

DISCRETIONARY RATE RELIEF

Responsible Cabinet Members -
Councillor Stephen Harker, Efficiency and Resources Portfolio
Councillor Chris McEwan, Economy and Regeneration Portfolio

Responsible Directors
Paul Wildsmith, Director of Neighbourhood Services and Resources
Ian Williams, Director of Economic Growth

SUMMARY REPORT

Purpose of the Report

1. To approve the Discretionary Rate Relief scheme for 2017 to 2021.

Summary

2. At the budget in March 2017, the Chancellor announced that the Government would provide additional help to those businesses that faced the steepest increases in their Business Rates bills as a result of the April 2017 revaluation.
3. This report sets out the recommended criteria for making awards of Discretionary Rate Relief, which are subject to the discretion of the Council, which are:-
 - (a) The ratepayer has seen a significant increase in their Business Rates bill as a result of the April 2017 revaluation, or
 - (b) It would assist new businesses setting up in the Town Centre.
4. Additional funding has been made available to the Council by the Government to make awards of Discretionary Rate Relief.

Recommendation

5. It is recommended that Cabinet approves the Discretionary Rate Relief scheme as detailed in this report.

Reasons

6. The Government requires Councils to adopt a scheme in order to make awards of Discretionary Rate Relief and consult any major precepting authority on the design of the scheme.

**Paul Wildsmith
Director of Neighbourhood Services and Resources**

**Ian Williams
Director of Economic Growth**

Background Papers

Discretionary Funding for BRR Relief Grant Determination (2017/18) 31/3071

Anthony Sandys: Extension 6926

S17 Crime and Disorder	There are no issues
Health and Well Being	There are no issues
Sustainability	There is no environmental impact in this report
Diversity	There are no issues
Wards Affected	All wards are affected, but in particular those in the Town Centre and those with higher numbers of non-domestic properties
Groups Affected	Potentially any owners or tenants of non-domestic properties liable to pay Business Rates could be affected
Budget and Policy Framework	The issues contained within this report do not represent a change to Council budget or the Council's policy framework
Key Decision	This is a key decision
Urgent Decision	This is not an urgent decision
One Darlington: Perfectly Placed	This report has implications for the 'Prosperous Darlington' theme of the Sustainable Community Strategy.
Efficiency	Payments of Discretionary Rate Relief will be reimbursed to the Council through grant payments under section 31 of the Local Government Act 2003, up to the limits set out in this report.
Impact on Looked After Children and Care Leavers	This report has no impact on Looked After Children or Care Leavers

MAIN REPORT

Information and Analysis

Background

7. Business Rates are charged on most non-domestic properties such as shops, offices, factories and public buildings. The amount of Business Rates charged is based on the rateable value of the property (known as a hereditament). The rateable value of each hereditament is assessed by the Valuation Office Agency (VOA) and is based on an estimate of the open market rental value of the property.
8. In order to ensure that this estimate reflects changes in the property market the VOA undertakes a revaluation of rateable values, usually every 5 years. The most recent revaluation took place in April 2017.
9. In Darlington, the overall amount of rateable values reduced from £87.4 million to £82.0 million, as a result of the 2017 revaluation. Whilst many businesses saw their rateable values (and their Business Rates bills) go down, some rateable values increased. The Government has already provided some transitional relief to businesses whose Business Rates have increased.
10. At the budget in March 2017, the Chancellor announced that the Government would make available a discretionary fund of £300 million over 4 years from 2017-18. The intention was to provide additional help to those businesses that faced the steepest increases in their Business Rates bills as a result of the revaluation.
11. This fund will be administered by Councils under their existing powers through the Local Government Finance Act 1988. The amount of funding available for Darlington is set out in **Table 1** below:

Table 1: Discretionary Rate Relief Funding 2017 to 2021

Year	Amount (£,000)
2017-18	133
2018-19	65
2019-20	27
2020-21	4

12. The Council will be compensated for payments made under this arrangement (up to the values indicated above) by means of grant payments under section 31 of the Local Government Act 2003.

Discretionary Rate Relief Scheme

13. The Government requires Councils to adopt a scheme in order to make awards of Discretionary Rate Relief and consult any major precepting authority on the scheme design.

14. The government guidance for developing a scheme is minimal so there is a significant amount of discretion available to the Council. One significant limiting factor is if the relief is not awarded, the grant is not receivable so it is key that the scheme is operated in a way that ensures the funding is delivered to Darlington businesses.
15. The recommended approach is to allocate the funding evenly over businesses that have seen increases whilst limiting who receives support based on type of occupier as set out later in the report.
16. The flexibility available in the grant conditions give the Council the opportunity to use some of the funding to assist new businesses and it is proposed that approximately £111,000 of the funding is used over the next four years to assist new businesses with business rate payments who relocate to the town centre.
17. The recommended criteria for making awards of Discretionary Rate Relief, are as follows:
 - (a) The ratepayer has seen a significant increase in their Business Rates bill as a result of the April 2017 revaluation, or
 - (b) It would assist new businesses setting up in the Town Centre.
18. In line with Government expectations, this scheme will operate on the following principles:
 - (a) It is fair, transparent and easy to administer in order for the funding to be distributed quickly and consistently across different sectors, locations and sized businesses within Darlington. The main proportion of relief in 2017-18 will be awarded to those ratepayers who have faced a net increase in their rates bill for 2017-18 following the revaluation.
 - (b) It will allocate a greater proportion of the funding to small and medium sized businesses, based on their rateable value.
 - (c) It will be primarily for Darlington based businesses.
 - (d) It will be administered without the need for an application but will take into account State Aid requirements.
 - (e) It sets aside a proportion of the allocated funding to target support for new businesses setting up in the Town Centre.
 - (f) It excludes certain businesses from receiving Discretionary Rate Relief.
19. The following businesses will be excluded from receiving Discretionary Rate Relief under this scheme:
 - (a) Owners or landlords of empty properties, unless the purpose of the award is to assist in the occupation of that property.
 - (b) Hereditaments that cannot be occupied, such as:
 - (i) Advertising hoardings
 - (ii) Bus shelters
 - (iii) ATMs
 - (iv) Telephone masts.

- (c) Any 'public sector' hereditaments, including privately owned businesses, such as:
 - (i) Schools and colleges
 - (ii) Doctor's and Dentist's surgeries
 - (iii) Hospitals and health centres
 - (iv) Police, Fire and Ambulance premises
 - (v) Darlington Borough Council premises
- (d) Multi-national or multi-regional businesses, where any additional relief is likely to exceed State Aid limits.
- (e) Betting shops.
- (f) Hereditaments with a rateable value in excess of £100,000.
- (g) Public Houses that have already received up to £1,000 of 'Pub Relief' introduced in 2017-18.

Significant increases in Business Rates bills as a result of the April 2017 revaluation

- 20. It is proposed that the majority of the funding available for 2017-18 is used to help those businesses that have seen the steepest net increases in their Business Rates bills as a result of the April 2017 revaluation. Awards will be made as follows:
 - (a) The business is not one of those excluded, as set out in paragraph 16.
 - (b) The increase in Business Rates for 2017-18 is £100 or more.
 - (c) Awards will be capped to a maximum of £900.

- 21. Based on these criteria, it has been estimated that 236 businesses will be awarded relief, up to a maximum of £118,000 in total for 2017-18 (an average of £500 per business).

Assisting new businesses setting up in the Town Centre

- 22. It is proposed that the remaining funding for 2017-18, and the total funding for 2018 to 2021 is used to assist any new businesses setting up in the Town Centre. Specifically, awards will be made to encourage economic development in order to attract investment into designated areas in and around the Town Centre, to support growth from the independent sector and to enhance Darlington's offer to shoppers and visitors.
- 23. Awards will be made in this part of the scheme for businesses who meet the following criteria:
 - (a) The business is not one of those excluded, as set out in paragraph 16.
 - (b) The business is new to Darlington Town Centre and therefore not currently occupying a business premises in the Town Centre.
 - (c) The business will be occupying a currently empty ground floor retail unit or business premises in the Town Centre. The business must therefore agree and inform Darlington Borough Council of timescales in terms of moving into the vacant premises.

- (d) The business is not a charity shop, betting shop, sex shop, off license, e-cigarette shop, pawnbroker, short-term high interest loan company or similar.

Decision Making Process

24. Awards of Discretionary Rate Relief under the '2017 revaluation' criteria will be made automatically to eligible businesses. Businesses will be informed of the decision, including a requirement to declare if the award would exceed State Aid limits. A revised Business Rates bill will then be issued and if payments have already been made, a refund will automatically be made.
25. Awards of Discretionary Rate Relief under the 'Assisting new businesses in the Town Centre' criteria will be approved by the Director of Neighbourhood Services and Resources in consultation with the Director of Economic Growth. Awards will therefore be made at the time the initial Business Rates bill is issued.
26. There will be no formal right of appeal against any decision made by the Council in relation to Discretionary Rate Relief decisions, although the Council will consider any requests to revise a decision through normal internal review arrangements.

State Aid

27. Discretionary Rate Relief will not be awarded where it appears that an award will result in the rate payer receiving State Aid above the current de minimis level. Awards of Discretionary Rate Relief under the 'Assisting new businesses in the Town Centre' criteria will only be made once a statement from an appropriate person in the business or person representing the rate payer is received, setting out the amount of State Aid that they have received in the previous three years.

Financial implications

28. The amount of any Business Rates Discretionary Relief (up to the amounts in Table 1 above) will be fully reimbursed to the Council through grant payments under section 31 of the Local Government Act 2003. Awards will not be made where the total relief granted will exceed the amounts in Table 1.

Consultation

29. The Council has already consulted the Durham and Darlington Fire and Rescue Service and the Tees Valley Combined Authority on the proposed scheme. No comments were received from the consultation.