

Mayor and Cabinet		
Title	Business Rates Revaluation Support Scheme & Retail Discount Scheme	
Key Decision	Yes	
Ward	All	
Contributor	ED Customer Services	Item No.
Class	Part 1 (open)	Date: 24 April 2019

1. Purpose

- 1.1 The purpose of this report is to seek approval of the Business Rates Revaluation Support scheme for 2019/20 and 2020/21 and Retail Discount Scheme.

2. Executive Summary

- 2.1 The powers to grant local discounts in respect of non-domestic rates are contained within s47 of the LGFA 1988 as amended by s69 of the Localism Act 2011. To award discounts under this provision any discount scheme needs committee approval.
- 2.2 The Council agreed the discretionary scheme for revaluation support for 2017/18 on 25 October 2018. For 2018/19 the scheme was signed off under delegated authority. The schemes for 2019/20 and 2020/21 need to be approved in addition to the Retail Discount announced by the government on 29 October 2018 in the autumn statement.

Both schemes are funded by Central Government. The Revaluation Support Scheme has a funding budget allocation of £228k for 2019/20 and £33k for 2020/21.

3. Recommendations

- 3.1 That the Business Rates Revaluation Support Scheme (Revaluation Support) be approved for 2019/20 and 2020/21 with some minor changes (see paragraph 6.1.8) in accordance with the Council's powers under s47 of the Local Government Finance Act 1988.
- 3.2 That the Retail Discount Scheme for 2019/20 and 2020/21 be approved pursuant to the Council's powers under s47 of the Local Government Finance Act 1988.

- 3.3 That the s151 Finance Officer be authorised to implement the two schemes detailed in this report so that the agreed discretionary discounts for business rates can be awarded in compliance with the scheme criteria.

4. Policy Context

- 4.1 The recommendations set out in the Business Rates Revaluation Support Scheme are consistent with the delivery of the Council's corporate priorities (contained within the new Corporate Strategy 2018-22). The scheme is particularly relevant under the priorities of:
- 4.2 - Building an inclusive local economy – Everyone can access high quality job opportunities with decent pay and security in our thriving and inclusive local economy
- Building safer communities – Every resident feels safe and secure living here as we work together towards a borough free from the fear of crime

5. Background

- 5.1 The council collects Business Rates in accordance with the Local Government Finance Act 1988. Income collected is currently shared between central Government, the Greater London Authority (GLA) and the council.
- 5.2 Business rates (also known as non-domestic rates) are payable by the occupiers or owners of all non-domestic premises. The amount payable is based on the rateable value (RV) which is assessed by the Valuation Office Agency (part of HMRC).
- 5.3 The RV broadly reflects the annual rental value of the property. The VOA maintain a Rating list which shows the RV of each property in each council's area.
- 5.4 Every 5 years there is a revaluation whereby the RVs are reviewed and a new rating list compiled. However, the revaluation due in 2015 was postponed until 2017 resulting in a 7 year gap since business premises were previously revalued.
- 5.5 As rental values had changed dramatically over that period some properties saw very large increases in their rates bills for 2017/18 when compared to 2016/17.
- 5.6 Whilst the transitional relief scheme was designed to ease the increase in bills for 2017/18 and subsequent years, some businesses still experienced increases well above inflation so the Government introduced other measures to assist business rate payers.

6. The Schemes

6.1 Business Rates Revaluation Support

6.1.2 In the March 2017 Budget, the Government announced a £300m fund for councils to finance business rates relief for revaluation support. The Government's extra funding only supports relief schemes targeted at businesses facing an increase in their business rate bills following the 2017 revaluation.

6.1.3 The Government's allocation of funding for Lewisham was:

LA	Amount of discretionary pot awarded (£000s)				Total
	2017-18	2018-19	2019-20	2020-21	
Lewisham	1,141	554	228	33	1,956

6.1.4 The 2017/18 and 2018/19 schemes were based on relief being a percentage of the net charge payable with the percentage applied being determined by the increase in the rates bill. However, when profiling the percentages it has always been a 'best estimate' in determining whether the total relief allocation from central government would equal the council's funding allocation.

6.1.5 In 2017/18 relief totalling £760k was awarded against an allocation of £1,141m and in 2018/19 relief totalling £380k was awarded against an allocation of £554k.

6.1.6 The original scheme recommended that a cap of £200k be put on large properties so that any property with a rateable value of £200k or more would not qualify. It was recommended that:-

- the relief be a percentage discount of the net bill.
- the scheme applies across the borough.
- any company who is liable for 6 or more properties nationally be excluded.
- apart from betting shops and gaming establishments the scheme be open to all property types.
- unoccupied properties be excluded from the scheme.
- businesses with arrears from previous years be given an opportunity to pay these in full in order to qualify

6.1.7 Central Government has significantly reduced the sum available to make the awards, it is therefore important to protect those who have had the greatest liability increases following the revaluation but retain the original scheme eligibility criteria.

6.1.8 The biggest increases in bills will be seen in 2019/20 as the Government's transitional relief reduces. To ensure the Council does not spend more than the government funding, the reduction amounts have been modified for 2019/20. Based on the current figures it is estimated that these changes will spend the government allocation in full on those most in need.

Small Properties (up to £28k) rateable value	7.5%
Medium Properties (rateable value between £28,001 and £100,000)	10%

Large Properties (rateable value between £100,001 and £199,999)	15%
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6.2 Retail Discount

- 6.2.1 The government announced in the autumn statement on 29 October 2018 the introduction of a retail rate relief scheme for 2019/20 and 2020/21. This is in respect of occupied retail properties with a rateable value of less than £51,000. The amount of relief will be one-third of the net bill after all other reliefs have been applied.
- 6.2.2 The scheme is similar to the Retail Rate Relief scheme introduced in 2014 when a discount of £1,000 was awarded to occupied retail premises with a rateable value of less than £50,001. In effect businesses that qualified under this scheme will also qualify under the new scheme.
- 6.2.3 Rather than introduce new legislation the government expects local authorities to introduce the scheme using its discretionary powers under s47 of the Local Government Finance Act 1992 as amended. It will reimburse councils the cost of all relief awarded.
- 6.2.4 Guidance on the administration of the scheme was issued in November 2018. It clarifies the classes of retail properties that will be entitled to relief. Shops, restaurants, cafes and drinking establishments are entitled, the guidance provided further details the types of businesses that fall within these categories.
- 6.2.5 It also specifies the types of business that will not qualify for relief – this includes financial services (including betting shops, payday lenders) estate agents, medical services and professional services. It also excludes cinemas, theatres, night clubs and gyms.
- 6.2.6 Modelling has been undertaken to identify the number of businesses that may qualify. It is estimated that approximately 800 businesses will qualify for a one-third reduction in their bill and the total value of relief will be approximately £1.8m.
- 6.2.7 To maximise the award the relief will be auto awarded, with businesses opting out if they do not qualify. Entitlement to the relief is subject to State Aid rules.
- 6.2.8 Late notification of the retail discount scheme required software changes that meant it was not possible to prepare this report in advance of the annual bills sent in March. As the schemes are fully funded the service has identified and awarded the discounts in order to help business rate payers reduce their liability. If the Council chooses to amend the scheme the service will rebill the appropriate business rate payers.

7. Financial Implications

7.1 Revaluation Support Scheme

- 7.1.1 The Revaluation Support Scheme was originally announced by the government in the Spring 2017 budget. The cost of the Revaluation Support Scheme is funded by a separate grant with fixed allocations.
- 7.1.2 As this is a locally designed scheme the total cost may vary from the Government's allocation, this being £228k in 2019/20 and £33k for 2020/21. Further variation may occur as a result of new businesses and changes to rateable values but it is not expected to exceed the grant allocation. The cut off point for awarding relief for 2019/20 is **30 September 2020** and for 2020/21 is **30 September 2021**.
- 7.1.3 The government previously awarded new burdens funding of £12k for years 1 and 2, this largely covered the software changes required with a small element for administration, printing and postage. It is anticipated that additional funding will be made available for the final 2 years of the scheme.

7.2 Retail Discount Scheme

- 7.2.1 The Retail Discount scheme was announced in the 2018 Autumn Statement and the government has confirmed they will fully fund the cost of relief awarded.
- 7.2.2 To meet the additional costs of implementing the discount the Government has committed to funding the New Burdens costs. The New Burdens assessment includes two elements, software and administration.
- 7.2.3 MHCLG has already confirmed that a one-off payment of £1,725 will be paid to cover the software element. In relation to Administration the MHCLG wrote to all authorities on 14 February 2019 advising that they are continuing to assess the additional administration costs associated with the Retail Discount. When the costs have been finalised, the MHCLG will write to all Local Authorities. As the government has committed to fully fund the scheme there is no risk of an overspend.

8. Legal Implications

- 8.1 These schemes were announced by the Government in the Chancellor's Spring Budget in March 2017. Rather than introduce legislation the Government expects authorities to implement these schemes 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.
- 8.2 Normally the authority would have to fund its share of the cost, however the Government will fully fund the costs of the Supporting Small Businesses and Support for Pubs schemes as it expects authorities to implement these schemes in accordance with the guidance.

- 8.3 With regards to the Revaluation Support discount scheme the Government will fund relief up to its funding allocation for 2017/18 of £1.141m. It has announced that there will be new burdens funding available for administering these schemes.
- 8.4 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. Relief for each of these three schemes will be State Aid compliant where it is provided in accordance with the De Minimis Regulations (as set out in Statutory Instrument 1407/2013).
- 8.5 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.
- 8.6 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).
- 8.7 The Equality Act 2010 (the Act) introduced a public sector equality duty (the equality duty or the duty). It covers the following protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 8.8 In summary, the Council must, in the exercise of its functions, have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
 - advance equality of opportunity between people who share a protected characteristic and those who do not.
 - foster good relations between people who share a protected characteristic and those who do not.
- 8.9 It is not an absolute requirement to eliminate unlawful discrimination, harassment, victimisation or other prohibited conduct, or to promote equality of opportunity or foster good relations between persons who share a protected characteristic and those who do not. It is a duty to have due regard to the need to achieve the goals listed above.
- 8.10 The weight to be attached to the duty will be dependent on the nature of the decision and the circumstances in which it is made. This is a matter for the Mayor, bearing in mind the issues of relevance and proportionality. The Mayor must understand the impact or likely impact of the decision on those with

protected characteristics who are potentially affected by the decision. The extent of the duty will necessarily vary from case to case and due regard is such regard as is appropriate in all the circumstances.

8.11 The Equality and Human Rights Commission has issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled “Equality Act 2010 Services, Public Functions & Associations Statutory Code of Practice”. The Council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with the equality duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at: <https://www.equalityhumanrights.com/en/advice-and-guidance/equality-act-codes-practice>

<https://www.equalityhumanrights.com/en/advice-and-guidance/equality-act-technical-guidance>

8.12 The Equality and Human Rights Commission (EHRC) has previously issued five guides for public authorities in England giving advice on the equality duty:

- [The essential guide to the public sector equality duty](#)
- [Meeting the equality duty in policy and decision-making](#)
- [Engagement and the equality duty: A guide for public authorities](#)
- [Objectives and the equality duty. A guide for public authorities](#)
- [Equality Information and the Equality Duty: A Guide for Public Authorities](#)

8.13 The essential guide provides an overview of the equality duty requirements including the general equality duty, the specific duties and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice. Further information and resources are available at: <https://www.equalityhumanrights.com/en/advice-and-guidance/public-sector-equality-duty-guidance#h1>

9. Crime and Disorder Implications

9.1 There are no specific environment implications directly arising from this report.

10. Equalities Implications

10.1 An Equality Impact assessment has not been carried out as these schemes are aimed at helping businesses. Those who are likely to be entitled have

been identified and will be sent application forms, the council's web site will also be updated to advise of these schemes.

- 10.2 It is anticipated that those who having been identified as potentially entitled and do not apply will be sent follow up letters to ensure maximum take up, as well as contact by telephone or email.

11. Environment Implications

- 11.1 There are no specific environment implications directly arising from this report.

Background Papers

[2/2017: Spring Budget – support for business](#)

[Consultation on proposals on the design and implementation of the locally administered business rates relief scheme](#) - Proposals on the design and implementation of the locally administered Business Rates Relief Scheme

DCLG May 2017 - Supporting Small Business Relief Scheme – Guidance
[Business rates information letter \(5/2017\)](#)

[Business rates information letter \(4/2017\)](#) - DCLG Business Rates Information Letter dated 20 June 2017 – Spring Budget

[Business rates: retail discount - guidance](#) - November 2018

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