

Officer Executive Decisions

Retail Rate Relief 2014/2015 & 2015/16

Delegation from Leader and Cabinet and date: On 11 February 2014 the Cabinet adopted the schemes for the relief of business rates, including retail relief, and delegated to the Chief Finance Officer, in consultation with the Portfolio Holder for Finance, the detailed application of those schemes (Decision 30/2014).

A copy of the report is available via the following link:
<http://democracy.medway.gov.uk/mgAi.aspx?ID=8829>

Decision: List of qualifying businesses as per policy document

Reasons for Decision: The business useages for which relief is awarded are comparable to those suggested by Government and / or are compatible with the Authority's wider objectives for the local area.

Date of Decision: 11 March 2014.

Officer: Mick Hayward, Chief Finance Officer. 01634 332220
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Details of any other options considered and rejected: See attached report to the Chief Finance Officer.

Conflicts of Interest: None

REPORT TO CHIEF FINANCE OFFICER AND PORTFOLIO HOLDER FOR FINANCE

FEBRUARY 2014

RETAIL RATE RELIEF 2014/2015 & 2015/16

Portfolio Holder: Councillor Alan Jarrett

Chief Finance Officer: Mick Hayward

Report from: Jon Poulson, Revenues and Benefits Manager

Summary

This report sets out Medway Council's Business Rates Retail Relief Policy

1. Background

- 1.1 The Local Government Finance Act 1988 provides local authorities with discretionary powers to grant relief from non domestic rates on property occupied by charities and other non-profit making organisations. Following the introduction of the Business Rates Retention Scheme the Government, Medway Council and Kent & Medway Fire Authority share the cost of granting such relief on a 50:49:1 basis.
- 1.2 Current policy for the determination of awards of relief and the guidelines that underpin such awards were set out in a report to Cabinet on 12 March 2013.
- 1.3 The Localism Act 2011 introduced an additional power for local authorities to award a local discretionary relief where it is in the council tax payers' interests to do so. The cost of any such discount is ordinarily borne on the same basis as outlined at 1.1 above.
- 1.4 In the Autumn Statement 2013, Government announced its intention that for 2014-15 and 2015-16, occupiers of shops, pubs and restaurants with a rateable value below £50,000 should receive a discount of £1,000 on their rates bills.
- 1.5 As this is a temporary measure, the Government is not changing the rules on when a property becomes entitled to relief. Instead they are providing the relief by reimbursing local authorities that use their discretionary relief powers (under section 47 of the Local Government Finance Act 1988) to grant relief in prescribed circumstances. The reimbursement will be via a S31 grant claimed via the NNDR 1 and 3 returns.

- 1.6 In January the government issued a guidance note intended to support local authorities in administering the 'Retail Relief' and set out the criteria which central Government would use to determine funding.
- 1.7 On 11 February 2014 the Cabinet adopted the schemes for the relief of business rates, including retail relief, and delegated to the Chief Finance Officer, in consultation with the Portfolio Holder for Finance, the detailed application of those schemes (Decision 30/2014).

2 Properties to benefit from relief.

- 2.1 The Government guidance states that:

'We consider 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

- 2.2 Officers have identified the following business useages in Medway that they consider comparable to 2.1 above:

MOT stations/vehicle repair workshops/garages
Hand car washes
Scrapyards
Guest/Boarding Houses
Hostels/Hotels
Caravan Sites
Daycare nurseries and playgroups
Drop-in centres (advice and meetings)
Cattery/Kennels
Riding schools
Land used for car boot sales
Tattoo studios
Night clubs

- 2.3 The Government guidance further stated that they did not consider the following types of useage as relief and as such would not qualify for relief:

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

- 2.4 The guidance also states that as the grant of relief is discretionary, and that authorities may choose not to grant relief if they consider that appropriate, for example where granting the relief would go against the authority's wider objectives for ther local area.

Officers have identified the following business useages in Medway that they consider comparable to 2.3 above or not compatible with the authority's wider objectives for the area:

Social clubs
Snooker clubs
Gymnasiums
Amusement arcades
Massage parlour
Sex shops licensed under Local Government (Miscellaneous Provisions) Act 1982

3. Amount of relief to be awarded

- 3.1 The total amount of government-funded relief available for each property for each of the years under this scheme is £1,000. The amount does not vary with rateable value and there is no taper. There is no relief available under this scheme for properties with a rateable value of more than £50,000.
- 3.2 Councils may use their discretionary powers to offer further discounts outside this scheme (and under local rate retention, 50 per cent of the cost would be locally funded and 50 per cent funded by central government).
- 3.3 The eligibility for the relief and the relief itself will be assessed and calculated on a daily basis. The following formula should be used to determine the amount of relief to be granted for a particular hereditament in the financial year:

$$\text{Amount of relief to be granted} = £1000 \times \frac{A}{B}$$

Where:

A is the number of days in the financial year that the hereditament is eligible for relief; and

B is the number of days in the financial year

- 3.4 The relief will be applied against the net bill after all other reliefs.
- 3.5 Where the net rate liability for the day after all other reliefs but before retail relief is less than the retail relief, the maximum amount of this relief will be no more than the value of the net rate liability. This should be calculated ignoring any prior year adjustments in liabilities which fall to be liable on the day.
- 3.6 Ratepayers that occupy more than one property will be entitled to relief for each of their eligible properties, subject to State Aid de minimis limits.
- 3.7 The relief should be applied on a day to day basis using the formula set out above. A new hereditament created as a result of a split or merger during the financial year, or where there is a change of use, should be considered afresh for the relief on that day.

- 3.8 Where a property is eligible for Enterprise Zone relief, that relief should be granted and this will be funded under the rates retention scheme by a deduction from the central share. If a property in an Enterprise Zone is not eligible for Enterprise Zone relief, or that relief has ended, Retail Relief may be granted in the normal way, and this would be reimbursed by grant under section 31 of the Local Government Act 2003.

4. State Aid Relief

- 4.1 State Aid is support from public bodies which has the potential to distort competition and effect trade between member states of the European Union.
- 4.2 Any form of discretionary rate relief may amount to State Aid. State Aid is generally prohibited, but there are exceptions and aid is allowed under the 'de-minimis' rules. For most businesses this currently means €200,000 over 3 years from ALL sources.
- 4.3 The Government will not fund relief that exceeds the de-minimis limits and it is incumbent on the billing authority to administer the relief in such a way as to ensure the de minimis rules are complied with. In effect, this means asking the ratepayer to complete a declaration.

5. Financial and Legal Implications

- 5.1 These are contained within the body of the report.

6. Recommendations

- 6.1 That the Chief Finance Officer and Portfolio Holder for Finance agree:
- To implement retail relief for hereditaments defined at 2.1 and 2.2 above.
 - That the amount of relief to be awarded is calculated in accordance with 3. above but limited to that funded by central government
 - Relief may only be awarded upon receipt of a completed application form and declaration that the award shall comply with the EU law on State Aid.
 - Retail relief is not to be granted for hereditaments defined at 2.3 and 2.4 above.
 - Any new retail business not classified in section 2. above, but for which a claim is received, be presented to the Chief Finance Officer and Portfolio Holder for Finance in order that a determination can be made as to whether it should qualify for relief.
 - Appeals against a refusal to grant relief will be dealt with as follows:
 - Initial review by the Revenues and Benefits Service Manager;
 - Second stage review by the Chief Finance Officer;
 - Final appeal to cabinet.

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Background Papers: Business Rates Retail Relief – Guidance (DCLG January 2014)

Recommendations approved by:

Chief Finance Officer

Mr M E Hayward.....Dated.....

Portfolio Holder for Finance

Councillor Alan JarrettDated.....