
REPORT FOR: CABINET

Date of Meeting:	14 September 2017
Subject:	Revaluation Support and “Supporting Small Businesses Relief”
Key Decision:	Yes
Responsible Officer:	Tom Whiting, Corporate Director of Resources and Commercial
Portfolio Holder:	Councillor Adam Swersky, Portfolio Holder for Finance and Commercialisation
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 – Consultation Document Appendix 2 – Draft revaluation relief scheme Appendix 3 - EqIA

Section 1 – Summary and Recommendations

To introduce local discretion regarding Revaluation Relief;

- a) So Harrow can distribute its share of the £300m discretionary hardship pot, as announced in the budget, as re-valuation relief to small businesses who are facing the steepest bill increases due to the 2017 national re-valuation,
- b) in order for Harrow to implement the Governments’ Supporting Small Businesses Relief transitional scheme,

- c) in order to distribute the £1000 discretionary relief lump sum to qualifying Pubs.

Recommendations:

Cabinet is requested to:

1. Agree to adopt for the years 2017/18 to 2021/22 the attached discretionary “Re-valuation Relief scheme” for small businesses, adopt the Government’s guidance and scheme on “Supporting Small Businesses Relief”, and for 2017/18 only, adopt the Governments scheme and guidance on supporting qualifying Pubs;
2. Agree that the Corporate Director of Resources and Commercial can exercise discretion under s47 of the Local Government Finance Act 1988, (as amended) (hereinafter “LGFA”) in order to operate the above schemes.
3. Agree to the Corporate Director of Resources and Commercial, following consultation with the Portfolio Holder for Finance and Commercialisation, amending the scheme percentages annually in order to align scheme awards to Central Government funding allocated.

Reason: (For recommendation)

To ensure Harrow Council’s small business ratepayers receive the maximum amount of centrally funded relief that can be claimed from the DCLG and to ensure the Council supports the local economy.

2.1 Introductory paragraph

Following the Budget on 8 March, Central Government has established a £300m discretionary fund over 5 years from 2017/18 to support those businesses that face the steepest rates bills as a result of the 2017 revaluation. Local Authorities will be able to distribute funds via three schemes, as awards under s47 LGFA, using their discretionary powers.

- 2.2 The intention is that every billing authority in England will be provided with a share of the £300m to support their local businesses. Harrow Council will be expected to put in place a discretionary re-valuation relief scheme to deliver targeted support to the most hard-pressed ratepayers. The £300m will fund the four years from 2017/18 and Harrows allocation and potential share is set out below;

Year	Governments Expected Funding	Harrow’s expected spend on discretionary awards
2017/18	£175m	£780k
2018/19	£85m	£379k
2019/20	£35m	£156k
2020/21	£5m	£22k

2.3 It was additionally announced that a further £20m to £25m over the next five years, would also be available via;

- i. Supporting Small Businesses Relief (SSBR) Transitional Scheme which will support small businesses who are subject to higher bills due to the loss or partial loss of small business rates relief (SBRR) due to the 2017 re-valuation.
- ii. a £1000 support sum for Pubs in 2017/18 only

2.4 With regards any discretionary re-valuation relief awarded, billing authorities will be compensated by payment of a grant under Section 31 of the Local Government Act 2003, for the cost to the authority of granting the relief up to the maximum amount based on its share allocation of the £300m fund. No new legislation will be required to deliver the scheme.

With regards SSBR Transitional scheme and one off lump sum relief for Pubs, any amount granted via the Government initiatives will also be fully funded through Section 31 grants. There are separate control totals for these in Central Government's Budget. Any relief granted under the SSBR transitional scheme or Pubs initiative are to be funded on top of Harrow's share of the £300m discretionary hardship funds allocation which will support the Council's local re-valuation relief scheme, (as per table above). This is confirmed in the Treasury costings paper. What this means is that we may well be able to support Harrow businesses with relief above the £780k suggested (in 2017/18), so long as we identify eligible business premises.

The amount allocated to the Council is the total relief that it can offer (and still be refunded), and not the total amount of the s31 grant the Council can potentially claim i.e. the allocation includes the cost to the local share, including any preceptors and central share.

2.5 "Harrow's Discretionary Re-Valuation Relief Scheme"

Consultation

As part of the budget announcement and guidance issued from DCLG, the Council consulted on and drafted the attached discretionary Re-Valuation Relief Scheme (Appendix 2). The Council is only obliged to consult with preceptors, but consulted not only with the GLA, but also with key representatives of businesses, including the Federation of Small Businesses, the Chamber of Commerce and Harrow in Business.

Invitations were emailed to the following organisations following liaison with the Economic Redevelopment Team:-

- *Belmont Traders Association*
- *Edgware Traders Association*
- *Hatch End Traders Association*
- *Kenton Traders Association*
- *North Harrow Traders Association*

- *Rayners Lane Traders Association*
- *Pinner Traders Association*
- *South Harrow Traders Association*
- *Stanmore Traders Association*
- *Station Road Traders Association*
- *Wealdstone Traders Association*
- *Federation of Small Businesses*
- *Greater London Authority (GLA)*
- *Economic Redevelopment Team*

The consultation was carried out over the period 16th June 2017 through to 30th June 2017. The consultation focussed on and asked stakeholders to help shape the discretionary re-valuation relief scheme from 2017/18 onwards. The consultation booklet is attached at Appendix 1.

Six (6) responses were received of which 3 completed the questionnaire. Two Associations were not due to meet until after the consultation period expired but confirmed they would advise their members on how to respond to us direct. No responses were received on their behalf.

Consultation Feedback

The feedback from the consultation has been collated and can be seen in the Consultation Findings table below. The proposed scheme was drafted taking into consideration the outcomes from the consultation, the guidance from DCLG and the need to dovetail support with Harrow's own strategic objectives.

2.6 Consultation Findings - Table 1

	Summary of	Feedback from	Respondents
Consultation Questions	GLA	North Harrow Traders Association	North Harrow Traders(2)
Relief awarded on basis of proportion increase of rates bill	Agree - <i>Reflected in the Final Policy</i>	Strongly Agree - <i>Reflected in the Final Policy</i>	Strongly Agree – any help useful - <i>Reflected in the Final Policy</i>
Preference to small & medium sized	Agree - <i>Reflected in the Final Policy</i>	Agree – support to build businesses without cutting staff and allow for investment - <i>Reflected in the Final Policy</i>	Strongly Agree to prevent North Harrow becoming a ghost town - <i>Reflected in the Final Policy</i>

Against local community or public interest to award relief	No specific objection - <i>Original proposal from consultation Reflected in the Final Policy</i>	Yes – Betting shops and those unable to manage their clientele resulting in a negative community atmosphere in the locality - <i>Reflected in the Final Policy</i>	No comments – <i>Original proposal from consultation Reflected in the Final Policy</i>
List of types of businesses to be excluded	No comment - <i>Original proposal from consultation Reflected in the Final Policy</i>	Fast Food Outlets, Vape Lounge, Gyms, Betting Shops, Clubs where clientele tend to gather on the street to smoke and cause a nuisance to other members of the public – <i>With the exception of fast food outlets, this is reflected in the Final Policy</i>	Petrol Stations and Car Wash – <i>These have now been included as categories to be supported within the Final Policy</i>
Removal of relief if non compliance	No view – <i>Original proposal from consultation Reflected in the Final Policy</i>	Agree - <i>Reflected in the Final Policy</i>	Strongly Agree – <i>Reflected in the Final Policy</i>
Additional relief for Children Day Centres/Nurseries and premises providing Adult Social Care	Strongly Agree - <i>Reflected in the Final Policy</i>	Disagree	Strongly Agree – <i>Reflected in the Final Policy</i>
Pubs to be entitled to this scheme as well as pub relief	Strongly Agree - <i>Reflected in the Final Policy</i>	Disagree	Agree - <i>Reflected in the Final Policy</i>

Other Comments / Suggestions

Organisation	Comment	Response
GLA	Would encourage LBH to support ratepayers with RV of up to £150K rather than £100K	<i>Due to the limited funds available and the make up of the commercial properties within the borough being small to medium sized we have determined that it would be more beneficial to support the local community by focusing on the smaller properties</i>
GLA	Support the additional 1% for businesses who pay the London Living Wage to directly employed staff	<i>In final policy</i>
GLA	Believe that disqualifying non compliant businesses may be come a matter of judgement and leave the authority open to challenge	<i>Acknowledged</i>
GLA	Not clear why GP surgeries, educational and religious establishments not in receipt of other mandatory or discretionary rate relief excluded from this eligibility	<i>GP surgeries & Educational Establishments receive monies via Local/ Central Government or NHS trusts for their rates bills. Excluding religious establishments keeps this policy in line with the corporate Top up and Non Profit Making Organisation Discretionary Rate Relief scheme</i>
GLA	Would encourage LBH to consider supporting professional, financial and employment related occupiers where services offer provide a direct benefit to the local community	<i>Would be difficult to administer and open to potential challenge</i>
GLA	Have a policy which allows LBH to offer relief to those ratepayers in genuine hardship	<i>In order to administer this additional relief for ratepayers who have faced a large increase directly due to the revaluation this must be a criteria which may not cover all ratepayers who may be in genuine hardship. Regulations allow for ratepayers to also make applications under Section 49 which does not have such restrictions.</i>
GLA	Suggest due to transitional phasing that LBH hold back some of the funding to carry over into future years to allow support.	<i>DCLG now confirmed not able to do this as yearly allocations must be spent within the appropriate year only.</i>

GLA	Liaise with other London authorities to develop consistent application form to minimise administration to ratepayers and maximise take up	<i>There is insufficient time to do this in 2017/18 but may be possible for future year schemes</i>
Economic Redevelopment	Support additional 1% relief for ratepayers where evidence of London living wage being paid to directly employed staff and want this to be promoted and can we offer to other businesses in the borough who pay the LLW but are outside of these criteria for the additional discretionary relief	<i>In draft policy – no funding to support organisations which fall outside of this criteria</i>
North Harrow Traders Association	Over last 3-5 years steady decline in Council led services and increase in fees. A reduced rates bill would be a welcome step in the right direction to prevent further businesses moving away or not extending their leases due to the poor state of the area	<i>The draft Policy reduces the Business Rates burden for qualifying small businesses</i>
North Harrow Traders Association	Parade of shops have suffered from flooding during flash floods and has resulted in loss of business and/or not able to use all of business premises	<i>There are separate legislation to cover support for these reasons</i>
North Harrow (2)	Money spent on the area, pavements, flower boxes, help with having events on days in the year to promote 'shop local' adverts in papers to promote small businesses	<i>Comments have been noted and shared with the Economic Development Team</i>

Proposed Scheme

2.7 Our proposal is therefore to offer relief for revaluation support to those businesses and organisations that are facing a sizeable increase in their business rate bills following the April 2017 revaluation by offering eligible businesses a discount of between 1% and 15% depending on the size of the property's rateable value and on the increase in their business rates bill.

2.8 The proposed scheme therefore concentrates on supporting the 1965 properties occupied by small and medium traders with rateable values between 15,000 to 99,000, and which are the lifeblood of Harrow's economy.

2.9 We believe that this method would be the fairest way of distributing the Council's allocation of Government funding for extra business rates relief for revaluation support because:

- It ensures that the value of the extra relief given out is proportional to the rateable value of the property and links to the amount that a businesses' bill has increased by.
- It ensures that the extra relief available supports different types and sizes of business across the whole borough, rather than just being concentrated on a very small number of businesses or any one particular high street or sector.
- It provides for a consistent method of calculating how much relief to award any one business, ensuring that the relief scheme is transparent and that businesses are treated fairly against a clear criteria.
- It supports small and medium sized businesses which covers the majority of the commercial traders within the borough who are not already receiving full Small Business Rate Relief.
- It uses up most of the funding allocated to Harrow Council and allows contingency for new split or merged properties which come into the list retrospectively with a start date of 1st April 2017 and impacted by the changes of the 2017 Revaluation.
- It is straight forward to administer and reduces administration costs.

2.10 In order to support Harrow Council's long term objectives, the proposed scheme also makes provision for, in exceptional circumstances, the Council to award additional relief to commercial property being used for the provision of "private day nursery" or "private adult social care" services. This may equate to the difference between zero and 5% of the actual increase in rates payable, either negating the charge altogether or simply reducing it to the 2% cap Central Government have prescribed to ensure at least inflationary increase is payable.

Additionally, the scheme also makes provision for qualifying businesses to be disqualified from receiving local discretionary business re-valuation relief if the business does not comply with trade waste disposal, environmental health or other appropriate statutory, legal or local authority requirements.

In order to show Harrow Council's support to traders who pay the London Living Wage, whilst the eligible percentage of discretionary revaluation support will be applied automatically to those eligible properties/traders business rates accounts, Harrow's scheme will in addition provide 1% extra support where the trader can evidence that they pay the London Living Wage as a minimum salary to directly employed staff.

2.11 The proposed scheme will take effect from 1/4/2017 and the relief award percentages will reduce year on year to ensure the yearly cumulative awards do not exceed the yearly allocations of funding to

the Council; in effect the scheme will award relief equivalent to a percentage of the yearly increase to each qualifying property/taxpayer.

2.15 “Supporting Small Businesses Relief (SSBR)”

To support those ratepayers affected, the “Supporting Small Business Relief” will now ensure that the increase per year in the bills of those ratepayers is limited to the greater of:

i] A cash value of £600 per year (£50 per month). This cash minimum increase ensures that those ratepayers currently paying nothing or very small amounts are brought into paying something, or

ii] the matching cap on increases for small properties in the transitional relief scheme (5%, 7.5%, 10%, 15% and 15% from 2017/18 to 2021/22 – all plus inflation).

The Council, as a billing authority, is empowered to award discretionary rate relief under s47 of The Local Government Finance Act 1988, as amended by s69 of the Localism Act 2011. The latter widened the scope of s47 to enable billing authorities to award discretionary relief to any ratepayer. It is expected that Harrow will deliver the scheme through the use of our existing discretionary relief powers.

2.16 “Support for Pubs”

The Government also announced a new relief scheme for Pubs that have a rateable value of below £100,000. Under the scheme, eligible pubs will receive a £1000 discount on their 2017/18 bill.

Harrow will additionally be expected to use its discretionary powers under s47 to grant this new relief for pubs in line with the relevant DCLG eligibility criteria.

2.17 Implementation

DCLG expects billing authorities to have in place clear and swift arrangements for communicating with ratepayers both on the confirmed and likely terms of the new schemes for relief covered by their guidance. This is being done immediately the schemes in this report are approved although we will be reliant on delivery of updated software before we can start awarding reliefs.

Council Officers have ascertained how many small ratepayers are likely to be affected and how many Pubs may qualify for the reliefs announced. The intention is to simply award the relief to those qualifying premises and to inform ratepayers retrospectively, in effect speeding up the awarding of any relief. The work will be limited by the staff capacity in place to deal with enquiries from ratepayers, and how quickly system suppliers develop the appropriate software for the authority to be able to administer the reliefs.

The below tables give an indication of the number of businesses benefiting from re-valuation relief scheme and the likely overall cost in the financial year 2012/18.

Rateable Value size	No's of Properties Potentially eligible	Potential Relief Amounts
15,000 to 20,000	477	£161k
20,001 to 30,000	458	£220k
30,001 to 40,000	188	£102k
40,001 to 51,000	99	£ 61k
51,001 to 99,999	81	£ 87k
Totals	1303	£631k

The proposed scheme will potentially support 1303 out of the 1965 properties within the qualifying 15,000 to 100,000 rateable value band, and ensure that award expenditure is within the allocated Central Government funding.

2.18 Cost of Scheme

The government will pay compensation to Harrow Council for lost business rates retention income due to this initiative. Hardship scheme awards granted within the allocated yearly amount thresholds, as well as relief given to Pubs and under the SSBR scheme will be fully compensated via s31 grant and there will be no cost to the Council.

However any amounts granted under the Local Discretionary Small Business Revaluation scheme above the Council's maximum allocation of the £300m will attract no s31 payments.

The s31 grant will also have conditions – including the requirement for billing authorities to consult on their relief schemes with their major preceptors, ie. the GLA.

2.19 Recommendations

For the reasons articulated above in this report, it is recommended that Cabinet approves the exercising of discretion under s47, and approves the three relief schemes proposed, allowing the appropriate reliefs to be awarded, for eligible small businesses and Pubs. This will reduce the rates liability for specific small traders and will ensure support for the local economy.

For subsequent years it is also recommended that the scheme simply changes percentages to ensure that the scheme fits the reduced budget and so that the Council is not exposed to additional costs.

2.20 Legal Implications

The main provisions conferring the discretionary power on billing authorities to grant rate relief are to be found in Section 47 of the Local Government Finance Act 1988 (LGFA). Authorities have discretion to grant rate relief from all or part of the amount of non-domestic rates payable.

The authority already has in place a policy that provides guidelines for deciding whether or not to grant relief and for determining the amount of any relief given. This report temporarily enhances that policy to cater for recent Government announcements, for the stated specific years, so Harrow Council can have a vehicle to compensate and support local small businesses for increases in amounts payable, or to specifically

support Pubs, if they are detrimentally and disproportionately affected by the impacts of the national revaluation and fall within the Government's or Harrow Council's eligibility criteria.

The Localism Act 2011 already amended s.47 of the LGFA to widen the power to award discretionary rate relief to businesses as it thinks fit. However, the Council can only exercise its discretion if it is reasonable to do so having regard to the interests of local council tax payers and having elected to do so via a specific scheme or policy. This report considers the policy appropriate and agrees the scheme. By adopting the scheme, Cabinet puts in place the mechanism for the Council to exercise its discretion and distribute the s31 funding.

Cabinet must also note that in making discretionary payments, the local authority will be expected to ensure it is meeting conditions attached to State Aid under European Union regulations.

2.21 Financial Implications

The £300m allocated across England will cover the four years from 2017/18 to 2020/21 and Harrow's allocation and potential share is set out below;

Year	Governments Expected Funding	Harrow's expected spend on discretionary awards
2017/18	£175m	£780k
2018/19	£85m	£379k
2019/20	£35m	£156k
2020/21	£5m	£22k

The government will pay compensation to Harrow for lost business rates retention income due to this initiative. Hardship scheme awards granted within the allocated yearly amount thresholds, as well as relief given to Pubs and under the SSBR scheme will be fully compensated via s31 grant and there will be no cost to Harrow.

Regarding hardship relief, s.31 compensation payments will be capped at the maximum of that year's allocation. The Government specifically states that, "any discretionary relief paid by billing authorities in respect of "revaluation support" in excess of their allocation will not attract s.31 grant".

Any exercise of discretion must follow the DCLG guidance, and other local criteria that may be adopted. This will ensure that any relief granted is compliant with Government rules, and only relief within the guidelines and/or within yearly threshold amounts are awarded so ensuring Harrow is fully paid its compensatory grant.

DCLG has now confirmed that approximately £12k will be allocated to each billing authority to cover IT costs. This will however not cover the staff costs required to implement & administer the scheme. If insufficient funding is received, the Service will need to manage the additional costs of administration within existing budgets.

2.22 Performance Issues

Ensuring all eligible small traders are awarded the reliefs they are entitled to will support collection rates and reduce collection administration, as collecting small amounts from multiple traders who may be struggling financially is difficult and time consuming.

2.23 Environmental Impact

There are no direct environmental impacts anticipated from the recommendations contained within this report.

2.24 Risk Management Implications

Risk included on Directorate risk register? No
Separate risk register in place? No

2.25 Equalities implications

A predictive Equalities Impact Assessment has been undertaken in relation to the policy and is attached.

When making this decision, Cabinet should have due regard to the Public Sector Equality Duty. Section 149 of the Equalities Act 2010 created the Public Sector Equality Duty. Section 149 states:-

- (1) A public authority must, in the exercise of its functions, have due regard to the need to:
 - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

2.26 The EqIA (Appendix 3) shows that potential recipients of relief would be small and medium sized traders, spread across the borough. Occupiers of large properties, and other selected premises, will not benefit from the proposed scheme. This may mean that the proposal has an adverse impact on these traders.

However guidance from DCLG deliberately suggests targeting the extra relief for 'revaluation support' at small and medium sized firms and independents, giving preference to them over multinational and large national businesses. The rationale behind this option is on the grounds that multinationals and large national businesses with high turnovers are more likely to be able to afford to pay higher business rate bills than small and medium sized firms and independents. Furthermore, following the 2017 revaluation most national and multinational based businesses will have seen their business rate bills decrease in property they occupy in other parts of the country therefore offsetting any increases in property they occupy in London.

There are also very clear reasons for not supporting premises where their main purpose may be counterproductive to Harrow's strategic objectives or against the local community's or public interest to do so. *(Public interest grounds could include for example concerns over the associated negative impact a particular type of business may have on the local environment, health and wellbeing or public order and anti-social behaviour concerns.)* As such whilst it is accepted that betting shops, payday lenders, pawn brokers etc, will be impacted, as will premises where traders are non compliant regarding their statutory, legal or other local authority requirements, this is understood and accepted.

The proposal consulted on included an option to provide further additional support to properties used in the provision of day nurseries or adult social care. Whilst this was supported by the GLA, it was not supported by all who responded.

Regarding awarding further support to Pubs who are already in receipt of the one off Pub relief for 2017/18, again the majority agreed although not all respondents supported the proposal.

Finally it is worth noting that other authorities too are implementing similar policies regarding re-valuation relief. There is a risk that traders with multiple properties in different geographical areas will also be affected by decisions in other authorities, and that the cumulative effects of such actions could impact those organisations' more severely than we anticipate.

Two (2) of the responses provided equality monitoring information as follows:

Equalities Data	Summary
Age 25-44 range	2
Disability	2
Married – Yes	2
Pregnancy/Maternity	2
Sex – Male	2
Gender – Yes	2
Sexual Orientation – Heterosexual	2
Ethnic Origin – Indian	2
Religion – Hinduism	1

2.27 Corporate Priorities

This report supports the local economy by adopting Government guidance and allowing Harrow to exercise s47 discretion to deliver targeted financial support to eligible local traders.

Section 3 - Statutory Officer Clearance

Name: Sharon Daniels	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 4 August 2017		
Name: Andrew Lucas	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 1 August 2017		

Ward Councillors notified:	NO
EqIA carried out:	Yes
EqIA cleared by:	Alex Dewsnap, Divisional Director, Strategic Commissioning

Section 4 - Contact Details and Background Papers

Contact:

Fern Silverio (Head of Service – Collections & Housing Benefits),
Tel: 020-8736-6818 / email: fern.silverio@harrow.gov.uk

Background Papers:

<https://www.gov.uk/government/consultations/discretionary-business-rates-relief-scheme>

<https://www.gov.uk/government/publications/22017-spring-budget-support-for-business>.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/597335/PU2055_Spring_Budget_2017_web_2.pdf

**Call-In Waived by the
Chairman of Overview
and Scrutiny
Committee**

NOT APPLICABLE

[Call-in applies]