

Haringey Council's Discretionary Business Rates Relief – Revaluation Support Policy

Under Section 47 of the Local Government Finance Act (1988),¹ Haringey Council has the discretionary power to award relief on business rates where “it is satisfied that it would be reasonable for it to do so, having the regard to the interests of persons liable to pay council tax set by it.”²

This policy document sets out:

How Haringey Council will be using its discretion to offer business rates relief to local rate-payers:

- Through a discretionary relief – revaluation support scheme that distributes Haringey’s allocation of Government funding (**outlined in s1.2 below**) across local businesses facing an increase in their business rate bills. The amount of relief given to a ~~given~~ business will be proportional to the amount that ~~their a businesses’~~ bill has increased ~~by~~ year on year.
- This provision is focused on small and medium sized firms and independents, over multinational and large national businesses with high turnovers, on the basis that the latter are financially more likely to be able to pay higher business rate bills than the former.

The document is set out in three separate sections. These outline as follows:

- Section 1 - Background
- Section 2 - How Haringey Council will use its discretionary power to provide business rates relief – revaluation support
- Section 3 - The decision review process

Section 1 - Background

- 1.1 The Government has undertaken a national revaluation of all commercial premises in England and Wales. From 1st April 2017, all premises in the borough were 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 has described this initiative as ‘revaluation support.’ Haringey’s allocation of the Government’s funding for discretionary relief is £2.08mn spread across the next 4 years.
- 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. The Government has placed a condition that this extra relief can only be

¹ As amended by Section 69 of the Localism Act (2011)

² The DCLG’s discretionary business rates proposal:
<https://www.gov.uk/government/consultations/discretionary-business-rates-relief-scheme>

targeted at businesses that will see their rates bills increase in April 2017 as a result of the revaluation.

1.4 Under Section 47 of the Local Government Finance Act (1988),³ Haringey Council has the discretionary power to award relief on business rates where “it is satisfied that it would be reasonable for it to do so, having the regard to the interests of persons liable to pay council tax set by it.”

1.5 Summary of DCLG grant conditions⁴ & Haringey allocation:

(i) As per DCLG’s consultation, the conditions will require the grant to be used to support only ratepayers facing an increase in their bills following revaluation; and to require billing authorities to consult their major precepting authorities and, where appropriate, combined authorities, before adopting any discretionary relief support scheme. In Haringey’s case this is the GLA.

(ii) 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.

DCLG have also stated, “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 (i.e. properties with a rateable value below £200,000)

(iii) Haringey will be provided an allocation of £2.08mn over the next 4 years for offering this extra relief. 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 last three years to be applied locally in year two).~~

1.6 February 2018 policy update: The implementation process has identified a number of administrative factors. This has meant less relief than modelled has been allocated in year one (2017/18). 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 business rates relief policy), which means there is no charge to pay for 2017/18.

³ As amended by Section 69 of the Localism Act (2011)

⁴https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/598261/Discretionary_Business_Rates_Relief_Scheme_consultation.pdf

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.

- As a consequence, this policy has been updated as set out below.

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Section 2 – Business rates relief for small and medium sized firms and independents

2.1 A discount on business rates will be given to businesses if it is demonstrated that they satisfy, parts A & B of the criteria table below.

2.2.1 Should all parts of the criteria be satisfied, Haringey Council will use its discretionary power to automatically apply **42% relief** in year one (2017/18⁵) against any increase that remains in business rates relief after all others discounts⁶ have been applied; and with a threshold of rate increases comprising of £500 or more. We consider this threshold follows the spirit of the discretionary relief scheme by supporting those businesses hardest hit by rates increases. This rationale is also informed by the large administrative cost if there was not a threshold; set against the comparatively low level of relief to businesses.

2.2.2 February 2018 policy update: remaining year one (2017/18) funds are to be allocated proportionately amongst eligible businesses. This equates to a 10.5% increased discount (percentage indicative). This takes the total reduction to est. 52.5%. Percentages are indicative to allow for any further adjustments in the business base (including as described at paragraph 1.6 above). A proportionate distribution of remaining additional funds to eligible businesses - This is in keeping with the policy as well as being - most administratively efficient to operate and wouldn't be providing e-further support to local businesses.

2.3 In year two (2018/19) the remainder of the four year fund is to be applied at a percentage discount equating to approximately 31% relief (based on a like for like caseload re 2017/18 of business occupants in the scheme).⁷ During each year that remains, the Council will proportionately apply the available funds amongst eligible businesses.

⁵ A financial year begins on the 1st April and lasts for 12 months i.e. the 31st March

⁶ **Small Business Rates Relief:** From April 2017, the Government have significantly increased the threshold for small business rates relief. In Haringey we estimate that the total amount of small business rates relief we give out will increase from £4.5mn at present to £7mn in 2017/18.

Continued from previous page - Transitional Relief: The Government have set a series of caps on the year on year increases for those businesses that will see their bills increase following the revaluation. These caps range from a 5% annual increase for smaller businesses to 42% increase for the largest. In Haringey we estimate that the total amount of transitional relief we will give out in 2017/18 will be £10mn.

Charitable Relief: Registered charities are entitled to 80% discounts on their business rates bills. In Haringey we give around £6.5mn of charitable relief annually. We also have a local discretionary relief scheme that gives out additional business rates relief to a wider group of voluntary and community sector organisations.

After all adjustments to bills for the above relief scheme: For 2017/18, an additional £3mn in business rates will be collected in Haringey. As transitional relief is phased out over the next 5 years, this will rise to an additional £13mn.

⁷ Combining years 2, 3 and 4 funding during year two is subject to confirmation from Government during 2017/18.

2.4 This relief scheme is to be applied borough-wide. *It is further noted 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.*

2.5 **Exclusions:**

2.5.1 Multinational and national chain companies*

This local scheme excludes premises occupied by multinational and national chain companies. The Government's relief guidance states that Local Authorities should give preference to small and medium-sized businesses; and this corresponds with the local discretionary relief consultation, which showed a majority of responses in favour of prioritising relief to small, medium-sized and independent businesses. It is considered that multinational and national chain businesses are better equipped to cope with the increase in business rates than small, medium-sized and independent businesses in Haringey. It should also be noted that these larger businesses occupy premises around the country, where in many areas business rates have fallen following the 2017 revaluation. As a result, many of these businesses' rate increases in Haringey will be offset by business rate decreases in other parts of the country.

**A group of outlets owned by one company and spread across various locations nationwide or worldwide, with similar appearance and providing similar services or goods across the outlets.*

2.5.2 Excepted hereditaments and wider public sector

In accordance with s 47 Local Government Finance Act 1988 certain properties are excluded from discretionary business rates relief. These are properties that are occupied in full or part (otherwise than as trustee) by the billing authority, a precepting authority (in this case the GLA), or by any of the GLA's functional bodies: (i) Transport for London (TfL); (ii) the Mayor's Office for Policing and Crime (MOPAC) (responsible for the Metropolitan Police Service); (iii) the London Fire & Emergency Planning Authority (LFEPA) (including the London Fire Brigade), (iv) the London Legacy Development Corporation (LLDC), and (v) the Old Oak and Park Royal Development Corporation (OPDC). Moreover, 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.

2.5.3 Further eligibility considerations

Businesses that have not occupied premises in the borough for the full 2016/17 financial year and/or have left the borough since 1st April 2017 will not be included in the scheme. It is considered that their inclusion with limited funds would not be prioritised; and would involve a disproportionate administrative burden to calculate a pro rata relief. Businesses that have occupied premises in Haringey for the full financial year are to be prioritised. Also, there are other reliefs that may be available to new businesses in the borough.

Furthermore, as per section 1.5, the scheme applies to ratepayers occupying properties/premises with a rateable value below £200,000.

CRITERIA	REQUIREMENTS FOR OCCUPIER TO SATISFY
Part A – pre-qualifying conditions	<p>To be eligible to be considered for discretionary relief, the occupier must be:</p> <ol style="list-style-type: none"> 1. Occupying rateable premises in Haringey 2. Not subject to investigation by the relevant regulator 3. <ol style="list-style-type: none"> a) If the applicant is a company limited by guarantee, able to evidence that accounts are up to date and filed with Companies House. If the applicant is structured in another way, able to evidence a robust business plan which highlights how the premises they occupy assists in the delivery of the organisation’s objectives b) Not receiving more public-funded aid than EU State Aid de Minimis rules permit (an organisation must not have received public-funded aid to support commercial activities exceeding a total of 200,000 Euros over a 3 year period – this includes all reliefs, grants, subsidies and guarantees received from public bodies)
Part B – application of revaluation support discount	<p>Provision for small and medium sized firms and independents:</p> <ol style="list-style-type: none"> 1. The Council will automatically allocate discretionary business rates relief where the ratepayer’s increase is £500 or more (estimated relief, 42% in 2017/18 and 31% in 2018/19. <i>February 2018 update: This is to increase for eligible businesses in line with s2.2.2. above. During each year that remains after 2017/18, the Council will proportionately apply the available funds amongst eligible businesses</i>). 2. Exclusions summary <ol style="list-style-type: none"> a) Multinational and national chains b) Excepted hereditaments and wider public sector c) Businesses not located in the borough for the duration of 2016/17 and/or have left since April 2017 d) Those with premises rateable values over £200,000 e) Those with business rates rises below £500 3. A contingency will be retained of approximately £50,000 to be used on an exceptional basis to target support to organisations that are facing hardship and contribute to the Council’s business growth priorities. The decision to allocate this aspect of the relief is to be taken by the section 151 officer. <i>February 2018 update: as per policy change and s1.6 and 2.2.2 above, this is no longer available and instead part of funds to be allocated in year one (2017/18).</i>

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Section 3 - Making the decision over offering discretionary business rates relief – revaluation support

- 3.1 The relief will be applied automatically under the outlined criteria. ~~Therefore~~Therefore, no application process is needed.
- 3.2 Under the Local Government Finance Act (1988) there is no right of appeal against the Council's use of discretionary powers. ~~However~~However, the Council will accept a ratepayer's written request for a further review of the decision if the ratepayer has concerns that the decision has not been made within the framework set out in this policy document, and that this is supported by further written information or evidence and made within one calendar month of the decision.
- 3.3 Any review would be taken by a different person from the person who made the decision to which the review relates, and shall normally be carried out within 28 days from the date that the review request is received by the Council.
- 3.4 This policy sets out guidelines as to the distribution of relief under this scheme. As a discretionary scheme, the Council will consider all cases on individual merit.