

Cabinet

**5 August 2014**

Report of the Cabinet Member for Finance, Performance and  
Customer Service

## **Business Rate Discount Policy**

### **Summary**

1. The purpose of this paper is to provide Cabinet with a revised business rate discount policy for approval. The updated policy (Annex A) sets out a new fourth ambition that seeks to reinvigorate the 'high street' in geographical areas that have a high commercial property vacancy rate.

### **Background**

2. The Localism Bill that came into effect on 1<sup>st</sup> April 2012 provided councils with the power to award business rate discounts to for profit companies where previously our powers were limited to discretionary relief in respect of:
  - Charities
  - non-profit making organisations
  - Community Amateur Sports Clubs (CASC's)
  - Rural discretionary relief
  - Rural top up
3. An initial discount policy was approved by Cabinet in February 2013 which set out the processes for considering an award. A revised policy was approved by Cabinet on 7<sup>th</sup> January 2014 that sought to align the policy to our key economic ambitions. This third version looks to build upon the Governments Autumn Statement business rate reliefs in relation to reoccupying vacant commercial properties and reinvigoration of the 'high street'.

4. Under the Government's Autumn Statement properties do not qualify for the new temporary reoccupation relief until the property has been vacant for a minimum period of 12 months. The councils revised business rate discount policy ('ambition 4' in Annex A) is similar to the Central Government scheme for reoccupation relief but awards the relief to the property immediately it becomes vacant rather than after a 12 month qualifying period. The intention of the revised council policy is to more quickly support areas of the city with high commercial property vacancy factors.
5. The council set aside a fund of £50K to support all applications for business rate discounts in 2014/15 and to date no application or award has been made.

### **Revised Policy**

6. The revised policy attached to this paper at Annex A provides details of the new fourth ambition Business Development District. A key difference to the three existing ambitions is that once a District is identified through ongoing review, and approved by Cabinet, businesses meeting the qualifying conditions will be automatically awarded the relief. The full qualifying criteria are set out within Annex A but include:
  - The premise must be unoccupied, commercial and on the Valuation Office List;
  - Any discretionary relief cannot be claimed in addition to Central Government's Reoccupation relief;
  - The relief will be calculated after the award of any Small Business Rate Relief, if applicable;
  - Any award will be for the maximum of eighteen months;
  - The relief is for retail premises only and any award is a discretionary decision made by the council to which there is no right of appeal;
  - The council will define the boundary of any business development district taking into account the vacancy factor of commercial premises;
  - No award will be made in respect of Financial Services including payday lenders, betting shops and pawn brokers or any other use that the council would deem inappropriate or

would conflict with the councils wider objectives for the local area;

- The maximum award is 50% of the residual rates payable after the award of any Small Business Rate Relief if applicable;
- There is a £50,000 Rateable Value Cap

## **Acomb**

7. The Acomb area of York has been identified as having the highest long term unoccupied commercial property rate at 17.6%. It is recommended that Cabinet consider approving Acomb as the first Business Development District to pilot this new ambition. The financial cost of funding the scheme in Acomb (21 Properties) would be in the region of £45K pa gross. This cost would be further shared with Central Government on a 50/50 basis giving a residual cost to the council of approximately £22.5K pa should all the vacant premises be reoccupied.
8. An analysis of the current vacant premises in Acomb show that three currently vacant properties will qualify for the Governments Reoccupation Relief scheme by the end of August 2014. This would leave a revised gross cost to the council of approx £18K pa and net cost of approximately £9K pa. It needs to be borne in mind that further properties may become unoccupied or qualify for the Government scheme over time so the annual cost will continue to fluctuate. The scheme is capped at a maximum rateable value of £50K to mitigate the council's financial exposure.

## **Options**

9. There are two options associated with this paper:

**Option 1** - Approve the revised business rate discount policy and Acomb as the first Business Development District;

**Option 2** - Do not approve the revised business rate discount policy and Business Development District.

## Analysis

10. The revised policy builds upon the policy approved by Cabinet on 7<sup>th</sup> January 2014. It provides greater powers for the council to proactively influence the occupation of commercial premises, increasing employment and supporting the priorities of 'Creating jobs and growing the economy and Building strong communities.'

## Council Plan 2011 - 15

11. The impact of the powers to provide business rate discounts contained within the Localism Act impact directly on two of the council's priorities that create the Council Plan 2011 - 15.
  - a) Building strong communities
  - b) Creating jobs and growing the economy

## Implications

12.
  - (a) **Financial** – There is an ongoing budget of £50k for business rate discounts. The cost of the Acomb scheme is £22.5K.
  - (b) **Human Resources (HR)** - There are no implications
  - (c) **Equalities** – There are no direct implications
  - (d) **Legal** - Business rates discounts are likely to constitute state aid and can only be granted where they fall within an approved exemption. In most cases a de minimis exemption is available covering aid from all state resources of €200,000 over 3 fiscal years
  - (e) **Crime and Disorder** - There are no implications
  - (f) **Information Technology (IT)** - There are no implications
  - (g) **Property** - There are no implications

## Risk Management

13. The key risk associated with business rate discounts is a financial one. The risk is not high as any award can only be made by following the proper procedures as set out in the revised policy at Annex A.

## Recommendation

14. Cabinet are asked to approve Option 1 at paragraph 9 approving the revised business rate discount policy attached at Annex A and first Business Development District (Acomb) ;

Reason: To provide more proactive help in reinvigorating the high street, supporting jobs and growing the city's overall economy.

## Contact Details

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	<b>Report Approved</b>	√	<b>Date</b> 28/07/2014
<b>Specialist Implications Officer(s)</b>			
<b>Wards Affected:</b> All			√
<b>For further information please contact the authors of the report</b>			

## Background Papers

Discretionary & Mandatory Business Rate Relief and Discounts  
February 2013 and January 2014

<http://modgov.york.gov.uk/mgChooseDocPack.aspx?ID=6881>

<http://modgov.york.gov.uk/mgChooseDocPack.aspx?ID=7644>

## **Annexes**

Annex A – Revised Discount Policy