

**REPORT TO:** Executive Board

**DATE:** 27 February 2014

**REPORTING OFFICER:** Strategic Director – Policy and Resources

**PORTFOLIO:** Resources

**SUBJECT:** Business Rates Retail Relief Scheme

**WARD(S):** Borough-wide

## **1. PURPOSE OF REPORT**

**1.1** To consider the new Discretionary Business Rates Retail Relief Scheme announced by the Government and to adopt a local scheme for Halton for the award of such relief.

## **2. RECOMMENDATION: That**

- 1) the Scheme, as detailed in this report, for the award of Business Rates Retail Relief in Halton, be approved; and**
- 2) the Board approve the granting of Business Rates relief for any properties which meet the eligibility criteria set out within this report.**

## **3. BACKGROUND**

**3.1** The Government announced in the Autumn Statement on 5 December 2013 that it will provide a relief of up to £1,000 to all occupied retail properties with a rateable value of £50,000 or less in each of the years 2014-15 and 2015-16.

## **4. HOW WILL THE RELIEF BE PROVIDED?**

- 4.1** As this is a measure for 2014-15 and 2015-16 only, the Government is not changing the legislation around the reliefs available to properties. Instead the Government will, in line with the eligibility criteria set out below, reimburse local authorities that use their discretionary relief powers, introduced by the Localism Act (under section 47 of the Local Government Finance Act 1988, as amended) to grant relief.
- 4.2** It will be for individual local billing authorities to adopt a local scheme and decide in each individual case when to grant relief under section 47. The Government will fully reimburse local authorities for cost of providing the discretionary relief (using a grant under section 31 of the Local Government Act 2003).
- 4.3** Local authorities will be asked to provide an estimate of their likely total cost for providing the relief in their National Non Domestic Rate Return 1 (NNDR1) for

2014-15 and 2015-16. Central government will provide payments of the local authorities' share to authorities over the course of the relevant years.

## **5. WHICH PROPERTIES WILL BENEFIT FROM THE RELIEF?**

5.1 Properties that will benefit from the relief will be occupied hereditaments with a rateable value of £50,000 or less, that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments.

5.2 The Department for Communities and Local Government has provided guidance which defines shops, restaurants, cafes and drinking establishments to mean:

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

- Shops (such as: florist, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licence, 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
- 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

5.3 To qualify for the relief the hereditament should be wholly or mainly used as a shop, restaurant, cafe or drinking establishment. In a similar way to other reliefs (such as charity relief), this is a test on use rather than occupation. Therefore, hereditaments which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief.

5.4 The lists above are not exhaustive and there will also be mixed uses. Councils should determine for themselves whether particular properties not listed are broadly similar in nature to those above and thereby whether or not they are considered eligible for the relief.

## **6. WHICH PROPERTIES WILL NOT BENEFIT FROM THE RELIEF?**

6.1 As the grant of the relief is discretionary, councils may choose not to grant the relief if they consider that appropriate, such as where granting relief would go against the council's wider objectives for the local area.

6.2 The list below sets out the types of use which the Government does not consider to be retail use for the purpose of this relief. It is for each council to determine for themselves whether particular properties are broadly similar in nature to those below and, if so, to consider them not eligible for relief under their local 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, bureau 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 office

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

## **7. HOW MUCH RELIEF WILL BE AVAILABLE?**

7.1 The total amount of Government funded relief available for each property for each of the years under this scheme is £1,000.

7.2 The amount does not vary with rateable value and there is no taper.

7.3 There is no relief available under this scheme for properties with a rateable value of more than £50,000.

7.4 In addition to the above the Council may use its existing discretionary powers to offer further discounts outside this scheme (and under local rate retention, 50% of the cost would be locally funded and 50% funded by Government).

## **8. STATE AID**

8.1 State Aid law is the means by which the European Union regulates state funded support to businesses. Providing discretionary relief to ratepayers is likely to amount to State Aid. However Retail Relief will be State Aid compliant where it is provided in accordance with the De Minimis Regulations (1407/2013)1.

8.2 The De Minimis Regulations allow an undertaking to receive up to €200,000 of De Minimis aid in a three year period (consisting of the current financial year and the two previous financial years).

8.3 To administer De Minimis it is necessary for the Council to establish that the award of aid will not result in the undertaking having received more than €200,000 of De Minimis aid.

## **9. HALTON'S POSITION**

9.1 There are approximately 850 businesses in Halton that could be affected by the Scheme. Approximately 400 of these businesses, however, already receive Small Business Rate Relief and so have no Business Rates to pay and hence would not receive this additional relief.

9.2 This leaves approximately 450 businesses that would be eligible for an actual payment under the scheme. Indications are that the relief would be worth in the region of £440,000 which would be fully funded from Government grant.

## **10. APPLICATION PROCESS**

10.1 It is up to the Council to devise its own local scheme. As the scheme is fully funded by the Government and is intended to aid local businesses it is proposed that no application process will be necessary on the obvious assumption that eligible businesses will want this relief.

10.2 The Relief will be granted once the computer software is in place to administer the scheme (see below)

10.3 A notice will accompany the amended bill advising the business of the need to comply with the EU law on State Aid.

## **11. COMPUTER SOFTWARE CHANGES**

- 11.1 Northgate Information Services, who supply the computer software that is used for the administration of Business Rates, have announced that due to the late notification of this new relief they will not be able to amend the system in time for the relief to be reflected in bills sent out in March for the 2014/2015 financial year.
- 11.2 Northgate Information Systems supply Business Rates systems to some 175 authorities in the country. There will therefore be pressure exerted from local authorities to develop the software as quickly as possible.
- 11.3 Until such time as the software is available, bills for the 2014/2015 tax year will be sent without the relief showing but accompanied by a note explaining the reason and assuring businesses that an amended bill will be sent as soon as possible and any instalments adjusted accordingly.

## **12. IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

- 12.1 The Scheme has the potential to affect all Council priorities.

## **13. RISK ANALYSIS**

- 13.1 It will be for each individual business to opt out of the scheme. This will in the main be businesses subject to State Aid limits.

## **14. EQUALITY AND DIVERSITY ISSUES**

- 14.1 The automatic award of relief will ensure that as far as possible obstacles for businesses receiving this relief are removed.

## **15. LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

<b>Document</b>	<b>Place of Inspection</b>	<b>Contact Officer</b>
Business Rates Retail Relief Guidance	Revenues & Benefits & Customer Services Division Kingsway House Widnes	Peter McCann