

## **Finance Sub-Committee**

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<b>Date of Meeting:</b>	9 November 2022
<b>Report Title:</b>	Business Rates Discretionary Schemes
<b>Report of:</b>	Alex Thompson, Director of Finance and Customer Service
<b>Report Reference No:</b>	FSC/7/22-23
<b>Ward(s) Affected:</b>	All

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### **1. Purpose of Report**

- 1.1. The purpose of this report is to provide members with an overview of the Business Rates system and to request approval of the Discretionary Business Rates Policy for Cheshire East Council.
- 1.2. The report also provides an update on the Government's review of Business Rates.

### **2. Executive Summary**

- 2.1. Business rates form an essential element of Cheshire East funding contributing £49.1M to the 2022/23 budget. This is equivalent to 15% of the Council's net revenue budget.
- 2.2. It is a highly complex area both in terms of how Business Rate liability is calculated and the value of Business Rates to be retained by the Local Authority. This has been further complicated in recent years by a significant extension in the value and range of Business Rates reliefs available to businesses to provide support during the Covid Pandemic and to encourage recovery post Covid.
- 2.3. Central Government set a range of Business Rates "reliefs" for specific businesses, both mandatory and at the discretion of the Local Authority. The proposed policy on discretionary reliefs for Cheshire East Council is attached at Appendix 1. The Policy combines a number of existing policies

and procedures into a single comprehensive Discretionary Business Rates Policy. It does not, however, propose any changes to the existing reliefs and therefore no changes to the existing MTFS.

- 2.4.** The Business Rates Scheme has been under review by HM Treasury for some time with the final report published in October 2021. The review concluded that the Business Rates Scheme would be retained but that a number of changes would be made to reduce the burden of business rates in England, introduce new reliefs and increase the frequency of re-evaluations.

### **3. Recommendations**

- 3.1.** That Finance Sub-Committee note the report and approve the Discretionary Business Rates policy as set out in Appendix 1.

### **4. Reasons for Recommendations**

- 4.1.** Discretionary Rate Reliefs are an important part of Central Government's strategy to allow Local Authorities to support local businesses through rate reductions. This Policy ensures Cheshire East Council can continue to support local business primarily aimed at small businesses, charitable and not-for-profit enterprises and community and sports clubs.

### **5. Other Options Considered**

- 5.1.** Removal or reduction of Discretionary Rate Reliefs may significantly impact small, local businesses and organisations.

### **6. Background**

- 6.1.** Business Rates (also known as National Non-Domestic Rates or NNDR) is a property tax paid by businesses designed to help fund services delivered by the Local Authority.
- 6.2.** The Business Rates payable by an individual business are primarily set by Central Government based on a "Rateable value" (RV) calculation assessed by the Valuation Office and a "multiplier" of the RV set by Central Government.
- 6.3.** The billing and collection of Business Rates is the responsibility of the Local Authority with receipts from Business Rates distributed between the Council and its precepting authorities and Central Government.
- 6.4.** The Business Rates Team within Customer Services administers all Business Rates billing, collection, and debt recovery for Cheshire East Council.
- 6.5.** The team liaise with the Department for Levelling Up, Housing and Communities on legislation and guidance for the scheme. The team also work with the Valuation Office Agency to determine appropriate valuation

of relevant non-domestic properties (known as ‘hereditaments’ for business rate purposes).

- 6.6. The Finance Team administer the Collection Fund, which is a statement within the Council’s statutory accounts that records all the transactions associated with the administration of business rates.
- 6.7. It should be noted that reliefs are separate to business grants which, since the onset of the Pandemic, have also administered by the Business Rates team with over 22,500 individual businesses benefiting from grants to the value of £146M.
- 6.8. The gross level of business rates liability for businesses within the Cheshire East Council area is approximately £180m, across over 15,000 properties.
- 6.9. Table 1 shows the value of Business Rates forecast for 2022-23 and how these are proposed to be shared between the Council and its precepting authorities and Central Government.

**Table 1: Budget for Business Rates 2022/23**

<b>NNDR1 – January 2021 budget setting position</b>	<b>£m</b>
Gross Rates	179.1
Mandatory Discounts	(25.6)
Unoccupied Properties	(5.8)
Discretionary Discounts	(0.8)
Discretionary Discount where compensation is provided (retail relief announced after budget set)	(3.6)
Bad Debts	(2.2)
Appeals repayable	(2.1)
Disregarded amounts (EZ/renewables)	(1.2)
Administration allowance	(0.6)
<b>Net Rates</b>	<b>137.2</b>
CEC share (49%)	67.2
Fixed Tariff payable to Central Government	(24.7)
Retained Rates	42.5
Contribution from compensation grants/Earmarked reserves	6.6
<b>Retained Business Rates as per MTFs</b>	<b>49.1</b>

- 6.10. Discretionary Reliefs are intended to provide “relief to premises where the Local Authority Council feels the granting of such relief would be of benefit to the local community”. Whilst the Government provides some guidance in relation to this discretion primarily lies with the Local Authority.
- 6.11. The draft Discretionary Relief policy has been developed in line with the Council’s vision and values. The full list of factors and priorities considered are listed within the Policy at paragraph 3.8 and include:

- Supporting the retention of businesses within the local community
- Encouraging self-reliance
- Supporting businesses to start up and grow
- Supporting the provision of services which the Council is unable to deliver
- To prioritise local over national business
- Should not distort local competition
- To ensure that the financial impact of the provision of relief is justified in terms of the outcomes achieved

**6.12.** The draft policy provides a single comprehensive view of the Discretionary Relief Policy for Cheshire East Council but does not propose any changes to the existing reliefs and has no impact on the MTFS

**Table 2: Reliefs and total number of rated business properties in Cheshire East:**

	<b>Total properties</b>	<b>15,217</b>		
Mandatory / Discretionary	Type of relief	No. receiving relief	Value of relief awarded	Funded CEC/Gov/fire
Discretionary Relief	Enterprise Zone discount	87	398k	100% gov
Mandatory Relief	Transitional Relief extension	149	79k	100% gov
Mandatory Relief	Charity relief – 80% Mandatory	628	9.9M	49/50/1
Discretionary Relief	Non-profit making body Relief	23	26k	49/50/1
Discretionary Relief	Hardship Relief	0	0	49/50/1
Discretionary Relief	Part-occupied Relief	1	2k	49/50/1
Mandatory Relief	Rural Rate Relief	10	12k	49/50/1
Discretionary Relief	Charity relief – top up	293	258k	49/50/1
Mandatory Relief	Community Amateur Sport Club	33	143k	49/50/1
Discretionary Relief	Community Amateur Sport Club – top up	27	6k	49/50/1
Discretionary Relief	Local Discretionary Relief – Localism Act 2011	0	0	49/50/1

Mandatory Relief	Small Business Rate Relief Partly funded by S31	5,953	£16.8M	49*/50/1
Mandatory Relief	Tapered Small Business Rate Relief Partly funded by S31	432	Included in above	49*/50/1
Mandatory Relief	Small Business Rate Relief – 12 month extension	28	48k	49*/50/1
Discretionary Relief	Supporting Small Businesses Relief	21	36k	49*/50/1
Discretionary Relief	Local Newspaper Relief	0	0	49*/50/1
Mandatory Relief	Public Lavatories Relief	12	20k	49*/50/1
Discretionary Relief	Expanded Retail Discount – 50%	1391	7.5M	49*/50/1
Discretionary Relief	Nursery Discount – 50%	0	0	49*/50/1

\* S31 Reliefs – whilst technically discretionary these are determined by Central Government and fully funded by them to reflect the income foregone by CE by the introduction of the Relief

**6.13. Future changes to Business Rates:** HM Treasury have been conducting a review of the Business Rates Scheme with the final report published in October 2021. The review concluded that the Business Rates Scheme would be retained but that a number of changes would be made. New reliefs to support investments in property improvements and a new exemption to support green technologies will be introduced. Additionally, the report includes a decision to increase the frequency of revaluations to ensure that ratepayers see their valuations update more quickly, allowing changes in economic conditions to feed through more rapidly into businesses' liabilities.

**6.14.** A decision has also been taken not to amend the level of business rates retained by local authorities, instead preferring to review the entire scheme in light of the levelling up agenda.

**6.15.** Additionally, the Government is currently consulting on its proposal to digitalise business rates. This initiative will match business rates data with central HMRC tax data and display business rates information alongside other tax information in a standardised way. This will provide businesses with a single source of tax information online.

## 7. Implications

### 7.1. Legal

- Business Rates administration is dealt with by the Local Government Finance Act 1988

### 7.2. Finance

- The report proposes no change to the current level of support through Discretionary Reliefs

### 7.3. Policy

- The policies relating to Reliefs have been updated and are attached at Appendix 1

### 7.4. Equality

- None

### 7.5. Human Resources

- None

### 7.6. Risk Management

- None

### 7.7. Rural Communities

- A number of organisations in receipt of Discretionary Rate Relief are located within rural communities. The recommendation requested will result in no change to their rate liability.

### 7.8. Children and Young People/Cared for Children

- None

### 7.9. Public Health

- None

### 7.10. Climate Change

- None

<b>Access to Information</b>	
Contact Officer:	Helen Gerrard Helen.gerrard@cheshireeast.gov.uk
Appendices:	Appendix 1 – Discretionary Business Rates policy
Background Papers:	N/A