

Report for: Cabinet Member Signing – 2 February 2018

Item number:

Title: Discretionary Business Rates Relief: Revaluation Support - Policy (amendment)

Report authorised by: Jon Warlow – Interim Deputy Chief Finance Officer

Lead Officer: Otis Williams - Policy & Strategy Team

Ward(s) affected: All

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

1. Describe the issue under consideration

- 1.1 Approval is sought to amend the policy (appendix A), which does not affect its aims. This is to ensure full use of the allocation for 2017/18 and for the remainder of the period, through to 2021.
- 1.2 Haringey's allocation of the Government's funding for discretionary relief is £2.08 million spread across the next 4 years. This comprises £1.213 million for 2017-18, £0.589 million in 2018-19, £0.243 million in 2019-20 and £0.035 million in 2020-21. The total still available for year one allocation is approximately £302,000. This cannot be carried forward to 2018/19.
- 1.3 This report proposes changes to the policy agreed at Cabinet on 20th June 2017, to ensure full use of the funding available to eligible businesses.

2. Cabinet member introduction

Not applicable.

3. Recommendations

- 3.1 That the Cabinet Member for Economic Development approve the revised Discretionary Business Rates Relief – Revaluation Support Policy, as appended to this report at Appendix A, which makes the following amendments to the policy agreed by the Cabinet on 20 June 2017.
 - a) **Year 1 (2017-18):** Give effect to new policy clause 2.2.2 and proportionately apply the remaining funds amongst eligible businesses. This equates to a 10.5% increased discount (indicative), taking the total reduction to an

estimated 52.5%. An approximate rather than specific percentage is given to allow for any further adjustments in the business base (including as described at section 6.3 of this report). A proportionate distribution of remaining funds is in keeping with the policy, most administratively efficient to operate and would provide further support to local businesses.

- b) **Years 2-4 (2018-19 to 2020-21):** Give effect to amended policy clause 2.3, so that during each year that remains, funds available will be distributed proportionately amongst eligible businesses.
- c) **A caveat added,** which gives effect to amended policy clause 2.4; that this policy is subject to any relevant wider policy changes that may occur, including those outlined by Government. Should substantial changes arise then the policy is to be reviewed accordingly.

4. Reasons for decision

4.1 The proposed amendments seek to ensure delivery of the Discretionary Business Rates Relief – Revaluation Support Policy, as appended to this report at Appendix A, which: -

- Allocates discretionary business rates relief to rate payers where -
The business rate increase is £500 or more (after all other applicable reliefs have been applied)
- Automatically applies a 42% discount on the monetary increase in business rates to affected businesses in 2017/18

With the following exclusions:

- a) Premises occupied by multinational and national chain companies
- b) Excepted hereditaments within the meaning of s 47 Local Government Finance Act 1988 and wider public sector premises
- c) Businesses not located in the borough for the duration of 2016/17 and/or have left since April 2017
- d) Premises with rateable values in excess of £200,000

4.2 The amendments proposed maintain the above outlined exclusions and are in keeping with the aims of the original policy. The policy sits in the context of the Council's wider economic growth priorities for the borough. We believe the policy best supports economic growth as it targets small, medium-sized and independent businesses over multinational, and national chain businesses. The policy aligns with the Council's existing policies to encourage business resilience and growth in Haringey and support local job creation. For this reason, the policy supports private businesses over public sector premises (a number of which are hereditaments already excluded in accordance with s 47 Local Government Finance Act 1988).

4.3 Haringey Council is 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 incorporating the principles below:

- 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 increased, and in a fair and equal manner
- Apply to ratepayers occupying lower value properties
- 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 include wider public sector. However, this is one of the exclusions in the policy, 'we are minded not to extend the fund to wider public sector organisations'. We believe this is in line with the aims of the fund, which are to support business and promote growth. Therefore, we believe it is best to support those small, medium-sized and independent businesses in Haringey facing difficulties.
- 5.2 To include multinational and national chain companies. This is another exclusion within the policy. The consultation feedback (which preceded the policy) supported the proposal that excluding multinational and national chain businesses is a fairer way of distributing the relief to businesses that are less able to cope with the business rate increase. A majority of the respondents to the Council's consultation stated that preference should be given to small, medium-sized and independent businesses; and Haringey's precepting Authority, the Greater London Authority, stated that firms operating nationally or internationally may be benefitting from reductions in business rates in other parts of the country.¹
- 5.3 To administer a hardship fund. This could create the need to consider a large volume of applications and subsequent lengthy delays in awarding relief. The Council does not have resources in place to manage this. Particularly within the time left for this financial year (2 months) to deliver the year one allocation.

¹ **Extract from GLA feedback to the Haringey consultation:** The GLA supports this proposal in principle as it is our view that the relief scheme should be targeted at small and medium sized local businesses and independent traders in genuine hardship or experiencing the largest relative rises in bills. It is quite likely that firms operating nationally or internationally may be benefitting from reductions in business rates liabilities on their properties elsewhere in England and are better able to manage the impact of the 2017 revaluation on their finances.

6. Background information

- 6.1 The background to the revaluation support policy is provided in detail in the policy and Cabinet Report (20th June 2017), as provided at appendix A and section 10 of this report. Haringey's allocation of the Government's funding for discretionary relief is £2.08 million spread across the next 4 years. This comprises £1.213 million for 2017-18, £0.589 million in 2018-19, £0.243 million in 2019-20 and £0.035 million in 2020-21. The total still available for year one allocation is approximately £302,000. This cannot be carried forward to 2018/19.
- 6.2 On 20th June 2017, Cabinet agreed the policy to provide discretionary relief to businesses facing increases in their business rate bills following the most recent revaluation (Cabinet Report - at section 10). The policy utilises funding allocated by Government. Haringey was one of the first boroughs to implement the relief, ensuring eligible businesses received it as soon as possible.
- 6.3 The implementation process has identified a number of administrative factors. This has meant less relief than modelled has been allocated. Examples include as follows:
- Businesses that have left the borough.
 - Uncertainty as to whether some businesses still remain until further checks are done.
 - Rateable value changes via amendments received from the Valuation Office Agency.
 - National companies not originally identified as such in the modelling.
 - Discretionary charitable relief has been applied to a number of organisations. These are accounts that were already in receipt of the 80% Mandatory Charitable Relief and have subsequently been awarded an additional 20% Discretionary Rate Relief (under the borough's other discretionary policy), which means there is no charge to pay for 2017/18.
- In addition to the above:
- £50,000 was earmarked (for 2017/18) as a contingency for use by exception to target support to organisations facing hardship. No businesses have applied.
- 6.4 The proposal is to allocate the remaining funds proportionately among the businesses eligible under the policy. An indicative percentage amount is 10.5%. A definitive figure is not given as we need to allow for potential further adjustments in the business base such as for the reasons outlined in section 6.3 above. Unless the remaining funds for 2017/18 are used they will be lost.
- 6.5 It was originally proposed that funding for years 2-4 would be applied altogether in year two. However, the implementation considerations - outlined in s6.3 above - highlight that it would be more administratively efficient to each year proportionately apply the remaining funds amongst eligible businesses.

7. Contribution to strategic outcomes

- 7.1 The proposal contributes to achieving the priorities set out in the Corporate Plan, in particular:
- Primary objective: Priority 4 – ‘Drive growth and employment from which everyone can benefit’ and 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

Finance

- 8.1 The Department for Communities and Local Government (DCLG) confirmed during 2017 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. Haringey has been given an 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 adjustments (e.g. other relief schemes) have been made.

(iii) Authorities were required to consult their major precepting authorities. For the Council that was consultation undertaken 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.

- 8.2 The implementation considerations identified in this report - and efforts to ensure all four years’ allocation is delivered - highlight that unless the proposed changes are made the remaining allocation for 2017/18 will be lost if it is not used. It is noted that correspondence received from Marcus Jones MP (Minister for Local Government, 21st July 2017), which follows the local policy being adopted, states that there are no plans to allow end of year flexibility for 2017/18. Further, the years 2-4 approach ought to change in line with sections 6.3 and 6.5 of this report. This being from use of all remaining funding in year two, to use of the relief during each of the remaining three years after 2017/18.

Head of Procurement Comments

- 8.3 There are no procurement comments

Legal

- 8.4 The Assistant Director Corporate Governance has been consulted on the contents of this Report.
- 8.5 At its meeting of June 20th 2017 the Cabinet established a Discretionary Business Rates Relief – Revaluation Support Policy to administer a rate relief scheme under s 47 of the Local Government Finance Act 1988. It has become apparent that there is an unexpected surplus in funding for year one 2017-18. As such, amendments are proposed to the original policy to ensure that this Y1 funding is not lost.
- 8.6 As set out in the report to Cabinet, the scheme is required to meet the Government's grant conditions:
- (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 has necessitated consultation with the Greater London Authority (GLA).
- 8.7 Section 47 Local Government Finance Act 1988 provides an exclusion to the scheme by way of 'excepted hereditaments'. These are properties occupied in full or part by the billing authority, the GLA or any of the GLA's functional bodies, and accordingly these shall be excluded from the policy by law.
- 8.8 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, provided that the scheme is rational and proportionate and 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 on individual merit.

8.9 Equalities and Community Cohesion Comments

The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act.

- 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.

The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

- 8.10 An equalities impact assessment screening has been undertaken (at appendix B) and there are no specific groups adversely impacted by the proposed policy amendments.

The proposal outlined in this report will, as per the original policy, provide opportunities to support the growth of small and medium size businesses which could have a positive impact on economic development and employment opportunities in the borough. There is high level of deprivation in the borough, particularly in the east, and so any mechanism to encourage economic development will have a positive impact for communities, including BAME communities living in poverty, who are more likely to be unemployed.

Furthermore, there are other mechanisms which support charities and public functions, such as 80% charitable relief. This intends to reduce the level of business rates from, for example, religious premises thereby reducing the likelihood of smaller charities facing hardship. A list of reliefs in addition to the proposed policy include as follows:

1. Relief for voluntary and community sector organisations
2. Relief for occupants of new office and workspace
3. Relief for businesses temporarily occupying and using a space whilst a new development project is being completed (meanwhile activities)
4. Relief for empty properties
5. Exempted buildings
6. Relief for small businesses

9. Use of Appendices

Appendix A – Discretionary Relief – Revaluation Support Policy
(amended)

Appendix B – EqIA – screening tool

10. Local Government (Access to Information) Act 1985

The background paper is the Cabinet Report dated 20th June 2017.

<http://www.minutes.haringey.gov.uk/ieListDocuments.aspx?CId=118&MId=8287&Ver=4>