



City of Doncaster Council

Report

Date: 15th February 2023

To: The Chair and Members of Cabinet

Report Title: Discretionary Relief Schemes for Business Rates 2023/24

Relevant Cabinet Member(s)	Wards Affected	Key Decision?
Mayor Ros Jones	All	Yes

EXECUTIVE SUMMARY

1. At the Autumn Statement 2022 the Chancellor announced 2 new Business Rate Relief schemes to apply for the year 2023/24. These schemes are:-
 - 2023/24 Retail, Hospitality and Leisure (RHL) relief scheme, and,
 - 2023 Supporting Small Business (SSB) relief scheme.
2. The 2023/24 Retail, Hospitality and Leisure (RHL) relief scheme will provide eligible, occupied, retail, hospitality and leisure properties with a 75% relief, up to a cash cap limit of £110,000 per business; and the new Supporting Small Business (SSB) relief scheme will cap bill increases at £600 per year for any business losing eligibility for Small Business Rate Relief or Rural Rate Relief at the 2023 revaluation. The scheme also provides support for those previously eligible for the 2022/23 SSB scheme and facing large increases in 2023/24 but in those cases for one further year only.
3. From an analysis of Business Rates records, the estimated number of eligible businesses qualifying for the RHL relief scheme would be around 1,029 receiving relief of around £8,414,250, and 336 businesses would receive relief of £813,297 under the SSB relief scheme.
4. The Government is not introducing new legislation for these reliefs. Instead, local authorities are expected to use their discretionary relief powers under Section 47 of the Local Government Finance Act 1988 (as amended) to grant the reliefs in line with the relevant eligibility criteria. Local authorities will be compensated for the cost of granting the reliefs through a Section 31 grant from Government.

5. The legislation states that the Authority may only grant relief if it would be reasonable to do so having regard to the interests of Council Tax payers in its area. Given the Government has committed to reimburse local authorities for all the reliefs, it is deemed to be in the interests of local Council Tax payers to award them. Awarding these reliefs at such a difficult time in the wake of the Covid pandemic and during a significant cost of living crisis and will also support the Council's priority outcome of "Making Doncaster the best place to do business and create good jobs supporting Doncaster businesses to flourish."
6. The Department for Levelling Up, Housing and Communities have issued guidance for the schemes. Local authorities are required to have regard to any relevant government guidance when deciding whether to grant relief.

EXEMPT REPORT

7. The report is not exempt

RECOMMENDATIONS

8. It is recommended that Cabinet:
 - Approves the proposed Retail, Hospitality and Leisure (RHL) relief scheme at Appendix 1, which will potentially benefit around 1,029 local businesses with relief totalling around £8,414,250, and,
 - Approves the proposed Supporting Small Business (SSB) relief scheme at Appendix 2, which will potentially benefit around 336 local businesses with relief totalling £813,297.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

9. Around 1,365 local businesses are eligible for Business Rate relief in 2023/24 under these proposals. In addition to the eligible businesses who will receive financial support under these schemes, the citizens of Doncaster generally will benefit from the schemes as the reliefs support these businesses and, in turn, the local economy. This is especially important at this time following the Covid pandemic and current cost of living crisis.

BACKGROUND

Retail Hospitality and Leisure (RHL) Scheme 2023/24

10. Since the financial year 2019/20 the Government has provided a Business Rates relief scheme for properties in the retail sector. Initially the relief applied to occupied retail properties with a rateable value of less than £51,000 that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments. The value of relief was to be one third of the bill and would be applied after all other mandatory and discretionary reliefs.

11. Since the initial scheme was announced, the amount of relief, the properties to be included in the scheme and the rateable value limits have changed several times and the current scheme for 2022/23 announced in the 2021 Budget introduced a business rates relief scheme for retail, hospitality and leisure properties, which provides eligible, occupied, retail, hospitality and leisure properties with a 50% relief, up to a cash cap limit of £110,000 per business.
12. At the Autumn Statement on the 17th November 2022, the Chancellor announced the 2023/24 Retail, Hospitality and Leisure (RHL) relief scheme, which will provide eligible, occupied, retail, hospitality and leisure properties with a 75% relief, up to a cash cap limit of £110,000 per business.
13. The Department for Levelling Up, Housing and Communities (DLUHC) have issued guidance for the Retail, Hospitality and Leisure Business Rates Relief scheme. Properties that will benefit will be occupied hereditaments that are wholly and mainly being used:
 - i. As shops, restaurants, cafes, drinking establishments, cinemas or live music venues;
 - ii. For assembly and leisure;
 - iii. As hotels, guest & boarding premises and self-catering accommodation

The full list of premises included within the above definitions in the DLUHC guidance are shown within the scheme at Appendix 1. The guidance points out that the list is not intended to be exhaustive and that it is for local authorities to determine for themselves whether particular properties not listed are broadly similar in nature to those specified in the guidance and, if so, consider them eligible for the relief.

14. In a similar way to other reliefs (such as charity relief), this is a test on use rather than occupation. Therefore, hereditaments that are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief.
15. The DLUHC guidance also sets out the types of uses that the Government does not consider to be retail use for the purpose of the Retail, Hospitality and Leisure Business Rates Relief scheme:
 - i. Hereditaments that are being used for the provision of the following services to visiting members of the public;
 - a. Financial services (e.g. banks, building societies, cash points, bureaux de change, short-term loan providers, betting shops)
 - b. Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors)
 - c. Professional services (e.g. solicitors, accountants, insurance agents/financial advisers, employment agencies, estate agents, letting agents)
 - d. Post office sorting offices

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

In line with legal restrictions in section 47 (8A) of the Local Government Finance Act 1988 billing authorities may not grant the relief to themselves or other precepting authorities.

16. Subject to the £110,000 cash cap per business, the total amount of government-funded relief available for each property for 2023/24 under this scheme is:

- a. For chargeable days from 1 April 2023 to 31 March 2024 75% of the chargeable amount.

17. The relief should be applied after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied, but before those where local authorities have used their wider discretionary relief powers introduced by the Localism Act 2011, which are not funded by section 31 grants. However, as required in the NNDR3 guidance notes, the former categories of discretionary relief available prior to the Localism Act 2011 (i.e. charitable/CASC/rural etc. top up and not for profit) should be applied first in the sequence of discretionary reliefs and, therefore, before Retail, Hospitality and Leisure relief. Authorities may use their discretionary powers to offer further discounts outside this scheme or additional relief to hereditaments within the scheme. However, where an authority applies a locally funded relief under section 47, this should be applied after the Retail, Hospitality and Leisure relief.

18. Subject to the cash cap, the eligibility for the discount and the discount itself will be assessed and calculated on a daily basis. The following formula should be used to determine the amount of relief to be granted for a chargeable day for a particular hereditament in the financial year 2023/24:

Amount of relief to be granted = $V \times 0.75$, where:

V is the daily charge for the hereditament for the chargeable day after the application of any mandatory relief and any certain other discretionary reliefs in line with the guidance in paragraph 17 above.

19. From an analysis of Business Rates records, there are approximately 4,734 premises that meet the general criteria for the Retail, Hospitality and Leisure relief. However, after taking into account other reliefs including Small Business Rates Relief (SBRR), exemptions and empty premises, there are potentially around 1,029 premises that will receive the relief. Ratepayers that occupy more than one property will be entitled to relief for each of their eligible properties up to the maximum £110,000 cash cap, per business.

20. Under the cash caps, no ratepayer can in any circumstances exceed the £110,000 cash cap across all of their hereditaments in England.

21. Where a ratepayer has a qualifying connection with another ratepayer then those

ratepayers should be considered as one ratepayer for the purposes of the cash caps. A ratepayer shall be treated as having a qualifying connection with another:

- a. where both ratepayers are companies, and
 - i. one is a subsidiary of the other, or
 - ii. both are subsidiaries of the same company; or
- b. where only one ratepayer is a company, the other ratepayer (the “second ratepayer”) has such an interest in that company as would, if the second ratepayer were a company, result in its being the holding company of the other.

22. The Retail Hospitality and Leisure relief scheme is likely to amount to subsidy. Any relief provided by Local Authorities under this scheme will need to comply with the UK’s domestic and international subsidy control obligations which will commence on 4 January 2023.

23. The government will fully reimburse billing authorities and major precepting authorities for their loss of income under the rates retention scheme as a result of awarding the relief that falls within the definitions in this scheme. Local authorities will be asked to provide an estimate of their likely total cost for providing the relief in their National Non-Domestic Rate Return 1 (NNDR1) for 2023/24. Central government will provide payments to authorities to cover the local share. Local authorities will also be asked to provide outturn data on the actual total cost for providing the relief, via the National Non-Domestic Rate 3 (NNDR3) forms. Any required reconciliations will then be conducted at these points.

24. The government expects billing authorities to apply and grant relief to qualifying ratepayers from the start of the 2023/24 billing year.

Supporting Small Business (SSB) relief scheme 2023/24

25. At the 2022 Autumn Statement the Chancellor announced that the 2023 Supporting Small Business (SSB) scheme will cap bill increases at £600 per year for any business losing eligibility for some or all Small Business Rate Relief or Rural Rate Relief at the 2023 revaluation for the financial years 2023/24 to 2025/26. SSB was first introduced at the 2017 revaluation to support ratepayers facing bill increases greater than the Transitional Relief caps due to loss of Small Business Rate Relief or Rural Rate Relief.

26. The 2023 Supporting Small Business relief scheme will help those ratepayers who as a result of the change in their rateable value at the revaluation are losing some or all of their Small Business, Rural Rate Relief or 2017 Supporting Small Business relief and, as a result, are facing large increases in their bills. Charities and Community Amateur Sports Clubs, who are already entitled to mandatory 80% relief, are not eligible for 2023 SSBR.

27. To support these ratepayers, 2023 SSB will ensure that the increase in the bills of these ratepayers is limited to a cash value of £600 per year. This cash maximum increase ensures that ratepayers do not face large bill increases in 2023/24 after transitional relief and small business rate relief (as applicable) have been applied. In order to simplify the scheme, the 2023 SSB will not include minimum percentage bill increases (unlike the 2017 scheme).
28. Those on 2023 SSB whose 2023 rateable values are £51,000 or more will not be liable to pay the supplement (1.3p) to fund small business rate relief while they are eligible for 2023 SSB.
29. There is no second property test for eligibility for the 2023 SSB scheme. However, those ratepayers who during 2022/23 lost entitlement to Small Business Rate Relief (because they failed the second property test) but have, under the rules for Small Business Rate Relief, been given a 12 month period of grace before their relief ended - can continue on the 2023 SSB scheme for the remainder of their 12 month period of grace.
30. The Supporting Small Business relief scheme is likely to amount to subsidy. Any relief provided by Local Authorities under this scheme will need to comply with the UK's domestic and international subsidy control obligations which will commence on 4 January 2023.
31. For 2023/24 to 2025/26, the government will, in line with the eligibility criteria set out in its guidance, reimburse local authorities that use their discretionary relief powers under section 47 of the Local Government Finance Act 1988 (as amended), to grant 2023 Supporting Small Business relief. The Council's scheme is set out at Appendix 2.

OPTIONS CONSIDERED

32. Option 1: Do Nothing

The Government has not legislated for these relief schemes but has, instead, advised that local authorities can use their discretionary relief powers under Section 47 of the Local Government Finance Act 1988, as amended, to grant relief. However, as Central Government is providing funding for the scheme, and they will support local businesses as they continue to deal with the coronavirus outbreak and contribute towards the corporate priority of supporting local businesses, this option is not recommended.

Option 2: Award relief under different criteria to the government guidance and eligibility criteria

Using section 47 discretionary relief powers, the Council could decide on different criteria to award relief other than that specified in the government guidance. However, this option is not recommended as the relief would not then be funded via Section 31 Central Government grant and the cost of the relief would have to be

met by the Council.

Option 3: Award relief in line with the government guidance and eligibility criteria




Central Government will reimburse billing authorities and those major precepting authorities for the actual cost to them under the rates retention scheme of these relief schemes that fall within the definitions in the DLUHC guidance. This is the recommended option for the Retail, Hospitality and Leisure relief scheme for 2023/24 and the Supporting Small Business relief scheme for 2023.

REASONS FOR RECOMMENDED OPTION


33. Option 3 is the recommended option as this supports the Government’s intentions to recognize the challenges faced by businesses at the current time and ensures the Council is fully reimbursed for the relief awarded.

IMPACT ON THE COUNCIL’S KEY OUTCOMES


34.

Great 8 Priority	Positive Overall	Mix of Positive & Negative	Trade-offs to consider – Negative overall	Neutral or No implications
 Tackling Climate Change	✓			
These relief schemes will reduce local businesses financial obligations for their Business Rates liability to allow them to reinvest in areas of greener and environmentally friendly technology to allow them to thrive during the current cost of living crisis.				
 Developing the skills to thrive in life and in work	✓			
These relief schemes will reduce local businesses financial obligations for their Business Rates liability to allow them to reinvest in training and development areas to allow them to thrive during the current cost of living crisis.				
 Making Doncaster the best place to do business and create good jobs	✓			


Awarding relief to eligible businesses will support businesses during this difficult period as they continue to feel the effects of the Covid pandemic and cost of living crisis. This in turn supports the local Doncaster economy and makes the city a thriving place to work.

 <p>Building opportunities for healthier, happier and longer lives for all</p>	✓			
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These reliefs allow businesses to survive and plan for the future giving their employees sustainable job security.

 <p>Creating safer, stronger, greener and cleaner communities where everyone belongs</p>	✓			
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These reliefs are largely aimed at small local businesses that are at the heart of local communities.

 <p>Nurturing a child and family-friendly borough</p>	✓			
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These reliefs are in the hospitality and leisure sectors allowing families to enjoy activities and experiences all together.

 <p>Building Transport and digital connections fit for the future</p>	✓			
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These reliefs are mainly for small businesses and encourage growth in technological innovation.

 <p>Promoting the borough and its cultural, sporting, and heritage opportunities</p>	✓			
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Many of these reliefs are in the hospitality and leisure sectors which promotes Doncaster's cultural identity.

<p>Fair & Inclusive</p>	✓			
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These reliefs apply across all wards of the city.

35. Legal Implications [Officer Initials: _SRF_ | Date: __12.01.23__]

Local authorities can grant discretionary rate relief as described in this report using its powers under section 47 of the Local Government Finance Act 1988, as amended by the Localism Act 2011.

The legislation states that the local authority may only grant relief if it would be reasonable to do so having regard to the interests of Council Tax payers in its area.

Given that the Government will provide full funding for the schemes and such businesses are in need of assistance and meet the definitions set out within the Government guidance it is reasonable to deem the proposed scheme to be in the interests of the Authority's Council Tax payers and to award the relief. The legislation also requires a local authority to have regard to any relevant guidance issued by the Secretary of State when deciding whether to grant relief and the proposed scheme is in line with that guidance.

As identified within the report, such rate relief may amount to Subsidy and the provision of any relief must comply with UK's domestic and international subsidy control obligations. In such cases Rate Relief can only be provided if it falls within the Minimal Financial Assistance Thresholds as further detailed within the Appendices to this report.

36. Financial Implications [Officer Initials: CC | Date: 13/01/2023]

Central Government will reimburse Doncaster Council as the billing authority and the major precepting authority (i.e. South Yorkshire Fire and Rescue), for the cost of the relief via a grant under section 31 of the Local Government Act 2003. Therefore, it is not estimated to be detrimental to the Council's financial position to grant the relief. The estimated number of hereditaments and level of relief will be set out in the NNDR1 return to government, with the final claim data set out in the NNDR3 return after the end of the relief period.

37. Human Resources Implications [Officer Initials: KG__ Date: _7/01/23]

There are no significant HR implications.

38. Technology Implications [Officer Initials: PW | Date: 16/01/23]

There is existing functionality within the NEC Revenues and Benefits system to identify the qualifying businesses and apply the 2 Business Rate Relief schemes outlined in this report. As such, there are no technology implications.

RISKS AND ASSUMPTIONS

39. There is a risk of failure to identify qualifying businesses and award the reliefs accordingly. This risk will be managed by thorough checking of Business Rates records to ensure all qualifying businesses are identified, and publicity of the schemes on the Council's website
40. Failure to award relief in line with the Government's criteria and guidance could risk that the Council is not properly reimbursed for relief awarded which does not comply with the Section 31 grant conditions. This risk will be managed by close monitoring of relief awarded throughout the year and quality control checking of awards.

CONSULTATION

41. There is no statutory requirement to consult on these relief schemes. Given the Council is proposing to award relief strictly in accordance with the government guidance for the schemes and will be fully reimbursed by Central Government, it was not considered necessary to undertake any general consultation

BACKGROUND PAPERS

42. Appendix 1 - 2023/24 Retail, Hospitality and Leisure (RHL) relief scheme
Appendix 2 - 2023 Supporting Small Business (SSB) relief scheme

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

- 43.

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