

Cheshire East Council

PORTFOLIO HOLDER DECISION

Date of Meeting:

Report of: Paul Manning – Revenues Manager

Subject/Title: Business Rate Revaluation Relief Scheme

Portfolio Holder: Cllr Paul Bates – Finance and Communities

1. Report Summary

- 1.1. A revaluation of all non-domestic properties and new rateable values has taken effect from 1 April 2017. This affects the amount of business rates many businesses across Cheshire East have to pay. Cheshire East businesses will be paying less overall but there are a number of individual businesses that have seen a significant increase.
- 1.2. The Government announced that a number of support schemes would be made available to mitigate the impact on businesses from the revaluation, including a discretionary fund of £300 million to support businesses that faced the most significant increase in their business rates following the revaluation. The Government has asked Councils to use their discretionary powers to award this relief, although making it clear that the additional funding should support smaller businesses. The scheme will run for 4 years from 1 April 2017.
- 1.3. Cheshire East Council will receive £1.3 million over the 4 years of the scheme to award to local businesses. This report sets out the proposed scheme for distributing this funding to Cheshire East businesses.
- 1.4. It is proposed to provide relief to businesses with a rateable value up to and including £100,000. In 2017/18, the scheme will provide relief for 70% of the increase in rates due to the revaluation. The majority of awards will be granted automatically. The scheme will provide support to 1,200 Cheshire East businesses in 2017-18, ranging from £50 to £3800 in year 1. On average, businesses will be awarded £600. The Council will review the % awarded for each new financial year to take account of the funding available from central government and any other national or local factors.

2. Recommendation

- 2.1. The Portfolio Holder approves the Cheshire East Discretionary Business Rates Relief Scheme as set out in this report.

3. Reasons for Recommendation

- 3.1. To provide discretionary relief to support local small businesses that have faced an increase in their business rates as a result of the revaluation of all Non Domestic properties.

4. Other Options Considered

- 4.1. A number of schemes were modelled and considered – some targeting specific categories of commercial properties e.g. retail, office. Other models extended the rateable value limit and subsequently brought larger businesses into the relief scheme. On balance the current option offers relief to a wide spread of business types whilst retaining the original intent of the scheme in terms of supporting smaller, local businesses.

5. Background

- 5.1. The Valuation Office Agency has recently completed a revaluation of all Non Domestic properties and the new rateable values are effective from 1 April 2017. The revaluation affects the amount of business rates many businesses across Cheshire East will have to pay.
- 5.2. Whilst Cheshire East's ratepayers will be paying less overall in business rates because of the revaluation, there is still a significant number that individually have seen an increase.
- 5.3. The Government announced that funding for a number of different support schemes would be made available to mitigate the impact on businesses.
- 5.4. In particular the Government will make available a discretionary fund of £300 million to support those businesses that face the steepest increases in their business rates bills as a result of the revaluation. Cheshire East's share is just short of £1.3m.
- 5.5. The Government intends Councils to use its discretionary powers to award this relief and has made it clear that the additional funding should only support smaller ratepayers who are facing an increase in their bills following the 2017 revaluation.
- 5.6. The Government has also announced its intention to provide funding for a further two discretionary relief schemes; Supporting Small Businesses Relief and Support for Pubs.
- 5.7. The Government has made it clear that the additional funding identified by the Chancellor to support businesses should only support smaller ratepayers who are facing an increase in their bills following the 2017 revaluation.
- 5.8. The scheme will run for 4 years, in line with the Government funding stream, effective from 1 April 2017.
- 5.9. The Council will receive £1.3m over the 4 years. Funding cannot be transferred between financial years and any excess grant paid to Cheshire East following reconciliation at year end must be repaid to Central Government.
 - 2017/18 - £0.757m
 - 2018/19 - £0.367m

- 2019/20 - £0.151m
- 2020/21 - £0.021m

- 5.10. Details of the scheme are set out in Appendix 1, including the principles the scheme is based on and the detail of how the scheme will operate.
- 5.11. The scheme will provide support to just under 1200 Cheshire East businesses in 2017-18 , ranging from £50 to £3800 in year 1. On average, local businesses will be awarded £600.
- 5.12. In 2017/18, the scheme will award all eligible ratepayers 70% of the increase in rates due to the revaluation from 2016 to 2017 (a de-minimus value of £50 will apply).
- 5.13. The Council will review the % awarded for each new financial year to take account of the funding available from central government and any other national or local factors. The initial modelling of the scheme estimates the relief for future years of the scheme to reduce to 30% in 2018/19, 13.5% in 2019/20, and 6.5% in 2020/21. These may change due to amendments to property valuations.
- 5.14. In most cases relief will be awarded automatically, without the need for application. For those ratepayers who are required to make an application due to state aid implications, applications must be received within the financial year.
- 5.15. A Billing Authority is required to consult with major preceptors and the Fire & Rescue Service has been consulted. Additional engagement has taken place with local Chambers of Trade and the Skills & Growth Company prior to a Portfolio Holder decision. Engagement responses are shown at Appendix 2.

6. Wards Affected and Local Ward Members

- 6.1. All wards and all members.

7. Implications of Recommendation

7.1. Policy Implications

- 7.1.1 The recommendations proposed will support and are aligned to the Council's corporate ambitions and its values to deliver its promise of Putting Resident First.

7.2. Legal Implications

- 7.2.1 Billing authorities have power to award this discretionary relief under Section 47 of the Local Government Finance Act 1988.

7.3. Financial Implications

- 7.3.1 Funding for the scheme is being received from Central Government. The council will receive £1.3m allocated over 4 years:

- 2017/18 - £0.757m

- 2018/19 - £0.367m
- 2019/20 - £0.151m
- 2020/21 - £0.021m

7.3.2 The Council is required to repay any excess grant following a reconciliation process at each year end.

7.3.3 There is a risk that the scheme could cost the council money if there are changes in subsequent years, e.g. a rating revaluation, that affect relief awarded in previous years, as the funding can only be used to pay for relief for that financial year. This will be partly mitigated by natural turnover of businesses. In addition, a small amount of funding has been reserved in the calculations for each year to deal with such changes.

7.4 Human Resources Implications

7.4.1 There are no human resource implications, all required work will be delivered within existing resources.

7.5 Equality Implications

7.5.1 There are no specific equality implications.

7.6 Rural Community Implications

7.6.1 There are no specific implications for the rural community.

7.7 Public Health Implications

7.7.1 There are no specific implications for the public health of Cheshire East residents.

8. Risk Management

8.1 There is a risk that the scheme could cost the council money if there are changes in subsequent years, e.g. a rating revaluation, that affect relief awarded in previous years, as the funding can only be used to pay for relief for that financial year. This will be partly mitigated by natural turnover of businesses. In addition, a small amount of funding has been reserved in the calculations for each year to deal with such changes.

8.2 There is also a risk that local businesses will not receive the full value of the funding received from central government due to the small amount of reserve funding included in the calculations each year to deal with changes described above.

8.3 There is a degree of external pressure to begin distributing relief to local businesses. Any delay in agreeing a Scheme may incur some reputational risk.

9. Background Papers

9.1 Further information in relation to the report and its contents can be accessed by contacting the report author.

10. Contact Information

Contact details for this report are as follows:

Name:	Paul Manning
Designation:	Revenues Manager
Tel. No.:	01270 683933
Email:	paul.manning@cheshireeast.gov.uk

Appendix 1

Cheshire East Business Rates Discretionary Relief Scheme

Cheshire East's scheme awards an additional amount of rate relief to those smaller organisations that are facing an increase in the business rates they have to pay because of the revaluation.

The Government have made it clear that any relief awarded should only support smaller ratepayers who are facing an increase in their bills following the 2017 revaluation

Cheshire East Scheme Design Principles

- Administration of this scheme will be difficult so keeping the scheme simple will minimise the burden, whilst also making it easy to understand for ratepayers
- There is a national transitional relief scheme which already provides some protection for ratepayers having increases in rates payable depending on the size of their property. Three bands are used to do this, small, medium and large
- It is proposed to allow relief to those in the small and medium bands (i.e. up to and including £100,000 RV) as most properties are in these 2 bands, and on the basis that business with large properties may be better placed to absorb the steep rise in rates
- It also matches the Governments ambition that relief is only available to smaller ratepayers
- All national, statutory reliefs and exemptions will be applied before any calculation for Discretionary Rate Relief can be considered
- Cheshire East will review the % awarded for each new financial year to take account of the funding available from central government and any other national or local factors.
- The majority of awards will be granted automatically, however the Council reserves the right to request an application in appropriate circumstances

The Local Scheme

- In 2017/18, the scheme will award all eligible ratepayers 70% of the increase in rates due to the revaluation from 2016 to 2017 (a de-minimus value of £50 will apply)
- State schools and other Council buildings are excluded due to section 47 of the Local Government Act 1988
- Properties that are empty will not be eligible for relief
- Properties that receive mandatory relief under different schemes will not be eligible

- Legislation prevents the award of any relief to properties occupied by Local or Precepting Authorities and hence, are likewise ineligible
- No relief can be awarded if it would mean an organisation exceeds the state aid de-minimus level (currently €200,000 over 3 years)
- Business rate accounts will be adjusted after the relief is awarded if there is a change in circumstances (i.e. backdate RV reductions, additional relief awarded, or property vacated etc.)
- New occupiers after 01/04/17 will not qualify for relief
- Increases to RV after 01/04/17 will not qualify for relief

Appendix 2

Engagement responses

Cheshire Fire & Rescue Service:

Thank you for sharing your proposed business rate relief scheme. Having read the report I have no issues to raise beyond acknowledgement of the risks as mentioned and that Cheshire East will be managing them accordingly.

South Cheshire Chamber of Commerce:

Please see below a summation of comments from Members with regards to your proposal. In the main it is welcome.

This seems very welcome, but the CE area didn't do too badly anyway.

My only critique is the assumption that anyone with a larger building is better placed to cope with any increase.

There are some relatively small businesses whose business operation requires a larger physical footprint, eg car repair shop, and equally some large profitable businesses (especially in the service sector, or digital operations) who only need small premises.

Moreover, the actual rates increase on a larger building will be a bigger actual amount due to higher rateable value, and these people are least likely to get the money.

So it's a blunt and potentially unfair allocation system. There are other measures such as employee numbers, turnover and profits. The only reliable measure is profits, and the government has driven the majority of small businesses into going

limited in recent years, so accounts are available via companies house if not from the rates payers themselves.

However, I do see that this would take extra effort by CEC and add potential costs into their operation of the relief.