

**TITLE OF REPORT: Discretionary Rate Relief Addendum to Policy****REPORT OF: Darren Collins, Strategic Director, Corporate Resources**

---

**Purpose of the Report**

1. Cabinet is requested to recommend to Council additions to the Council's Discretionary Rate Relief Policy covering two new areas of local discretion in respect of business rate relief. This will establish a Local Business Rate Discount and a Revaluation Business Rates Discount covering the period 2017/18 to 2020/21.

**Background**

2. Business rates are a tax on organisations and companies that are using a building or office space for business purposes.
3. As part of its role in the administration of business rates, the Council has several areas where it can exercise its discretion to provide reductions to the amount of business rates that are due to be paid.
4. Changes to Local Government Finance now mean that the income from business rates more directly impacts on the Council's financial position and the expectation is that this impact will increase in future years.

**Proposal**

5. It is proposed that the following two areas of local discretion in respect of business rates relief should be included within the Council's existing Discretionary Rate Relief Policy.
  - i) Local Business Rates Discount – Discounts to local businesses where there are economic growth considerations.
  - ii) Revaluation Business Rates Discount – Properties which have seen an increase in their rateable value after the 2017 revaluation which has caused an increase in their net rates payable.

**Local Business Rate Discount**

6. Section 69 of the Localism Act 2011 amends Section 47 of the Local Government Finance Act 1988 and allows the Council to grant locally determined business rate discounts.
7. This legislation recognises that the current business rates scheme is broadly prescribed by central government and its aim is to provide increased flexibility to local authorities to support organisations, recognising the variations in economic

conditions across and within Gateshead. On this basis, the Council will consider applications for a local business rates discount from organisations, based on their own merits where there are potential economic growth considerations.

8. When deciding whether to award a local business rates discount, the principal consideration will be that in granting any discount there should be a resultant substantial, positive impact for residents and taxpayers in Gateshead, as the Council must partly bear the cost of any relief granted.
9. The Council needs to ensure that the relief does not transgress the State Aid Law and the De Minimis Regulations.
10. It is proposed that applications for the Local Business Rate Discount will be approved under the delegated authority of the Strategic Director, Corporate Resources.

### **Revaluation Business Rate Discount**

11. As a result of revaluation from 1 April 2017 all commercial buildings and offices have been given a new 'rateable value' used to calculate the amount of business rates a business occupying the space has to pay.
12. In the March 2017 Budget, the Government announced specific funding of £300 million over four years from 2017/18 for local councils to support those businesses most affected by the revaluation.
13. The Government's allocation of funding for Gateshead is set out below :

| Gateshead's allocated discretionary funding (£000's) |         |         |         |
|--|---------|---------|---------|
| 2017/18  | 2018/19 | 2019/20 | 2020/21 |
| 382  | 185     | 76      | 11      |

14. The proposed Revaluation Business Rate Discount Scheme will be administered through the Council's discretionary powers under section 47 of the Local Government Finance Act 1988. Government has confirmed it is for local authorities to administer and determine the scheme. Funding cannot be carried over between years and any overspend against this funding is borne locally.
15. When designing a scheme the Council must also consider its responsibilities under State Aid Law and the De Minimis Regulations.
16. The proposed Revaluation Business Rates Discount for Gateshead has been established with regard to the Council's statutory obligations. Extensive modelling, assessing the impact of the revaluation has been carried out in order to attempt to distribute the funding available amongst those businesses most affected by the revaluation.
17. The Councils discretionary policy will target support so that all ratepayers whose property has a rateable value of less than £100,000 will not see an annual increase in their rates bill of greater than 2.5 per cent for 2017/18.

18. The proposed scheme will look to award relief where the following criteria are met:
- (i) Properties with a rateable value of less than £100,000 that have had an increase in rateable value following the 2017 revaluation.
  - (ii) Net rates payable after all other reliefs have been applied show an annual increase in their rates bill of greater than 2.5 per cent.
  - (iii) The property is occupied and was occupied by the same ratepayer on 31 March 2017 and 1 April 2017.
  - (iv) The property was in the rating list on 1 April 2017.
  - (v) The property is not an excepted hereditament (ie the rate payer is not the billing authority or precepting authority).
  - (vi) The property isn't occupied by licensed bookmakers or government bodies (ie the NHS, Police).
  - (vii) Relief will not be awarded where the business operating is a national company, chain or franchise (the award of any relief would potentially not comply with EU law on State Aid).
  - (viii) Minimum relief award is £100.00.
19. Guiding principles of the scheme:
- (i) The scheme is based on the rateable value in the valuation list on 1 April 2017 and rates payable on 31 March 2017.
  - (ii) Calculation of relief will not increase any award as a result of any other changes during the liability period. (ie change in relief entitlement).
  - (iii) Entitlement to the relief is determined with reference to an increase in the bill due to revaluation. The increase is calculated after the application of any other reliefs such as transition, small business rate relief etc.
  - (iv) Relief to continue on a pro rata basis to any subsequent occupiers in respect of occupied charges only.
  - (v) Any increase in rateable value will not attract additional relief.
  - (vi) Any reductions in rateable value will be recalculated and reductions retained in the discretionary fund.
  - (vii) If an organisation moves address within the period that they are receiving relief, relief will not be carried forward to the new property.
  - (viii) Relief will be awarded automatically with no requirement for an application to be completed.
  - (ix) A balancing fund to be administered under delegated authority of Strategic Director, Corporate Resources.
  - (x) All awards will include reference to state aid limits and a duty to notify Gateshead Council.
  - (xi) Future year awards will be based on applying a percentage to the 2017/18 entitlement amount. The percentages to be applied for the relevant years are:
    - 2018/19 – 45%
    - 2019/20 – 18%
    - 2020/21 – 2.5%

20. In order to manage the relief grant to ensure maximum uptake and also to prevent overspend the Council will:
- (i) Monitor the award on a monthly basis.
  - (ii) Where a qualifying ratepayer vacates a property the relief will be apportioned accordingly. A future occupier of the original qualifying property will be entitled to the relevant apportioned relief remaining if:
    - They occupy the property
    - Are not a type of occupier excluded from the scheme (i.e. a national company, government body)
    - A charge is due
  - (iii) Gateshead Council will only consider applying a reduction to ratepayers becoming eligible due to a reduction in rateable value in the 2010 rating list where those reductions are agreed or settled on or before 30 September 2017.
  - (iv) A fund will be set aside to target support to certain businesses which it judges require a greater level of assistance than the core revaluation relief the scheme prescribes. The value to be determined once initial awards finalised.

## **Recommendations**

21. It is recommended that Council be asked to approve:
- (i) The Council's Discretionary Rate Relief Policy is amended to reflect the additional proposed policies set out in paragraphs 7, 8 and 9 regarding the Local Business Rate Discount scheme and paragraphs 18 and 19 for the Revaluation Business Rate Discount.
  - (ii) The Strategic Director, Corporate Resources manages this policy under the delegated authority to manage the Collection Fund in accordance with statutory requirements.

For the following reason:

- To ensure the effective management of the Council's resources.

## **APPENDIX 1**

### **Policy Context**

1. The proposals in this report are consistent with the Council's vision and medium term objectives as set out in Vision 2030 and the Council Plan and, in particular the key Council priority of ensuring a sustainable Gateshead through ensuring the best use of its resources.

### **Background**

2. Changes to Local Government Finance now mean that the income from business rates more directly impacts on the council's financial position. This report outlines new areas of local discretion. Section 69 of the Localism Act 2011 amends Section 47 of the Local Government Finance Act 1988 and allows the Council to grant locally determined business rate discounts. These relate to:
  - i) Local Business Rates Discount – Discounts to local businesses where there are economic growth considerations.
  - ii) Revaluation Business Rates Discount – Properties which have seen an increase in their rateable value after the 2017 revaluation which has caused an increase in their net rates payable.

### **Consultation**

3. The Leader of the Council has been consulted on the proposals. The Federation of Small Businesses has also been consulted on the principles of the scheme and they have responded positively.

### **Alternative Options**

4. No alternative options are proposed. A regular review of the local revaluation scheme will be implemented to ensure maximum uptake and also to ensure that expenditure is contained within available funding.

### **Implications of Recommended Option**

#### **5. Resources:**

##### **a) Financial Implications –**

The Strategic Director, Corporate Resources confirms that:

- i. In relation to Properties which have seen an increase in their rateable value after the 2017 revaluation which has caused an increase in their net rates payable, the cost of these proposals will be met from the funding allocated to Gateshead by Central Government.
- ii. In relation to discounts to local businesses where there are economic growth considerations, the benefit to the Council will accrue through increases to the business rates base and the creation of new jobs by encouraging businesses to relocate to, or expand in the borough

through short-term reductions in business rates. This will have a short-term impact on the Council's Collection Fund. Businesses will be required to submit an application for approval under the existing framework for financial assistance agreed by Cabinet on 11 February 2014.

**b) Human Resources Implications – Nil**

**c) Property Implications – Nil**

**6. Risk Management Implication –** The current business rates system provider, Capita, has confirmed that the schemes can be supported.

**7. Equality and Diversity Implications – Nil**

**8. Crime and Disorder Implications – Nil**

**9. Health Implications – Nil**

**10. Sustainability Implications – Nil**

**11. Human Rights Implications – Nil**

**12. Area and Ward Implications – Nil**

#### **Background Information**

**13.** Localism Act 2011  
Local Government Finance Act 1988