



Executive
24 March 2014

**Report from the Director of
Regeneration and Growth**

Wards affected:
ALL

**National Non-Domestic Rates – Autumn Statement
Business Rates Relief**

1.0 Summary

- 1.1 The government in its Autumn Statement of 5 December 2013 announced a measure of reliefs for business ratepayers. These included giving up to £1,000 relief to all occupied retail properties with a rateable value of £50,000 or less for both 2014/15 and 2015/16, and also giving 50% relief for 18 months to businesses that move into retail premises that have been empty for a year or more. However rather than introduce these measures through legislative changes the government expects authorities to use their local discount powers to award these reliefs.
- 1.2 The government also announced in its Autumn Statement of 5 December 2012 a proposal to exempt all newly built commercial property completed between 1 October 2013 and 30 September 2016 from empty property rates for the first 18 months, up to the state aids limits. Again rather than implement this through legislation changes it is expecting authorities to use their local discount powers.
- 1.3 The powers to grant local discounts are within section 47 of the Local Government Finance 1988. To award discounts under this provision it needs committee approval of any scheme. This report therefore seeks ratification of the implementation of the government's announcements and in view of the numbers of ratepayers who will be entitled to relief seeks to authorise the Chief Finance Officer to implement these three schemes so that officers can award these discretionary reliefs which satisfy the criteria set by the Department of Communities and Local Government (DCLG) for these schemes.

- 1.4 The government will fully fund the cost of these reliefs, although there maybe some additional administrative costs which maybe met through new burdens funding.

2.0 Recommendations

- 2.1 That the scheme awarding up to £1,000 discount in business rates in 2014/15 and 2015/16 to occupied retail shops with a rateable value of £50,000 or less as detailed in paragraphs 3.1 to 3.5 of this report pursuant to the Council's powers under section 47 of the Local Government Finance Act 1988 be approved.
- 2.2 That the scheme awarding 50% relief in business rates for 18 months to businesses who move into and occupy retail premises between 1 April 2014 and 31 March 2016 that have been empty for a year or more as detailed in paragraphs 3.10 and 3.11 of this report and which satisfy the criteria to be confirmed in guidance to be issued by the DCLG be agreed pursuant to the Council's powers under section 47 of the Local Government Finance Act 1988.
- 2.3 That the scheme to exempt newly built commercial properties completed between 1 October 2013 and 30 September 2016 from empty property rates for up to 18 months as detailed in paragraphs 3.12 and 3.13 of this report and which satisfy the criteria confirmed in guidance issued by the DCLG in September 2013 be agreed pursuant to the Council's powers under section 47 of the Local Government Finance Act 1988.
- 2.4 That the Chief Finance Officer be authorised to implement the schemes referred to in paragraphs 2.1, 2.2 and 2.3 of this report so that the agreed discretionary discounts and reliefs in business rates can be awarded in compliance with the criteria set out by the Department for Communities and Local Government.

3.0 Detail

£1000 Discount for Occupied Retail Premises

- 3.1 The government announced in the Autumn Statement a number of measures to support retailers in town centres. Within these changes the Government announced 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 up to state aid limits.
- 3.2 In January 2014 the Department of Communities and Local Government (DCLG) published a 'Retail Relief Guidance' paper. The guidance from the DCLG has been the basis of the policy described in this document.

3.3 As this is a temporary measure for 2014-15 and 2015-16 only, the Government is not changing the legislation around the reliefs available to business properties. Instead the Government will, in line with the eligibility criteria set out in their guidance, reimburse local authorities that use their discretionary relief powers, introduced by the Localism Act (under section 47 of the Local Government Finance Act 1988, as amended) to grant relief. It will be for individual local billing authorities to adopt a local scheme and decide in each individual case when to grant relief under section 47.

3.4 Central 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). The Government expects local government to grant relief to qualifying ratepayers.

3.5 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. These are defined as:

i) 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, 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)
- Car/ caravan show rooms
- Second hand car lots
- Markets
- Petrol stations
- Garden centre
- Art galleries (where art is for sale /hire)

ii) 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

iii) 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

3.6 The guidance lists types of retail premises and businesses that will not qualify for relief:-

i) 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)
- 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

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

3.7 The total amount of government-funded relief available for each property for each of the years under this scheme is £1,000 subject to State Aid de minimis limits. The amount does not vary with rateable value and there is no taper. There is no relief available under this scheme for properties with a rateable value of more than £50,000 or for periods where the property is unoccupied. The relief is applied to the net bill after all other reliefs have been applied, so for example a small business who currently receives 100% small business rates relief will not also receive this discount.

3.8 The relief will require an application form to be completed as relief is subject to state aid de minimis limits, whereby a business must not have received state aid exceeding 200,000 euros in the last 3 years (current year plus preceding 2). State aid includes reliefs, grants, interest rate and tax relief, subsidies, guarantees, etc. The business will be required to sign a declaration confirming this. This may well preclude many of the large national retail chains that have shops in many town centres from receiving this relief

- 3.9 Over 2,200 businesses in Brent have been identified as possibly being entitled to this relief and application forms were enclosed with their annual Business Rate bills for 2014/15 inviting them to apply. If all qualify then the cost of this relief will be £2M (of which Brent's share would be £600,000), however this will be funded by central government.

Relief for Occupying Empty Retail units

- 3.10 The government also announced in its Autumn Statement 50 per cent business rates relief for 18 months for businesses that move into retail premises that have been empty for a year or more. The relief will apply where businesses move into such premises between 1 April 2014 and 31 March 2016 and will last for 18 months. Guidance on this is still awaited from the DCLG as to how it expects this to be implemented and the qualifying conditions, it is expected that such guidance will be issued in March 2014; however it will expect authorities to award this relief.

- 3.11 As this relief will help bring empty retail units back into use and as it will also be fully funded by central government, it is recommended that the council adopts the scheme in accordance with government guidance, which DCLG is expected to provide in March 2014. There are currently 150 retail premises within Brent that have been empty for more than 12 months. Again it is expected that qualification will be dependant upon the de minimis state aid limits. It is estimated that the cost of this relief will not exceed £250,000. To delay a decision on this matter may impact on businesses moving to Brent and occupying long term empty shops.

Relief for Empty Newly Built Commercial Premises

- 3.12 The government announced in the Autumn Statement on 5 December 2012 a scheme to exempt all newly built commercial property completed between 1 October 2013 and 30 September 2016 from empty property rates for the first 18 months, up to the state aids limits. The DCLG issued guidance on how this scheme should be operated in September 2013. The government expects local authorities to use their discretionary relief powers (under section 47 of the Local Government Finance Act 1988) to grant relief in prescribed circumstances. It will fully reimburse local authorities for the local share of the discretionary relief (using a grant under s31 of the Local Government Act 2003) based on outturn of relief granted in the circumstances specified.

- 3.13 All new commercial properties that are completed on 1 October 2013 or after will qualify for up to an 18 month exemption from any empty property rates that maybe due subject to the de minimis state aid limits. This is regardless of the property's rateable value. Newly built empty non domestic properties normally qualify for a 3 month exemption; the government are introducing this scheme in order to stimulate the construction industry. The council does not expect to award more than £100,000 relief in any one financial year. To date no properties have applied for this relief.

- 3.14 There will be additional administrative costs in operating these schemes – software, printing and postage and actual administration costs. However it is

expected that this will not exceed £15,000 and that some or all will be offset from New Burdens Funding.

- 3.15 Because of the timescales involved in implementing these schemes and that relief will be fully funded the government expects authorities to award relief in accordance with their guidance. These schemes will be monitored for any impacts on for example number of empty commercial premises so that if in the future the council wished to consider introducing its own scheme it can benefit from any experience learnt from the introduction of these schemes.

4.0 Financial Implications

- 4.1 For these three schemes the government has announced that it will fully fund the cost of awarding the reliefs, so that there is no loss of income to the council. The government's proposals have also been reflected in the budget assumptions presented to Council at its meeting on 3 March 2014. From a long term point of view these reliefs may help sustain the viability and growth of these businesses.
- 4.2 There will some additional administrative costs borne by the council in implementing and administering these schemes, these are estimated at £15,000. There may be some additional government funding to meet this new burden but otherwise these costs will need to be met within existing resources.

5.0 Legal Implications

- 5.1 These schemes were announced by the government in the Chancellor's Autumn Statements on 5 December 2013 and 5 December 2012. Rather than introduce legislation the government expects authorities to implement these schemes by using their discretionary relief powers, introduced by the Localism Act. Section 69 of The Localism Act 2011 amended section 47 of the Local Government Finance Act 1988 to allow authorities to grant business rate discounts. Under this provision authorities can create their own discount schemes in order for example to promote growth and jobs in its area, or specified areas. Any such scheme would need to be approved by the Council's Executive.
- 5.2 Normally the authority would have to fund its share of the cost, however for these schemes the government will fully fund the costs as it expects authorities to implement these schemes in accordance with the guidance.
- 5.3 Guidance from DCLG regarding the £1000 discount for retail premises as described in paragraphs 3.1 to 3.6 of this report was only provided in January

2014. Guidance from DCLG regarding the 18 month exemption from empty property rates for new commercial properties was issued in September 2013. Guidance from DCLG is still awaited regarding the 50% business rate relief for occupying empty retail units. Because of the short timescales involved and the need to get the schemes in operation for the beginning of the next financial year, and as this report is proposing to provide reliefs in business rates that have been announced by the Government which will fund these reliefs, it has not been deemed necessary to carry out consultation regarding the proposals in this report. If officers had made recommendations to provide a discretionary business rate relief scheme which was different to the schemes set out by DCLG, then the Council would have to consult on such a scheme.

- 5.4 State Aid law is the means by which the European Union regulates state funded support to businesses. Providing discretionary relief to ratepayers is likely to amount to State Aid. However Retail Relief will be State Aid compliant where it is provided in accordance with the De Minimis Regulations (as set out in Statutory Instrument 1407/2013).
- 5.5 The De Minimis Regulations allow an undertaking (in this case, a business) 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). Officers will need to familiarise themselves with the terms of this State Aid exemption when considering whether to award business rate relief upon receipt of business relief applications, in particular the types of undertaking that are excluded from receiving De Minimis aid (Article 1), the relevant definition of undertaking (Article 2(2)) and the requirement to convert the aid into Euros.
- 5.6 To administer De Minimis 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 of De Minimis aid. It should be added that the threshold only relates to aid provided under the De Minimis Regulations (aid under other exemptions or outside the scope of State Aid is not relevant to the De Minimis calculation).

6.0 Diversity Implications

- 6.1 An Equality Impact assessment has not been carried out as these schemes are aimed at helping businesses, so that no-one will be adversely affected. Those who are likely to be entitled have been identified and sent application forms with their annual bills, the council's web site has been updated to advise of these schemes and the explanatory notes that accompanied bills also detail the availability of these schemes. It is anticipated that those who having been identified as potentially entitled and do not apply will be sent follow up letters to ensure maximum take up.

7.0 Staffing/Accommodation Implications (if appropriate)

- 7.1 None

Background Papers

DCLG Business Rates Information Letter 9/2013 December 2013 – Autumn Statement

DCLG paper – Retail Relief Guidance – January 2014

DCLG paper – New Build Empty Property Guidance – September 2013

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