

21 March 2019

REPORT OF THE PORTFOLIO HOLDER FOR ASSETS AND FINANCE**MANDATORY AND DISCRETIONARY RATE RELIEF POLICY****EXEMPT INFORMATION**

Not applicable

PURPOSE

To seek Cabinet approval of the proposed Discretionary Rate Relief Policy (Appendix A) with effect from 1 April 2019.

RECOMMENDATIONS

1. **Members note the Government Funding for Retail Discount.**
2. **That Cabinet approves the Discretionary Rate Relief Policy (Appendix A) which will be applied with effect from 1 April 2019.**

EXECUTIVE SUMMARY

The current framework, which has served the Council well, has been in effect since 1 April 2017.

The proposed new framework continues the key principles of the previous policy in the support of local organisations. The key changes are as follows:

1. The removal of public house relief.
2. The introduction of a Retail Discount scheme which was announced by the Chancellor on 29 October 2018. It will provide a discount scheme for occupied retail properties with a rateable value of less than £51,000 in each of the years 2019-20 and 2020-21. The value of the discount should be one third of the bill and must be applied after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied.

OPTIONS CONSIDERED

Two options were considered, either a case by case approach or a formulaic approach. A case by case approach would be administratively burdensome. Therefore a formulaic approach has been adopted. This requires officers to verify that applications fit the set criteria without the need for an in depth consideration of each case.

RESOURCE IMPLICATIONS

The cost of the existing Business Rate reliefs are shared between the Council, the County Council, the Fire and Rescue Authority and Central Government in line with the respective retained shares:

50% Central Government
40% Borough Council
9% County Council
1% Fire & Rescue Authority

In respect of Retail Discount the Government is providing the relief by reimbursing Local Authorities that use their discretionary relief powers (under section 47 of the Local Government Finance Act 1988) to grant relief in prescribed circumstances.

Under the proposed scheme the estimated relief showing the number of properties to be granted is as follows

Rateable Values (£)	Amount of Relief (£)					Total
	Up to £9,999	£10,000-£19,999	£20,000 - £29,999	£30,000 - £39,999	£40,000 - £50,999	
Total Retail Discount	£20,698.88	£165,181.43	£134,459.37	£139,640.85	£96,727.07	£556,707.60
Number of recipients	26	78	36	24	12	176

In 2019/20 the Council will form part of a pilot scheme for Business Rates Retention and at this stage it has not been possible to determine any impact this may have on the cost of awarding discretionary reliefs.

LEGAL/RISK IMPLICATIONS BACKGROUND

That Government refuse to fund the reliefs if it is not awarded in line with the criteria specified by Government. This is a very low risk factor as the Authority will ensure that reliefs are granted in line with guidelines.

EQUALITIES IMPLICATIONS

None

SUSTAINABILITY IMPLICATIONS

The granting of relief will ensure the continued stability of funding for the organisations concerned.

BACKGROUND INFORMATION

The Council already has in place a policy regarding the application and award of Discretionary Rate Relief. Under the Business Rates Retention Scheme the Council will fund 40% of the cost.

The Ministry of Housing, Communities and Local Government (MHCLG) published Business Rates information guidance papers in November 2018 and December 2018 which identified the new Retail Discount to be implemented in 2019. It stated that occupiers of retail properties with a rateable value below £51,000 should receive a discount of one third of their chargeable amount on their rates bills.

The new Retail Discount recognises that changing consumer behaviour presents a significant challenge for retailers in our town centres and is taking action to help the high street evolve.

The Government have confirmed that there will be no change to the rules on when a property becomes entitled to relief. Instead they are providing the relief by reimbursing Local Authorities that use their discretionary relief powers (under section 47 of the Local Government Finance Act 1988) to grant relief in prescribed circumstances. The reimbursement will be via a grant under section 31 of the Local Government Act 2003 in respect of the Local Authorities local share claimed through the NNDR 1 and 3 returns.

The guidance notes intended to support Local Authorities in administering the Retail Discount and set out the criteria which would be used to determine funding. It stated that Local Authorities should ensure application of the Retail Discount as part of the normal 2019/20 billing cycle.

Properties to benefit from Retail Discount

Government considers that “shops, restaurants, cafes and drinking establishments” mean:

i. Hereditaments that are being used for the sale of goods to visiting members of the public:

- Shops (such as: florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licences, chemists, newsagents, hardware stores, supermarkets, etc)
- Charity shops
- Opticians
- Post offices
- Furnishing shops/display rooms (such as: carpet shops, double glazing, garage doors)
- Car/caravan showrooms
- Second hand car lots
- Markets
- Petrol stations
- Garden centres
- Art galleries (where art is for sale/hire)

ii. Hereditaments that are being used for the provision of the following services to visiting members of the public:

- Hair and beauty services (such as: hairdressers, nail bars, beauty salons, tanning shops, etc)
- Shoe repairs/key cutting
- Travel agents
- Ticket offices e.g. for theatre
- Dry cleaners
- Launderettes
- PC/TV/domestic appliance repair
- Funeral directors
- Photo processing
- DVD/ video rentals
- Tool hire
- Car hire

iii. Hereditaments that are being used for the sale of food and/or drink to visiting members of the public:

- Restaurants
- Takeaways
- Sandwich shops
- Coffee shops

- Pubs
- Bars

Government guidance further states that they do not consider the following types of use as retail and as such would not qualify for relief:

i. Hereditaments that are being used for the provision of the following services to visiting members of the public:

- Financial services (e.g. banks, building societies, cash points, bureaux de change, payday lenders, betting shops, pawn brokers)
- Other services (e.g. estate agents, letting agents, employment agencies)
- Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors)
- Professional services (e.g. solicitors, accountants, insurance agents/ financial advisers, tutors)
- Post office sorting offices

ii. Hereditaments that are not reasonably accessible to visiting members of the public

The guidance states that where there is doubt over whether the property qualifies, the Local Authority should exercise their discretion with reference to the above and knowledge of their local tax base.

Amount of relief to be awarded

The total amount of government-funded relief available for each property for 2019-20 and 2020-21 under this scheme is one third of the bill after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied, excluding those where Local Authorities have used their discretionary relief powers introduced by the Localism Act which are not funded by section 31 grants. There is no relief available under this scheme for properties with a rateable value of £51,000 or more.

Councils may use their discretionary powers to offer further discounts outside this scheme (and under local rate retention, 50 per cent of the cost would be locally funded and 50 per cent funded by central government).

The eligibility for the relief and the relief itself will be assessed and calculated on a daily basis. The following formula will be used to determine the amount of relief to be granted for a chargeable day for a particular hereditament in the financial year:

Amount of relief to be granted = $V/3$

Where V is the daily charge for the hereditament for the chargeable day after the application of any mandatory relief and any other discretionary reliefs, excluding those where Local Authorities have used their discretionary relief powers which are not funded by section 31 grants.

Ratepayers that occupy more than one property will be entitled to relief for each of their eligible properties, subject to State Aid de minimis limits.

State Aid Relief

State Aid is support from public bodies which has the potential to distort competition and effect trade between member states of the European Union.

Any form of discretionary rate relief may amount to State Aid. State Aid is generally prohibited, but there are exceptions and aid is allowed under the De Minimis Regulations which allow a business to receive up to €200,000 of aid over a three-year period.

The Local Authority is required to establish that the award of relief will not exceed the de minimis limit. It is therefore recommended that any ratepayer receiving the relief is informed of the De Minimis Regulation and asked to declare if they consider that the award of relief will breach the relevant limit.

The UK is scheduled to leave the EU on 29 March 2019. If there is an Implementation period, the State Aid rules will continue to apply as now and will be subject to control by the EU Commission as at present. If the UK leaves the EU without a negotiated Withdrawal Agreement, the Government has announced its intention to transpose EU State Aid rules into UK domestic legislation, with only technical modifications to correct deficiencies with the transposed EU law to ensure the regime operates effectively in a domestic context. Local authorities should therefore continue to apply State Aid rules, including De Minimis, to the relief for 2019/20 and 2020/21.

REPORT AUTHOR

Michael Buckland, Head of Revenues, tel. 709523
Email michael-buckland@tamworth.gov.uk

LIST OF BACKGROUND PAPERS

Local Government Finance Act 1988, Local Government Finance Act 1997 Non Domestic Rating (Discretionary Relief) Regulations, Local Government Act 2003, Localism Act 2011 Autumn Statement 2018,
Business Rates information guidance letters November 2018 and December 2018

APPENDICES

Appendix A Discretionary Rate Relief Policy

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