

Executive Decision Report

Decision maker(s) at each authority and date of Cabinet meeting, Cabinet Member meeting or (in the case of individual Cabinet Member decisions) the earliest date the decision will be taken	<p>Leadership Team – 22 March 2018</p> <p>Forward Plan reference: KD 05201/18/K/A</p> <p>Portfolio: Lead Member for Corporate Services</p>	 <p>THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA</p>
Report title (decision subject)	<p>Local Discretionary Business Rate Relief Scheme for 2018-19</p>	
Reporting officer	<p>Report by the Director of Customer Access</p>	
Key decision	<p>Yes</p>	
Access to information classification	<p>Public (Part A)</p>	

1 EXECUTIVE SUMMARY

- 1.1 The Council collects National Non-Domestic Rates (NNDR) from 8,970 non-domestic properties. Following the revaluation of all non-domestic properties in England which came into effect on 1 April 2017, the total amount of rates payable for the Council's properties increased from £298 million in 2016/17 to £348 million in 2017/18 an increase of 16.8 per cent and is estimated to increase to £370 million in 2018/19 an increase of 6.3 per cent.
- 1.2 In its 2017 Spring Budget, the Government announced a £435 million package of support for ratepayers over the next five years. £300 million of this funding is for Council's to deliver their own local discretionary business rate relief schemes to help ratepayers facing increases in their bills as a result of the revaluation. The Royal Borough's funding for its local discretionary scheme for 2018/19 is £1.368 million.

1.3 Any funding for the 2018/19 scheme that remains unspent at 31 March 2019 will have to be returned to the Government. It is therefore important that the agreed scheme is designed so that as much of the £1.368 million funding is distributed as possible.

1.4 I am writing to seek your approval for the local discretionary business rate relief scheme for 2018/19.

2 RECOMMENDATIONS

2.1 This report recommends that the 2018/19 local discretionary business rate relief scheme as detailed in this report and at Appendix A is adopted.

3 REASONS FOR DECISION

3.1 Considerable numbers of ratepayers will see significant increases in their rates bills in 2018/19 and any grant funding that remains unspent after 31 March 2019 must be returned to the Government. It is therefore important that the Council distributes as much funding as possible through its 2018/19 local discretionary business rates relief scheme before the end of the financial year.

4 BACKGROUND

4.1 Following the revaluation of all non-domestic properties which took effect from 1 April 2017/18, the Government set out a transitional scheme to help phase in the increases in rates payable. The cost of this phasing is met by phasing in reductions in rates due. Table 1 sets out the maximum percentage increase in rates for small medium and large properties. Small properties have a rateable value of up to £28,000. medium between £28,001 and £100,000 and large £101,000 and over.

Table 1: Transitional Scheme for 2017 Revaluation

Transition Path	Property Type	2017/18	2018/19	2019/20	2020/21	2021/22
Upwards	Small Properties	5.0%	7.5%	10.0%	15.0%	15.0%
Upwards	Medium Properties	12.5%	17.5%	20.0%	25.0%	25.0%
Upwards	Large Properties	42.0%	32.0%	49.0%	16.0%	6.0%

4.2 In its 2017 Spring Budget, the Government announced £300 million of the funding had been allocated to councils over four years to deliver their own local discretionary business rate relief schemes to assist ratepayers with increases in their rates bills due to the revaluation. The Royal Borough's share of this is shown in Table 2.

Table 2 – Local Discretionary Business Rate Relief Scheme Funding Allocation:

2017-18	2018-19	2019-20	2020-21
£'000	£'000	£'000	£'000
2,817	1,368	563	80

- 4.3 The Council's local discretionary business rate relief scheme for 2017/18 focused on retail type properties including shops, cafes, bars, pubs, restaurants, hairdressers and launderettes with rateable values of up to £150,000 and aimed to support smaller local businesses rather than chains.
- 4.4 The 2017/18 scheme required ratepayers to submit application forms but although forms were sent to all of the businesses deemed likely to be eligible, only fifty per cent of the forms were returned. In addition, it was found that more ratepayers had left their premises or did not meet the qualifying criteria because they were part of a chain business than had previously been estimated.
- 4.5 Government funding for the schemes is available for distribution only in the year it is awarded. When it was clear that the funding for 2017/18 would not be fully spent using the agreed method of distribution, changes were made to the scheme to facilitate this. The changes included allowing officers to add relief without an application form, increasing to the maximum the relief available to businesses already identified as eligible, introducing additional property types, increasing the maximum relief amount from £5,000 to £20,000 and delegating the power to make any further changes or additions to the scheme to the Director of Finance and the Director of Customer Access in order to ensure that, as far as possible, the full relief of £2.817 million is awarded ratepayers before 31 March 2018.
- 4.6 The Council's proposed scheme for 2018/19 is designed to distribute as much of the £1.368 million of Government funding as possible with a focus on helping local retail type businesses such as shops, cafes, restaurants, hairdressers etc. by providing a percentage of relief related to the rates increases they face.
- 4.7 For 2018/19 it is proposed that the local discretionary business rate relief scheme focus only on small and medium sized properties because a review of large properties facing increases shows that the ratepayers of these premises are mainly chains or large businesses and the funding available, £1,368 million is much less than for 2017/18, £2.817 million. This will mean that relief will only be available for properties with rateable values up to £100,000. It is also proposed that the maximum amount of relief per property be set at £20,000.
- 4.8 The Government has made clear that local discretionary business rate relief can only be awarded in respect of increases in ratepayers' bills resulting from the revaluation. This means that they need to have been liable for payment of rates on their property since before 1 April 2017.

- 4.9 As the amount of funding available for the 2018/19 is small relative to the increase in rates, £22 million, this report proposes a number of additional qualifying criteria to try to ensure that relief goes mainly to local retail type businesses and other small and medium sized businesses. It also aims to ensure that funding awarded does not break state aid rules. A copy of the criteria is included at Appendix A.
- 4.10 Data for businesses that could potentially qualify for relief has been reviewed in order to ensure as far as possible that relief is not applied to those that are ineligible such as large chain shops, estate agents, betting shops and money exchanges.
- 4.11 It is estimated as shown in Table 3 that around 928 of the Council's ratepayers could qualify for £1,296,615 of relief leaving a further £71,385 to be distributed. It is anticipated that this amount could be used to provide relief for other small businesses occupying small workshops and offices but further analysis is required.

Table 3 - Summary of Estimated Relief for Small and Medium Retail Type Properties, Surgeries and Business Units

Property Size and Type	Award Amount £	Number of Properties
Small Retail (up to £28,000 rateable value)	166,544	364
Medium Retail (£28,001 to £100,000 rateable value)	1,022,766	476
Surgeries (up to £100,000 rateable value)	63,212	44
Business Units (up to £100,000 rateable value)	44,093	44
Total Net Award	1,296,615	928
Amount of Government Grant (Anticipated)	1,368,000	
Amount Remaining for Distribution	71,385	

- 4.12 Given the problems experienced with the 2017/18 scheme, where too few ratepayers submitted applications for relief, it is proposed that officers apply the relief without the need for any application. This approach has been encouraged by the Department for Communities and Local Government as the Government is keen to ensure that the maximum amount of funding is distributed.
- 4.13 It is also proposed that some flexibility be built into the 2018/19 scheme as was done for the 2017/18 one in order to ensure as much of the £1.368 million of funding is distributed as possible. This flexibility would include being able to increase the maximum the relief available to businesses already identified as

eligible, introducing additional property types and delegating the power to make any further changes or additions to the scheme to the Director of Finance and the Director of Customer Access in order to ensure that, as far as possible, the full relief of £1.368 million is awarded ratepayers before 31 March 2018. These measures will assist where those who have or would have qualified for the relief cease to qualify for it in whole or part because for example they vacate their property or their rateable value changes. It would also allow further analysis to determine where the unallocated funds of £71,385 could best be directed.

- 4.14 It is proposed that ratepayers are not given a right of appeal against any decision to award or not award relief. Reliefs currently administered under Section 47 of the LGFA 1988 do not include such a right. Instead it is recommended that the Director of Customer Access review and determine any appeals where there are complaints or disagreements. Ratepayers may have relief removed where they do not or cease to qualify for it.
- 4.15 The proposed scheme will be subject to a four-week consultation with the public and the Greater London Authority (GLA). This will be conducted following the local elections in May. Once feedback from the consultation has been considered and any changes made a final report will be submitted to Ray Brown, Director of Customer Access for approval.

5 PROPOSALS AND ISSUES

- 5.1 It is proposed that the 2018/19 Local Discretionary Rate Relief Scheme adopted along with the flexibilities set in this report and Appendix A.

6 OPTIONS AND ANALYSIS

- 6.1 There are two options:
- 6.1.1 Option 1 – Adopt the proposed Local Discretionary Business Rate Relief Scheme for 2018/19. This is the recommended option.
- 6.1.2 Option 2 – Review the proposed Scheme and recommend changes.

7 CONSULTATION

- 7.1 The proposed scheme will be subject to a four-week consultation with the public and the Greater London Authority (GLA). This will be conducted following the local elections in May. Once feedback from the consultation has been considered and any changes made a final report will be submitted to Ray Brown, Director of Customer Access for approval.

8 EQUALITY IMPLICATIONS

- 8.1 There are no equality implications arising from this report.

9 LEGAL IMPLICATIONS

- 9.1 The Discretionary Business Rate Relief Scheme adopted in July 2017 provides for applicants to confirm that they have not received more than €200,000 in state aid in the last three years (including the Rate Relief being applied for). This is intended to protect businesses from breaching the de minimus threshold for State Aid under EU Regulations 1407/2013.
- 9.2 Under the proposed scheme for 2018/19 recipients of the Rate Relief will not have to make a positive declaration of their eligibility but instead will be asked to advise the authority if they believe they are not entitled to the relief. Recipients of the relief therefore need to be clearly warned that it is their responsibility to ensure they have not breached the Regulations and that the authority may be required to recover unlawful State Aid.
- 9.3 The power to award discretionary Business Rates relief is contained in section 47 of the Local Government Finance Act 1988.

10 FINANCIAL AND RESOURCES IMPLICATIONS

- 10.1 The Group Finance Manager (Corporate Services) has been consulted and is satisfied that the current proposed changes to the Discretionary Business Rate Relief Scheme are designed to ensure that the maximum financial support can be provided to the eligible businesses in the Borough within the £1.368m allocation available this year. Steps have been taken to learn lessons from the pitfalls of the 17/18 scheme to ensure that flexibility exists within the scheme to ensure the funds are not significantly underspent and returned to Central Government at the year end.
- 10.2 As the Scheme is a passporting of Central Government grant funding to businesses, there are no expected revenue budgetary implications for the proposed changes to the Scheme outlined within this report.

Ray Brown
Director of Customer Access

Background papers used in the preparation of this report: None

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The Royal Borough of Kensington and Chelsea

Qualifying Criteria for Local Discretionary Business Rate Relief for the Financial Year 2018-19

- 1) The Local Discretionary Business Rate Relief Scheme applies for the year 1 April 2018 to 31 March 2019 only. Under the scheme relief will only be provided where a qualifying ratepayer's bill has increased due to the 2017 revaluation. The maximum amount of relief available will be £20,000 per property.

The assistance the Council is able to offer under the scheme will be limited to the funding provided which is anticipated to be around £1.368 million.

Where a qualifying ratepayer's rates bills for 2018-19, 2017-18 and or 2016-17 are reduced for any of the following reasons, the amount of their relief will be reduced or removed accordingly:

- a reduction in rateable value in the 2010 and, or 2017 rating lists
- the provision of a certificated value for the 2010 rating list or historical change
- the application of any additional rate relief or exemption
- vacation and re-occupation of the property
- any other reason

Ratepayers who may benefit from the Scheme will be in occupation of a property with a rateable value of up to £100,000, will have been in occupation of that property prior to 1 April 2017 and will fall into one of the categories listed below:

- Shops (such as: florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licence, chemists, newsagents, hardware stores, supermarkets)
- Charity shops
- Opticians
- Post offices
- Furnishing shops/ display rooms (such as: carpet shops, double glazing, garage doors)
- Car/ caravan show rooms
- Second hand car lots
- Markets

- Petrol stations
- Garden centres
- Art galleries (where art is for sale/hire)
- Shoe repairs/ key cutting
- Travel agents
- Ticket offices e.g. for theatre
- Dry cleaners
- Launderettes
- PC/ TV/ domestic appliance repair
- Funeral directors
- Photo processing
- Tool hire
- Hair and beauty services
- Restaurants
- Takeaways
- Sandwich shops
- Coffee shops
- Pubs
- Bars
- Surgeries
- Business Units

2) Please note that the following types of uses are not eligible for local discretionary business rate relief:

2.1) Properties that are being used for the provision of the following services to visiting members of the public:

2.1.1) Financial services (e.g. banks, building societies, cash points, bureau de change, payday lenders, betting shops, amusement arcades, pawn brokers).

2.1.2) Other services (e.g. estate agents, letting agents, employment agencies).

2.1.3) Professional Services (e.g. solicitors, accountants, insurance agents/financial advisers, tutors).

2.1.4) Post office sorting office.

3) Further Exclusions - For properties where any of the following apply, the ratepayer will not be eligible for local discretionary business rate relief:

3.1) Properties that are operated by the same organisation / business. This applies where the business runs three or more properties in the U.K or in the U.K and overseas.

- 3.2) Ratepayers in receipt of small business rate relief support which limits increases on small properties caused by the loss of small business rates relief to £600.
- 3.3) Ratepayers occupying properties after 1 April 2017 unless they were in occupation of those properties on 31 March 2017.
- 3.4) Properties which were not on the rating list at 1 April 2017. (Relief will not apply where properties are entered into the list retrospectively).
- 3.5) Properties which are unoccupied.
- 3.6) Large organisations such as Transport for London and the NHS.
- 3.7) Where the award of relief would not comply with EU law on State Aid.

4) How Local Discretionary Business Rate Relief is Calculated:

- 4.1) Local discretionary business rate relief is calculated after any or all of the following have been applied:
- Exemptions and other Reliefs
 - Transitional Relief or Premium

and before the application of the Business Rates Supplement. Local discretionary business rates relief does not apply to the supplement.

4.2) In accordance with the terms of the Government grant for local discretionary business rate relief, all ratepayers are subject to a three percent inflationary increase on their bill to which the relief will not apply.

4.3) The maximum percentages of local discretionary business rate relief available on the net 2018-19 rates bill after the reliefs and exemptions described above and before inflation and the business rates supplement are shown in tables 1 and 2.

Table 1 - Small Properties with a Rateable Value up to £28,000

Percentage Increase in Rates Bill	Maximum Relief Percentage
1% - 1.99%	1%
2% - 2.99%	2%
3% - 3.99%	2.5%
4% - 4.99%	3.5%
5% - 5.99%	4.5%
6% - 6.99%	5.5%
7% and over	6%

Table 2 – Medium Properties with a Rateable Value of between £28,001 to £100,000

Percentage Increase in Rates Bill	Maximum Relief Percentage
1% - 1.99%	1%
2% - 2.99%	2%
3% - 3.99%	2.5%
4% - 4.99%	3.5%
5% - 5.99%	4.5%
6% - 6.99%	5.5%
7% - 7.99%	6%
8% - 8.99%	7%
9% - 9.99%	8%
10% -10.99%	9%
11% -11.99%	9.5%
12% -12.99%	10%
13% -13.99%	11%
14% -14.99%	12%
15% -15.99%	12.5%
16% and over	13.5%