

---

**REPORT FOR: CABINET**

---

<b>Date of Meeting:</b>	17 January 2019
<b>Subject:</b>	Discretionary Business Rates Retail Relief Scheme for 2019/20 and 2020/21
<b>Key Decision:</b>	Yes
<b>Responsible Officer:</b>	Dawn Calvert Director of Finance
<b>Portfolio Holders:</b>	Adam Swersky – Portfolio Holder for Finance and Resources Keith Ferry – Portfolio Holder for Regeneration, Planning and Employment
<b>Exempt:</b>	No
<b>Decision subject to Call-in:</b>	Yes
<b>Wards affected:</b>	All
<b>Enclosures:</b>	Appendix 1 – Draft Discretionary Retail Relief Scheme Appendix 2 – Equality Impact Assessment

## **Section 1 – Summary and Recommendations**

To introduce local discretion regarding Retail Relief for the financial years 2019/20 and 2020/21.

The Government announced in the Budget on 29 October 2018, that it would provide the ability for businesses to receive business rates retail relief as a way to further reducing their business rates liability. The value of relief will be

one third of the bill, after other reliefs are applied.

Government guidance has now been issued and sets out the detailed criteria that local authorities should use to determine funding relief for retail properties. Harrow now wishes to exercise its discretion and adopt the attached policy, which has been modelled on the guidance issued, so it can support businesses in its area.

**Recommendations:**

Cabinet is requested to:

1. Agree to adopt, for the years 2019/20 and 2020/21, the attached discretionary “Retail Relief scheme” for business rate payers who are eligible.
2. To note that the Corporate Director of Resources and Commercial can exercise discretion under Section 47 of the Local Government Finance Act 1988, (as amended) (hereinafter “LGFA”) in order to operate the above scheme.

**Reason: (for recommendation)**

To ensure Harrow Council’s eligible business ratepayers receive the maximum amount of centrally funded relief that can be claimed and to ensure the Council supports the local economy.

## 1.1 Introductory paragraph

Harrow Council, like Central Government, recognises that changing consumer behaviour presents a significant challenge for retailers in our borough and wishes to support the high street to evolve.

The Government announced in the Budget on 29 October 2018, that it would provide business rates retail relief for occupied retail properties with a rateable value (rv) of less than £51,000 in each of the years 2019-20 and 2020-21. The value of relief should be one third of the bill, and must be applied after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied.

As this is a measure for 2019-20 and 2020-21 only, 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 the guidance, will reimburse local authorities that use their discretionary powers and implement a local scheme in accordance with the guidance issued.

Harrow therefore needs to adopt the local scheme (Appendix 1) and will, subsequently need to determine in each individual case, when to grant relief under Section 47. Central government will fully reimburse Harrow for the local share of the discretionary relief (using a grant under Section 31 of the Local Government Act 2003). The Government expects local government to grant relief to qualifying ratepayers.

## 1.2 Which properties will benefit from relief?

Should Cabinet agree the proposed scheme, properties that will benefit from the relief will be occupied hereditaments with a rateable value of less than £51,000, that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments.

The guidance considers shops, restaurants, cafes and drinking establishments to mean:

### **i. Hereditaments that are being used for the sale of goods to visiting members of the public:**

- Shops (such as: florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licences, 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 centres
- 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
- 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

**1.3** To qualify for the relief the hereditament must not only qualify as per the above descriptions, but must also be wholly or mainly being used as a shop, restaurant, cafe or drinking establishment. Therefore, hereditaments which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief.

The list set out above is not intended to be exhaustive as it would be impossible to list the many and varied retail uses that exist. There will also be mixed uses. However, it is intended to be used as a guide for Harrow for the purposes of the scheme. Particular properties not listed but broadly similar in nature to those above may be considered eligible for the relief, however any decision by Harrow will be final.

#### Exclusions

The list below sets out the types of uses that the Government does not consider to be retail use for the purpose of this relief. Again, it is recommended that Harrow adopts these, and any properties similar to those below will not be eligible for the relief under Harrow's local scheme.

#### **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, bureaux 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 offices,

#### **ii. Hereditaments that are not reasonably accessible to visiting members of the public**

### **1.4** How much relief will be available?

Government will only fund relief for the financial years 2019-20 and 2020/21. The relief will be restricted to one third of the bill, after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied. No relief available will be awarded under this scheme for properties with a rateable value of £51,000 or more.

The eligibility for the relief and the relief itself will be assessed and calculated on a daily basis. The following formula will be used to determine the amount of relief to be granted for a chargeable day for a particular hereditament in the financial year 2019-20 and 2020-21:

Amount of relief to be granted =

$$\frac{V}{3} \text{ where}$$

V is the daily charge for the hereditament for the chargeable day after the application of any mandatory relief and any other discretionary reliefs funded by section 31 grants.

This will be calculated ignoring any prior year adjustments in liabilities which fall to be liable on the day.

Ratepayers that occupy more than one property will be entitled to relief for each of their eligible properties, subject to State Aid De Minimis limits.

#### 1.5 State Aid

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 (1407/2013).

#### 1.6 Splits, mergers, and changes to existing hereditaments

The relief will be applied on a day to day basis using the formula set out above. A new hereditament created as a result of a split or merger during the financial year, or where there is a change of use, should be considered afresh for the relief on that day.

#### 1.7 Implementation

MHCLG expects billing authorities to have in place clear and swift arrangements for communicating the scheme to ratepayers and to award relief. This will be done immediately if the scheme in this report is approved although we will be reliant on delivery of updated software before we can start awarding reliefs.

Council Officers have ascertained how many small ratepayers are likely to be affected and how many ratepayers may qualify for the relief announced. The intention is to simply award the relief to those qualifying premises and to inform ratepayers retrospectively, in effect speeding up the awarding of any relief. The work will be limited by the staff capacity in place to deal with enquiries from ratepayers, and how quickly system suppliers develop the appropriate software for the authority to be able to administer the relief.

The table below gives an indication of the number of businesses benefiting from the retail relief scheme and the likely overall awards in the financial year 2019/20. From the current 5,669 properties entered

on the valuation list 1420 cases under a rateable value of £51,000 could potentially qualify for the new Retail Relief. However based on the Retail Relief Scheme implemented for two years in 2014/15 and 2015/16, it is expected only around 1020 will qualify.

	Number of Cases below 51,000 rv	Net 2018/19 Rates Payable by Properties with rv below 51,000	Add 25% for potential uplift to charge payable (with TR & multiplier changes)	Potential Relief to be awarded (1/3 of Charge payable)
No of Properties in Full list 5,569	3182	£10,477,097		
Empty & therefore excluded	216	£1,167,991		
Already receiving 100% Small Business Rates Relief & therefore excluded	1546	£4,852,286		
No of Properties who which could potentially qualify for new RR	1420	£4,456,820		
No's likely to qualify based on previous Retail Relief scheme implemented	1020	£3,201,378	£4,001,722	<b>£1,333,908</b>

### 1.8 Cost of Scheme

The government will reimburse Harrow Council for lost business rates retention income due to this initiative. Awards will be fully compensated via Section 31 grant and there will be no cost to the Council.

The Section 31 grant has conditions – including the requirement for billing authorities to consult on their relief schemes with their major preceptors, ie. the GLA. The GLA was consulted on the proposal and were supportive of its adoption.

### 2.0 Recommendation

For the reasons articulated above in this report, it is recommended that Cabinet notes the exercising of discretion under Section 47, and approves the retail relief scheme proposed, allowing the appropriate relief to be awarded, for eligible commercial premises. This will reduce the rates liability for specific traders and will ensure support is granted to the local economy.

The proposed scheme will support approximately 1020 properties occupied by eligible retailers with rateable values between £12,000 to £51,000, and which are the lifeblood of Harrow's economy.

The proposed scheme will take effect from 1/4/2019 and will be applicable to the 2019/20 and 2020/21 financial years only.

## **2.1 Legal Implications**

The Council, as a billing authority, is empowered to award discretionary rate relief under Section 47 of The Local Government Finance Act 1988, as amended by Section 69 of the Localism Act 2011. The latter widened the scope of Section 47 to enable billing authorities to award discretionary relief to any ratepayer. Harrow Council will deliver the scheme through the use of its existing discretionary relief powers.

The authority already has in place a policy that provides guidelines for deciding whether or not to grant relief and for determining the amount of any relief given. The proposed scheme temporarily adds to this to cater for recent Government's announcement, for the stated specific years, so Harrow Council can support local ratepayers who meet the Council's eligibility criteria.

Whilst the Council has the power to award discretionary rate relief to businesses as it thinks fit, the Council can only exercise its discretion if it is reasonable to do so having regard to the interests of local council tax payers and having elected to do so via a specific scheme or policy.

Cabinet must also note that in making discretionary payments, the local authority will be expected to ensure it is meeting conditions attached to State Aid under European Union regulations.

## **2.2 Financial Implications**

Regarding the cost of the scheme itself, there are no financial implications as the full cost of the awards, including the rate retention loss proportion that Harrow will lose, will be paid back to the local authority via Section 31 grant.

## **2.3 Performance Issues**

Ensuring all eligible traders are awarded the reliefs they are entitled to will support collection rates and reduce collection administration.

## **2.4 Environmental Impact**

There are no direct environmental impacts anticipated from the recommendations contained within this report.

## **2.5 Risk Management Implications**

As this is a Central Government initiative and MHCLG is compensating LA's via Section 31 grant for any loss in rates retention monies as a direct result of awards of this relief, there is no or minimal risk to Harrow.

Risk included on Directorate risk register? No

Separate risk register in place? No

## **2.6 Equalities implications**

An Equalities Impact Assessment has been undertaken in relation to the policy and is attached.

When making this decision, Cabinet should have due regard to the Public Sector Equality Duty. Section 149 of the Equalities Act 2010 created the Public Sector Equality Duty. Section 149 states:-

- (1) A public authority must, in the exercise of its functions, have due regard to the need to:
  - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

2.7 The EqIA (Appendix 2) shows that potential recipients of relief would be 1020 traders, spread across the Borough. Occupiers of properties over £51,000 rateable value and other selected premises will not benefit from the proposed scheme. This may mean that the proposal has an adverse impact on these traders.

Overall there were no adverse impacts found on protected groups should Harrow implement this policy; rather all impacts are potentially positive and would benefit qualifying traders in the current economic climate due to the potential reduction it would have on the amount of Business Rates qualifying ratepayers would have to pay.

## 2.8 Corporate Priorities

This report supports the local economy by adopting Government guidance and allowing Harrow to exercise Section 47 discretion to deliver targeted financial support to eligible local traders.

## Section 3 - Statutory Officer Clearance

Name: Sharon Daniels	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 5 December 2018		
Name: Paresh Mehta	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 5 December 2018		



Name: Nimesh Mehta



Head of Procurement

Date: 5 December 2018

**Ward Councillors notified:**

**NO**

**EqIA carried out:**

**Yes**

**EqIA cleared by:**

Alex Dewsnap,  
Divisional Director,  
Strategic Commissioning

## **Section 4 - Contact Details and Background Papers**

**Contact:**

Fern Silverio (Head of Service – Collections & Housing Benefits),  
Tel: 020-8736-6818 / email: [fern.silverio@harrow.gov.uk](mailto:fern.silverio@harrow.gov.uk)

**Background Papers:**

None

**Call-In Waived by the  
Chair of Overview and  
Scrutiny Committee**

**NO – CALL IN APPLIES**