

<b>Report to:</b>	<b>EXECUTIVE CABINET</b>
<b>Date:</b>	<b>13 February 2019</b>
<b>Executive Member/ Reporting Officer:</b>	Councillor Bill Fairfoull – Deputy Executive Leader Ilys Cookson – Assistant Director – Exchequer Services
<b>Subject:</b>	<b>BUSINESS RATES</b>
<b>Report Summary:</b>	Retail Discount 2019-20 and 2020-21
<b>Recommendations:</b>	That EXECUTIVE CABINET be recommended to agree: That changes to the Councils Discretionary Rate Relief Scheme be implemented in accordance with Section 47 of the Local government Finance Act 1988 announced in the Budget on 29 October 2018 by granting Retail Discount to <ul style="list-style-type: none"> <li>• Eligible occupied retail properties</li> <li>• With a rateable value of less than £51,000 and</li> <li>• The value of the discount should be one third of the bill and should be awarded after mandatory reliefs and other discretionary reliefs funded by section 31 have been applied</li> </ul>
<b>Corporate Plan:</b>	The report contributes to the corporate vision to support business rates payers in the borough.
<b>Policy Implications:</b>	Guidance states that it is for local billing authorities to adopt a local scheme and grant relief to eligible businesses. Relief is funded by central government section 47 grant.
<b>Financial Implications:</b> <b>(Authorised by the statutory Section 151 Officer &amp; Chief Finance Officer)</b>	As set out in the body of this report, retail discount is a fully funded discretionary discount that is to be awarded in 2019/20 and 2020/21. The discount scheme was introduced through the Budget in October 2018 and the Council will be fully reimbursed through section 31 grant. Initial estimates of the value of relief that can be awarded have been calculated as set out in section 5 of the report. Section 31 grant will be awarded to the Council retrospectively, to reimburse the Council for actual relief awarded and revenue foregone.
<b>Legal Implications:</b> <b>(Authorised by the Borough Solicitor)</b>	The retail relief should be applied fairly and transparently in accordance with the Department for Housing, Communities and Local Government's guidance issued in November 2018 to avoid successful challenge through either a complaint to the Local Government and Social Care Ombudsman or a judicial review of the process followed in the courts.
<b>Risk Management:</b>	Risks are detailed in Section 8 of this report.
<b>Background Papers:</b>	The following background papers: <ol style="list-style-type: none"> <li>1) Provisional NNDR 1 Calculation</li> <li>2) Ministry of Housing Communities &amp; Local Government Business Rates Retail Discount Guidance</li> </ol>

have been used in the preparation of this report.

The background papers relating to this report can be inspected by contacting Tracey Watkin



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## **1. BACKGROUND**

- 1.1 The Government announced in the Budget on 29 October 2018 that it would provide a Business Rates Retail 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.
- 1.2 Retail Discount is an additional discount which can be applied under section 47 of the Local Government Finance Act 1988, which gives the Local Authority discretionary powers introduced by the Localism Act to grant Discretionary Relief.
- 1.3 Central government will reimburse billing authorities and those major precepting authorities for the actual cost to them under the rates retention scheme of the relief that falls within the definitions in this guidance.

## **2 INTRODUCTION**

- 2.1 The Council currently has a Discretionary Rate Relief Policy which was agreed by the Executive Board on 23 August 2017 to include Supporting Small Business Rates Relief and the Discretionary Revaluation Relief in addition to Discretionary Relief (including Charitable Relief Top Up) and Local Newspaper Relief that was already in place.
- 2.2 Therefore the Discretionary Rate Relief Policy currently supports the following:
  - Discretionary Relief including Charitable Relief Top up
  - Local Newspaper Relief
  - Supporting Small Business Relief
  - Discretionary Revaluation Relief
- 2.3 Retail Discount is a further new fully funded discretionary relief that may be awarded from April 2019, following guidance received from Ministry of Housing, Communities and Local Government (MHCLG) in November 2018.
- 2.4 The new Retail Discount is very similar in nature to the previously government funded discretionary relief known as Retail Relief which ended in 2016. The guidance is available here <https://www.gov.uk/government/publications/business-rates-retail-discount-guidance>

## **3. RETAIL DISCOUNT**

- 3.1 The government recognises that the retail sector is changing, particularly due to internet shopping, and many high streets are experiencing significant challenges due to changing consumer behaviour. The government wishes to support town centres by providing particular support to retailers and so have introduced a new discretionary relief in order to help struggling high street businesses, to be known as Retail Discount.
- 3.2 Retail Discount may be awarded to:
  - Occupied hereditaments (businesses) with a rateable value of less than £51,000 and
  - Hereditaments that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments.
- 3.3 The value of this government funded relief available for each property for 2019-20 and 2020-21 under this scheme is one third reduction on the amount of business rates payable, and which may be awarded after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied. This excludes any payments made under the Hardship scheme which in itself is discretionary. Section 31 grants are fully funded by central government.

- 3.4 Any award of Retail Discount must comply with European Union Law on State Aid limits known as the de-minimis regulations. The de-minimis regulations limit the amount of state aid to any individual business to 200,000 euros over a three year period.

#### **4. QUALIFYING BUSINESSES**

- 4.1 To qualify for the relief the business should be wholly or mainly being used as a shop, restaurant, cafe or drinking establishment. In a similar way to other reliefs, this is a test on use rather than occupation. Therefore, business premises which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief.

- 4.2 In accordance with the guidance received relief may apply to the following occupied business premises where the Rateable Value is less than £51,000:

##### **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 show rooms
- 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: hair dressers, 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
- 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

4.3 The government does not consider certain hereditaments to be retail for the purpose of granting this relief and should therefore, not be considered under this scheme.

**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**

**iii. Other hereditaments that will not be considered for Retail Discount;**

- Cinemas, theatres, museums
- Nightclubs, music venues
- Sport venues, Gyms

## **5. AWARDING RETAIL DISCOUNT**

5.1 The MHCLG guidance makes clear that Retail Discount may be awarded automatically to those businesses where the Council is satisfied that the qualifying criteria is met. Where there is any doubt of entitlement an application form will be sent to the business. It is the intention to award Retail Discount at the start of the 2019/20 financial year subject to software being available to enable bills to be calculated.

5.2 Retail Discount must be awarded after all other Mandatory and Discretionary Reliefs have been applied to the rate payers account.

5.3 The following mandatory reliefs are applied to account first:

- i) Small Business Rates Relief
- ii) Charity and Community Amateur Sports Club Relief

5.4 Discretionary Reliefs are then applied in the following order:

- i) Discretionary Relief including Charitable Top up
- ii) Supporting Small Business Rates Relief
- iii) Local Newspaper Relief
- iv) Discretionary Revaluation Relief

5.5 Retail Discount is applied to the balance on the account and is calculated as one third of the balance outstanding.

5.6 Initial estimates of accounts that will be eligible for Retail Discount and the amount of the Discount are detailed in the table below:

**Table 1 – Retail Discount Eligibility**

<b>Award</b>	<b>Estimated number of accounts</b>	<b>Estimated business charged</b>	<b>2019/20 rates</b>	<b>Estimated Retail Discount (1/3)</b>
<b>Automatic award</b>	403	£2,935,470.29		£978,490.10
<b>Application needed</b>	146	£1,496,971.73		£498,990.58
<b>Possible total</b>	549	£4,432,442.02		£1,477,480.68

A number of assumptions are made in the table above:

- The business rates multiplier which is set nationally and on which rates payable is based, is expected to be 49.1p for small businesses and 50.4p for all other businesses
- That all potential applicants qualify for Retail Discount.
- The business use does not change in the financial year.

## **6. NEXT STEPS**

- 6.1 The intention is to write to all 549 businesses that it is estimated will qualify for Retail Discount. The guidance makes clear that as many accounts as are deemed to be eligible for Retail Discount should automatically be awarded the discount on year start bills. The businesses that are identified as automatically being entitled to Retail Discount will be notified that they have been awarded Retail Discount and informed of the qualifying criteria. They will be advised to contact the Council if they do not consider themselves eligible for the discount.
- 6.2 An application form will be issued to those businesses where there is not enough information held by the business rates section to automatically award Retail Discount.
- 6.3 The expectation is that eligibility for the Retail Discount will be determined and the business rates data base updated to identify those businesses eligible for Retail Discount. This will ensure that business rates bills for 2019/20 can be issued in March detailing the Retail Discount applied.
- 6.4 Testing of the business rates system will need to be undertaken following receipt of software updates from the software supplier and prior to the business rates annual billing for 2019/20.

## **7. RISKS**

- 7.1 There are tight timescales which need to be adhered to if Retail Discount is awarded to all eligible businesses in time for year start billing. Should the timescale not be met then this may result in annual business rates bills being issued without the one third reduction in Retail Discount.
- 7.2 If Retail Discount was awarded after the annual billing process in March 2019, all 549 estimated account would need to be issued with a revised bill, which is costly, time consuming and confusing for rate payers.
- 7.3 The estimated timescales which need to be met are detailed below;

**Table 2 – Indicative timescales for awarding Retail Discount**

<b>Date</b>	<b>Requirement</b>
<b>21 January 2019</b>	Commence testing of annual billing and discount awards
<b>28 January 2019</b>	Issue letter to those businesses where Retail Discount can be automatically awarded
<b>28 January 2019</b>	Issue application forms to potential qualifying businesses
<b>29 January 2019 to 22 February 2019</b>	Update the live business rates data base to ensure all businesses eligible for Retail Discount can be identified
<b>27 February 2019</b>	Live business rates annual bill start to be produced

- 7.4 There is considerable dependency on the business rates software providing the appropriate amendments to software in a timely manner. This is a national issue and not unique to Tameside or only one software provider. Should the software not be available at year start to calculate the Retail Discount then business rates annual bills may have to be issued without any Retail Discount.

## **8. CONCLUSION**

- 8.1 The government announced in the Budget on 29 October 2018 that it would provide a business rates Retail 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 and guidance was released by MHCLG in late November 2018.
- 8.2 Retail Discount must be awarded after all other eligible Mandatory and Discretionary Reliefs have been applied to the Rate Payers account.
- 8.3 The Retail Discount must be applied to the balance on an account and is calculated as one third of the balance outstanding.
- 8.4 There are 549 estimated businesses in Tameside that will benefit from the Retail Discount which will see a reduction in the total amount payable by those business totalling £1,477,480.68
- 8.5 Central government will reimburse billing authorities for the actual cost of any Retail Discount awarded through Section 31 grants.

## **9. RECOMMENDATIONS**

- 9.1 As set out at the front of the report.