

Report for: Cabinet Member Signing – 4th April 2017

Item number:

Title: Discretionary Business Rates Relief Consultation – revaluation support

Report authorised by : Tracie Evans - Chief Operating Officer

Lead Officer: Ben Ritchie, Policy & Strategy

Ward(s) affected: All

**Report for Key/
Non Key Decision: Key**

1. Describe the issue under consideration

1.1 The Government have undertaken a national revaluation of all commercial premises in England and Wales. From 1st April 2017, all premises in the borough will be assigned a new 'rateable value' by the Valuation Office, used to calculate the level of business rates charged to their occupier. The last time there was a revaluation was in 2010.

The 2017 revaluation has resulted in the business rate bills of many premises in Haringey increasing significantly.

1.2 In the Government's Budget on the 8th March 2017, the Chancellor announced £300mn of extra funding for local authorities to provide discretionary relief to those businesses facing increases in their business rate bills following the revaluation. The Government have described this initiative as 'revaluation support.'

Haringey's allocation of the Government's funding for discretionary relief is expected to be around £2.08mn spread across the next 4 years (this figure may however change depending on the final Government decision on allocations expected in April).

1.3 Local authorities have the power to design their own discretionary business rates relief scheme to determine how the funding for 'revaluation support' is distributed across businesses locally. This is subject to certain Government conditions, including the condition that this extra relief can only be targeted at businesses that will see their rates bills increase in April 2017 as a result of the revaluation.

1.4 Approval is being sought to start a two week consultation with council tax payers and local businesses on options for this new discretionary relief scheme for 'revaluation support'. The start of the consultation will be on 11th

April 2017 and will close on 23rd April 2017. The intention is to bring final proposals to Cabinet in May (subject to the Government's confirmation of Haringey's allocation of funding), in order to ensure that extra relief is given out to eligible local businesses as soon as possible.

2. Cabinet Member Introduction

- 2.1 The significant increases in business rates due to the Government's national revaluation risks leaving some of Haringey's businesses struggling to pay their bills.

The worst hit local firms will be facing a 42% rise in their rates for 2017/18, with hundreds more hit with a 12.5% increase and thousands by 5%. Shops, pubs, industrial units and even schools will be impacted, with further increases in bills set for many businesses for 2018/19 and beyond as transitional relief is phased out.

- 2.2 The Council with our local trader's groups have voiced strong concerns over the impact of the 2017 revaluation and have joined forces in calling for the Government for additional tax relief for local businesses struggling with the increased bills.

- 2.3 The Chancellor's announcement of £300mn extra funding for local authorities to apply discretionary relief, although welcome, is unlikely to be enough to ease the pain of increased business rate bills for the majority of our local businesses.

- 2.4 We are nevertheless determined to ensure that Haringey's allocation of funding for extra discretionary relief for 'revaluation support' is targeted in a way that is fair and proportionate across our business base.

This is why we are engaging early with residents, businesses and local traders forums through this consultation to help shape how Haringey will distribute this extra relief locally.

- 2.5 The 2017 revaluation, and the disproportionate increase in business rate bills in London that has stemmed from it, strengthens the case for local government to be given control to set business rate levels as part of the wider devolution agenda.

This would allow Haringey to work with local businesses to design a system that is robust enough to help fund local services; responsive to local economic circumstances; fair to small businesses and not for profit organisations; able to support local industrial growth and stimulate regeneration, and accountable to local business rates payers.

3. Recommendations

That the Cabinet Member for Economic Development agrees:

- 3.1 That the Council consult on its Discretionary Business Rates Relief Policy for 'Revaluation Support' for a period of 2 weeks, from 11th April– 23rd April 2017
- 3.2 The consultation seeks views from residents, businesses and the Greater London Authority (GLA) as precepting authority on the following proposals and options:
- a) Designing a discretionary relief scheme that distributes Haringey's allocation of Government funding across local businesses facing an increase in their business rate bills as a direct result of the revaluation. The amount of relief given to an individual business eligible for the scheme would be proportional to the amount that a business' bill has increased following the revaluation
 - b) The option to set aside a proportion of the Government's funding to strategically target extra support at businesses facing severe and immediate hardship from the revaluation and who can demonstrate a sustainable longer term business plan
 - c) The option to give preference to small and medium sized firms and independents, over multinational and large national businesses with high turnovers on the grounds that the latter are financially more likely to be able to pay higher business rate bills than the former
 - d) The option to prioritise relief on public interest grounds

4. Reasons for decision

- 4.1 Haringey Council will be expected to use discretionary business rates relief to distribute the Government's extra funding for 'revaluation support' to those businesses that have seen increases in their bills. By going out to consultation with residents and business this will help inform and shape options for the design of this discretionary relief scheme.
- 4.2 The rationale behind the proposal and options we are consulting on are to:
- Target relief at businesses that are facing an increase in their business rate bills following the revaluation, encompassing different sizes, sectors and locations across the borough
 - Distribute the extra relief in a way that is proportionate to how much a businesses' bill has gone up by, and in a fair manner
 - Ensure that the extra relief is distributed to local businesses quickly and smoothly
 - Be relatively simple for the Council to administer

5. Alternative options considered

- 5.1 To delay or not go out to consultation on proposals and options for a new discretionary business rates relief scheme for 'revaluation support.'
- 5.2 This option is not being considered because:
- Engaging early with residents and businesses through this consultation will help shape proposals and options for the new relief and ensure that we design a scheme which supports local businesses most effectively.
 - The Council wants to ensure that the Government's extra funding for discretionary relief is distributed to our local business base as quickly as possible. Initiating the consultation now rather than later will help ensure that a final decision on the new scheme can be reached in May.
- 5.3 Other alternative options have been considered and discounted from including in the consultation for the following reasons:
- Haringey Council could use its own funds to 'top-up' the Government's allocated funding for implementing this extra discretionary relief. This option has been discounted because it would result in a financial cost for the Council at a time when the organisation needs to find financial savings as part of its medium term financial strategy.
 - To target all of the Government's funding for discretionary relief at one particular high street, regeneration zone or economic sector. This option has been discounted because the 2017 revaluation will have significant impacts on all high streets and localities across the borough, and impact upon retail, workspace and industrial sectors. To concentrate all of the Government's funding on just one locality or sector within the borough would be unfair.
 - To target all of the Government's funding for discretionary relief through a large scale 'hardship fund' which businesses would apply for. This option has been discounted because of the significant administrative challenges for assessing thousands of applications on a case by case basis. It would not be practical, could lead to lengthy delays in awarding relief and treat businesses inconsistently.

6. Background information

Introduction to business rates, discretionary business rates relief and 'revaluation support'

- 6.1 Non-Domestic Rates, or business rates, are levied on all organisations which occupy commercial premises and are collected by local authorities.
- 6.2 Some occupiers of properties are eligible for relief on their business rates such as small business rates relief, retail relief, empty property reoccupation

relief, transitional relief and mandatory and discretionary relief for charities and voluntary sector organisations.

- 6.4 Local authorities have been given powers by the Localism Act 2011 to offer up to 100% relief on business rates to organisations when it is “satisfied that it would be reasonable to do so, having regards to the interests of persons liable to pay council tax set by it.”

The use of these powers is at the local authority’s discretion, and the local authority has the flexibility to devise its own policy and criteria for when it will award such discretionary relief.

- 6.5 In the Government’s Budget on the 8th March 2017, the Chancellor announced £300mn of extra funding for local authorities to provide discretionary relief to those businesses facing increases in their business rate bills following the 2017 revaluation. The Government have described this initiative as ‘revaluation support.’

Haringey’s allocation of the Government’s funding for discretionary relief is expected to be around £2.08mn spread across the next 4 years (this figure may however change depending on the final Government decision on allocations expected in April). This funding will be frontloaded for 2017-18:

	Amount of discretionary pot awarded (£000s)				
LA	2017-18	2018-19	2019-20	2020-21	Total
LB Haringey	1,213	589	243	35	2,080

Rationale as to why we are putting forward these particular proposals for consultation:

- 6.6 In order to access the Government’s funding, we will need to use our discretionary powers under section 47 of the Local Government Act 1988 to offer the relief to those businesses that are facing a sizeable increase in their business rate bills following the revaluation.

We want to distribute the extra relief in a proportional way and a fair manner, and ensure that the relief benefits different sectors, locations and sized businesses across the whole borough.

A secondary principle will be to ensure that the administration of any new discretionary relief scheme is workable for both applicants and the Council, to ensure that it is distributed smoothly and quickly. It is envisaged that the proposed scheme will be administered from within existing resources.

- 6.7 The proposals and options to be consulted on outlined below are also mindful of the Department for Communities and Local Government’s (DCLG) draft conditions that all local authorities need to comply with in order to be fully compensated for offering this extra discretionary relief. These conditions,

which are currently out to consultation and subject to confirmation, are:

(i) Funding to all local authorities will be by way of s.31 grant. This funding will be capped. Any discretionary relief paid by billing authorities in respect of “revaluation support” in excess of their allocation will not attract the Government’s grant. Under the DCLG’s consultation, Haringey has been given a draft allocation of £2.08mn over the next 4 years for offering this extra relief.

(ii) That the extra discretionary relief is used to support only those rate payers who are facing an increase in their business rate bills following the revaluation after all other adjustments (e.g. other relief schemes) have been applied

(iii) Authorities are required to consult their major precepting authorities. For the council that will require consultation with the Greater London Authority (GLA).

The DCLG also have said that they “further assume, by and large, more support will be provided to”:

- Ratepayers or localities that face the most significant increase in bills
- Ratepayers occupying lower value properties

Preferred baseline for the new discretionary business rates relief scheme for ‘revaluation support’:

6.8 The consultation will propose designing a discretionary relief scheme that distributes Haringey’s allocation of Government funding across local businesses facing an increase in their business rate bills as a direct result of the revaluation.

Under this proposal, the amount of relief given to any one business would be proportional to the amount that a businesses’ bill has increased by. The value of the relief given would be calculated using a percentage of the bill’s increase following the revaluation.

6.9 The discretionary relief would be applied to businesses that are facing a sizeable year on year increase in their bills.

The level of bill increase would only be measured after adjustments for all other relief scheme eligibilities have been factored in, including small business rates relief, empty properties relief, transitional relief, charitable relief and other discretionary relief schemes. Businesses would not qualify for the extra relief if after all these adjustments their business rate bills have fallen year on year.

6.10 Those businesses that qualify for the extra discretionary relief would automatically receive a set percentage reduction in their business rate bill increase. For example, a company facing a £10,000 increase on their previous bill would receive a £2000 discount on their new bill if the percentage

was set at 20%.

The percentage level set (and hence the level of discount given) under this proposal would depend on the final allocation of funding Government decides to give to Haringey in any one year and how this would be spread across all those businesses deemed eligible for the scheme.

Additional Option A: to set aside a proportion of the funding to strategically target extra support at businesses facing severe hardship from the revaluation

- 6.11 In addition to the preferred option set out above, we will consult on the option to keep a proportion of the Government's funding back to strategically target more relief at those businesses facing severe hardship from the revaluation.

Under this option we would still use the majority of the Government's funding (e.g. 80%) to proportionally support businesses facing sizeable bill increases in line with the above proposal. However, we would then use the remaining funding (e.g. 20%) to target additional relief to a selection of businesses that are judged to be facing severe and immediate hardship from the revaluation.

Any business receiving the additional relief under this option would have to demonstrate that they have a sustainable business plan that will enable them to pay full business rates due in years to come.

- 6.12 We will ask residents and businesses whether they feel this option would be justified, or whether the full amount of Government funding for the relief should be distributed proportionately without any held back in reserve.

Additional Option B: to qualify the above baseline, so that preference is given to small and medium sized firms and independents, over multinational and large national businesses with high turnovers

- 6.13 We will consult on the option to target the relief at small and medium sized firms and independents, giving preference to them over multinational and large national businesses with high turnovers.

The rationale behind consulting on this option is on the grounds that multinationals and large national businesses with high turnovers (e.g. FTSE 250 listed) are more likely to be able to pay higher business rate bills than small and medium sized firms and independents, enabling us to target those organisations suffering the most immediate difficulty. Furthermore, the largest national chains are likely to occupy premises in other parts of the country which are seeing simultaneous decreases in their business rate bills following the revaluation.

Additional Option C: to qualify the above baseline, to prioritise relief on public interest grounds

- 6.14 We will consult on the option to not favour certain types of business/industry where there is a strong public interest ground not to do so.

For example, one option could be to not favour distributing the extra relief to gambling and betting shops. Haringey has witnessed a proliferation of betting shops and gambling premises in recent years, and this has been linked to anti-social behaviour and addiction and concerns raised by residents and local communities. Under this option, the Council could give preference to other business over this type of industry, if felt to be in the public interest.

Other views

- 6.15 We will ask residents and businesses during the consultation for their thoughts and to put forward any ideas or suggestions to further shape the proposals for the distribution of the extra relief.

Consultation

- 6.16 Consultation on the proposals will take place for a period of 2 weeks. This is proposed to run from, from 11th April– 23rd April 2017. The consultation will be open to all residents, businesses and stakeholders to respond. The Council will also consult directly with the GLA.

Residents, Council taxpayers and the general public

- 6.17 The Council will issue a local press release in order to communicate the existence of the consultation to residents, council tax payers and the general public. The consultation documents will be published online on the Council's website, and hard copies will be distributed to community buildings and libraries. It will also be publicised using social media such as Twitter.

Private companies and business

- 6.18 In addition to the above, local businesses will be targeted directly through the following umbrella organisations:
- Haringey Business Alliance
 - Traders forums
 - North London Federation of Small Businesses
 - North London Chambers of Commerce
 - Avenues linked to the Business Lounge, 639 Centre
 - Economic Development team, Tottenham regeneration team, and Wood Green regeneration team contacts
 - Utilise business engagement events and forums

7. Contribution to strategic outcomes

7.1 The proposal contributes to achieving the priorities set out in the Corporate Plan in particular Priority 4 – ‘Drive growth and employment from which everyone can benefit’ and the cross cutting theme ‘Working in Partnership’.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Comments of the Chief Finance Officer and financial implications

8.1 The Chief Finance Officer has been consulted on this report.

The Department for Communities and Local Government have confirmed that local authorities will be fully compensated for offering this extra discretionary business rates relief for ‘revaluation support’ through the Section 31 Grant. This however is conditional on:

(i) This funding will be capped. Any discretionary relief paid by billing authorities in respect of “revaluation support” in excess of their allocation will not attract the Government’s grant.. Under the DCLG’s consultation, Haringey has been given a draft allocation of £2.08mn over the next 4 years for offering this extra relief. The Government is expected to confirm its final allocation for each local authority in April 2017.

(ii) That the extra discretionary relief is used to support only those rate payers who are facing an increase in their business rate bills following the revaluation after all adjustments (e.g. other relief schemes) have been made.

(iii) Authorities are required to consult their major precepting authorities. For the Council that will require consultation with the Greater London Authority (GLA).

The Council will need to be mindful of the above conditions in order to ensure that we are fully compensated for offering the extra relief.

Comments of the Assistant Director of Corporate Governance and legal implications

8.2 The Assistant Director of Corporate Governance has been consulted on this report.

8.3 The Government’s funding is to be provided by way of grant under s 31 of the Local Government Act 2003. To access the funding, the Council is required to establish a discretionary scheme for administering the rate relief under s 47 of the Local Government Finance Act 1988, and the scheme will have to also meet the Government’s grant conditions. Whilst these are subject to confirmation, it is likely that the conditions will be:

(a) Funding will be capped, distributed over four years and frontloaded in 2017-18. Any discretionary relief paid by billing authorities in respect of

“revaluation support” in excess of their allocation will not attract the Government’s grant.

- (b) The discretionary relief should be used to support only those rate payers who are facing an increase in their business rate bills following the revaluation after all adjustments (e.g. other relief schemes) have been made.
- (c) Authorities will be required to consult their major precepting authorities. For the Council that will require consultation with the Greater London Authority (GLA).

8.4 Aside from these conditions, the Council is free to design its own scheme under s 47, which gives local authorities a wide power to grant discretionary business rate relief, subject to the condition that the local authority may only grant the relief if it is satisfied that it would be reasonable to do so having regard to the interests of council tax payers in its area. The Council may set guidelines as to the allocation of relief, provided that it does not fetter its discretion to consider all cases.

8.5 The Council is undertaking a consultation with its residents, businesses and the Greater London Authority (GLA) as precepting authority in order that, in coming to any final decision on the policy, the Cabinet is able to consider whether the proposal is reasonable having regard not only to the views of those directly affected by the policy, but also to the interests of those persons who are liable to pay council tax that is set by Haringey Council.

8.6 It is essential the consultation makes clear that the Council will be required to comply with the conditions set by Government and that these may be subject to change. This includes the limitation of funding over each individual year over a 4 year period. It should be explicit that notwithstanding any changes made at a later date, all Government conditions will form part of the scheme.

8.7 The legal principles of a sound consultation are:

- (1) That consultation must be carried out whilst the proposal is at a formative stage. The Council can consult on a preferred option, as long as its mind is genuinely ajar;
- (2) That sufficient reasons for the proposal must be put forward to enable consultees to understand the proposal, consider it and make an informed response. Where consulting on a preferred option, the consultation papers need to make it clear that this is the case, to enable consultees to focus their minds to this fact. This includes explanation of alternative courses of action and why these are not favourable;
- (3) That adequate time is given for consultation and response. The more complex the issue, the greater the length of time that is needed;
- (4) That the product of the consultation must be conscientiously taken into account..

8.8 Any final proposal on the policy put to members for decision will need to take into account the outcomes of the consultation.

Equalities and Community Cohesion Comments

8.8 The Council has a public sector equality duty under the Equality Act (2010) to have due regard to:

- Tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
- advance equality of opportunity between people who share those protected characteristics and people who do not;
- foster good relations between people who share those characteristics and people who do not

8.9 An Equality Impact Assessment (EqIA) is being drafted and will be updated throughout the consultation process. The outcomes of the EqIA will be considered as part of any final proposal put forward to members for decision.

Head of Procurement Comments

There are no procurement comments

9. Use of Appendices

None.

10. Local Government (Access to Information) Act 1985

-<http://www.haringey.gov.uk/housing-and-planning/planning/planning-policy/local-development-framework-ldf/local-plan-evidence-base>

-Department of Business, Innovation & Skills, Paper no2 (December 2013), 'SMEs: the key enablers of business success and the economic rationale of Government intervention.'