

**Report to:** Cabinet

**Date of Meeting:** 4 March 2020

**Public Document:** Yes

**Exemption:** None

**Review date for release** None



**Subject:** **Business Rates – rate relief measures**

**Purpose of report:** This report updates Members on additional business rates measures that were announced by the Financial Secretary to the Treasury in a Written Ministerial Statement on 27 January 2020 that will apply from 1 April 2020:

- changes to the retail discount scheme – support to increase from one-third to 50%. This scheme will also be extended to include cinemas and music venues
- an extension of the local newspaper business rates discount
- the introduction of a discount for pubs

The first two measures are for information only as Members have previously approved to award discretionary relief in line with Government guidance.

The introduction of a discount for pubs will require Members approval in order to ensure that Government funding is passed on to eligible businesses.

**Recommendation:** **That Cabinet:**

- 1. Note the changes to the retail discount scheme for 2020/21 and the extension to the local newspaper discount scheme that will apply for an additional 5 years until 31 March 2025.**
- 2. Agree to implement the pubs discount scheme in line with Government guidance, including granting delegated authority to the Service Lead - Revenues & Benefits to determine eligibility.**

**Reason for recommendation:** Members need to approve the pub discount in order to ensure that ratepayers benefit from the funding provided by Central Government.

**Officer:** Libby Jarrett, Service Lead for Revenues, Benefits, Customer Services  
[ljarrett@eastdevon.gov.uk](mailto:ljarrett@eastdevon.gov.uk) 01395 517450

**Portfolio Holder:** Portfolio Holder for Finance

**Financial implications:** As stated in the report the costs involved of granting the discounts will be covered by Government.

**Legal implications:** The legal implications are detailed in the report and no further comment is required.

**Equalities impact:** Low Impact

**Climate change:** Low Impact

**Risk:** Low Risk

**Links to background information:**

- [Retail Discount 2020/21 - Guidance](#)
- [Pub Discount 2020/21 - Guidance](#)

**Link to [Council Plan](#):**

Outstanding Economic Growth, Productivity, and Prosperity

## **1.0 Background**

1.1 The following business rate measures were announced:

- an increase to the retail discount scheme from one-third to 50 per cent of a rates bill;
- an extension to the retail discount scheme to include eligible cinemas and live music venues with a rateable value of less than £51,000;
- an extension of the £1,500 business rate discount for office space occupied by local newspapers for an additional 5 years until 31 March 2025; &
- the introduction of a £1,000 pubs discount to eligible pubs with a rateable value of less than £100,000 in 2020/21.

1.2 All reliefs are subject to state aid rules.

1.3 The Government expects local authorities to apply and grant relief to qualifying ratepayer from the start of the 2020/21 billing cycle.

## **2.0 Retail Discount Scheme**

2.1 The Government recognises that changing consumer behaviour presents a significant challenge for retailers in our town centres and has taken action to help the high street evolve.

2.2 The Government provided a business rates retail discount scheme for occupied retail properties with a rateable value of less than £51,000 in each of the years 2019/20 and 2020/21. The value of the discount was originally one third off the bill. In a written Ministerial Statement on 27 January 2020 the Government announced that it would increase the value of the discount to 50% in 2020/21. In addition, eligibility has been extended to include occupied cinemas and music venues.

2.3 Where the Council grants a locally funded relief it must be applied after the retail discount and, where appropriate, after the 2020/21 pubs discount (see 4.0 below).

2.4 As this measure was only for 2019/20 and 2020/21 the Government did not change legislation. Instead the Government, in line with the eligibility criteria, reimburses local authorities that use their discretionary relief powers, introduced by the Localism Act (under section 47 of the Local Government Finance Act 1988), to grant the discount.

2.5 The Government has issued updated scheme guidance which is available [here](#). In essence properties that will benefit from the discount will be occupied premises that are wholly or mainly being used as shops, restaurants, cafes & drinking establishments and, from 1 April 2020, cinemas & live music venues.

### 2.5.1 Shops, restaurants, cafes, drinking establishments, cinemas and live music venues mean:

- i. Premises 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, 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 filling stations
  - Garden centres
  - Art galleries (where art is for sale / hire)
- ii. Premises 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. Premises 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
- iv. Premises that are being used as cinemas
- v. Premises that are wholly or mainly used for the performance of live music for the purpose of entertaining an audience, excluding premises wholly or mainly used as a nightclub or a theatre.

### 2.5.2 The types of uses that the Government does not consider to be retail for the purpose of this discount are:

- i. Premises 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. Premises that are not reasonably accessible to visiting members of the public

- 2.5.3 The Government considers theatres, museums or properties used for sport or physical recreation (e.g. gyms) to be outside the scope of this discount.
- 2.6 The total amount of government-funded discount available for each property for 2019/20 under this scheme is one third of the bill, after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied; for 2020/21 the discount is 50%. There is no discount available under this scheme for properties with a rateable value of £51,000 or more.
- 2.7 Eligibility for the discount and the discount itself will be assessed and calculated on a daily basis; if a ratepayer vacates part way through a year the discount will be apportioned pro rata.
- 2.8 Ratepayers that occupy more than one property will be entitled to relief for each eligible property, subject to State Aid limits.
- 2.9 As Members of Cabinet on 6 February 2019 had previously approved to implement the retail discount in line with Government's scheme guidance then we will automatically apply the changes.

## **2.9 State Aid**

- 2.9.1 State Aid law is the means by which the EU regulates state funded support to businesses. Providing discretionary relief to ratepayers is likely to amount to State Aid. However the Retail Discount will be State Aid compliant where it is provided in accordance with the De Minimis Regulations that allow an undertaking to receive up to €200,000 of aid in a three year period (consisting of the current financial year and the two previous financial years).
- 2.9.2 The Government is advising that although the UK left the EU on 31 January 2020, the Withdrawal Agreement negotiated by the Government and EU provides that during an implementation period State Aid rules will continue to apply as before and will be subject to control by the EU Commission.

## **2.10 Qualifying Businesses**

- 2.10.1 As at 31 December 2019 East Devon had 6,776 rating assessments, 429 of which were in receipt of retail discount. In 2019/20 £1.14m of retail discount has been granted. There are 2 cinemas in East Devon that may be eligible for the discount from 1 April 2020.

## **2.11 Administering the Scheme**

- 2.11.1 Ratepayers in receipt of retail discount in 2019/20 will automatically be granted the discount in 2020/21.
- 2.11.2 The Council will reduce the administrative burden on businesses by automatically granting new occupiers of retail premises the discount and instruct ratepayers to contact the business rates team if receipt of the discount breaks State Aid rules or if the property is not wholly or mainly used for retail.

## **3.0 Local Newspaper Discount**

- 3.1 The Government introduced funding to local authorities so that they could provide a discount worth up to £1,500 a year for two years from 1 April 2017 to office space occupied by local newspapers. This is up to a maximum of one discount per local newspaper title, per hereditament up to state aid limits.

- 3.2 Following the 29 October 2018 Budget the Government announced the extension of the discount for 2019/20. As this was due to expire on 31 March 2020, the Government has announced that it is extending the discount for an additional 5 years until 31 March 2025.
- 3.3 We currently have one media company benefitting from this discount.
- 3.4 We will continue to award the local newspaper discount in line with Government policy.

#### **4.0 Pubs Discount 2020/21**

- 4.1 The Government recognises the important role that pubs play in urban and rural communities across the country and have announced a £1,000 business rate discount for public houses with a rateable value of less than £100,000 for one year from 1 April 2020.
- 4.2 As this is a measure for 2020-21 only, the Government is not changing legislation but will, in line with the eligibility criteria set out in its [guidance](#), reimburse local authorities that use their discretionary powers under section 47 of the Local Government Finance Act 1988 (as amended) to grant the discount.
- 4.3 Central government will fully reimburse local authorities for the local share of the discretionary discount.
- 4.4 The scheme will be available to eligible occupied properties with a rateable value of less than £100,000. The majority of pubs are independently managed and will not be part of chains. Where pubs are part of a chain, the discount will be available for each eligible property in the chain, subject to meeting State Aid requirements (see 2.9).
- 4.5 There is no definitive description of a public house in law which could be readily used by local authorities to determine eligibility. The Government objective has been to adopt an approach that makes the design and eligibility of the scheme easy to implement by local authorities in a clear and consistent way, is widely accepted by the industry and which is consistent with the Government's intention.
- 4.6 The Government's intention is that eligible pubs should:
- be open to the general public
  - allow free entry other than when occasional entertainment is provided
  - allow drinking without requiring food to be consumed
  - permit drinks to be purchased at a bar.

For these purposes, it should exclude:

- restaurants/cafes/snack bars
  - nightclubs
  - hotels/guesthouses/boarding houses
  - sporting venues
  - music venues/theatres/concert halls
  - festival sites
  - museums
  - exhibition halls
  - cinemas
  - casinos
- 4.7 These exclusions are not exhaustive and it is for the local authority to determine those cases where eligibility is unclear. Delegated authority is sought for the Service Lead - Revenues & Benefits to resolve any dispute regarding eligibility for the discount.

- 4.8 The total amount of government-funded discount available in the year 2020/21 under this scheme is £1,000 per eligible property. There is no discount available under this scheme for properties with a rateable value of £100,000 or more.
- 4.9 Eligibility for the discount and the discount itself will be assessed and calculated on a daily basis so if a ratepayer vacates part way through a year the discount will be apportioned pro rata.
- 4.10 This discount should be applied to bills after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied, including the retail discount, but excluding those where local authorities have used their discretionary relief powers under section 47 which are not funded by section 31 grants. Where an authority applies a locally funded relief under section 47 this must be applied after the pubs discount.

#### **4.11 State Aid**

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

#### **4.12 Qualifying Businesses**

- 4.12.1 As at 31 December 2019 East Devon had 88 properties that appeared to be eligible for the discount.

#### **4.13 Administering the Scheme**

- 4.13.1 The Council will reduce the administrative burden on businesses by automatically granting eligible businesses the pubs discount as part of 2020/21 annual billing and instructing ratepayers to contact us only if receipt of the discount breaks State Aid rules.

#### **4.14 Members approval**

- 4.14.1 The recommendation is to adopt the Government's scheme as set out in the guidance as this funding provides financial support to our local pubs which links to our key priority in developing outstanding economic growth.