

**Cabinet  
18 DECEMBER 2018**

**PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: BUSINESS RATES RETAIL DISCOUNT SCHEME**

REPORT OF: SERVICE DIRECTOR - CUSTOMERS  
EXECUTIVE MEMBER: COUNCILLOR JULIAN CUNNINGHAM  
COUNCIL PRIORITY: PROSPER AND PROTECT

**1. EXECUTIVE SUMMARY**

- 1.1 To agree a Business Rates Retail Discount Scheme for North Hertfordshire following the Budget announcement on 29 October 2018

**2. RECOMMENDATIONS**

- 2.1 That the high level implications of the proposed scheme be noted.
- 2.2 That Cabinet be recommended to delegate the final detail of the scheme to the Service Director - Customers in consultation with the Executive Member for Finance & IT

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 To comply with the proposals announced by the Chancellor of the Exchequer in the Budget on 29 October 2018.
- 3.2 To provide additional financial assistance to retail businesses in line with the Budget announcement.
- 3.3 To ensure that the scheme will be finalised in time for implementation from 1 April 2019.

**4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 Work so far on developing the scheme has been in accordance with the criteria laid down by the Government

## **5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

- 5.1 Consultation has been held with the Executive Member for Finance & IT and further consultation will take place with local business organisations in the lead up to implementation.

## **6. FORWARD PLAN**

- 6.1 This report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 3 November 2018.

## **7. BACKGROUND**

- 7.1 In the Budget on 29 October 2018, the Chancellor of the Exchequer announced that he intended to provide additional financial support to retail properties with a rateable value of less than £51,000 in the form of a Retail Rate Discount. This is in addition to the Small Business Rate Relief provisions which already exist and provide the following assistance to small businesses:

- All properties with a rateable value of £12,000 or less have 100% Relief and pay no Business Rates
- Properties with a rateable value between £12,001 and £15,000 have the Relief gradually withdrawn to zero at £15,000
- All properties with a rateable value below £51,000 have their rates bill calculated using the small business multiplier, which is less than the standard multiplier

- 7.2 It is intended that the new Retail Rate Discount Scheme will be in place for two years, 2019/2020 and 2020/2021 prior to the next revaluation coming into force on 1 April 2021. As with all other revaluations, it is expected that there will then be a new Transitional Relief Scheme introduced at that time.

- 7.3 Retail Discount will consist of a reduction in the Business Rates payable of one third of the net Business Rates payable after all other Reliefs have been awarded.

- 7.4 Members may recall that following the Spring Budget in 2017, the Chancellor of the Exchequer provided funding over four years 2017/2018 to 2020/2021 to assist retail businesses that had been most adversely affected by the 2017 Revaluation. (The Revaluation Scheme).

- 7.5 The guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG) has stated that the same definitions of retail property used for the Revaluation Scheme should be used for the new Retail Discount Scheme.

- 7.6 According to the guidance, retail properties at the highest level are shops, restaurants, cafes and drinking establishments. More specifically the guidance identifies the following types of retail establishments, although this is not exhaustive:

**Properties used for the provision of services to 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

**Properties used for the sale of food and/ or drink to visiting members of the public:**

- Restaurants
- Takeaways
- Sandwich shops
- Coffee shops
- Pubs
- Bars

- 7.7 The following is a list of business types that the Government does not consider should benefit from this scheme:

- 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

## **8. RELEVANT CONSIDERATIONS**

- 8.1 To qualify for the discount the property 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, properties which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief.

- 8.2 Other criteria that must be met are that the rateable value of the property is below £51,000, that the property is occupied, that Retail Discount is applied after all other Reliefs and that State Aid Rules apply with regard to the total amount of State provided support that any business receives.
- 8.3 The State Aid De-Minimis Regulations allow for up to €200,000 of aid to be given to any business in a rolling three year period consisting of the current year and the previous two. These Regulations would exclude most national chains from receiving Retail Discount.
- 8.4 MHCLG has made it clear that it does not expect businesses to have to apply for this Discount and that as far as possible it should be awarded automatically. This means that rather than businesses confirming that they do not exceed the State Aid Rules by way of an application, they will be expected to decline the Discount if they do exceed the De-Minimis amount of State Aid.
- 8.5 Officers have identified 1,765 properties with a Rateable Value between £12,001 and £51,000 out of a total Valuation List of over 4,400 properties.
- 8.6 Of these, Officers have identified 385 which are believed to meet the qualifying criteria for Retail Rate Discount.
- 8.7 The Council's proposed scheme is available at Appendix 1. Whilst this is accurate at the time of preparing this report, guidance is still being issued by MHCLG and therefore it is recommended that any late changes to the scheme be delegated to the Service Director – Customers in consultation with the Executive Member for Finance & IT.

## **9. LEGAL IMPLICATIONS**

- 9.1 Paragraph 5.6.1 of the Council's Constitution authorises Cabinet to exercise the following function: "*To prepare and agree to implement policies and strategies other than those reserved to Council*".
- 9.2 The Government is not proposing to bring in any new legislation to implement Retail Rate Discount Schemes and instead is depending on the powers already vested in Local Authorities under Section 47 of the Local Government Finance Act 1988, amended by Section 69 of the Localism Act 2011 relating to the provision of Discretionary Rate Relief Schemes.
- 9.3 Although legislation relating to Discretionary Schemes is being used, there is little discretion available in this instance as Local Authorities in using Section 47 powers are required to have regard to any guidance issued by the Secretary of State and therefore to ignore this would leave the Council open to Judicial Review.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 Initial indications would suggest that the cost of the scheme in North Hertfordshire is likely to be in the region of £3,500,000.
- 10.2 This Council's share of that amount would be £1,400,000 (40%) and the County Council's share would be £350,000 (10%). The remaining 50% is retained by the Government anyway.
- 10.3 Both the District Council and County Council will be totally reimbursed for all lost income relating to the scheme by way of a Section 31 Grant.
- 10.4 MHCLG is also evaluating payments to Local Authorities under the New Burdens criteria.

## **11. RISK IMPLICATIONS**

- 11.1 The Council will have to make its best estimate of the likely cost of the scheme in 2019/2020 in January 2019, when the NNDR1 is submitted. Although the Council will receive 100% reimbursement for lost income, the more accurate the NNDR 1 estimate is, the less likely that there will be any significant cash flow implications.
- 11.2 In view of the requirement imposed by MHCLG that this Discount should be automatically awarded, there is a risk that some qualifying businesses may be missed. To mitigate this, the Council will have to make details of the scheme widely available to businesses through business organisations, the Business Rates bills and the Council's web site.

## **12. EQUALITIES IMPLICATIONS**

- 12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 The scheme is intended to assist small retail businesses and any equalities implications have been considered in the justifications detailed in Appendix 1.

## **13. SOCIAL VALUE IMPLICATIONS**

- 13.1 The Social Value Act and "go local" policy do not apply to this report.

## **14. HUMAN RESOURCE IMPLICATIONS**

- 14.1 There are no Human Resources implications in this report.

## **15. APPENDICES**

- 15.1 Appendix A – Business Rates Retail Discount Scheme

**16. CONTACT OFFICERS**

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**17. BACKGROUND PAPERS**

17.1 MHCLG Guidance