion of the costs.
- 3.3 The availability of Government funding could not be used as criteria to refuse relief. The scheme has been designed to ensure that the costs of relief remain within the allocated funding whilst maximising support for eligible ratepayers. Projections for the costs of relief are contained within Appendix 2.
- 3.4 Authorities are required to consult their major precepting authorities on the scheme as a condition of funding. The authority is mindful of the condition for relief and precepting authorities have been provided with a copy of the proposed Revaluation Support Scheme. The precepting authorities provided comments on the scheme indicating their agreement with the principles and distribution of relief.
- 3.5 The rules for varying an award of Discretionary Relief require one year's notice prior to the removal of the relief. The award of relief then continues to the end of the year in which removal would take effect. This requirement for notice provides a risk that adjustments to awards cannot be made should circumstances change and potentially limit the authority's ability to control the costs of the relief.

Legal Implications

- 3.6 Billing authorities have the power to award discretionary relief under Section 47 of the Local Government Finance Act 1988. Section 47 prevents the award of relief to any billing authority or precepting authority.
- 3.7 The Non-Domestic Rating (Discretionary Relief) Regulations 1989 (The Regulations) provide the requirements for notifying ratepayers of their entitlement to relief, and limiting the authorities powers to vary or alter the decision.

OVERVIEW AND SCRUTINY COMMITTEE26th October 2017

- 3.8 The criteria for the award of relief have been designed to account for the legal requirements of the act and regulations. All relief will be conditional upon eligibility criteria and rules for calculating relief.

State Aid

- 3.9 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 Revaluation Support Scheme for ratepayers will be State Aid compliant where it is provided in accordance with the De Minimis Regulations (1407/2013)2.
- 3.10 The De Minimis Regulations allow an undertaking to receive up to €200,000 of De Minimis aid in a three year period (consisting of the current financial year and the two previous financial years). It is necessary for the authority to establish that the award of relief will not result in a business receiving more than €200,000 of De Minimis aid.
- 3.11 The Revaluation Support Scheme is designed to be state aid compliant. Undertakings receiving relief will be required to declare that the total of any relief that they have received is De Minimis as a condition of the receipt of relief.

Service / Operational Implications

- 3.12 The operation of the Revaluation Support Scheme will provide the Customer Access and Financial Support Service with an additional administrative and operational requirement. To minimise the impact on the service the Revaluation Support Scheme is designed to ensure that relief is calculated automatically and will not require a manual recalculation on changes in circumstances.
- 3.13 The software used for the administration does not - at the point at which the Scheme has been designed - provide the functionality for the award of relief. The Scheme has therefore been designed on the basis of discussions with the Council's software provider as to how the functionality will be developed.

Customer / Equalities and Diversity Implications

- 3.14 None

4. RISK MANAGEMENT

- 4.1 The criteria for the award of the relief have been designed to limit the financial risks to the authority and to ensure that the overall cost of the relief remains within the level of Government Funding.

OVERVIEW AND SCRUTINY COMMITTEE26th October 2017

- 4.2 Reporting on the costs of Non-Domestic Rates relief are produced on a monthly basis and these reports will be used to highlight any financial risks associated with the costs of the relief.

5. **APPENDICES**

Appendix 1 - Discretionary Revaluation Support Criteria

Appendix 2 - Projected Costs of Discretionary Revaluation Support

6. **BACKGROUND PAPERS**

None

7. **KEY**

AUTHOR OF REPORT

Name: David Riley – Financial Support Manager

email: david.riley@bromsgroveandredditch.gov.uk

Tel.: 01527 548 418

Appendix 1**Redditch Borough Council – Discretionary Revaluation Support Scheme****Background**

- 1 Following the national revaluation of non-domestic rates premises the Government announced a discretionary fund of £300m over four years from 2017/18 to support those businesses that face the steepest increases in their business rates liability.
- 2 The Government's intention is that every billing authority in England will be provided with a share of the £300m to support their local businesses. The support will be provided by way of Discretionary Rates Relief awarded under section 47 of the Local Government Finance Act 1988.
- 3 Redditch Borough Council has developed a Discretionary Revaluation Support Scheme which has been designed to provide support to businesses affected by the revaluation and to ensure that support is provided in line with the Government's principles for relief.

Qualifying Criteria for Discretionary Revaluation Support

- 4 Discretionary Revaluation Support Relief will be provided where the following qualifying criteria are met.
 - The rateable value for the property is less than £200,000.
 - The increase in rates payable as a result of the 2017 revaluation is greater than 12.5% after award of all other applicable relief
 - The ratepayer occupied the premises on 31 March 2017 and 1st April 2017.
 - The ratepayer occupies fewer than 4 hereditaments within England.
 - The ratepayer occupies the premises for ordinary commercial business purposes.
 - The premises are not used for an excluded purpose.
 - The ratepayer has submitted a State Aid declaration.
 - The premises meet the definition of a relevant non-domestic hereditament as contained within The Non-Domestic Rating (Unoccupied Property) (England) Regulations 2008.
- 5 Commercial Business Purposes will be the use of the premises in connection with the ordinary functions of a business either through:
 - a. the retail provision of goods or services to the general public;

- b. the production, manufacture or storage of goods for sale to businesses or the general public; or
- c. the office administration of a commercial businesses or enterprise.

This is not intended to be a definitive list of commercial business purposes but is indicative of those activities and uses which we will consider to be suitable for Discretionary Revaluation Support.

6 Excluded purposes for the operation of Discretionary Revaluation Support are:

- The use of the premise as a Car Park;
- The use of the premises as a school or educational establishment;
- The use of the premises for banking, pay-day lending, or betting shops;
- The use of the premises as a hospital, health centre, or health care surgery; and
- The use of the premises for Governmental purposes, for example the use as a Job Centre, or offices of the Civil Service or Executive Agencies of Central Government.

Calculation of Revaluation Support Relief

7 Revaluation Support Relief will be calculated after any or all of the following have been applied:

- a. Exemptions from rating or mandatory rate reliefs;
- b. Transitional Relief or Premium;
- c. Any applicable discretionary rate reliefs awarded under existing local schemes or national mandated Government schemes.

8 The level of relief will be calculated as a percentage of the increase in rates above the transitional limit for medium properties (12.5% in 2017/18) payable between the current rates year and immediately preceding rates year. The level of the relief to be provided in each year will be

Rate Year	2017/18	2018/19	2020/21	2021/22
% Relief on Increase	85	45	20	0

9 The costs of relief for 2018 and subsequent years cannot be adequately forecast as the effect of adjustments to rateable values following appeals is not known. The Executive Director of Finance will have delegated authority to alter the level of relief to be provided in 2018 and subsequent years to ensure that:

- a. Support to ratepayers as a whole is maximised in each subsequent year; and
- b. The overall costs of the relief remain within the authority's share of the Government funding.

Notification of Revaluation Support

- 10 Discretionary Revaluation Support will be awarded automatically on a year by year basis. Ratepayers will be advised of the amount of relief they will be awarded and the end date of the relief.
- 11 In year one ratepayers will be advised that the award of relief is conditional on a declaration that the relief is state aid compliant and that they meet the requirement to occupy fewer than 4 hereditaments within England
- 12 The notification of Revaluation Support will include the conditions under which the relief may be removed or adjusted.

Adjustment and Removal of Revaluation Support

- 13 Revaluation Support will be awarded as percentage of the increase in rates liability year on year. Therefore where there is a reduction in liability as a result of a change in the rateable value of the property the level of relief will be reduced accordingly.
- 14 Relief will not be awarded on the element of rates liability relating to any increase in rateable value effective after 1st April 2017.
- 15 The relief is conditional on a state aid declaration being made if a declaration that the relief is state aid compliant is not received then relief will be removed.

Appeals in Relation to Revaluation Support

- 16 Entitlement to Revaluation Support and the level of relief to be awarded will in most cases be clear. However, in the first instance appeals against a refusal to award relief will be determined by the Financial Support Manager.
- 17 Appeals must state clearly the reasons why the ratepayer qualifies for relief in accordance with the Revaluation Support Scheme or, as applicable, the reasons why the calculated relief is incorrect.

This page is intentionally left blank

Projected Costs of Discretionary Revaluation Support Scheme

1 Potential Qualifiers for Revaluation Support Scheme

The Government provided principles and assumptions relating to the distribution of the funding for Discretionary Relief Schemes. The assumptions were that the rateable property has a rateable value for 2017/18 that is less than £200,000 and the increase in the rateable property's 2017/18 bill is more than 12.5% compared to its 2016/17 bill. Analysis has indicated the potential qualifiers sorted by the Valuation Office Agency's analysis codes

Property Description	Number of Properties	Total 2017 Liability £	Total Increase in Liability £
Petrol Filling Station and Premises	2	115,678.50	21,305.00
Vehicle Repair Workshop Premises	2	30,887.52	3,783.52
Garage and Premises	1	16,245.16	2,088.16
Showroom and Premises	1	70,413.00	15,262.00
Hotel and Premises	2	108,472.77	22,108.77
Public House and Premises	5	125,618.59	20,658.39
Offices and Premises	15	146,970.78	33,876.32
Car Park and Premises	7	180,555.30	35,661.20
Restaurant and Premises	1	7,775.46	999.46
Café and Premises	2	53,934.64	10,956.64
Shop and Premises	18	342,538.36	58,423.36
Bank and Premises	1	37,114.35	4,640.35
Showroom and Premises	1	46,942.00	10,094.00
Retail Warehouse and Premises	1	8,330.85	1,070.85
Warehouse and Premises	2	45,623.05	5,729.05
Miscellaneous Commercial	2	40,268.84	5,050.84
School and Premises	23	278,788.48	96,085.73
Library and Premises	1	57,480.00	6,552.00
Museum and Premises	1	21,229.58	2,623.58
Workshop and Premises	3	20,132.89	4,073.89
Concrete Batching Plant and Premises	2	23,277.09	2,944.84
Leisure Centre and Premises	1	73,287.00	8,378.00
Theatre and Premises	1	17,078.24	2,195.24
Miscellaneous Leisure	1	8,747.39	1,124.39
Surgery and Premises	5	62,311.29	7,924.29
Health Centre and Premises	2	35,663.23	4,479.73
Hospital and Premises	1	16,800.55	2,159.55
Fire Station and Premises	1	27,416.87	3,408.87
Communication Station and Premises	1	9,302.78	1,195.78
Totals	106	2,028,884.56	394,853.80

2. Adjustment to potential qualifiers based on local criteria

The legislation governing awards of discretionary relief precludes the award of relief to Precepting Authorities, therefore any properties occupied by Redditch Borough Council have been removed from the list of potential qualifiers.

In addition the relief will be targeted at:

- i) ratepayers that face the most significant increases in their rates bills, and
- ii) smaller and medium sized businesses.

It should not be provided to governmental or public sector organisations.

Relief will be provided to

- a) Properties that were occupied at 1st April and 31st March 2017 therefore ensuring that relief is provided to ratepayers affected by revaluation
- b) Properties used for commercial businesses
- c) Properties which are not Car Parks; Schools or Educational Establishments; Health Centres, Hospitals or Surgeries; Banks or Financial Services
- d) Ratepayer's occupy less than 4 premises with England

When adjusted for local factors the potential qualifiers are

Property Description	Number of Properties	Total 2017 Liability £	Total Increase in Liability £
Petrol Filling Station and Premises	1	36,643.50	4,431.00
Garage and Premises	1	16,245.16	2,088.16
Showroom and Premises	1	70,413.00	15,262.00
Hotel and Premises	2	108,472.77	22,108.77
Public House and Premises	3	43,091.26	5,447.06
Offices and Premises	6	149,210.78	18,538.28
Restaurant and Premises	1	7,775.46	999.46
Café and Premises	1	25,673.64	7,541.64
Shop and Premises	9	150,794.43	19,094.43
Showroom and Premises	1	8,330.85	1,070.85
Warehouse and Premises	2	45,623.05	5,729.05
Miscellaneous Commercial	2	40,268.84	5,050.84
Workshop and Premises	2	20,132.89	2,587.89
Miscellaneous Leisure	1	8,747.39	1,124.39
Totals	33	731,423.02	111,073.82

3. Property Level Analysis of Costs

Relief will be provided on the increase in rates bills at the following percentages

Rate Year	2016/17	2017/18	2018/19	2020/21
% Relief on Increase	85	45	20	0

The expected costs of the relief are:

Property Rateable Value	85% Relief	45% Relief	20% Relief
61500	2,791.35	1,477.77	656.79
82500	3,883.62	2,056.03	913.79
34750	1,623.23	859.36	381.94
81000	4,004.98	2,120.28	942.35
21000	910.22	481.88	214.17
147000	12,972.70	6,867.90	3,052.40
20500	849.54	449.76	199.89
26250	955.73	505.98	224.88
31750	1,259.14	666.60	296.27
35250	1,774.94	939.67	417.63
62500	2,214.88	1,172.58	521.15
29750	955.73	505.98	224.88
41500	2,002.49	1,060.14	471.17
92000	3,504.35	1,855.25	824.55
65500	2,943.06	1,558.09	692.48
55000	1,729.43	915.58	406.92
72500	3,458.85	1,831.15	813.85
27500	898.08	475.46	211.31
72500	3,337.48	1,766.90	785.29
22000	1,061.93	562.20	249.87
76500	3,766.35	1,993.95	886.20
40500	1,848.75	978.75	435.00
22250	895.05	473.85	210.60
23500	1,137.78	602.35	267.71
55500	2,700.33	1,429.59	635.37
25750	1,304.66	690.70	306.98
37000	1,380.50	730.85	324.82
157000	15,288.10	8,093.70	3,597.20
75000	3,034.08	1,606.28	713.90
35000	1,638.40	867.39	385.51
21250	864.71	457.79	203.46
21250	1,011.93	535.73	238.10
101000	6,410.39	3,393.74	1,508.33
Totals	94,412.75	49,983.22	22,214.76

This page is intentionally left blank