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The Chair and Members of Cabinet

Dear Councillor,

AGENDA SUPPLEMENT

Please see attached the documents for the agenda item(s) listed below for the meeting of the CABINET to be held on TUESDAY, 3 OCTOBER 2017, the agenda for which has already been published.

5. Budget March 2017 Discretionary Rate Relief Scheme(s) 2017/18  
(Pages 3 - 10)
  - *Report is attached to the agenda as a supplementary item.*

Yours sincerely,

Local Government and Regulatory Law Manager and Monitoring Officer

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## **For publication**

### **Discretionary Rate Relief Scheme 2017/18 (HC000)**

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Meeting:	Cabinet
Date:	3 October 2017
Cabinet portfolio:	Homes and Customers
Report by:	Director of Finance & Resources

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## **For publication**

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### **1.0 Purpose of report**

- 1.1 To provide details of the discretionary rate relief scheme and to approve a scheme for the distribution of this relief to business rate payers.

### **2.0 Recommendations**

- 2.1 To approve the new policy for discretionary rate relief set out in Section 4.
- 2.2 That the categories of business ratepayers listed at para 5.2 are excluded from the scheme.
- 2.3 That the Director of Finance & Resources be given delegated authority to make decisions related to the application of this scheme.
- 2.4 That £10,000 of the new burdens grant funded by Government is passported to Arvato to meet the administrative costs of the scheme.

### **3.0 Background**

- 3.1 In the Budget speech of 8<sup>th</sup> March 2017, the Chancellor announced three new business rate reliefs. The first of these is a relief scheme for pubs that have a rateable value of below £100,000. Under the scheme, eligible pubs will receive a £1000 discount on their bill. The relief will have effect for 2017/18.
- 3.2 A second scheme of relief would also be made available to those ratepayers facing large increases as a result of the loss of small business or rural rate relief.
- 3.3 On the first two proposals above Avarto have distributed the relief to all eligible businesses in Chesterfield. The reliefs have been given in 2017/18 and will be reclaimed back from DCLG through our S31 claim in the NNDR. 59 pubs have benefited at a cost of £72,914 from the first initiative and 18 businesses have been granted supporting small business relief at a cost of £18,983.
- 3.4 The Budget's third proposal was to make available a national discretionary fund of £300m over 4 years from 2017/18 to support those businesses facing the greatest increases in their business rate bills as a result of the 2017 revaluation exercise.
- 3.5 The Government believes that local authorities are best placed to judge the particular circumstances of local ratepayers and direct funding where it is most needed to support local economies. It has allocated the funding to each billing authority area based on assumptions about how authorities will target their relief scheme. Rather than imposing a scheme nationwide, it is for local government to determine how this funding should be targeted and administered to support businesses and locations within their area that are in the greatest need.
- 3.6 The funding provided to Chesterfield from the scheme is set out below:

Year	Funding £000
2017/18	313
2018/19	152
2019/20	63
2020/21	9

## **4.0 Proposed Scheme**

- 4.1 The Government has assumed that authorities will provide support only to those business ratepayers who are facing an increase in their bills following revaluation and that, by and large, more support will be provided to:
- Ratepayers that face the most significant increases
  - Ratepayers occupying lower value properties
- 4.2 There is an additional steer from Government around what is deemed as a substantial increase in the way that each authority's funding has been calculated;
- The property has a rateable value for 2017/18 that is less than £200,000
  - The 2017/18 bill has increased by more than 12.5% compared to the 2016/17 bill (before reliefs)
- 4.3 In order to maximise the relief to business ratepayers, it is proposed to base this authority's scheme on the parameters set out below (in line with the Government's as presented above) and to offer the relief to all our business ratepayers who meet these criteria:
- The property has a rateable value for 2017/18 that is less than £200,000
  - The 2017/18 bill has increased by more than 11.0% compared to the 2016/17 bill (before reliefs)
- 4.4 The funding available would be used to fund the difference between the actual increase and the amount payable if the increase had been 11% thereby creating a cap of an 11% increase in business rates year on year. This may require amendment once the software calculates the final reliefs based on the criteria in para 4.3 to ensure that we do not allocate more relief than funding available.
- 4.5 The scheme would only be available to those ratepayers who faced the business rate liability for a particular property on 31<sup>st</sup> March 2017. Funding would be available for up to 3 years and would reduce in line with the taper in funding over the 3 year period from 2017/18. The scheme and its parameters may need to be reviewed in years 2 and 3 to ensure that costs can be contained within the funding available.

4.6 This is a discretionary scheme and there would be no right of appeal on any decision made.

4.7 An amount of funding (circa 10%) could be held back to be used to finance cases of hardship.

## **5.0 Other Amendments**

5.1 The scheme could be amended in a number of ways to target relief. Minimum or maximum amounts per ratepayer could be implemented. It would also be possible to exclude certain types of business that the authority did not think it appropriate to support or to exclude national chains or those businesses which have a number of properties in the borough.

5.2 It is suggested that the following types of business are excluded from the scheme:

- Government departments
- Other Public Bodies in receipt of mandatory business rate relief including Academies, Colleges and Universities
- Public Limited Companies

## **6.0 State Aid**

6.1 State Aid law is the means by which the European Union regulates state funded support to businesses. Providing discretionary relief to businesses is likely to amount to State Aid. However the support will be State Aid compliant where it is provided in accordance with the De Minimis Regulations which allow an undertaking to receive €200,000 of De Minimis aid in a three year period (consisting of the current financial year and the two previous financial years). To protect the authority, we will require any business receiving relief to notify us if that relief would breach State Aid limits.

## **7.0 Financial implications**

7.1 The cost of the relief to business ratepayers will be 100% funded by Central Government through a S31 grant. However the cost of administering the scheme cannot be funded from the allocation in para 3.3. The government has provided the authority with a new

burdens grant of £12,000 for administration of the 3 schemes to help business ratepayers announced in the Spring 2017 budget.

- 7.2 As most of the implementation and administration is carried out as part of the Arvato contract, it is suggested that £10,000 of the new burdens grant is passported to them to meet the additional costs.

## **8.0 Legal implications**

- 8.1 The scheme will be delivered through the use of a billing authority's discretionary relief powers under S47 of the Local Government Finance Act 1988. No new legislation is required to deliver the scheme.
- 8.2 The only legal implication is ensuring that businesses benefiting from this relief declare that this support does not breach the State Aid limit on an annual basis.

## **9.0 Consultation**

- 9.1 The Government expects billing authorities to consult their major precepting authorities before adopting any scheme. We have therefore asked Derbyshire County Council and the Derbyshire Fire Authority for their views on the proposed scheme.

## **10.0 Risk management**

- 10.1 The key risk associated with the scheme relates to state aid rules. A ratepayer will be required to indicate if receipt of the relief will breach state aid rules.

## **11.0 Alternative options and reasons for rejection**

- 11.1 A more targeted scheme could be introduced but would significantly increase the cost of administering the scheme. The proposed scheme provides some relief for all businesses that meet the Governments criteria. The Government is pressing for Authorities to complete the distribution of relief by early October.
- 11.2 Consideration was given to the implementation of a county wide scheme but due to the differing circumstances across the area

and the time that it would take to introduce such a scheme it was thought that a stand-alone scheme for the authority would be better.

## **12.0 Recommendations**

- 12.1 To approve the new policy for discretionary rate relief set out in Section 4.
- 12.2 That the categories of business ratepayers listed at para 5.2 are excluded from the scheme.
- 12.3 That the Director of Finance & Resources be given delegated authority to make decisions related to the application of this scheme.
- 12.4 That £10,000 of the new burdens grant is passported to Arvato to meet the administrative costs of the scheme.

## **13.0 Reasons for recommendations**

- 12.1 To devise a scheme of discretionary rate relief which is fair, simple to understand and easy to administer.

### **Decision information**

<b>Key decision number</b>	<b>753</b>
<b>Wards affected</b>	
<b>Links to Council Plan priorities</b>	

### **Document information**

<b>Report author</b>	<b>Contact number/email</b>
<b>Helen Fox</b>	<b>helen.fox@chesterfield.gov.uk</b>
<b>Background documents</b>	
These are unpublished works which have been relied on to a material extent when the report was prepared.	
<i>This must be made available to the public for up to 4 years.</i>	



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