

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Corporate Director for Corporate Services

to

Cabinet

on

18th March 2014

Report prepared by: Christine Lynch
Group Manager - Revenues

**Business Rates Discretionary Relief Policy
Policy & Resources Scrutiny Committee
Executive Councillor: Councillor A.J.Moring
*A Part 1 Public Agenda Item***

1. Purpose of Report

1.1 To update the current policy in accordance with the Business Rates Discretionary Relief Statutory powers and as specified in the guidance issued in January 2014 by the Department for Communities and Local Government to reflect the new rate reductions which are:-

- A discount of £1,000 for shops, pubs and restaurants with a rateable value not exceeding £50,000 for two years up to the state aid limits, from 1 April 2014.
- Newly completed empty properties will not be charged rates for up to 18 months, for properties completed before October 2016, up to state aid limits.
- A 50% discount for up to 18 months, for ratepayers occupying certain types of retail properties that had previously been empty for at least 1 year, for two years up to the state aid limits, from 1 April 2014.

2. Recommendations

That Cabinet;

2.1 **Approves the award of retail relief of up to £1,000 to qualifying businesses in occupation of retail premises which have a Rateable Value of £50,000 or less in accordance with Discretionary Rate Relief powers for the financial years 1 April 2014 to 31 March 2015 and 1st April 2015 to 31 March 2016 only.**

- 2.2 Notes that the businesses to qualify for the relief must be retail as detailed in 4.5 of this report.**
- 2.3 Notes that where a ratepayer demonstrates their entitlement to the retail relief, the Revenues Manager has the authority to award the relief.**
- 2.4 Approves the award of relief for properties that are newly built and completed between 1 October 2013 and 30 September 2016 and that they will be exempt from empty property rates for up to 18 months subject to state aid limits.**
- 2.5 Approves a 50% discount for up to 18 months, for ratepayers occupying certain types of retail properties that had previously been empty for at least 1 year. Properties reoccupied between 1 April 2014 and 31 March 2016 inclusive will qualify for this discount subject to state aid limits.**
- 2.6 Notes that the Council, through the National Non Domestic Rate return process; seek full reimbursement of the cost of this relief from Central Government.**
- 2.7 Approves the amended Business Rates Discretionary Relief Policy at Appendix A.**

3. Background and Proposals

- 3.1 The Council has an approved Business Rates Discretionary Relief policy. Instead of changing legislation to allow these new reductions mentioned above, the Government has indicated that Councils should amend their Discretionary Relief powers to grant these reductions. The Government will reimburse the full cost of relief granted.
- 3.2 There are three changes that have been introduced by the Government that require the policy to be amended. The proposed policy is attached as Appendix A and the required changes are shown in the sections below.
- 3.3 It is inevitable that in some cases disputes will arise and the appeals procedures agreed on 17th September 2013 by Cabinet in the Business Rates Discretionary Relief Policy will be applicable to any appeals raised under this scheme.

4. Retail Premises - £1,000 relief

- 4.1 The retail sector is changing, particularly due to internet shopping, and many high streets are experiencing challenges as they look to adapt to changing consumer preferences in how people shop. The Government wishes to support town centres in their response by providing particular financial support to retailers.
- 4.2 The Government announced in the Autumn Statement on 5 December 2013 that it will provide a relief of up to £1,000 to all occupied retail properties with a rateable value of £50,000 or less in each of the years 2014-15 and 2015-16 only.

4.3 The total maximum amount of relief available for each property for each of the years under this policy is £1,000. The amount does not vary with rateable value and there is no taper. If there is less than £1,000 outstanding on the bill, the balance will be apportioned accordingly. There is no relief available for properties with a rateable value of more than £50,000.

4.4 Properties that will benefit from the retail rate relief will be occupied properties with a rateable value of £50,000 or less, that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments.

4.5 In line with the Governments definition shops, restaurants, cafes and drinking establishments are to mean:

(i) Properties that are being used for the sale of goods to visiting members of the public:

- Shops (such as: florist, bakers, butchers, grocers, greengrocers, jewellers, stationers, off-licence, chemists, newsagents, hardware stores, supermarkets, etc.);
- Charity shops;
- Opticians;
- Post offices;
- Furnishing shops/display rooms (such as carpet shops, double glazing, garage doors, etc.);
- Car/caravan show rooms;
- Second hand car lots;
- Markets;
- Petrol stations;
- Garden centres;
- Art galleries (where art is for sale/hire).

(ii) Properties 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.

(iii) Properties 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.

4.6 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 to be retail.

4.7 As a guide, the list below sets out the types of uses that the Council does not consider to be retail:

(i) Properties that are being used for the provision of the following services to visiting members of the public:

- Financial services (such as banks, building societies, cash points, bureau de change, payday lenders, betting shops, pawn brokers, etc.)
- Other services (such as estate agents, letting agents, employment agencies, etc.);
- Medical services (such as vets, dentists, doctors, osteopaths, chiropractors, etc.);
- Professional services (such as solicitors, accountants, insurance agents, financial advisors, tutors, etc.);
- Post office sorting office;

(ii) Properties those are not reasonably accessible to visiting members of the public.

5. Newly Built Premises

5.1 Newly completed empty properties will not be charged rates for up to 18 months. Properties that are newly built and completed between 1 October 2013 and 30 September 2016 will be exempt from empty property rates for up to 18 months subject to state aid limits. It should be noted that large new developments, such as Supermarkets, will not qualify for this relief.

- 5.2 The purpose of this measure is to help stimulate construction. Construction decisions take into account the risk of paying empty property rates on newly built commercial property if the property does not become fully occupied straight away. Reducing this risk may incentivise some commercial property projects to go ahead that wouldn't otherwise, helping to stimulate the construction industry.
- 5.3 "Newly built and completed" is defined as properties "that are wholly or mainly comprised of qualifying new structures and where they can be occupied.
- 5.4 The above conditions apply to buildings complete from 1 October 2013 and before 30 September 2016, and the relief will apply for 18 months from their completion date (or the date at which they become occupied, whichever is sooner).

6. Reoccupied empty properties

- 6.1 A 50% discount, for up to 18 months, for ratepayers occupying certain types of retail properties that had previously been empty for at least 1 year. Properties re-occupied between 1 April 2014 and 31 March 2016 inclusive will qualify for this discount subject to state aid limits.
- 6.2 The purpose of this measure is to encourage the re-occupation of empty retail premises and to support businesses taking the decision to reopen retail premises that closed previously, by helping reduce their running costs for the key first few months of trading.
- 6.3 Relevant retail premises are defined by the Government and 4.5 above confirms the Government's definition which specifies types of shops, pubs and restaurants covered by this relief.

7. Other Options

- 7.1 As the award of the relief is discretionary the Council could choose not to grant the relief if that is considered appropriate, for example if members consider the awarding of the relief would not be in accordance with the authorities wider objectives.

8. Reasons for Recommendations

- 8.1 Central Government expects local authorities to grant relief to qualifying ratepayers and will fully reimburse billing authorities for the actual cost to them under the rates retention scheme. They are also expecting local authorities to amend their current business rates discretionary relief policy to enable the granting of the new relief benefits.

9. Corporate Implications

9.1 Contribution to Council's Vision & Corporate Priorities

This scheme is considered to have a positive economic impact as it could provide around £1.5m to businesses in the borough.

9.2 Financial Implications

It is estimated that in the region of 1,300 ratepayers may qualify for the rate relief under the retail relief scheme with total relief estimated to be £1.3m. Based on previous years £100,000 could be granted in long term empty relief and £70,000 for relief for newly built premises. The Government, will, in line with the eligibility set put in the guidance, reimburse the Council through the Business Rates claim process.

Due to the lateness of the announcement, it will not be possible to include the retail relief in the initial bill for 2014/15 as the amended software is not yet available. It is our intention to award the relief as soon as the software is available, which we hope will be before the end of April. This may result in collection figures being down in April as businesses likely to receive the relief do not pay their April instalment.

9.3 Legal Implications

These new discretionary powers are introduced by the Localism Act 2011 under Section 47 of the Local Government Act 1988 as amended.

Awards such as rate relief are required to comply with the EU law on State Aid. It will be necessary for each ratepayer who is awarded relief to complete a declaration to the Council if they have received any other De Minimis State Aid, including any other Retail Rate Relief they may have received on other property(s). The declaration will include confirmation that the award of Rate Relief does not exceed the 200,000 Euros an undertaking can receive under the De Minimis Regulations EC 1407/2013.

9.4 People Implications

The people implications have been considered and there are none relevant to this report

9.5 Property Implications

The property implications have been considered and there are none relevant to this report

9.6 Consultation

There is no plan to carry out a full consultation in view of the required Government guidance to make the discretionary payments, timescales to implement as soon as possible, and fact that we are reimbursed all costs on any relief that is awarded.

9.7 Equalities and Diversity Implications

This scheme is a government initiative and therefore this Council has not undertaken an equality and diversity assessment.

9.8 Risk Assessment

Provided the scheme adopted is introduced strictly as specified in the guidance issued by the Department for Communities and Local Government, the Council will be reimbursed through the Business Rates claim process.

There is a risk that if the software is delayed we will not be able to implement the scheme in a timely fashion.

9.9 Value for Money

There are no specific implications as a result of this policy.

9.10 Community Safety Implications

There are no Community Safety Implications

9.11 Environmental Impact

There is no environmental impact

10. Background Papers

Department for Communities and Local Government - Business Rates Retail Relief Guidance - January 2014



Business Rates,
Retail Relief guidance

11. Appendices

Appendix A Business Rates Discretionary Relief Policy