

BUSINESS RATES – RETAIL DISCOUNT SCHEME

Amendment to the Non Domestic Rates Relief Policy



Report of Cllr Smith, Cabinet Member for Customer Services and Innovation

Date: 13 June 2019
Agenda Item: 5
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Key Decision? YES
Local Ward None

CABINET

Members

1. Executive Summary

- 1.1 In the 2018 autumn budget the Chancellor announced the introduction of the business rates Retail Discount scheme. This delivers a one-third discount off business rate bills for eligible retail businesses occupying premises with a rateable value of less than £51,000, for two years from April 2019.
- 1.2 Guidance on the scheme was issued in November 2018. Further administrative guidance and funding was issued to software providers in February 2019.
- 1.3 The Council needs to approve an amendment to its Non Domestic Discretionary Rate Relief policy in order to be able to apply the Retail Discount to the bills of qualifying ratepayers in the district.

2. Recommendations

It is recommended that Cabinet:

- 2.1 approves the amendment to the Council's Non Domestic Rates Relief Policy, as described at 3.11 and informed by Appendix A, in order to be able to apply the Retail Discount to bills of qualifying ratepayers.

3. Background

- 3.1 Business rates may be reduced where the property and occupier is eligible for business rate relief. There are different types of relief that may be awarded based on criteria laid down in the Local Government Finance Act (LGFA) 1988 and subsequent statutory instruments.
- 3.2 In addition to mandatory reliefs, a council has the discretion to award additional relief, using discretionary powers under section 47 of the LGFA. The council's own policy allows the council to award discretionary relief to charitable/ non-profit distributing organisations, and to private businesses in the cases of hardship and where there are compelling social and economic reasons to do so. In 2017, the Policy was amended to allow the council to deliver rate relief in accordance with the government's policy for small businesses and public houses.
- 3.3 Reducing the rates bills will help businesses in our city and town centres and in our villages become more financially sustainable and help nurture and maintain vibrant and economically successful high streets and shopping centres.

- 3.4 Where new reliefs are introduced the government often seeks to use section 47 to apply them rather than introducing new legislation. When the government uses section 47 in this way, the council is required to amend its Non Domestic Rates Relief Policy to enable these discounts to be applied to bills.
- 3.5 In 2019/20 with the Staffordshire Business Rates Pilot, income from business rates is retained in the following proportions: Lichfield District Council (40%); Staffordshire County Council (34%), Staffordshire Fire Authority (1%) and central government (25%).
- 3.6 The government will fully reimburse councils using grants paid through Section 31 of the Local Government Act 2001 to compensate for any reduction in rate income.
- 3.7 The retail discount will be awarded from 1 April 2019 to all businesses that satisfy all of the criteria. Whilst ideally the discount would have been awarded on the annual bill in March, the tested software upgrades were provided too late to allow annual bills to be produced with the discount applied.
- 3.8 Should the amendment be approved then bills will be re-issued with the discount applied.
- 3.9 It is estimated that the maximum value of the relief, based on all eligible properties being occupied by eligible ratepayers, is approximately £1.3m pa.
- 3.10 Eligible properties are located in the following areas: Lichfield (153), Burntwood (41), Little Aston / Streetly (17) Fazeley/Mile Oak (11), Fradley (7), Armitage with Handsacre (5), elsewhere (36).
- 3.11 Criteria to be eligible for the retail discount scheme are as follows:
- the rateable value of the premises must be less than £51,000
 - the premises must be occupied and
 - the premises must be used wholly or mainly as a shop, restaurant, café or drinking establishment.
- 3.12 A full list of the type of operations that would qualify is at **Appendix A**.
- 3.13 It is intended to discount automatically the bills of all ratepayers that meet the criteria described above but we will be emphasising to all occupiers that they must report to us if the discounting of the bills brings them close to the maximum level of support that can be provided under state aid rules. This is not likely to affect the vast majority of eligible ratepayers but there are some companies with many premises across the country that might get close to state aid limits.
- 3.14 If the property satisfies the above criteria, a discount of one-third of the liability is granted, after any mandatory or other discretionary reliefs have been granted.
- 3.15 There are currently around 270 businesses that will benefit from this discount and a potential for a further 50 properties which are currently unoccupied to become eligible.

Alternative Options	1. None. The government expects this discount to be granted.
Consultation	1. No consultation has taken place as the council is expected to apply this discount.
Financial Implications	<p>1. The Council included an estimate of the amount of retail relief that is projected to be awarded and Section 31 grant to be received in 2019/20 as part of the NNDR1 return submitted to Government by the deadline of 31 January 2019.</p> <p>2. There is no net cost to the council in approving this amendment.</p> <p>3. Section 31 grant is being paid to the authority on a quarterly basis and therefore if the relief is awarded at the start of the financial year there will be</p>

a cash flow impact for the Council. If it is not used it must be repaid.

- The estimated retail relief to be awarded and Section 31 grant to be received based on the Business Rate Pilot (actual grant is calculated in the return therefore actual grant percentages differ slightly) is shown in the table below:

Details	£
Total estimated Retail Relief to be awarded	£1,314,892
Estimated Section 31 Grant receivable:	
Lichfield District Council (40%)	(£542,892)
Staffordshire County Council (34%)	(£461,457)
Staffordshire Commissioner - Fire and Rescue (1%)	(£13,572)
Central Government (25%)	(£296,475)

- Maximising the awards to businesses may reduce any arrears on accounts and support the collection of business rates.

Contribution to the Delivery of the Strategic Plan

- The policy would support our strategic priority of a vibrant and prosperous economy. The scheme would strengthen our local economy by financially assisting local business, helping them to thrive.

Equality, Diversity and Human Rights Implications

- There are no equality, diversity and human rights implications.

Crime & Safety Issues

- There are no crime and safety issues.

GDPR/Privacy Impact Assessment

- There are no GDPR/Privacy Impact Assessment implications.

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	Failure to have an approved scheme will mean the relief cannot be awarded. This will result in eligible retail businesses in Lichfield District being at a disadvantage to competing areas.	To approve this retail relief discount scheme.	Green - tolerable
B	Failure to award this relief in an expedient manner could result in eligible retail businesses closing resulting in an adverse economic and social impact on Lichfield District	To award the scheme following approval by Cabinet	Green - tolerable

Background Documents

Relevant web links

assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/773654/Retail_Discount_Guidance.pdf

Properties that will benefit from the relief

The list set out below is not intended to be exhaustive as it would be impossible to list the many and varied retail uses that exist. There will also be mixed uses. However, it is intended to be a guide for authorities as to the types of uses that Government considers for this purpose to be retail.

The properties should be occupied with a rateable value of less than £51,000, that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments 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

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

Restaurants

Takeaways

Sandwich shops

Coffee shops

Pubs

Bars

Generally, the test is on use rather than occupation. Therefore, premises that are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief.

Authorities should determine for themselves whether particular properties not listed are broadly similar in nature to those above and, if so, to consider them eligible for the relief.