



**Cabinet**  
16 March 2015

**Report from the Strategic Director of  
Regeneration and Growth**

Wards affected:  
ALL

**National Non-Domestic Rates – Autumn Statement 2014 –  
Business Rates Relief Discretionary Discounts**

**1.0 Summary**

- 1.1 The government in its Autumn Statement of 3 December 2014 announced a measure of reliefs for business ratepayers that will come into effect from 1 April 2015. These included increasing the retail rate relief from £1,000 to £1,500 in respect of occupied retail properties with a rateable value of £50,000 or less, and also to extend the existing transitional relief scheme for 2 years for properties with a rateable value of up to and including £50,000. However rather than introduce these measures through legislative changes the government expects authorities to use their local discount powers to award these reliefs.
- 1.2 The powers to grant local discounts are within section 47 of the Local Government Finance 1988. To award discounts under this provision it needs committee approval of any scheme. This report therefore seeks ratification of the implementation of the government's announcements and seeks to authorise the Chief Finance Officer to implement these schemes so that officers can award these discretionary reliefs which satisfy the criteria set by the Department of Communities and Local Government (DCLG) for these schemes.
- 1.3 The government will fully fund the cost of these reliefs, although there maybe some additional administrative costs which maybe met through "new burdens" funding from central government.

## 2.0 Recommendations

- 2.1 That the retail rate relief discount scheme, which was originally agreed by the Executive on 24 March 2014, be amended so that a £1,500 discount is awarded to qualifying businesses for 2015/16 as detailed in paragraphs 3.1 to 3.4 of this report pursuant to the Council's powers under section 47 of the Local Government Finance Act 1988 be approved.
- 2.2 That the scheme extending transitional relief for 2 years from 1 April 2015 for properties with a rateable value of £50,000 or less as detailed in paragraphs 3.5 to 3.9 of this report be agreed pursuant to the Council's powers under section 47 of the Local Government Finance Act 1988.
- 2.3 That the Chief Finance Officer be authorised to implement the schemes referred to in paragraphs 2.1 and 2.2 of this report so that the agreed discretionary discounts and reliefs in business rates can be awarded in compliance with the criteria set out by the Department for Communities and Local Government.

## 3.0 Detail

### **Increase in Discount for Occupied Retail Premises from £1000 to £1500**

- 3.1 The government announced in the Autumn Statement of 2013 a retail rate relief scheme whereby relief of up to £1,000 will be available to all occupied retail properties with a rateable value of £50,000 or less in each of the years 2014-15 and 2015-16 up to state aid limits. In January 2014 the Department of Communities and Local Government (DCLG) published a 'Retail Relief Guidance' paper which detailed the criteria for qualification.
- 3.2 As this is a temporary measure for 2014-15 and 2015-16 only, the Government have not changed the legislation around the reliefs available to business properties but instead expect local authorities to 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. Central government is fully reimbursing local authorities for the local share of the discretionary relief (using a grant under section 31 of the Local Government Act 2003) so that in effect there is no cost to the council of awarding the discount.
- 3.3 This scheme was originally approved by the Executive at its meeting on 24 March 2014. During 2014/15 over 1,500 businesses have qualified for this relief and the amount of relief awarded totals £1.4M. The government announced in its Autumn Statement 2014 that it is to increase the amount of the discount from £1,000 to £1,500 for 2015/16 only. There are no other changes to the scheme. It is therefore necessary to amend the local discount scheme to reflect this change and this requires Cabinet approval. Those types of property that may qualify for the discount are detailed in Appendix 1.

3.4 The relief is subject to state aid de minimis limits, whereby a business must not have received state aid exceeding 200,000 euros in the last 3 years (current year plus preceding 2). State aid includes reliefs, grants, interest rate and tax relief, subsidies, guarantees, etc. The business will be required to sign a declaration confirming this. This may well preclude many of the large national retail chains that have shops in many town centres from receiving this relief

#### **Extension of Transitional Relief Scheme**

3.5 The government also announced in its 2014 Autumn Statement a 2 year extension to the existing transitional relief scheme for properties with a rateable value up to and including £50,000. As a result of this measure, small properties (with a rateable value of less than £25,500) that would otherwise face bill increases above 15% and medium sized properties (with a rateable value of £50,000 or less) that would otherwise face bill increases above 25% will benefit. Rather than introduce legislation to effect this the government expects local authorities to use its discretionary relief powers as introduced by the Localism Act (under section 47 of the Local Government Finance Act 1988, as amended) to grant relief.

3.6 The transitional relief scheme was introduced in 2010 to help those ratepayers who were faced with higher bills. The scheme ends on 31 March 2015 and as a result a small number of ratepayers will face a jump to their full rates bill from 1 April 2015. The government therefore wishes to extend the scheme for properties with a rateable value of £50,000 or less to March 2017 this being when the current rating list finishes. A new Rating List will come into effect from 1 April 2017

3.7 Guidance on the operation of this relief was issued by the Department for Communities and Local Government in January 2015. In effect:-

- the cap on increases for small properties (with a rateable value of less than 25,500) in both 2015/16 & 2016/17 should be assumed to be 15% (before the increase for the change in the multiplier), and
- the cap on increases for other properties (up to and including £50,000 rateable value) in both 2015/16 and 2016/17 should be assumed to be 25% (before the increase for the change in the multiplier)

3.8 As with other discretionary discount schemes relief will be subject to state aid de minimis limits, whereby a business must not have received state aid exceeding 200,000 euros in the last 3 years (current year plus preceding 2). State aid includes reliefs, grants, interest rate and tax relief, subsidies, guarantees, etc. The business will be required to sign a declaration confirming this.

3.9 It is estimated that there are 28 ratepayers in Brent who will be entitled to this relief, the total relief for all 28 being approximately £17,600. All of these will be invited to apply as soon as this scheme has been approved. The cost of this will be funded by central government.

## **4.0 Financial Implications**

- 4.1 For these schemes the government has announced that it will fully fund the cost of awarding the reliefs, the reduction in NNDR income being offset by an increase in grant payment, so that there is no loss of income to the council. The government's proposals have also been reflected in the budget assumptions presented to Council at its meeting on 2 March 2015. From a long term point of view these reliefs may help sustain the viability and growth of these businesses.
- 4.2 There will some minor additional administrative costs borne by the council in implementing and administering these schemes, these are estimated at less than £5,000. There may be some additional government funding to meet this new burden but otherwise these costs will need to be met within existing resources.

## **5.0 Legal Implications**

- 5.1 The transitional relief scheme and the change to the Retail Rate discount were announced by the government in the Chancellor's Autumn Statements on 3 December 2014. Rather than introduce legislation the government expects authorities to implement these by using their discretionary relief powers, introduced by the Localism Act. Section 69 of The Localism Act 2011 amended section 47 of the Local Government Finance Act 1988 to allow authorities to grant business rate discounts. Under this provision authorities can create their own discount schemes in order for example to promote growth and jobs in its area, or specified areas. Any such scheme would need to be approved by the Council's Cabinet.
- 5.2 Normally the authority would have to fund its share of the cost, however for these schemes the government will fully fund the costs as it expects authorities to implement these schemes in accordance with the guidance.
- 5.3 Guidance from DCLG regarding the £1000 (£1500 from 1/4/2015) discount for retail premises as described in paragraphs 3.1 to 3.4 of this report was originally provided in January 2014. As the change to this scheme is only in respect of the amount of the discount, the DCLG Guidance remains unchanged.
- 5.4 Guidance from DCLG regarding the 2 year extension to the transitional relief scheme was issued in January 2015. Because of the short timescales involved and the need to get the schemes in operation for the beginning of the next financial year, and as this report is proposing to provide reliefs in business rates that have been announced by the Government which will fund these reliefs, it has not been deemed necessary to carry out consultation regarding the proposals in this report.

- 5.5 State Aid law is the means by which the European Union regulates state funded support to businesses. Providing discretionary relief to ratepayers is likely to amount to State Aid. However Retail Relief will be State Aid compliant where it is provided in accordance with the De Minimis Regulations (as set out in Statutory Instrument 1407/2013).
- 5.6 The De Minimis Regulations allow an undertaking (in this case, a business) to receive up to €200,000 of De Minimis aid in a three year period (consisting of the current financial year and the two previous financial years). Officers will need to familiarise themselves with the terms of this State Aid exemption when considering whether to award business rate relief upon receipt of business relief applications, in particular the types of undertaking that are excluded from receiving De Minimis aid (Article 1), the relevant definition of undertaking (Article 2(2)) and the requirement to convert the aid into Euros.
- 5.7 To administer De Minimis it is necessary for the local authority to establish that the award of aid will not result in the undertaking having received more than €200,000 of De Minimis aid. It should be added that the threshold only relates to aid provided under the De Minimis Regulations (aid under other exemptions or outside the scope of State Aid is not relevant to the De Minimis calculation).

## **6.0 Diversity Implications**

- 6.1 An Equality Impact assessment has not been carried out as the schemes are aimed at helping businesses, so that no-one will be adversely affected. Those entitled to the £1500 discount will have had this amount credited to their bills for 2015/16, whilst those who are likely to be entitled to the transitional relief discount have been identified and sent application forms. The council's web site has been updated to advise of these schemes and the explanatory notes that accompanied bills also detail the availability of these schemes.

## **7.0 Staffing/Accommodation Implications (if appropriate)**

- 7.1 None

### **Background Papers**

DCLG Business Rates Information Letter 11/2014 December 2014 – Autumn Statement  
DCLG paper – Extension of Transitional Relief for small and medium properties – Guidance – January 2015  
DCLG paper – Retail Relief Guidance – January 2014  
Report to Executive 24 March 2014 - National Non-Domestic Rates – Autumn Statement – Business Rates Relief

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## Appendix 1

### Retail Rate Relief Discount – Qualifying Properties

Properties that will benefit from the retail rate relief discount will be occupied hereditaments with a rateable value of £50,000 or less, that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments. These are defined as:

**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 centre
- 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

The guidance lists types of retail premises and businesses that will **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**