

**Cabinet
25 July 2017**

PART 1 – PUBLIC DOCUMENT

AGENDA ITEM No.

TITLE OF REPORT: NATIONAL NON-DOMESTIC RATES LOCAL DISCRETIONARY FUND

REPORT OF: HEAD OF REVENUES, BENEFITS & INFORMATION TECHNOLOGY
EXECUTIVE MEMBER: COUNCILLOR JULIAN CUNNINGHAM
COUNCIL PRIORITY: PROSPER AND PROTECT

1. EXECUTIVE SUMMARY

- 1.1 To seek authority to implement a Business Rate Local Discretionary Fund as announced in the 2017 Spring Budget

2. RECOMMENDATIONS

- 2.1 That the high level implications of the proposed scheme be noted.
- 2.2 That Cabinet be recommended to delegate the final detail of the scheme to the Strategic Director of Finance, Policy & Governance in consultation with the Executive Member for Finance & IT

3. REASONS FOR RECOMMENDATIONS

- 3.1 To comply with the proposals announced by the Chancellor of the Exchequer in the 2017 Spring Budget.
- 3.2 To provide additional financial assistance to businesses hardest hit by the 2017 revaluation of Non-Domestic property.
- 3.3 To ensure that the available funds can be distributed to those businesses entitled as soon as possible.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Work so far on developing the scheme has been in accordance with the criteria laid down by the Government

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 Consultation has been held with all other Hertfordshire Authorities to try and gain, as far as possible a consensus on schemes across the County.

- 5.2 There is a requirement to consult with the Hertfordshire County Council. Implementation of the schemes for all Hertfordshire Authorities is being reviewed by the Hertfordshire Chief Financial Officers (HCFO's), which includes representation from the County Council.
- 5.3 It would also be the Council's intention to consult with local business organisations.

6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key decision, which has not been notified to the public in the Forward Plan. It is not possible to defer consideration of this decision because the Department for Communities and Local Government (DCLG) has recently made it clear that they expect these schemes to be implemented as soon as possible and there is not another Cabinet meeting until 26 September 2017, which would entail a further delay in implementation. The Chairman of the Overview and Scrutiny Committee has been informed and notice of the recommendation has been available at the Council Offices in Gernon Road, Letchworth for three clear working days prior to the date of this meeting.

7. BACKGROUND

- 7.1 A general revaluation of all Non-Domestic property came into force on 1 April 2017. In line with all previous revaluations, there are some gainers and some losers and as on previous occasions, a transitional scheme has been designed to cushion the impact on those experiencing large increases in Business Rates payments paid for by phasing in the decreases in payments for those whose rateable values have been reduced. These transitional schemes are designed to be self funding.
- 7.2 In the 2017 Spring Budget, the Chancellor of the Exchequer announced three further initiatives designed to assist businesses, which have been the most adversely affected by the revaluation. These are:
- A limit of an increase in payments of £600 per annum for those businesses that have lost their entitlement to Small Business Rate Relief or Rural Rate Relief because their rateable values have increased beyond the limit to qualify. This means that by the end of the current list in five years time, these businesses will be paying a maximum of £3,000 in Rates. This scheme is known as "Supporting Small Businesses"
 - A one-off payment of £1,000 to public houses with a rateable value of less than £100,000. The payment is applied after all other reliefs have been taken into consideration. This scheme is known as "Support for Pubs"
 - The establishment of a £300M discretionary fund over four years to support businesses most affected by the revaluation. This money is distributed to Local Authorities on a formula basis based on the number of properties with a rateable value below £200,000, which have seen an increase in Rates payable greater than 12.5%. Each Local Authority is required to design its own scheme for the distribution of this money. This scheme is known as the "Local Discretionary Fund"
- 7.3 All schemes are subject to State Aid Rules
- 7.4 The current status of each of these schemes is:
- Supporting Small Businesses – This has required detailed software changes to implement the scheme for a very small number of qualifying properties. The software suppliers have been working hard to deliver the software and no definite date has yet been provided

- Support for Pubs – The Council has already awarded this grant to sole traders and written to pub chains seeking applications if they are able to confirm that they meet the State Aid Rules
- Local Discretionary Fund – This is the subject of this report

8. RELEVANT CONSIDERATIONS

- 8.1 The intention to implement this scheme was announced in the 2017 Spring Budget without any detail being available. The fundamental intention of the scheme is to assist those businesses that have been affected the most in the amount of Rates they need to pay in 2017/2018 compared with 2016/2017 due to the revaluation. The Government consulted on the scheme between 9 March 2017 and 7 April 2017 and no formal response to the consultation has been announced other than an update letter from DCLG dated 15 May 2017 and a sentence in a Business Rates Information Letter dated 20 June 2017 stating *“For avoidance of doubt, the design and administration of schemes is for authorities to decide and does not necessarily need to follow the distribution methodology used in the consultation to determine allocations”*.
- 8.2 This would seem to indicate that Local Authorities are free to design these schemes in any way they see fit. In the same Business Rates Information Letter, the Government has made it clear that it now expects Local Authorities to press on and implement these schemes as soon as possible.
- 8.3 In Hertfordshire, there was a view expressed by the HCFO’s that schemes in Hertfordshire should, as far as possible be consistent with each other and they asked Revenues Managers to try and devise a scheme that would be acceptable to all ten Districts and the County Council.
- 8.4 This work has been carried out and a recommended scheme is being considered by the HCFO’s on 20 July 2017.
- 8.5 The relevant proposed criteria for the scheme together with justifications can be found at Appendix A.
- 8.6 The Government has announced the following funding for the scheme for North Hertfordshire:

Year	Amount of Funding
2017/2018	£320,000
2018/2019	£155,000
2019/2020	£64,000
2020/2021	£9,000
Total	£548,000

- 8.7 It is a little surprising that the Government has front loaded the support as those businesses affected are more likely to need more help in later years as the amount of transitional relief is gradually reduced.
- 8.8 One key question that has been asked of the Government is whether the funding can be flexed across the four years, i.e. for North Hertfordshire £548,000 to be spent in total over four years rather than in accordance with the allocations in 8.6.

- 8.9 DCLG's letter of 15 May 2017 acknowledged that there had been a number of representations regarding flexing of the funding and stated that further advice would be given as soon as possible. To date there has been no further advice on this matter, which is crucial to how Councils can design their final schemes.
- 8.10 Although there has been no formal follow up to the DCLG letter of 15 May 2017, The Head of Revenues, Benefits & Information Technology has been advised by a senior official at DCLG that there are no plans to allow Councils to flex the funding over the four year period and it must be spent in accordance with the amounts detailed at 8.6.
- 8.10 Officers have carried out an exercise to identify, as far as possible, those accounts which would receive help from the proposed scheme, should it be implemented as detailed at Appendix A. The funding is awarded in proportion to the increase in Rates payable and adjusted to ensure that no business actually pays less in 2017/2018 than in 2016/2017.
- 8.11 The consultation carried out by the Government started with the premise that there would be qualifying criteria of properties with Rateable Values below £200,000 and increases in Rates payable of more than 12.5% comparing 2017/2018 with 2016/2017. These are criteria used by the Government to determine the level of funding for each Authority.
- 8.12 In their letter of 15 May 2017, DCLG have back-tracked on this and stated "*The methodology set out in the consultation simply provides a proxy for need, and determines the allocation for each billing authority. It is for each authority to design its scheme as it sees fit.*"
- 8.13 Although this leaves the door open to use different qualifying criteria, it would seem reasonable to retain these for two reasons:
- As the funding is based on these criteria, so should the awards
 - Any significant further extension of the criteria would lead to a dilution of the awards, making many of them insignificant
- 8.14 Subject to any changes because of failure to meet the State Aid Rules or total Rateable Values exceeding the £200,000 limit, around 130 accounts have been identified with additional support in year one ranging from just over £300.00 to nearly £7,000.00 based on the criteria in Appendix A.
- 8.16 In year four, when the amount of funding is only £9,000, the awards range from £30.00 to £650.00 with the vast majority being below £100.00.
- 8.17 In the first year because some awards have to be capped to ensure that they do not exceed the amount of Rates payable in 2016/2017, there would be an approximate shortfall in the spend of around £71K, i.e. the awards would total £249K from a pot of £320K. This amount could be held in reserve to be distributed later in the year for hardship cases on an individual basis.
- 8.15 At this point in time, the matter is being considered by the HCFO's and further financial modelling may be necessary depending on whether there are any changes to the scheme as it stands at the moment..
- 8.16 In view of the urgency now being afforded to implementation of these schemes by DCLG, and the fact that there is still some work to be done before the scheme for North Hertfordshire can be finalised, Cabinet is being asked to consider the high level implications of the scheme and delegate the final detail to the Strategic Director for

Finance, Policy & Governance in consultation with the Executive Members for Finance & IT as there is not another Cabinet meeting scheduled until 26 September 2017.

9. LEGAL IMPLICATIONS

- 9.1 Paragraph 5.6.1 of the Council's Constitution authorises Cabinet to exercise the following function: *"To prepare and agree to implement policies and strategies other than those reserved to Council"*.
- 9.2 The Government is not proposing to bring in any new legislation to implement Local Discretionary Fund Schemes and instead is depending on the powers already invested in Local Authorities under Section 47 of the Local Government Finance Act 1988 relating to the provision of Discretionary Rate Relief Schemes.

10. FINANCIAL IMPLICATIONS

- 10.1 The Government has announced that it will reimburse Councils through a Section 31 Grant for 50% of expenditure up to the amounts detailed in 8.6 above. This represents this Council's 40% share of NNDR income and 10% for the County Council. 50% is retained by the Government in any case and there are therefore no direct costs to the Council, other than Officer time in devising, implementing and managing the scheme.

11. RISK IMPLICATIONS

- 11.1 At the time of writing this report, Officers are not aware of any Local Discretionary Fund Scheme being in place, however as detailed above DCLG is exerting pressure to get these schemes implemented and there would be a reputational risk in unduly delaying this.

12. EQUALITIES IMPLICATIONS

- 12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 The scheme is intended to assist those most affected by the Business Rates revaluation and any equalities implications have been considered in the justifications detailed in Appendix A.

13. SOCIAL VALUE IMPLICATIONS

- 13.1 The Social Value Act and "go local" policy do not apply to this report.

14. HUMAN RESOURCE IMPLICATIONS

- 14.1 There are no Human Resources implications in this report.

15. APPENDICES

- 15.1 Appendix A – Local Discretionary Fund Criteria

16. CONTACT OFFICERS

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17. BACKGROUND PAPERS

17.1 Grant Determination Letter dated 28 April 2017

17.2 Letter from DCLG dated 15 May 2017

17.3 Business Rates Information Letter dated 20 June 2017