

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 3 March 2014

Portfolio: Policy and Resources
Subject: **Business Rate Relief**
Report of: Director of Finance and Resources
Strategy/Policy: Charitable Relief Policy

Corporate Objective: A dynamic, prudent and progressive Council

Purpose:
To consider changes to the Council's Business Rate Discretionary Relief Policy.

Executive summary:
The Government has introduced a number of measures to assist businesses with the cost of Business Rates.

The measures are designed as a temporary incentive to be delivered via the Council's discretionary relief powers, under section 47 of the Local Government Finance Act 1988.

The Council already has an established policy for granting discretionary rate relief, but the changes requested by Government, will fall outside this policy. This report seeks to vary the local policy in order to incorporate the proposed changes.

The Government will fully reimburse local authorities for the local share of the discretionary relief granted, using a grant under section 31 of the Local Government Act 2003.

Recommendation:
That the Executive agrees:

- (a) to vary the Charitable Relief Policy to allow relief to be granted in the specific circumstances detailed in the report: and
- (b) to delegate the award of the discretionary relief, as detailed in the report, to officers in accordance with relevant guidance issued by Government.

Reason:
To offer financial assistance to retail type businesses and to help stimulate the construction of commercial premises.

Cost of proposals:

There are no cost implications. The Government has stated that it will reimburse billing authorities with the local share of the relief given in all the circumstances listed.

Appendix A: Discretionary Relief Policy

Reference papers: New Build Empty Property – Guidance issued by Department of Communities and Local Government, September 2013

Business Rates Information Letter (9/2013) issued by Department of Communities and Local Government.

Retail Relief - Guidance issued by Department of Communities and Local Government, January 2014.

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Executive Briefing Paper

Date: 3 March 2014

Subject: Business Rates Relief

Briefing by: Director of Finance and Resources

Portfolio: Policy and Resources

INTRODUCTION

1. As part of the 2012 and 2013 Autumn Statements, the Chancellor announced measures to assist businesses with the cost of Business Rates.
2. The measures are set to encourage construction of new business premises, encourage retail type businesses to occupy certain vacant premises or larger premises, and to assist retail-type businesses who occupy a property with a Rateable Value below £50,000.
3. The Government does not intend to alter the legislation relating to Business Rate reliefs and asks local authorities to use their discretionary relief powers introduced by the Localism Act, under section 47 of the Local Government Finance Act 1988 to grant relief.
4. The Government has agreed to reimburse authorities (including major precepting authorities) in full for the relief, based on actual costs as captured at the year end. In view of the sums involved and the time authorities would have to wait for the payment, the Government will make interim payments based on forecasts of costs and will conduct a reconciliation process once the actual costs are known.

TYPES OF RELIEF

Empty New Build Commercial Properties:

5. The current regulations allow for all unoccupied, newly built, commercial properties to be exempt from business rates for the first 3 months in the case of non-industrial properties (such as shops and offices) and 6 months in the case of industrial properties (such as warehouses and workshops).
6. The Government wants billing authorities to allow an extension to the initial exemption from empty property rates, on all newly built commercial property, classed as substantially complete on a date, between 1 October 2013 and 30 September 2016. The relief would be awarded for a maximum period of 18 months, whilst the property remained unoccupied.

7. The measure is seen as a catalyst to stimulate construction, as often construction decisions take account of the risk of paying empty property rates on newly built commercial property, if the property does not become fully occupied straight away. By reducing this risk, it may encourage some commercial property projects to go ahead that wouldn't otherwise; this may help stimulate the construction industry.
8. Whilst the Government has issued detailed guidance, it would be difficult to estimate the number of properties that would fall into this category during the period concerned. Current statistics show that since 2011, only 8 commercial properties have been built and not occupied once complete, the assumption therefore is that only a few properties will meet these new conditions for relief.

A Discount for Shops, Pubs & Restaurants premises with a Rateable Value under £50,000.

9. Additional assistance is to be given to retail-type premises via an annual business rate discount to the value of £1,000. The relief is payable on all occupied shops, pubs & restaurant type businesses, where the property has a Rateable Value below £50,000 (rates payable under £24,100). The discount will be effective from 1 April 2014, for a maximum period of 2 years, up to the limits of state aid.
10. The Government has published detailed guidance on the sort of business that would be entitled to relief in these circumstances. Based on these criteria, we estimate that there are 536 properties of the relevant type, with a Rateable Value below £50,000, currently shown in the Rating List. In addition to these, It should be noted that the number of claims could be higher as the relief must be based on the actual use made of the premises, not the description of the property shown in the Rating List.

Business Rate Relief for businesses that move into certain vacant retail premises.

11. Where a retail type property has been unoccupied for a period in excess of 12 months, the Government want local authorities to allow a 50% discount on business rate for businesses that move into those retail premises. The relief would be awarded for a maximum period of 18 months and may be given between 1 April 2014 and 31 March 2016.
12. The Government have yet to publish the details for relief, so the exact edibility criteria are unknown.
13. It would be difficult to estimate the possible claims for this type of relief because an incentive like this has not been offered before. However, the number of vacant retail type premises in excess of 12 months, currently stands at 14.

STATE AID

14. Providing discretionary rate relief to ratepayers is likely to amount to State Aid. State Aid Regulations are the means by which the European Union regulates state funded support to businesses.

15. Retail Relief is likely to be state aid compliant, where provided accordance with the De Minimis Regulations. The 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). Local authorities must familiarise themselves with the terms of this State Aid exemption.
16. It will, therefore, be necessary to undertake checks to be satisfied that the award of relief will not result in the ratepayer having received more than €200,000 of De Minimis aid. This will be achieved by requesting that they complete a declaration to that effect, before relief is awarded.

COST IMPLICATION

17. Whilst it will be for individual billing authorities to decide to grant relief under section 47 of the Local Government Act 1988, central government has guaranteed to fully reimburse local authorities for the local share of the discretionary relief (using a grant under section 31 of the Local Government Act 2003) based on the outturn of relief granted in the circumstances specified.

RISK ASSESSMENT

18. There are no material risks associated with this change of policy.

FINANCIAL IMPLICATIONS

19. The cost of relief will be fully reimbursed.

CONCLUSION

20. That the Executive agrees to vary the Charitable Relief Policy to allow relief to be granted in the specific circumstances detailed. Discretionary relief is currently agreed at Officer level and any relief granted in the circumstances listed above, would be allowed on the same basis, in accordance with relevant guidance issued by Government.