



Report of: Executive Member for Inclusive Economy and Jobs

Meeting of	Date	Wards
Executive	7 February 2019	All

Delete as appropriate	Non-exempt
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Business Rates Relief Schemes for 2019/20 and 2020/21

a) Retail Relief for firms with rateable values of less than £51,000 and

b) Revaluation Relief for firms with rateable values from £51,000 to £60,000

1. Synopsis

- 1.1 To adopt a policy to award Retail Relief in accordance with the Discretionary Rate Relief powers as contained within Section 47 of the Local Government Finance Act 1988 (as amended) as from 1 April 2019.
- 1.2 To determine a policy to award Revaluation Relief in accordance with the Discretionary Rate Relief powers as contained within Section 47 of the Local Government Finance Act 1988 (as amended) as from 1 April 2019.

2. Recommendations

2.1 It is RECOMMENDED that:

(a) the Council award Retail Relief equivalent to one third of their daily charge to qualifying businesses in occupation of retail premises which have a rateable value of less than £51,000 towards their rates bills in respect of the financial years 2019/20 and 2020/21.

(b) this Retail Relief is applied in accordance with the Islington Retail Relief Scheme which is contained in Appendix A of this report.

2.2 (a) the Council goes further than the government's Retail Relief upper limit of £51,000 and uses its allocation of Revaluation Relief funding to support businesses with rateable values from £51,000 to £60,000 in respect of the financial years 2019/20 and 2020/21.

(b) this Revaluation Relief is applied in accordance with the Revaluation Relief Scheme which is contained in Appendix B of this report.

3 Background

3.1 In the 2018 Budget, the Government introduced a new relief scheme for retail properties that have a rateable value of below £51,000. Under the scheme, eligible ratepayers will receive a one third discount of their daily chargeable amount for 2 years, 2019/20 and 2020/21.

3.2 The Council currently makes awards in accordance with section 47 of the Local Government Finance Act 1988 (as amended) to grant relief. In order to adopt the Retail Relief scheme, the Council is required to adopt a local scheme and decide in each individual case when to grant Retail Relief

3.3 The Islington Retail Relief Scheme proposed in this report (in Appendix A) reflects the Government's guidance and awards relief to "occupied retail premises" with a rateable value of below £51,000.

3.4 However, for the purposes of awarding Revaluation Relief (from 2017-2019) to Islington's smallest businesses, Islington had determined that a "small business" was a business with a rateable value of £60,000 or less. Revaluation Relief was designed and is still used for those smaller businesses subject to the worst impact of the 40% average increase to rates bills arising out of the 2017 Revaluation.

3.5 During the years 2017-2019 Islington awarded £7,445,000 in Revaluation Relief to all qualifying businesses. These awards enabled us to cap the rates bill increases to 5% and 6% in the first two years depending on the size of the business. However, the amount of funding available has reduced substantially for both 2019/20 and 2020/21 and we can no longer cap the rates bill increases to anything like the same extent.

Table 1. showing the value of the funding made available for Revaluation Relief reducing

2017/18	2018/19	2019/20	2020/21
£5,011,000	£2,434,000	£1,002,000	£143,000

3.6 So in view of,

a) the Retail Relief Scheme's significant support for businesses with rateable values of less than £51,000 for the next two years [thus also mitigating for these businesses the rates bill increases arising out of the 2017 Revaluation] and

b) the substantial reduction in Revaluation Relief funding over the same two years.

We have proposed to focus the reduced Revaluation Relief funding on the remaining small businesses ignored by Retail Relief. That is, businesses with rateable values of £51,000 to £60,000. This is in contrast to heavily diluting the value of the Revaluation

Relief awards by including businesses below this level that will be supported by our new Retail Relief Scheme. The tables below illustrate the differential impact between our proposal to limit Revaluation Relief to those firms who will not receive Retail Relief (Table 2) and the position if the available funds were shared equally including firms who will receive Retail Relief (Table 3)

Table 2. showing the potential value of Revaluation Relief to each business with an RV between £51k - £60k inclusive

2019/20	2020/21	Total over 2 years	Average over 2 years
£7,007	£973	£7,980	£3,990

Table 3. showing the potential value of Revaluation Relief if awarded to each qualifying business if the fund had been shared amongst all with an RV below £60k inclusive

2019/20	2020/21	Total over 2 years	Average over 2 years
£663	£95	£758	£379

By way of comparison to Retail Relief. If Retail Relief had also been available for businesses with rateable values of between £51,000 and £60,000 and so these had also qualified for a discount of one third of their rates bill, then a middle-of-the-range sized business with a rateable value of £55,500 would have qualified for a discount of at least £18,500 over the two years.

- 3.7 The Revaluation Relief Scheme proposed in this report is found in Appendix B
- 3.8 These reliefs must be awarded by the Council in accordance with the Discretionary Rate Relief powers as contained within the Local Government Finance Act 1988 (as amended).
- 3.9 As long as the Council follows the Government's guidance for these reliefs, the Government will fully reimburse local authorities for the local share of the discretionary relief (using a grant under section 31 of the Local Government Act 2003).

4 Implications

- 4.1 **Financial Implications:** The purpose of the report is to formally determine the award criteria for the third year and fourth years of Revaluation Relief and to adopt a Retail Relief policy that complies with the Government's guidance. There is no new legislation laid in order to grant these reliefs. Instead, Government advised that any awards made under discretionary relief powers would be fully funded and local authorities compensated for awards made.
- 4.2 In awarding Revaluation Relief and Retail Relief in accordance with the guidance (Appendices C and D) the Council and major preceptors will be fully reimbursed through the NNDR claim process.
- 4.3 The total value of Revaluation Relief awarded by the Council cannot be greater than the £8.59M allocation available over the course of the four financial years, 2017/18 through to 2020/21. If it appears that this allocation will be exceeded, the scheme will either be closed for new applicants or the amount awarded per application will be reduced. The variance will be agreed with the Executive Member for Economic Development.

- 4.4 **Legal Implications:** The Guidance advises that the Council should award any Relief in accordance with powers for granting Discretionary Rate Relief under Section 47 of the Local Government Finance Act 1988 (as amended). Granting the relief as recommended here would be reasonable and lawful.
- 4.5 The De Minimis Regulations (1407/2013) on the provision of State Aid apply.
- 4.6 **Environmental Implications:** None
- 4.7 **Resident Impact Assessment:** The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding
- 4.8 The broad purpose of this duty is to integrate considerations of equality into everyday business and keep them under review in decision making, the design of policies and the delivery of services.
- 4.9 There is no cost to the local taxpayer, so no burden is created elsewhere in the borough. The reliefs proposed are designed to phase the level of support with the level of the new burden created by the external revaluation process.
- 4.10 A Resident Impact Assessment screening has been completed (Appendix E). The policy supports all types of businesses in Islington such as companies, partnerships and sole traders and therefore is unlikely to directly impact on the protected characteristics.

5 Conclusion and Reason for Recommendations

- 5.1 By introducing the Retail Relief scheme for businesses with rateable values of less than £51,000 and focusing its Revaluation Relief on businesses with rateable values between £51,000 to £60,000 the Council is reducing the financial burden on smaller local businesses within its area.

Background papers: None

Appendices:

Appendix A: Islington's Retail Relief Scheme

Appendix B: Islington's Revaluation Relief Scheme

Appendix C: Government's Retail Relief Scheme guidance

Appendix D: Government's Revaluation Relief Scheme guidance (*described using the term "Discretionary Relief"*)

Appendix E: Resident Impact Assessment

Final Report Clearance

Signed by



Councillor Asima Shaikh
Executive Member for Inclusive Economy and Jobs

Date 25/01/2019

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Appendix A

Islington Retail Relief Scheme

6.1 The Islington Retail Relief Scheme will award Retail Relief to qualifying businesses equivalent to one third of their daily rates charge in respect of the financial years 2019/20 and 2020/21 on the conditions that:

(a) The hereditament has a rateable value of less than £51,000 and

(b) It is occupied and it is being used and is wholly or mainly being used as a shop, restaurant, cafe or drinking establishment.

6.2 It is considered shops, restaurants, cafes and drinking establishments to mean:

(a) 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, opticians, stationers, off licence, chemists, newsagents, hardware stores, charity, supermarkets etc)
- Post offices
- Show & display rooms (such as: furnishing, double glazing, garage doors, kitchen / bathroom, carpet, cars & caravans etc)
- Second hand car lots
- Markets
- Petrol Stations
- Garden Centres
- Art Galleries (where art is for sale / hire)

OR

(b) 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

OR

(c) 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

6.3 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 a guide as to the types of uses that the Council considers for this purpose to be retail.

6.4 The Council can determine whether particular properties (hereditaments) not listed are broadly similar in nature to those in 6.2 above and, if so, to consider them eligible for the Retail Relief. Conversely, properties that are not broadly similar in nature to those listed above will not be eligible for the Retail Relief.

6.5 To qualify for the Retail Relief the hereditament should be wholly or mainly being used as a shop, restaurant, cafe or drinking establishment. In a similar way to other reliefs (such as charity relief), this is a test on use rather than occupation. Therefore, hereditaments which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief.

6.6 In accordance with the Government's guidance on awarding Retail Relief (Appendix C), the Council considers the following not to be "retail premises" and they will not be eligible for Retail Relief under the scheme:

(a) 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, amusement arcades)
- 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

(b) Hereditaments that are not reasonably accessible to visiting members of the public

6.7 The Council can determine whether particular properties (hereditaments) not listed are broadly similar in nature to those in 6.6(a) above and, if so, to consider them ineligible for Retail Relief.

6.8 Retail Relief will normally be awarded pro-actively by the Council using information it already holds about the rateable value and nature of the business. However an application form will be available to businesses for those who consider themselves to qualify but were not initially awarded Retail Relief by the Council. The decision on any award will be delegated to the Director of Financial Operations and Customer Services who in turn can delegate this to any officer in this service directorate.

6.9 Every business awarded Retail Relief will be informed of the criteria and told to inform the Council if they do not meet these criteria. State Aid (De Minimis Regulations) will apply when granting Retail Relief and ratepayers will be required to declare any State Aid either at the application stage or after the award is made if it is made proactively.

- 6.10 An appeal against a refusal to award on the grounds of whether it is occupied and is being wholly or mainly being used as a shop, restaurant, cafe or drinking establishment can be made to the Council within one month of the Council's notification to the rate payer of this refusal. Any appeal will be considered by the Executive Member for Inclusive Economy and Jobs within a reasonable time period of its submission. The Executive Member for Inclusive Economy and Jobs has the scope to adjust the lists in paragraphs 5.2 and 5.6 above at any stage if, in their opinion, it would be in the public interest for them to do so and/or it is in line with the Council's previously stated objective(s) on strategic issues of importance.
- 6.11 Retail Relief will be calculated in the same format as Business Rate charges and apportioned accordingly if the occupation, other reliefs or rateable value of a premises, changes. Any award will be credited to the business rates account that is maintained by the Council.
- 6.12 Any award made in error, or applied for by the ratepayer or his representative fraudulently, may be recovered by the Council

Appendix B

Islington Revaluation Retail Relief Scheme (2019/20 and 2020/21)

7.1 In the financial years 2019/20 and 2020/21 the Revaluation Relief Scheme will award Revaluation Relief by sharing the annual funding amount equally between qualifying businesses that have rateable values of between £51,000 and £60,000 inclusive.

7.2 Table showing the value of the funding available

2019/20	2020/21
£1,002,000	£143,000

7.3 At the report date there were 147 qualifying businesses but this number fluctuates over time

7.4 Table 1. showing the potential value of Revaluation Relief to each business with an RV between £51k - £60k inclusive

2019/20	2020/21	Total over 2 years	Average over 2 years
£7,007	£973	£7,980	£3,990

7.5 By way of comparison to Retail Relief. If Retail Relief had also been available for businesses with rateable values of between £51,000 and £60,000 and so these had also qualified for a discount of one third of their rates bill then a middle-of-the-range sized business with a rateable value of £55,500 would have qualified for a discount of at least £18,500 over the two years.

7.6 Principles

We will:

- a. do more than the government's Retail Relief scheme allows and more than the national transitional relief scheme and mitigate bill rises for businesses with a rateable value of up to £60,000.
 - b. Target support for those smaller businesses that experienced the steepest increases in their business rates bills.
 - c. Encourage businesses to 'check, challenge and appeal' the 2017 revaluation.
 - d. Only those businesses who qualified for national Transitional Relief as at April 1st 2017 and are still trading and liable for rates on the date the award is made can be in scope to qualify.
 - e. Minimise bureaucracy by awarding Revaluation Relief automatically to qualifying businesses where possible.
 - f. Use a transparent and fair formula that does not favour one business over another.
 - g. The business must have had an increase in Business Rates payable as a result of the 2017 Revaluation.
 - h. We will spend all of the funding allocated by central government. The maximum annual Revaluation Relief expenditure will be determined by the maximum amounts funded each year by government.
- 7.7 We recognise that to focus the limited amount of funding available on smaller businesses and those with the largest rate rises, that there have to be some businesses or ratepayers which/who are excluded from obtaining Revaluation Relief. Otherwise the

finite funding would be diluted to such an extent that no individual award could have a meaningful impact. These exclusions are listed in 7.8

7.8 **Exclusions**

1. Businesses or Ratepayers whose properties combined have a rateable value (RV) in excess of £100,000
2. Any bill amounts due to Business Improvement District and Crossrail supplements
3. Properties with an RV of less than £12,000 (as these are either already exempt or they are the satellite sites of larger business)
4. Charities and other bodies already entitled to 80% mandatory relief
5. Any property subject to another national relief (except small business rates relief and/or transitional relief)
6. Unoccupied premises
7. A new business moving in or else becoming liable for the first time after 31st March 2017
8. If after April 1st 2017 an existing property that was entitled to Revaluation Relief changes in its composition (e.g. it has been merged, split or consolidated) then no Revaluation Relief will be applied to the resulting changed property
9. Cash points, Bureau de change, payday lenders, betting shops, pawn brokers, periodic payment retailers [similar to hire purchase], amusement arcades, advertising rights, car parking space(s), radio/communications masts, garages used for storage, land or premises used for storage
10. High street chains or business with a nationwide presence

7.9 The Council can determine whether particular properties not listed in the exclusions in 7.8 are broadly similar in nature to those and, if so, to consider them ineligible for Revaluation Relief. Conversely, it can determine that properties that are not broadly similar in nature to those listed above will be eligible for Revaluation Relief.

7.10 Revaluation Relief will normally be awarded automatically using data and information the Council already holds in respect of a business. However, an application form will be made available to rate payers so individual claims can be made where the Council had insufficient or incorrect information about a property. In any event, the Council can proactively award without an application if it considers it to be appropriate. The decision on any award will be delegated to the Director of Financial Operations and Customer Services who in turn can delegate this to any officer in this service directorate.

7.11 An appeal against refusal to award on the grounds of whether a property or ratepayer meets the definition of an exclusion in 5.8 can be made to the Council within one month of the Council's notification to the rate payer of this refusal. Any appeal will be considered by the Executive Member for Inclusive Economy and Jobs within a reasonable time period of its submission. The Executive Member for Inclusive Economy and Jobs has the scope to adjust the exclusions above at any stage if, in their opinion, it would be in the public interest for them to do so and/or it is in line with the Council's previously stated objective(s) on strategic issues of importance.

5.12 An application for Revaluation Relief may be awarded as long as the funding is still available from the Government. For the avoidance of doubt, if a prospective award will not be funded by the Government, that award will not be made by the Council.

5.13 Revaluation relief will be calculated after the award of any other reliefs that apply and in the same format as other Business Rate charges and apportioned accordingly where the occupation, other reliefs or rateable value of a premises changes. Any award will be credited to the business rates account that is maintained by the Council.

- 5.14 State Aid (De Minimis Regulations) will apply when granting Revaluation Relief and ratepayers may be required to complete a declaration to establish their entitlement to this relief either at the application stage or after the award is made if it is made proactively.
- 5.15 Any award made in error, or applied for by the ratepayer or his representative fraudulently, may be recovered by the Council.
- 5.16 Awards of Revaluation Relief will be made as soon as is practicably possible following approval of the scheme by the Executive.