



PART B:	RECOMMENDATIONS TO COUNCIL
REPORT TO:	POLICY AND RESOURCES COMMITTEE
DATE:	3 APRIL 2014
REPORT OF THE:	CORPORATE DIRECTOR (s151) PAUL CRESSWELL
TITLE OF REPORT:	POLICY ON RETAIL RELIEF FOR BUSINESS RATES
WARDS AFFECTED:	ALL WARDS

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 To submit for members' consideration a policy for the determination of the allocation of Discretionary Business Rate Relief to retail business premises.

2.0 RECOMMENDATIONS

- 2.1 That Council is recommended to approve:
- (i) a Discretionary Business Rates Policy to award retail relief in accordance with Department for Communities and Local Government (DCLG) guidelines with the following additional provisions:
 - (a) All ratepayers in England & Wales will be eligible for the reoccupation relief. However, any ratepayer that occupies 50 or more premises will not be eligible to receive the £1,000 retail relief;
 - (b) Charity shops in receipt of 80% Mandatory Business Rates Relief shall not be granted discretionary retail relief.
 - (ii) That Discretionary Retail Relief be awarded as follows:
 - (a) Via delegated authority to Council officers for 2014/15 and 2015/16 only;
 - (b) That an application process is not a mandatory requirement, but that officers reserve the right to request information in order to apply any award of relief.

3.0 REASON FOR RECOMMENDATIONS

- 3.1 The Chancellors' 2013 autumn statement announced that retail premises with rateable values of less than £50,000 would be eligible for a reduction of £1,000 on their business rates bill from 1 April 2014. In addition, to reduce the number of empty shops in town centres, the Government is allowing a relief amount of 50% for 18

months on any retail premises that has been empty for over one year. DCLG announced that the award of these reductions are to be on a discretionary basis by the billing authority. It is therefore prudent for the Council to have a policy for the award of these reductions that ensures business growth and sustainability of local businesses.

4.0 SIGNIFICANT RISKS

- 4.1 The expected number of premises to receive the £1,000 reduction is likely to exceed 370. Without formulating a policy, there is the risk that application of this particular reduction to any business could breach state aid limitations.
- 4.2 If a policy is not formulated, relief can be applied to businesses that do not necessarily boost the local economy.

5.0 POLICY CONTEXT AND CONSULTATION

- 5.1 The provision of relief is mandated through legislation.
- 5.2 The announcements made and late provision of guidance have meant that consultation has not been possible on these proposals.

REPORT

6.0 REPORT DETAILS

- 6.1 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 in this guidance, 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. 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. Central government will fully reimburse local authorities for the local share of the discretionary relief (using a grant under section 31 of the Local Government Act 2003). The Government expects local government to grant relief to qualifying ratepayers.
- 6.2 Properties that will benefit from these reliefs 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.
- 6.3 DCLG guidance considers 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: 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

6.4 To qualify for the relief the hereditament should be wholly or mainly being 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.

Properties that do not benefit from the granting of this relief

6.5 The list below sets out the types of uses that government does not consider to be retail use for the purpose of this relief. Again, it is for local authorities to determine for themselves whether particular properties are broadly similar in nature to those below and, if so, to consider them not eligible for the 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.

6.6 It is estimated that in terms of the £1,000 reduction, the value of relief that will be applied in accordance with the proposed policy will be in the region of £350k for the 2014/15 financial year and be applicable to approximately 370 business premises in the district. It is not known the number of premises that will receive the 50%

reoccupation relief as this is dependent on business growth throughout the 2014/15 financial year.

- 6.7 The reliefs can be applied in conjunction with other reductions from business rates such as small business rate relief.
- 6.8 Businesses who are eligible for the relief, but whose liability is less than £1,000 will receive relief amounting to their net annual liability.
- 6.9 In granting the relief the Council must consider State Aid implications. State Aid is the means by which the EU regulates state funded support to businesses. Providing discretionary relief to ratepayers is likely to amount to state aid. Retail relief will be compliant where it is awarded within De Minimis rules. To administer De Minimis it is necessary for each local authority to establish that the award of aid will not result in the business having received more than 200,000 euros of State Aid in a three year period (consisting of the current and preceding two years).
- 6.10 It is for the state aid reason that the first criteria has been introduced as a high street chain operating from small premises could breach this limit is operating in a number of authorities areas. Without such an exclusion and taking into account the number of premises that will be entitled to the £1,000 reduction, significant administrative costs and processes may need to be introduced to ensure state aid provisions were not breached.
- 6.11 When applying the 50% reoccupation relief, administration efforts will be carried out in order to ensure state aid is not breached as it is expected that the quantity of cases for this particular reduction will not be substantial. In addition, this relief strongly supports the Councils' corporate objective of promoting business growth and should therefore have limited restrictions.
- 6.12 Shops that are occupied by registered charities currently receive 80% mandatory relief and are required to pay the remaining 20% of their charge. It is proposed to exclude charity shops from being granted retail relief in order to cap relief advantages charities have over other high street businesses.

7.0 IMPLICATIONS

- 7.1 The following implications have been identified:
- a) Financial
There is no financial implication as award of the relief is reimbursed through Section 31 grant. This is then managed through the rate retention system and the business rates pool.
 - b) Legal
There are no significant legal implications in considering this report.
 - c) Other
There are no significant other implications in considering this report.

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Background Papers:

DCLG Business Rates Retail Relief Guidance

Background Papers available for inspection:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/275589/Business_Rates_Retail_Relief_guidance.pdf

Revenues Section, Ryedale House.