

## **Committee: Cabinet**

**Date: 14 January 2019**

Wards: All

## **Subject: Local Discretionary Business Rate Relief and Retail Discount Schemes 2019/20**

Lead officer: Caroline Holland

Lead member: Councillor Mark Allison

Contact officer: David Keppler

### **Recommendations:**

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1. For Cabinet to review and agree the Local Discretionary Business Rate Relief Scheme for 2019/20
  2. For Cabinet to agree the new Retail Discount Scheme for 2019/20
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### **1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1. To update Cabinet on the Local Discretionary Rate Relief scheme and seek agreement for the 2019/20 scheme.
- 1.2. To update Cabinet on the new Retail Discount Scheme announced in the November 2018 budget and seek agreement for the scheme.

### **2 DETAILS**

- 2.1. On the 1 April 2017 a re-valuation of business rates rateable values was implemented. The previous re-valuation took place in April 2010. These re-valuations are meant to be every five years although in 2012 the Government announced that the 2015 re-valuation was delayed until 2017.
- 2.2. Rateable values are calculated by the Valuation Officer and are based on market rental values, size, usage and location.
- 2.3. Based on the draft valuation list in October 2016 Merton had a 7% average percentage increase in rateable values. The average increase for Outer London boroughs was 14% and the average increase for all of London was 24%
- 2.4. Although on average the rateable value has increased from April 2017 the poundage multiplier was reduced by 4 %. This means that when rates bills are calculated although the rateable value may have increased the actual rates payable would have increased less the rateable value increase.
- 2.5. Following every re-valuation there is a Transitional Relief scheme which protects businesses with disproportionately high or low rateable value changes. Although the scheme is quite complicated, it in effect restricts the level of rates increase or decrease a business would face over the five-year period of the re-valuation. The transitional relief a business would receive under the scheme is based on the rateable value of the property.

- 2.6. Under the business rates regulations there are different ways businesses may have their rates reduced. Some of the reliefs are mandatory and set within the legislation such as small business rate relief (reductions for businesses where the rateable value is below a certain figure), empty rate relief where premises are unoccupied, charitable relief – where a business is a charitable body. In addition, some reliefs are discretionary and determined by the Council, such as discretionary relief as a top up to charitable relief, discretionary relief where mandatory relief is not awarded, hardship relief and in Merton a local discount to encourage new and expanding businesses to move into the borough.
- 2.7. In the March 2017 budget the Government announced a range of initiatives to assist businesses affected by the re-valuation and allocated funding to local authorities to help businesses worst affected by the increases in rates.
- 2.8. In the Government announcement regarding local discretionary relief it assumes that local authorities will only support businesses that have had an increase in their bill and will make this a condition of the funding. It further assumes that by and large authorities will offer support to ratepayers or locations that face the most significant increases in bills and ratepayers occupying lower value properties.
- 2.9. Local authorities are expected to devise their own local schemes using guidance provided.
- 2.10. Merton has been awarded £459,000 for 2017/18, £223,000 in 2018/19, £92,000 in 2019/20 and £13,000 in 2020/21.
- 2.11. Merton’s scheme for 2018/19 was agreed by Cabinet on 3 July 2017.

### **3 LOCAL DISCRETIONARY RATE RELIEF**

- 3.1. As at the 10 December 2018 we have awarded £209,537.14 in relief to 366 businesses ( £440,831.10 in relief to 426 businesses in 2017/18).
- 3.2. The table below shows the number of businesses receiving assistance by the percentage band increase and reduction. It also shows the value of relief awarded and average for each band.

% Increase in rates payable	% Reduction	Number receiving relief	Amount of relief	Average relief granted
5-6	10	46	£3,384.84	£74.00
7-14	15	134	£36,398.99	£274.00
15-25	30	137	£61,847.04	£451.00
Over 25	50	49	£107,606.27	£2,196.00
Total		366	£209,537.14	

- 3.3. The new policy for 2019/20 with qualification criteria has been drafted (see Appendix 1), which details the conditions for businesses who will qualify for assistance under the new scheme and lists the types of businesses that will be ineligible.
- 3.4. In effect the businesses we assisted in 2018/19 will continue to receive support.
- 3.5. Our estimates show that we can support businesses again on an incremental scale based on the % increase they have in their business rates in 2019/20 compared to 2018/19. The 48 businesses that will have an increase of over 25% will receive a 20% reduction in the increase. Our proposed reductions are listed below:

No of cases	% increase from 2018/19 to 2019/20	% reduction on increase (after other reliefs)	Total cost
48	Over 25%	20%	£44,118.57
137	Between 15 and 25%	15%	£31,696,.58
131	Between 7 and 14%	7.5%	£18,633.16
46	Between 5 and 6 %	5%	£1,734.73
363			£96,183.03

- 3.6. It should be noted that the estimated spend is higher than the funding available, however, based on previous years we have found that businesses either move or close and then the relief is reduced and apportioned for the period of occupation. The year end actual spend is lower than the estimated spend at the beginning of the year.
- 3.7. The Chamber of Commerce have been consulted regarding the proposed draft policy and they agreed with the criteria and the incremental assistance based on the percentage increase.
- 3.8. Subject to approval, it is proposed that this relief will be applied to accounts before the new business rates bills for 2019/20 are issued in March 2019. This will ensure that businesses have the correct bill from the start of the financial year.
- 3.9. **Retail Discount**
- 3.10. The government announced in the October 2018 budget that it will provide a business rates Retail Discount scheme for occupied retail properties with a rateable value of less than £51,000 in each of the years 2019/20 and 2020/21.

- 3.11. The value of the discount shall be one third of the bill, and must be applied after mandatory reliefs and other discretionary reliefs have been applied.
- 3.12. The Government is not changing the legislation around reliefs. Instead local billing authorities will adopt a local scheme, (appendix B) in line with the guidance provided by government and award the discount in individual cases in line with the guidance. Government will reimburse local authorities for the cost of the scheme.
- 3.13. The Government expects local authorities to apply and grant relief to qualifying ratepayers from the start of the 2019/20 billing cycle.
- 3.14. The Retail Discount scheme is very similar to the council's Local Discretionary Rate Relief scheme, in fact most business that receive support under the Local Discretionary Rate Relief scheme will also receive support under the Retail Discount scheme. Businesses that have moved to the borough since the revaluation will now benefit from the Retail Discount scheme.
- 3.15. An initial analysis of all businesses within the Borough where the rateable value is less than £51,000 has been undertaken and it is estimated that in the region of 530 retail businesses will benefit from the new Retail Discount and we will award in excess of £2 million support.
- 3.16. Retail Discount must be awarded after all other reductions and reliefs have been granted, so the bill would be reduced where appropriate by calculating the rates on the small multiplier, then any Local Discretionary Rate Relief and then the remaining rates payable will be reduced by a third under the Retail Discount.
- 3.17. The Council intends to undertake a desktop exercise to award Retail Discount automatically where it can and write and advise businesses.
- 3.18. Where there is some uncertainty regarding qualification criteria a letter will be sent asking the business to confirm if they meet the criteria and wish to apply.
- 3.19. It is hoped that all new business rates bills for 2019/20 will be issued with both the Local Discretionary Rate relief and Retail Discount granted.

#### **4 ALTERNATIVE OPTIONS**

- 4.1. Do nothing is not an option as we have to have a policy to distribute this additional funding to businesses under the Local Discount Rate Relief scheme. We could consider alternative ways of assisting fewer businesses with more relief but supporting more businesses is considered preferable.
- 4.2. There is no alternative option for the new Retail Discount since the Council is required to implement the Scheme.

#### **5 CONSULTATION UNDERTAKEN OR PROPOSED**

- 5.1. Consultation with Chamber of Commerce as per 3.7 above

#### **6 TIMETABLE**

- 6.1. It is intended .subject to approval, that both reductions will be applied to 2019/20 business rates bills which are due to be despatched at the beginning of March 2019.

## **7 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

- 7.1. The Council will receive funding from Government for the Local Discretionary Rate relief granted and for the Retail Discount granted and this will be re-claimed via the yearly NNDR1 return which estimates for Government the expected income received and reliefs granted.
- 7.2. As stated above in 2.10 Merton has been awarded £92,000 in 2019/20.
- 7.3. The Government have indicated that there will be New Burdens money to fund the software changes to implement the Retail Discount Scheme and also for the administration costs for the Council but no figures have been released yet.
- 7.4. To administer this new Rates Discount scheme the Council will have to purchase new software from the Business Rates system supplier. But no estimate on costs has yet been provided.

## **8 LEGAL AND STATUTORY IMPLICATIONS**

- 8.1. The Government announced in the March 2017 budget statement measures whereby local authorities should offer help to businesses that have been most adversely affected by the 2017 re-valuation. The payment of this award is made as part of the Council's grant under Section 31 of the Local Government Act 2003 (2003 Act).
- 8.2. In the Budget on 29 October 2018 the Government announced that it would provide a business rates Retail Discount scheme for occupied retail properties with a rateable value of less than £51,000 in each of the years 2019-20 and 2020-21. The value of discount should be one third of the bill, and must be applied by authorities after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied.
- 8.3. The Government is not changing the legislation around the reliefs available to properties. Instead the Government, in line with the eligibility criteria set out in Guidance issued by the Ministry of Housing Communities and Local Government (the Guidance), will 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. The Government will fully reimburse authorities for the local share of the discretionary relief (using a grant under section 31 of the 2003 Act).
- 8.4. The Guidance provides the detail on how local authorities are to operate and delivery of the policy change.

## **9 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

9.1. The draft policy has been shared with the Chamber of Commerce for comment and views, please see comments above under 3.9

**10 CRIME AND DISORDER IMPLICATIONS**

10.1. None for the purpose of this report

**11 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

11.1. None for the purpose of this report

**12 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT**

Appendix A – Local Discretionary Business Rate Relief Policy 2019/20

Appendix B – Retail Discount Policy 2019/20

Appendix C - Ministry of Housing Communities and Local Government  
Business Rates Retail Discount Guidance November 2018

**13 BACKGROUND PAPERS**

13.1. None for the purpose of this report