

**CABINET
15TH JULY 2014**

**DIRECTORATE OF RESOURCES
DIRECTOR OF RESOURCES'
REPORT NO. DOR1405**

NATIONAL NON-DOMESTIC RATES – REOCCUPATION RELIEF POLICY

1 INTRODUCTION

- 1.1 This report seeks to adopt a local policy to enable the Council to award reoccupation relief from business rates with effect from 1st April 2014 to local ratepayers, as announced in the Chancellor of the Exchequers' 2013 Autumn Statement.

2 BACKGROUND

- 2.1 The Government wants to encourage thriving and diverse town centres and to see the number of vacant shops decrease. This relief is intended to encourage reoccupation of shops and retail premises that have been empty for a long period and reward businesses that make this happen.
- 2.2 The Government announced in the Autumn Statement on 5th December 2013 that it would provide a 50% business rates discount for 18 months for businesses moving into previously empty retail premises between 1st April 2014 and 31st March 2016, up to State Aid De Minimis limits. The Government has provided suggested guidance about the operation and delivery of the relief.

3 PROVISION OF RELIEF

- 3.1 As the new measures announced will only apply for the years 2014/15 and 2015/16, the Government is not proposing to change the business rates legislation. Instead, the Government is suggesting that local authorities use their existing powers to grant relief introduced by the Localism Act. It will be for individual local billing authorities to adopt a local scheme and decide in each individual case when to grant relief. However the guidance suggests that Central Government will fully reimburse local authorities for all relief awarded by way of a direct grant. The guidance also sets out a broad framework of the types of property that the policy is intended to help.
- 3.2 For the purposes of the Reoccupation Relief, comparable retail premises will be considered as in the adopted Retail Relief Policy (report CS 1404, para 4), presented to Cabinet on the 18th March 2014. (Attached as Appendix 1 to this report.)

4 REOCCUPIED USE

- 4.1 It is proposed that the new use of the reoccupied premises can be for any use (ie not just retail uses) except for hereditaments wholly or mainly being used as payday lenders, betting shops, pawn shops and brokers, money lenders and cheque encashment stores, amusement arcades, casinos and bingo halls.

5 VALUE OF RELIEF

- 5.1 Relief will be available for 18 months from the first day the hereditament becomes occupied, as long as the first day falls between 1st April 2014 and 31st March 2016, subject to the hereditament remaining continuously occupied.
- 5.2 The eligibility for the relief and the relief itself will be assessed and calculated on a daily basis, with adjustments made as occupation changes accordingly
- 5.3 Under this scheme, the relief available for each property is 50% of the business rates liability after any mandatory or other discretionary reliefs (other than retail relief) have been applied, up to State Aid De Minimis limits. The De Minimis Regulations allow an undertaking 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).
- 5.4 To administer State Aid De Minimis limits 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. This applies to the aggregate of all aid received throughout the country.
- 5.5 It is proposed for the most part that the relief is awarded to every potential recipient (rather than expect applications from ratepayers). However, particular attention will be paid to entities that may become subject to the State Aid limits, and a more rigorous process will be applied in these cases.

6 NUMBERS AFFECTED AND FINANCIAL IMPACT

- 6.1 It is estimated that there are currently approximately 85 properties that have been empty in excess of 12 months and meet the above criteria in Rushmoor, out of a total number of 2,461 properties. It is very difficult to predict how many of these may become reoccupied and the financial effect that the reoccupation relief will have.
- 6.2 The full financial effect of any relief awarded will be reimbursed via grant payments to the Council.
- 6.3 It is proposed that the same arrangements for handling disputes and making award payments are as set out in the previously adopted Retail Relief Policy.

7 RECOMMENDATIONS

7.1 The Cabinet is recommended to:

- (i) establish a local Reoccupation Relief Policy for reducing business rates liabilities as set out in this report; and
- (ii) delegate the responsibility to resolve disputes about eligibility for relief or amounts awarded to the Director of Resources, in discussion with the Portfolio Holder for Concessions and Community.

Ian Harrison
Director of Resources

AGENDA NO: 5

CABINET
18th MARCH 2014

DIRECTORATE OF RESOURCES
HEAD OF CUSTOMER SERVICES
REPORT NO. CS 1404

National Non-Domestic Rates – Retail Relief Policy

1 Introduction

- 1.1 This report seeks to adopt a local policy to enable the Council to award retail relief from business rates with effect from 1st April 2014 to local ratepayers, as announced in the Chancellor of the Exchequers' 2013 Autumn Statement.

2 Background

- 2.1 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 by providing some immediate financial support to retailers.
- 2.2 The Government announced in the Autumn Statement on 5th 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. The Government has provided suggested guidance about the operation and delivery of the relief. The following paragraphs set out the practical issues associated with enabling this relief.

3 Provision of relief

- 3.1 As the new measures announced will only apply for the years 2014/15 and 2015/16, the Government is not proposing to change the business rates legislation. Instead, the Government is suggesting that local authorities use their existing powers to grant relief introduced by the Localism Act. It will be for individual local billing authorities to adopt a local scheme and decide in each individual case when to grant relief. However the guidance suggests that Central Government will fully reimburse local authorities for all relief awarded by way of a direct grant. The guidance also sets out a broad framework of the types of property that the policy is intended to help. This is explained in detail in 4 below.

4 Which properties will benefit from relief?

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

4.2 It is proposed that the Council consider shops, restaurants, cafes and drinking establishments to mean:

a) Hereditaments that are predominately being used for the sale of goods to visiting members of the public as detailed below:

- Shops (eg florist, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licence, chemists, newsagents, hardware stores, supermarkets, pet shops etc)
- Security solutions and locksmiths
- Charity shops
- Opticians & Hearing solutions
- Post offices
- Furnishing shops / display rooms (such as: carpet shops, double glazing, garage doors)
- Car / caravan show rooms
- Second hand car lots
- Markets
- Petrol stations
- Garden centres, garden and paving supplies
- Art galleries (where art is for sale / hire)
- Licensed sex shops

b) Hereditaments that are being used for the provision of services to visiting members of the public as detailed below:

- Hair and beauty services (eg hair dressers, nail bars, beauty salons, tanning shops, tattoo parlours, body piercing services etc)
- Shoe repairs, key cutting, engravers
- Travel agents
- Ticket offices e.g. for theatre
- Dry cleaners
- Launderettes
- PC / TV / domestic appliance repair
- Funeral directors
- Photo processing, printing, design and copying services
- DVD / video rentals
- Tool hire
- Car hire

c) Hereditaments that are being used for the sale of food and / or drink to visiting members of the public as detailed below:

- Restaurants
- Takeaways
- Sandwich shops
- Coffee shops
- Pubs
- Bars
- Exotic dance bars

- 4.3 To qualify for the 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.
- 4.4 The list below sets out the types of uses that it is considered not to be retail use for the purpose of this relief:
- 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 shops and brokers, money lenders and cheque encashment stores, amusement arcade, casinos and bingo halls)
 - Other services (e.g. estate agents, letting agents, employment agencies)
 - Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors, chiropodist)
 - Professional services (e.g. solicitors, accountants, insurance agents / financial advisers, tutors)
 - Post Office sorting office
 - Private members clubs
- b) Hereditaments that are not reasonably accessible to visiting members of the public
- 4.5 The list set out above cannot be exhaustive as it would be impossible to list the many and varied retail uses that exist. It is proposed that when a particular type of property is not listed, the Council should consider whether relief is appropriate by delegating the decision to the Head of Customer Services, in discussion with the Portfolio Holder for Concessions and Community.
- 4.6 The delegation in 4.5 is also considered appropriate to decide any appeal made by a ratepayer against the level of any relief awarded and a decision not to award any relief.
- 4.7 The Council may choose not to grant relief if it considers that granting the relief would go against the authority's wider objectives for the local area.

5 How much relief will be available?

- 5.1 The maximum amount of government-funded relief available for each property under this scheme is £1,000 in each year. The amount is a flat rate irrespective of the rateable value. If the rates payable for a qualifying property do not total £1,000, then relief is awarded up to the total of the liability due,

taking other appropriate reliefs into account first. There is no relief available under this scheme for properties with a rateable value of more than £50,000.

- 5.2 The Council could use its discretionary powers to offer further discounts outside of this scheme (under the business rates retention scheme, 40% of the cost would be locally funded, 10% funded by preceptors and 50% funded by Central Government). It is not proposed to use these further powers at this time.
- 5.3 The eligibility for the relief and the relief itself will be assessed and calculated on a daily basis, with adjustments made as occupation changes accordingly.
- 5.4 Ratepayers that occupy more than one property will be entitled to relief for each of their eligible properties, subject to State Aid De Minimis limits. The De Minimis Regulations allow an undertaking 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).
- 5.5 To administer State Aid De Minimis limits 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. This applies to the aggregate of all aid received throughout the country.
- 5.6 It is proposed for the most part that the relief is awarded to every potential recipient (rather than expect applications from ratepayers). However, particular attention will be paid to entities that may become subject to the State Aid limits, and a more rigorous process will be applied in these cases.

6 Practical issues

- 6.1 The Council's software supplier has advised that due to the lateness of the receipt of the details of the scheme, the appropriate software is currently unavailable to make the calculation of the relief in time for the issue of the annual NNDR bill.
- 6.2 The prescribed notes that must accompany the bills make reference to Retail Relief. The Council will be notifying all ratepayers that revised bills for qualifying properties will be issued as soon as possible. Full details will also be prominent on the Council's website.
- 6.3 It is estimated that there are 300 – 400 properties that may qualify for some relief in Rushmoor, out of a total number of 2,461 properties. This is likely to result in awards of the order of £300-400k in relief, to be reimbursed via grant payments to the Council.

7 Conclusion

- 7.1 This proposal to assist retail premises in the borough will directly benefit a substantial number of smaller retailers.

7.2 The arrangements suggested for implementation are slightly cumbersome in terms of accounting and financial reimbursement. However, the speed of action taken will benefit customers sooner rather than later, which is to be welcomed.

8 Recommendations

8.1 Cabinet are recommended to:

- a) Establish a local Retail Relief Policy for reducing business rates liabilities as set out in this report
- b) Delegate the responsibility to resolve disputes about eligibility for relief or amounts awarded to the Head of Customer Services, in discussions with the Portfolio Holder for Concessions and Community.

Ian Harrison
Head of Customer Services