

CABINET

6 MARCH 2018

BUSINESS RATE RELIEF

Portfolio Holder: Councillor Rupert Turpin, Business Management
Report from: Phil Watts, Chief Finance Officer
Author: Ian Johnson, Revenues Manager

Summary

Central Government has asked local authorities to consider using their discretionary powers to award business rate relief to public houses in 2018/19.

1. Budget and Policy Framework

1.1 It is the responsibility of Cabinet to approve the procedures to operate for the award of discretionary relief from National Non-Domestic (Business) Rates.

2. Background

2.1 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.

2.2 The Government announced in the 2017 Spring Budget that support would be made available for pubs with a rateable value below £100,000. Under the scheme, eligible pubs were to receive a discount to their bill of £1,000 and the relief was to apply for the financial year 2017/18 only.

2.3 As this was only intended to be a temporary measure the Government did not change the rules on when a property becomes eligible for relief. Instead it provided 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.

2.4 On 5 September 2017 the Cabinet adopted the scheme for pub relief and delegated to the Chief Finance Officer, in consultation with the Portfolio Holder for Business Management, the detailed application of that scheme (Decision no. 101/2017 refers).

3. The current position

- 3.1 Pub relief has been awarded for the financial year 2017/18 in line with the agreed scheme (Appendix 1).
- 3.2 In the Autumn Budget 2017 the Government announced that the pub relief scheme would be extended for a further year. The existing guidance and terms of the 2017/18 scheme were to continue to apply in the same way; eligible pubs with a rateable value below £100,000 would receive a £1,000 discount on their bill for 2018/19.
- 3.3 Local authorities are again expected to use their discretionary relief powers under section 47 of the Local Government Finance Act 1988 to award the relief.
- 3.4 There are currently 73 pubs that qualify for the relief. The total amount of relief that would be awarded in 2018/19 is estimated at £73,000 subject to them not qualifying for any other reliefs.
- 3.5 The Government will fully compensate the Council for the cost of granting the relief through section 31 funding.

4. Options

- 4.1 From 1 April 2012, the Council has complete discretion to offer business rate reliefs to any properties of their choosing. As such it can choose to follow, reject or amend the Government's suggested scheme.

5. Advice and analysis

- 5.1 While the Council could choose to reject or amend the suggested scheme, the Government have made it clear that they expect local authorities to apply the relief for 2018/19 to eligible pubs.
- 5.2 The Council's finances will not be impacted by the award of relief as it will be fully funded by the Government provided it is awarded within the guidelines previously issued.

6. Risk Management

Risk	Description	Action to avoid or mitigate risk	Risk Rating
Government refuse to fund the relief	Likelihood D (Low) Impact 3 (Marginal) Relief not awarded in line with criteria specified by Government	Ensure scheme complies with Government guidelines	D3

7. Financial and legal implications

7.1 The financial and legal implications are set out in the body of this report.

8. Recommendation

8.1 The Cabinet is asked to agree to extend the pub rate relief policy for the financial year 2018/19, as set out in section 3 of the report.

9. Suggested reasons for decision

9.1 Pubs play an important role in urban and rural communities across the country. The £1,000 discount in business rate bills in 2017/18 was welcomed by pubs in meeting their business rates liability, particularly where there have been large increases due to the revaluation in 2017.

9.2 The award of relief for a second year will continue to provide financial support to local pubs at no cost to the Council.

Lead officer contact

Ian Johnson
Revenues Manager
Finance – MRBS
Business Support Department
01634 333700
ion.poulson@medway.gov.uk

Background papers

High Streets at the Heart of our Communities: the Government's Response to the Mary Portas Review

<https://www.gov.uk/government/publications/high-streets-at-the-heart-of-our-communities-government-response-to-the-mary-portas-review>

Appendices

Appendix 1 – Pub Rate Relief Policy

PUB RATE RELIEF POLICY

1. Background

- 1.1 The Government announced in the 2017 Spring Budget that it would provide a £1,000 business rate discount for public houses with a rateable value of up to £100,000 for one year from 1 April 2017.
- 1.2 As this is a temporary measure for the 2017/18 financial year only, the Government is not changing the rules on when a property becomes eligible for relief. Instead it is 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.
- 1.3 In announcing the scheme the Government said that it recognised the important role that pubs play in urban and rural communities across the country.
- 1.4 On 5 September 2017 the Cabinet adopted the scheme for pub relief and delegated to the Chief Finance Officer, in consultation with the Portfolio Holder for Business Management, the detailed application of that scheme (Decision 101/2017).

2. Properties to benefit from relief

- 2.1 The scheme will be available to eligible occupied properties with a rateable value of less than £100,000. Most pubs are independently owned or managed and will not be part of chains. Where pubs are part of a chain, relief will be available for each eligible property in the chain, subject to meeting State Aid requirements.
- 2.2 There is no definitive description of a traditional pub or public house in law but for the purposes of this policy and in line with Government intentions eligible pubs should:
 - be open to the general public
 - allow free entry other than when occasional entertainment is provided
 - allow drinking without requiring food to be consumed
 - permit drinks to be purchased at a bar
- 2.3 The valuation list maintained by the Valuation Officer (HM Board of Revenue & Customs) has an analysis code of CL that is indicative of public houses and wine bars that would normally be eligible for rate relief subject to the rateable value limit.

2.4 Properties excluded from an award under this policy are:

- restaurants
- cafes
- nightclubs
- hotels
- snack bars
- guesthouses
- boarding houses
- sporting venues
- music venues
- festival sites
- theatres
- museums
- exhibition halls
- cinemas
- concert halls
- casinos

This list is not exhaustive. Medway Council will consider other licensed premises on their own merit, and take into consideration the planning classification of the premises together with information that can demonstrate the property has the characteristics of a local pub.

3. Amount of relief to be paid

3.1 The relief under this scheme is for 2017/18 only and up to a maximum of £1,000 for each eligible property.

3.2 Eligibility for the relief and the relief itself will be assessed and calculated on a daily basis.

4. Process for awarding relief

4.1 Medway Council will use information held on existing Business Rate records to identify qualifying properties and award relief to the value of the annual charge from 1 April 2017, up to the maximum of £1000.

4.2 Pubs that are part of a chain due will be asked to consider the State Aid De Minimis regulations and inform the Council should they be in breach or need any help in establishing their position in relation to those regulations.

4.3 Promotion on the Council's website, in the local press and through the town centre managers will be used to help capture any properties that may get overlooked.

4.4 Where appropriate, all other reliefs will be awarded before any reduction under this scheme.

5. State Aid relief

- 5.1 State Aid is support from public bodies which has the potential to distort competition and effect trade between member states of the European Union.
- 5.2 Any form of discretionary rate relief may amount to State Aid.
- 5.3 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.
- 5.4 The Council will require a recipient under the pub rate relief scheme to demonstrate their compliance with these legal requirements and any permitted exemptions. Each case will be considered based on the ratepayer's individual circumstances in full consideration of the state aid rules.

6. Appeals

- 6.1 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