

5 June 2018

ITEM: 5

Corporate Overview & Scrutiny Committee

Business Rates Relief

Wards and communities affected:

All wards

Key Decision:

Non-Key

Report of: Sean Clark, Director of Finance and IT

Accountable Officer: Andrew Brittain, Strategic Lead for Revenues and Benefits

Accountable Director: Sean Clark, Director of Finance and IT

This report is public

Executive Summary

There have been a number of announcements over recent years about business rates support to local and small and medium sized businesses.

This report provides the committee with details of:

- An overview of the range of support and reliefs currently available in respect of Business Rates; and
- Details of award levels for 2017/18 the financial impact on Thurrock Council.

1. Recommendation(s)

1.1 That the Committee considers and comments on the contents of this report.

2. Introduction

- 2.1 The powers relating to the granting of mandatory and discretionary relief and exemptions are given to the Council under the Local Government Finance Act 1988.
- 2.2 Over recent years the number and types of reliefs available have increased. In particular, since 2011, the discretionary relief provisions have been amended to allow authorities flexibility in providing assistance to businesses and organisations.
- 2.3 In general terms, amounts payable by businesses are calculated by multiplying the Rateable value by the relevant Multiplier less any Mandatory/ Discretionary Reliefs/ Exemptions.

3. Mandatory Reliefs

3.1 Mandatory Reliefs are set by Central Government and fall broadly into the following categories.

3.2 Small Business Rates Relief

Small business rate relief is available for businesses that occupy a single property and where the rateable value of that property is less than £15,000. The amount of relief is awarded as follows:

- Properties with a rateable value of £12,000 or less will not pay any business rates; and
- For properties with a rateable value of £12,001 to £15,000, the rate of relief reduces proportionately from 100% to 0%.

Businesses that expand and occupy a second property will keep existing relief on the main property for 12 months. Following this, some businesses may still qualify for small business rate relief on their main property, if the following applies:

- The other properties do not have a rateable value above £2,899; and
- The total rateable value of all the properties is less than £20,000 (£28,000 in London).

Small Business Rates Multiplier

In addition to small business rate reliefs any premises with a rateable value below £51,000, will have their bill calculated using the lower small business rate multiplier. The small business rate multiplier for the current year is £0.480 compared to the standard rate multiplier of £0.493.

3.3 Rural rate relief

Rural rate relief is potentially available where businesses are situated in a rural area with a population below 3,000.

Business rates will not be payable where the business is in an eligible area and is either the only village shop or post office with a rateable value of up to £8,500 or the only public house or petrol station with a rateable value of up to £12,500.

3.4 Empty Property Relief

Business rates are not payable on empty premises for the first 3 months they are empty. After this time, most businesses will be subject to pay full business rates.

Some properties can get extended empty property relief if they are one of the following:

- Industrial premises (for example warehouses) are exempt for a further 3 months;
- Listed buildings - until they are reoccupied;
- Buildings with a rateable value under £2,900 - until they are reoccupied;
- Properties owned by charities - only if the property's next use will be mostly for charitable purposes; and
- Community amateur sports clubs buildings - only if the next use will be mostly as a sports club.

3.5 Transitional relief

Transitional relief limits how much business rates can change each year as a result of revaluation. As a result, changes to bills are phased in gradually up to a maximum of 5 years.

Businesses will qualify for transitional relief if the property is in England and the net rates payable go up or down by more than a certain % (dependent on the size of the property) as a result of revaluation.

3.6 Charitable and Community Amateur Sports Clubs rate relief

Charities and Community Amateur Sports Clubs can apply for mandatory charitable rate relief of 80% where a property is used for charitable purposes and meets the required criteria.

3.7 Exempted buildings

Certain properties are exempt from business rates if they are:

- Agricultural land and buildings, including fish farms;
- Buildings used for training or the welfare of disabled people; or
- Buildings registered for public religious worship or church halls.

There are strict legal requirements for these exemptions and eligibility is determined by the Valuation Office.

4 Discretionary Reliefs

4.1 The Council is obliged to consider every application on its merits, taking into account the contribution that the organisation makes to the amenities of the council's area or through other guidelines issued by the government. There is no statutory appeals process against any decision made by the council although, as with any decision of a public authority, decisions can be reviewed through a judicial review.

4.2 The type of Discretionary Reliefs fall into the following broad categories.

4.2.1 Charities and Community Amateur Sports Clubs that already receive mandatory relief.

The council has discretion to award up to 20% (on top of the existing 80% mandatory relief).

4.2.2 Not for profit organisations

The legislation allows the council to grant up to 100% discretionary relief where a property is occupied solely by not for profit organisations whose main objects are philanthropic or religious or concerned with education, social welfare, science, literature or fine arts.

4.2.3 Relief Granted under the Localism Act 2011 provisions

These provisions allow councils to grant discretionary relief in any circumstances not covered by any other relief where it sees fit, having regards to the general interests of Council Tax payers in its area.

4.2.4 Local Newspaper Relief

This is a temporary relief for 2017/18 and 2018/19. The government will reimburse local authorities who grant discretionary relief in line with the criteria it has set out.

4.2.5 Local Public House Relief

This is a temporary relief for 2017/18 and 2018/19. The government will reimburse local authorities that grant discretionary relief in line with the criteria it has set out.

4.2.6 Supporting Small Business Rate Relief

This temporary relief was introduced in 2017/18 to support small businesses which lost entitlement to small business rates relief as a result of revaluation. The relief will remain in place for the next 5 years.

The Government will reimburse local authorities who grant this discretionary relief in line with the guidance it has set out.

4.2.7 Discretionary Rate Relief Scheme

This temporary relief was introduced in 2017/18 to support businesses worst affected by the revaluation and will remain in place for the next 4 years. The Government set out broad criteria on which the Councils were required to design local schemes.

The Government will reimburse local authorities who provide discretionary support in line with their scheme up to the following levels:

2017/18 - £368k;

2018/19 - £179k;

2019/20 - £74k; and

2020/21 - £11k.

4.2.8 S44a Part Occupied Premises Relief

A ratepayer is liable for the full non-domestic rate whether a property is wholly occupied or only partly occupied. Where a property is partly occupied for a short term, the local authority has discretion in certain cases to award relief in respect of the unoccupied part.

4.2.9 S49 Hardship Relief

In England local authorities can reduce business rates by awarding hardship relief.

There is criteria that has to be met and it must satisfy that the business would be in real financial difficulties without it and the awarding of any hardship relief is in the interests of local people. The business should be a major employer or a unique and necessary business serving the area and there should be clear evidence that the granting of relief will make a material difference to the viability of the business.

5. Current Take up and effect on the Council's Finances

- 5.1 The granting of reliefs will, in the main, involve a cost to the council. Since the change to the funding for Non-Domestic Rating in April 2013, the effect of the relief is complex.
- 5.2 Any amounts granted prior to 1 April 2013 and continuing since that date will be included within the council's baseline for the Business Rates Retention Scheme. For any amounts granted for similar cases after 1 April 2013, the costs of the relief will be borne in accordance with the Business Rates Retention Scheme share namely 50% born by Central Government and 50% born by the local authority and its preceptors.
- 5.3 Where central government leads an initiative, grants are often available through section 31 of the Local Government Act 2003. This is not automatic and central government will look to the council to adopt the recommended approach when granting in these areas.

- 5.4 Schemes are promoted on the council's website and, in addition, where schemes relate to an identifiable specific group of businesses targeted communications are issued to encourage take up the relief.
- 5.5 Appendix 1 contains details of the number and value of Business Rates Reliefs provided for 2017/18 and the financial impact on the council.

6. Implications

6.1 Financial

Implications verified by: **Sean Clark**
Director of Finance and IT

The financial support to local rate payers and the cost of that support to the council is set out in the appendix.

Unless covered by specific government grants, rate relief costs the council 49% of the value of the award. As and when the business rates retention scheme changes to allow councils to keep a higher proportion than 49%, the proportion of any award will have a corresponding impact on the cost to the council.

Whilst there is a financial implication, discretionary rate relief is also a tool to support local community groups and businesses that, at this time, is a cost shared with central government.

6.2 Legal

Implications verified by: **David Lawson**
Monitoring Officer and Assistant Director, Law and Governance

There are no legal implications arising from this report as it is an information item.

6.3 Diversity and Equality

Implications verified by: **Natalie Warren**
Community Development and Equalities Manager

Business Rate Relief not only supports local businesses but is an essential support to a number of community, charitable and sporting bodies throughout the borough.

- 6.4 **Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder

None

7. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

Various working papers and relevant legislation are held within the Revenues and Benefits section.

8. Appendices to the report

Appendix 1 - details the amounts awarded for 2017/18 and the financial impact to the council.

Report Author:

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Strategic Lead for Revenues and Benefits