



Business Rates – Discretionary Rate Relief Policy (2017 Revaluation)

Introduction

The Chancellor of the Exchequer announced three measures in his budget statement on 8 March 2017 to help businesses affected by the revaluation of non-domestic properties, which came into effect on the 1 April 2017. These measures are:

1. Businesses that lost their entitlement to small business rate relief following the revaluation will have the increases in their bills limited to £50 per month in 2017/18. There will also be limits to increases in later years.
2. Eligible pubs will receive £1,000 discount on their bill for 2017/18.
3. Councils have been allocated their share of a fund of £300 million over four years to support businesses that have faced the steepest increases in their rates bills as a result of the revaluation.

The first two measures have not yet been implemented, as we are awaiting further guidance from the Government and the necessary software changes. The Government consulted on the third measure, the results of which have not yet been published, due to the general election. This policy applies to the third measure only; as the government has made it clear it should be implemented without any further delay. Each council must design its own scheme to determine how the funding is distributed across businesses locally.

Requirements and Funding

The Government has confirmed the following as part of its consultation (Consultation on proposals on the design and implementation of the locally administered Business Rates relief scheme, March 2017):

1. Local government is best placed to determine how the £300m fund should be targeted and administered to support those businesses within their area that are in the greatest need through the discretionary relief powers under section 47 of the Local Government Finance Act 1988, as amended. The funding is in addition to national transitional arrangements.
2. The expectation is that authorities consult their major precepting authorities on a draft scheme. In our case, this is the fire service.
3. The scheme must clearly set out the criteria that ratepayers need to meet in order to qualify for relief.
4. The current regulations require ratepayers to be provided with at least one year's notice in writing before any decision to revoke or vary relief. Such a revocation or variation of a decision can only take place at the end of a financial year. With this scheme, however, decisions can be made which are conditional upon eligibility criteria or rules for calculating relief, which allow the amount of relief to be amended within the year to reflect changing circumstances, such as a change in the rateable value.
5. The scheme must comply with State Aid.
6. Other reliefs, including Enterprise Zone relief, should be awarded first before considering any reduction under this scheme.
7. The Government has allocated the available funding to each authority based on assumptions about how they will target their relief scheme. Authorities will be compensated for the loss of income by grant payments under section 31 of the Local Government Act 2003. It has not yet been confirmed whether authorities can switch or carry forward funding between years.

8. The total national allocation and Leicester's share is shown below:

Year	Total Allocation £m	Leicester's Share £m
2017/18	175	1.297
2018/19	85	0.630
2019/20	35	0.259
2020/21	5	0.037
Total	300	2.223 (0.74%)

9. As part of the allocation, the Government has confirmed that a condition of the grant is that support is to be provided only to those ratepayers who have faced an increase in their rates following the revaluation. Further, more support is to be provided to:
- Ratepayers or localities that face the most significant increases in bills; and
 - Ratepayers occupying lower value properties.

The Government will not fund any relief over the allocated share.

Scheme and Eligibility Criteria

The provisions that govern this relief come under section 47 of the Local Government Finance Act 1988. This policy will operate on the following principles:

- It is fair, transparent and easy to administer in order for the funding to be distributed consistently across different sectors, locations and sized businesses within the City. It is specifically targeted to those ratepayers who have faced an increase in their rates bill following the 2017 revaluation. More relief will be awarded to lower value properties.
- It is administered without the need for an application, but takes into account State Aid requirements.
- It sets aside a proportion of the allocated funding to target extra support for businesses facing more severe and immediate hardship due to the revaluation, and who can demonstrate a sustainable longer term business plan that benefits the City.
- It allocates a greater proportion of the funding to small and medium sized businesses, based on their rateable value.
- It excludes relief to certain businesses based on public interest grounds. Gambling, betting and sex shops will be excluded from receiving relief due to potential crime and anti-social behaviour associated with these establishments and their impact on the high street and deprived areas.

The established transitional relief scheme limits the increases in rates bills each year as a result of the revaluation. To finance the limits on increases there are similar limits on decreases. These limits on increases and decreases, before any other reductions, continue to apply until the full amount is due (rateable value x multiplier).

The actual increase in rates bills is subject to the limits below by virtue of the national scheme, plus 2 per cent inflation; and a small business rates supplement of 1.3 per cent where applicable (generally on occupied properties with a rateable value of £51,000 or more).

Year	Small Property Rateable Value up to £20,000	Medium Property Rateable Value over £20,000	Large Property Rateable Value over £100,000
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%

This local scheme will limit the increases on 2016/17 net bills, after all other reductions, as follows:

Rateable Value Band	Local Scheme – Limits on Net Increases (Rates Payable 2017/18)
To £20,000	2.0%
£20,001 - £100,000	4.5%
£101,000 - £200,000	35.0%
£200,001 and over	42.0%

This scheme will create a more generous phasing, with most benefit arising for smaller and medium sized businesses, as they are likely to have greater difficulties in paying the additional rates. It is also in line with Government expectations for the funding allocation.

Subject to State Aid regulations, the relief will be awarded automatically.

The relief under this local scheme will be awarded after all other reductions including, exemptions, reliefs and transitional adjustments have been applied. The awards will be made for 2017/18 year only and the scheme will be subject to a further review for 2018/19.

The amount of relief will be calculated on a daily basis and will be amended within the year to reflect changing circumstances, such as:

- A rateable value reduction or any other historical change in the 2010 and/or 2017 rating lists.
- A reduction in rate liability because of the application of any other relief or exemption.
- Vacation and reoccupation of the property.
- Any other relevant change.

Local scheme exclusions and conditions:

1. To encourage quicker letting of commercial properties, the relief will be awarded in respect of occupied properties only.
2. The relief will apply only if the ratepayer has occupied the relevant property as at 31st March 2017 and 1st April 2017. It will be calculated on a daily basis.
3. The amount of reduction will be subject to a lower limit of £50 and an upper limit of £10,000.
4. Leicester City Council and precepting authority properties will not qualify for relief (Local Government Finance Act 1988, section 47 (9))
5. Those properties that fail the public interest test, such as sex shops and betting shops will be excluded from relief.
6. Ratepayers that lost their entitlement to small business rate relief following the revaluation and who will have the increases in their bills limited to £50 per month in 2017/18 will be excluded from receiving further relief under this scheme.
7. The support offered under this policy is given under De Minimis Regulations (1407/2013). 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).
8. This relief will be adjusted if any ratepayers qualify for pub relief, as part of the measures announced by the Government in the spring budget.
9. The initial award will be for 12 months only.

Examples

	Ratepayer A	Ratepayer B	Ratepayer C	Ratepayer D
Rateable Value	£13,750	£85,000	£170,000	£435,000
2016/17 Net Charge	£3,812.45	£35,287.00	£40,505.50	£104,370.00
2017/18 Net Charge	£5,442.82	£40,537.69	£59,343.59	£152,870.38
Limit on Increase	2.0%	4.5%	35%	42%
New 2017/18 Net Charge	£3,888.70	£36,874.92	£54,682.43	£148,205.40
Local Scheme Relief	£1,554.12	£3,662.77	£4,661.16	£4,664.98

State Aid

The support offered under this scheme is given under De Minimis Regulations (1407/2013). 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).

In the majority of cases those who are considered eligible through analysis of the business rates database will be sent a State Aid declaration form. The State Aid declaration form will set out the amount of aid offered to the businesses through this relief in Pounds Sterling (£) and Euros (€)¹. This is included as a record for the business of the amount of State Aid they have received, and must be taken into account by that business for any future State Aid support they receive. Businesses will be required to retain this form for 3 years from its date.

The business will only need to complete the declaration for any other public support received which is De Minimis aid. State Aid received under other exemptions or public support which is not State Aid does not need to be declared.

If the business has **not** received any other De Minimis State Aid, including any such relief other than the one to which the bill and letter relates, they do not need to complete or return the declaration. A nil return is accepted as confirmation that the business is eligible to receive the amount of relief detailed in their bill.

All declarations returned, will be reviewed and should the De Minimis threshold be breached then a new bill will be calculated with the relief removed. If the De Minimis aid threshold is not breached, no further action will be taken.

The Council is required to carry out this monitoring procedure, which will assist the Council and businesses to minimise the risk that they breach the €200,000 ceiling. The consequence of such a breach would be that the aid to a business may be held to be unlawful by the European Commission or the court and recovered from the recipient business with interest.

Consultation

In line with the Government grant conditions, the Leicestershire Fire and Rescue Service, as a precepting authority, has been consulted in the design of the policy.

¹ Calculated at the exchange rate of the date the bill is produced

Appeals

An appeals process will be in operation that will be open to all business rate payers who feel that they meet the eligibility criteria of this policy and have not received a deduction in their business rates via this relief.

The following occasions are the sole basis of any grounds for appeal.

- (a) The property should be eligible for relief under this policy and the Council has by error omitted to grant relief or not granted the correct amount; or
- (b) The property is not eligible for relief but by analogy it should be entitled to a reduction.

All appeals must be made in writing by contacting the business rates service, through the contact details on the website, www.leicester.gov.uk/businessrates. Appeals must clearly state the appellant's rationale for why they believe that they are eligible for this rate relief.

Appeals will be judged in line with this policy and decisions are taken at the sole discretion of the Director of Finance. All appeals will be reviewed within 4 weeks of submission of all necessary information. All decisions taken on appeals are final and the outcome will be recorded and delivered to the business in writing. If an appeal is successful, rate relief will be backdated for the full year.

If an appeal is unsuccessful the only further recourse available to applicants is a judicial review. A judicial review is the means by which the decisions of billing authorities under discretionary rating powers may be questioned.

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