

Committee:**Date:**

Wards: All

Subject: Local Discretionary Business Rate Relief and Retail Discount Schemes 2020/21

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 2020/21
 2. For Cabinet to agree the new Retail Discount Scheme for 2020/21
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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 2020/21 scheme.
- 1.2. To update Cabinet on the new Retail Discount Scheme announced in the December 2019 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 than 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 2019/20 was agreed by Cabinet on 14 January 2019.

3 LOCAL DISCRETIONARY RATE RELIEF

- 3.1. As at the 17 January 2020, we have awarded £86,521.15 in relief to 322 businesses (£209,537.14 in relief to 366 businesses in 2018/19).
- 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	6	45	£1,104.69	£25.00
7-14	10	118	£8,447.61	£71.00
15-25	22	125	£26,411.78	£211.00
Over 25	32	44	£50,557.07	£1,149.00
Total		366	£86,521.15	

- 3.3. The new policy for 2020/21 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. As the amount of funding available has reduced from £92,000 to £13,000 the new policy will not support all the businesses previously supported. We have calculated that we can provide relief of 18% of the actual relief figure received in 2019/20. However, where this figure is less than £10.00 for the year it is not practical to apply the relief.
- 3.5. The businesses we do not support will all still receive the new 50% Retail discount.
- 3.6. Subject to approval, it is proposed that this relief will be applied to accounts before the new business rates bills for 2020/21 are issued in March 2020. This will ensure that businesses have the correct bill from the start of the financial year.
- 3.7. **Retail Discount and Pub Discount**
- 3.8. 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.
- 3.9. 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.
- 3.10. 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.
- 3.11. On the 27 January 2020 the Government announced that the one third reduction applied would increase to half. It will now also include cinema's and music venues. The Government hopes that local authorities will apply and grant these reliefs to qualifying ratepayers from the start of the 2020/21 billing cycle. However, the Government's budget formally announcing this change will not take place until the 11 March 2020.
- 3.12. 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.
- 3.13. 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 600 retail businesses will benefit from the new 50% Retail

Discount and we estimate this award will be in excess of £2.5 million. The Government have confirmed that the council will be reimbursed for this discount.

- 3.14. The Government also announced in December 2019 that it will re-introduce Pub Relief for all pubs with a rateable value of less than £100,000. This discount will be £1,000 and will apply in addition to the retail relief for those eligible. There will be approximately 30 pubs due to receive this discount.
- 3.15. The Council intends to undertake a desktop exercise to award Retail Discount and Pub Relief automatically where it can and write and advise businesses.
- 3.16. 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.
- 3.17. It is hoped that all new business rates bills for 2020/21 will be issued with the Local Discretionary Rate relief, Retail Discount and Pub relief.

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 was previously undertaken with the Chamber of Commerce regarding the Local Discretionary Rate Relief scheme but as the relief now available is only £13,000 for 2020/21 no further consultation has taken place.

6 TIMETABLE

- 6.1. It is intended .subject to approval, that all reductions will be applied to 2020/21 business rates bills which are due to be despatched at the beginning of March 2020.

7 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 7.1. The Council will receive funding from Government for the Local Discretionary Rate relief granted, for the Retail Discount granted and the Pub Discount 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 £13,000 in 2020/21.
- 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.

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. On the 27 January 2020 the Government announced that for 2020/21 the value of the discount would increase to half of the bill for qualifying businesses.
- 8.4. 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).
- 8.5. 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. None for the purpose of this report

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 2020/21

Appendix B – Retail Discount Policy 2020/21

13 BACKGROUND PAPERS

- 13.1. None for the purpose of this report

