

# TONBRIDGE & MALLING BOROUGH COUNCIL

## CABINET

25 March 2014

### Report of the Director of Finance and Transformation

#### Part 1- Public

#### Executive Non Key Decisions

##### 1 **RETAIL RATE RELIEF**

**A report advising Members of the Government's retail rate relief scheme and requesting Members to approve the policy for granting relief.**

##### 1.1 **Introduction**

1.1.1 In his autumn statement last December, the Chancellor of the Exchequer stated that the retail sector was changing and that high streets were experiencing challenges as they adapted to changing customer preferences.

1.1.2 To support the retail sector, the Government would *"introduce a discount of up to £1,000 against business rates bills for retail premises (including pubs, cafes, restaurants and charity shops) with a rateable value of up to £50,000 in 2014-15 and 2015-16, and will bring forward guidance on how the discount will be applied"*

##### 1.2 **Guidance**

1.2.1 The Government has now issued the guidance, a copy of which is attached at [ANNEX 1]. The points to note in the guidance are:

- To benefit from the relief, the property must be occupied and wholly or mainly used as a shop, restaurant, café or drinking establishment.
- The property must have a rateable value of no greater than £50,000.
- The maximum relief that may be granted, in each of the years 2014/15 and 2015/16, is £1,000 per retail property. The relief is deducted from the amount that would otherwise be payable in respect of the property. If the amount otherwise payable is less than £1,000, then the relief is capped at the lesser amount.

1.2.2 Unlike other rate reliefs available to businesses, such as small business rate relief and charitable rate relief, retail rate relief will not be incorporated into the legislation governing business rates. Instead, the Government is expecting local authorities to grant the relief using their discretionary powers under section 47 of

the Local Government Finance Act 1988. This is the same section under which we grant discretionary rate relief to charities and other non profit-making bodies.

- 1.2.3 Assuming that a local authority uses its discretionary powers under section 47 to grant relief, the Government has stated that it will fully reimburse the cost of the retail rate relief to the local authority. However, to qualify for full reimbursement, the authority will have to demonstrate that it has granted the relief in accordance with the Government's guidance.
- 1.2.4 I have already outlined at paragraph 1.2 (above) the main features of the scheme. However, when considering if a property should benefit from retail rate relief, an authority must ensure that the retail outlet falls within one of the categories of property in the Government's guidance. If it does not, then the ability to claim back the relief from the Government would be lost. The categories are:
- Properties used for the sale of goods to visiting members of the public, for example opticians; bakers; grocers; newsagents; garden centres; charity shops; and off-licences.
  - Properties used for the provision of services to visiting members of the public, for example travel agents; dry cleaners; funeral directors; and hairdressers.
  - Properties used for the sale of food and/or drink to visiting members of the public, for example sandwich shops and coffee shops.
- 1.2.5 The Government does not consider that the following properties come within the scope of the retail rate relief scheme:
- A property being used for the provision of financial services to the public, for example a bank; betting shop or building society.
  - A property used for the provision of services such as an estate agency or employment agency.
  - A property used to provide medical services, such as a dentists or doctors, or professional services, such a solicitors or accountants.
- 1.2.6 There is nothing to prohibit a local authority from granting relief, under its discretionary powers, to a business that would not qualify for funding under the Government's scheme. However, if it were to do so, it would have to bear a proportion of the cost along with the other bodies participating in the business rates retention scheme. Likewise, an authority could grant a greater amount of relief to a qualifying property than that announced by the Government, but the additional relief would have to be shared by the bodies participating in the business rates retention scheme.

1.2.7 My approach has been to implement the scheme as set out above for Members' subsequent endorsement, as I was keen to update the rate accounts of those businesses entitled to the relief as quickly as possible and issue amended bills to those businesses. Having said the foregoing, there could be cases where I believe a business is not eligible but the ratepayer believes that it is. In those cases I shall take the applications to Members of the Finance, Innovation and Property Advisory Board for determination.

1.2.8 Finally, I would draw to Members' attention paragraph 13 of the Government's guidance. The paragraph states:

*"As the grant of relief is discretionary, authorities may choose not to grant the relief if they consider that appropriate, for example where granting the relief would go against the authority's wider objective for the local area."*

1.2.9 In respect of the above, there are a couple of matters on which I would ask for Members' guidance:

- 1) As Members will be aware, it has been our practice not to grant discretionary rate relief to charity shops in cases where the shops are run by national charities. Thus, those charity shops have 80% of their rate bills remitted because they are registered charities but remain liable to pay the remaining 20% of their bills. Would Members wish me to allow the retail rate relief against their 20% liability?

The Government's guidance specifically refers to charity shops being eligible for the relief and it would cost the Council nothing to grant the relief. However, Members might feel that they do not wish to give any further encouragement, by way of reduced rates, to such shops. Alternatively, Members might consider that it is preferable to have the charity shops occupying the premises instead of empty units. Of course, bearing in mind the already generous reduction in the rates bills occasioned by mandatory rate relief, it could be argued that the refusal of retail rate relief would not be a significant factor in their decision whether to remain in the premises.

- 2) In the autumn statement the Chancellor referred to **high streets** facing challenges. In addition, the guidance refers to 'high streets' in paragraph 4. However, in the same paragraph it refers to support for 'town centres'. It is therefore unclear whether the Government is willing to fully fund retail rate relief given to a business in a village shopping street.

In much the same vein, the funding position in respect of 'one-off' retail units not in a town or village remains unclear. Whilst not in a village or town location, the business will face much the same challenges as a high street business, for example competition from large out-of-town retailers and competition from internet sales. Would we be able to claim Government funding if we gave retail rate relief to such businesses?

I have sought clarification of the above from the Department for Communities and Local Government but, at the time of writing, a response has not been received.

### 1.3 **Legal Implications**

- 1.3.1 To avoid the risk of challenge it is considered that Members should approve the policy to be adopted for the granting of retail rate relief.

### 1.4 **Financial and Value for Money Considerations**

- 1.4.1 There will be no financial implication for the Council if relief is granted in accordance with the guidelines issued by the Government. Should Members approve a scheme of retail rate relief that is more generous than that anticipated by the Government, then the Council, along with the other bodies participating in the business rates retention scheme, will have to bear the cost of the excess relief.

### 1.5 **Risk Assessment**

- 1.5.1 There is no risk to the Council other than the financial risk mentioned above.

### 1.6 **Equality Impact Assessment**

- 1.6.1 See 'Screening for equality impacts' table at end of report

### 1.7 **Recommendations**

- 1.7.1 Members are **REQUESTED** to **DETERMINE**:

- 1) the approach that should be taken in respect of charity shops: paragraph 1.8 (1) above refers;
- 2) subject to any response that might be received from the Department for Communities and Local Government by the date of Cabinet, whether they wish to grant retail rate relief to retail premises not in town centres and retail premises of a 'one-off' nature, for example retail premises located on farms;
- 3) a scheme of retail rate relief as set out in paragraphs 1.2 and 1.5 above; and
- 4) that I be given delegated authority to grant relief in accordance with the adopted scheme, subject to any disputed entitlement to relief being referred to the Finance, Innovation and Property Advisory Board.

Background papers:

contact: Paul Griffin

Nil

Sharon Shelton

Director of Finance and Transformation.

<b>Screening for equality impacts:</b>		
<b>Question</b>	<b>Answer</b>	<b>Explanation of impacts</b>
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	No	The decision relates purely to commercial premises.
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	No	The decision relates purely to commercial premises.
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		Not applicable.

*In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.*