

**Executive Member for Economy & Strategic Planning**

**14 August 2019**

Report of the Deputy Chief Executive / Director of Customer and Corporate Services

**Business Rate Support and the Councils Property Portfolio**

**Summary**

1. This paper provides the Executive Member for Economy & Strategic Planning with information on the existing business rate support provided and available to businesses in the city. The paper also provides information on how the council can help in developing the city's economy through its role as a corporate landlord.

**Recommendations**

2. The Executive Member is asked to:
  - a) note the contents of the report; and
  - b) consider what actions may be taken to utilise the support available in a more cohesive and strategic way to grow and manage the retail economy to the benefit of the city and its residents.

Reason: To ensure that York continues to have a buoyant, thriving and well planned business economy.

**Background**

3. There are a considerable number of national business rate reliefs available to businesses across the city. These fall into three main categories:
  - Mandatory
  - Discretionary
  - Time limited

The following paragraphs provide further information on each of the categories along with the qualifying criteria in brief. The paper also provides information on the number of businesses receiving relief, how many pay any business rates at all and who are the largest business rate payers in the city. The final section of the paper looks at the city's role as corporate landlord and how it can use this to influence and help develop a thriving and growing economy in the city that meets the needs of business, residents and visitors.

## **Mandatory Reliefs**

### 4. Mandatory reliefs include:

#### Relief for Charities

Registered charities are entitled to relief from business rates on any 'non-domestic property' that is wholly or mainly used for charitable purposes. Relief is given at 80% of the rate bill.

#### Community Amateur Sports Clubs (CASC)

Registered community amateur sports clubs can receive 80% rate relief.

To qualify as a CASC the sports club must:

- be open to the whole community
- be run as an amateur club
- be a non-profit making organisation
- aim to provide facilities for and encourage people to take part in eligible sport

To apply for relief they must first register as a CASC.

#### Relief for rural businesses

Help is available for certain types of business in qualifying rural settlement areas that have a population of less than 3000 people.

Mandatory relief of 50% is available for these eligible properties:

- the only village post office with a rateable value of up to £8,500
- the only village general store with a rateable value of up to £8,500
- the only cold food shop with a rateable value of up to £8,500
- the only village pub with a rateable value of up to £12,500
- the only village petrol filling station with a rateable value of up to £12,500

### Empty property relief

This relief is for a period of 3 months for most non-industrial businesses and 6 months for industrial after which full business rates become payable.

### Empty Property Listed Buildings

Business rates are not payable on empty listed buildings.

### Small business rate relief from 1 April 2017

From 1 April 2017, small business rate relief was permanently doubled from 50% to 100%, and thresholds were increased to benefit a greater number of businesses:

- businesses with a property that has a rateable value of £12,000 and below receive 100% relief
- businesses with a property that has a rateable value between £12,000 and £15,000 receive relief on a sliding scale
- the threshold for the higher standard business rates multiplier increased to a rateable value of £51,000
- if you currently receive small business rate relief and take on a second property you will continue to receive small business rate relief on your first property for a further 12 months. You will be charged full business rates on the new property.

## **Discretionary Reliefs**

5. There are a number of discretionary reliefs around which the council has more latitude in making awards. However in most cases the rules are set by Central Government.

### Charities & CASC discretionary top up

Registered Charities and CASC's can request discretionary rate relief 'top up' for the remaining 20% of their bill above the 80% statutory award.

### Rural top up

Businesses qualifying for mandatory rural rate relief can apply for discretionary top up relief for the remaining 50% of their bill.

### Rural discretionary

Any business in a qualifying rural area with a rateable value of up to £16,500 can apply for up to 100% discretionary rate relief.

### Hardship relief

This provides the council with the discretion to provide relief in special circumstances. The qualify criteria normally is where the business is a unique community asset and has a viable business plan.

6. The reliefs looked at so far both mandatory and discretionary have their rules set by Central Government the only exception to this been the 'discretionary top up' relief for Charities and CASC's where the rules around the amount can be set by the council.
7. The Localism Bill that came into effect on 1<sup>st</sup> April 2012 was the first time Central Government provided powers to local authorities to develop their own discretionary schemes. The purpose of the change was to empower local authorities that until 2012 had very little latitude to reduce the tax burden on non-domestic rate payers.
8. City of York council introduced a policy for its business rate discounts and this is set out at Annex A. There are currently four priorities in the policy (it is some time since these have been reviewed):
  - Ambition 1 – Supporting Young Business in our Economic Growth Sectors
  - Ambition 2 – Bringing Empty Listed Buildings back into Use
  - Ambition 3 – Significant business relocations to York
  - Ambition 4 – Business Development District
9. The Discount Policy provides a real opportunity for the council to try and shape the economy however it is at a cost to the council in foregoing business rate income and is limited by the 'state aid rules'.

### **Time Limited Reliefs**

10. There have been a number of time limited reliefs implemented by the Government over the last 5 years. These have been generally linked to reinvigorating the High Street and maintaining local Pubs. More recently the schemes have also looked to smooth the latest business rate revaluation implemented in April 2017 based on rateable values as at 1<sup>st</sup> April 2015. The revaluations are every 5 years so the next process is already starting for April 2022 based on rateable values as at 1<sup>st</sup> April 2020.
11. The current reliefs currently available are:

## Retail discount 2019 to 2021

A new Retail discount scheme was announced in the Budget in October 2018.

The Government has announced a new relief scheme for retail properties that have a rateable value of less than £51,000. Under the scheme, eligible ratepayers will receive a discount of one third of their daily chargeable amount after all other reliefs have been applied. This relief will take effect between financial years 2019/20 and 2020/21.

## Revaluation Relief 2017 – 2021

This relief was introduced following the 2017 valuation and was aimed at local business with a rateable value below £200K the funding available (To be shared) was on a sliding scale across 4 years:

<b>Year</b>	<b>Value</b>
2017/18	£788K
2018/19	£383K
2019/20	£158K
2020/21	£23K

## Relief for local newspapers

The government is providing funding to local authorities so that they can provide a discount worth up to £1,500 a year for 2 years from 1 April 2017, to office space occupied by local newspapers. This is up to a maximum of 1 discount per local newspaper title and per property, and up to State Aid limits.

## Relief for businesses losing Small Business or Rural Rate Relief following 2017 re-valuation

In the Spring Budget 2017, the Chancellor announced that a scheme of Relief would be made available to those ratepayers losing Small Business or Rural Rate Relief as a result of the 2017 revaluation will have their increases limited to the greater of either:

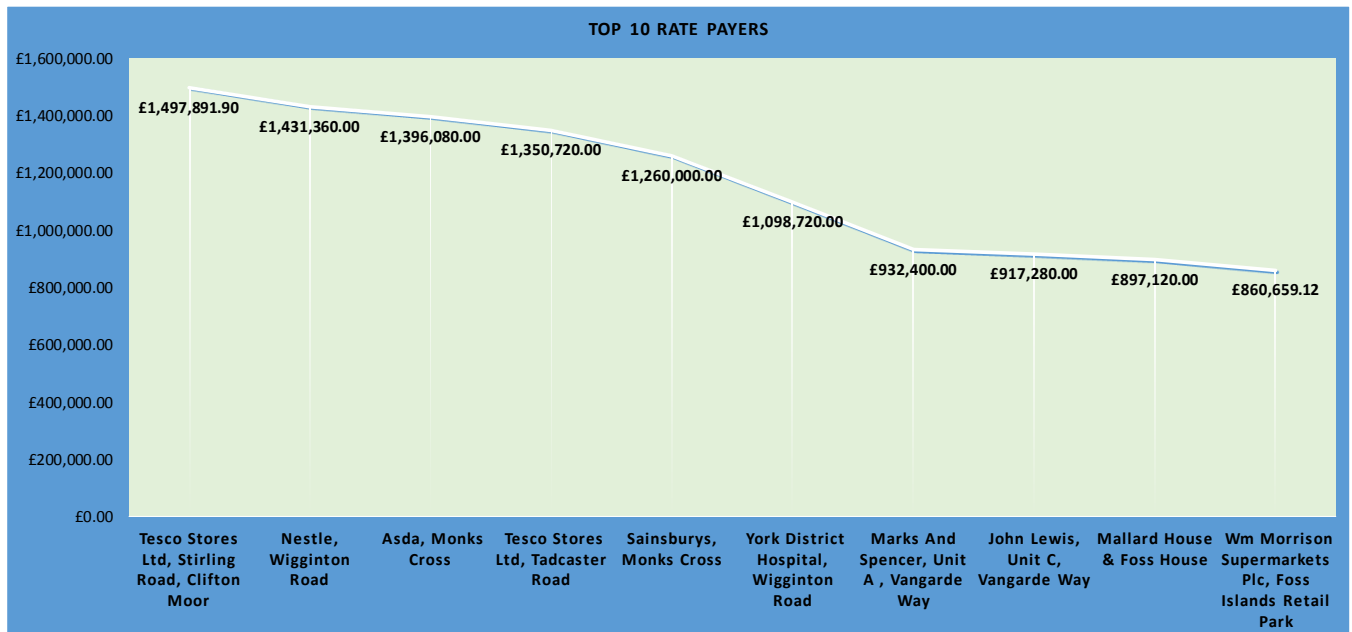
- a cash value of £600 per year, or
- the matching cap on increases for small properties in the transitional relief scheme

This relief will run for 5 years to 31 March 2022 and ratepayers will receive the relief until this date or they reach what their bill would have been within the relief scheme, whichever is first.

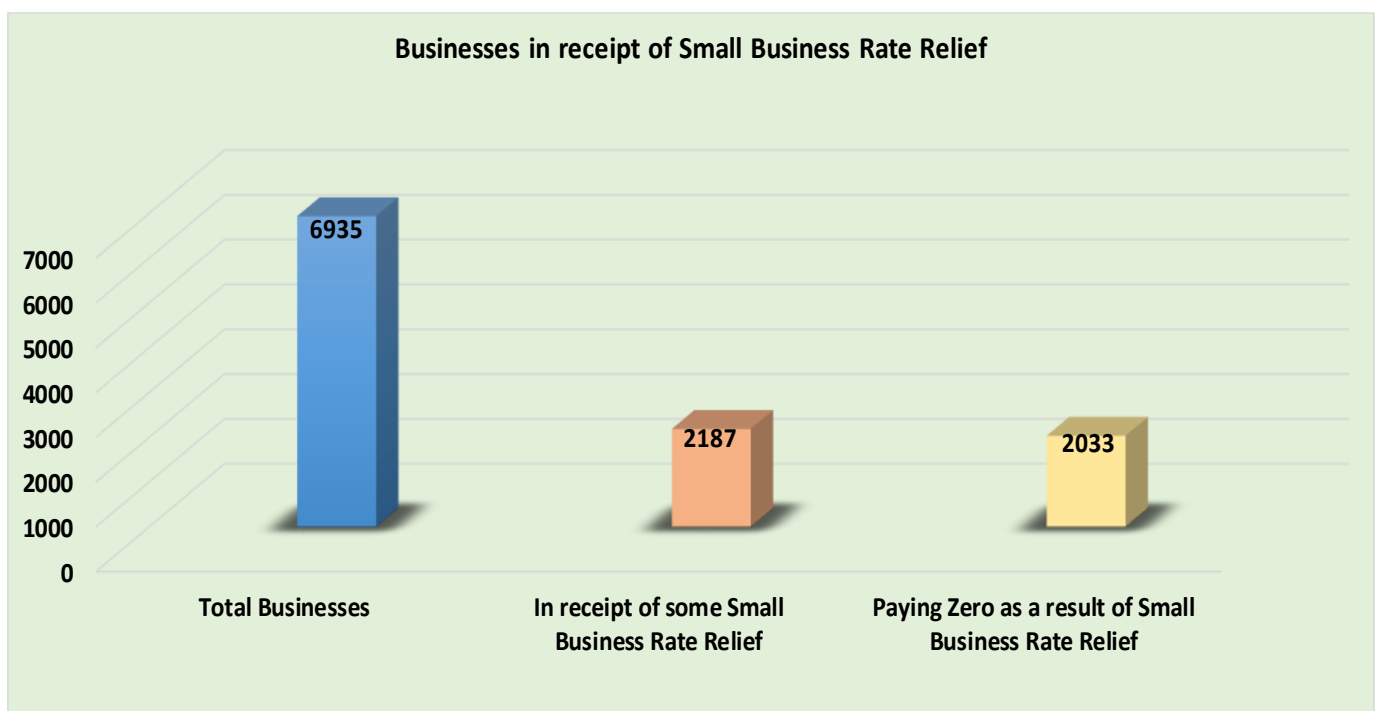
The award of this relief must comply with EU law on State Aid.

## How business rate reliefs currently support our businesses

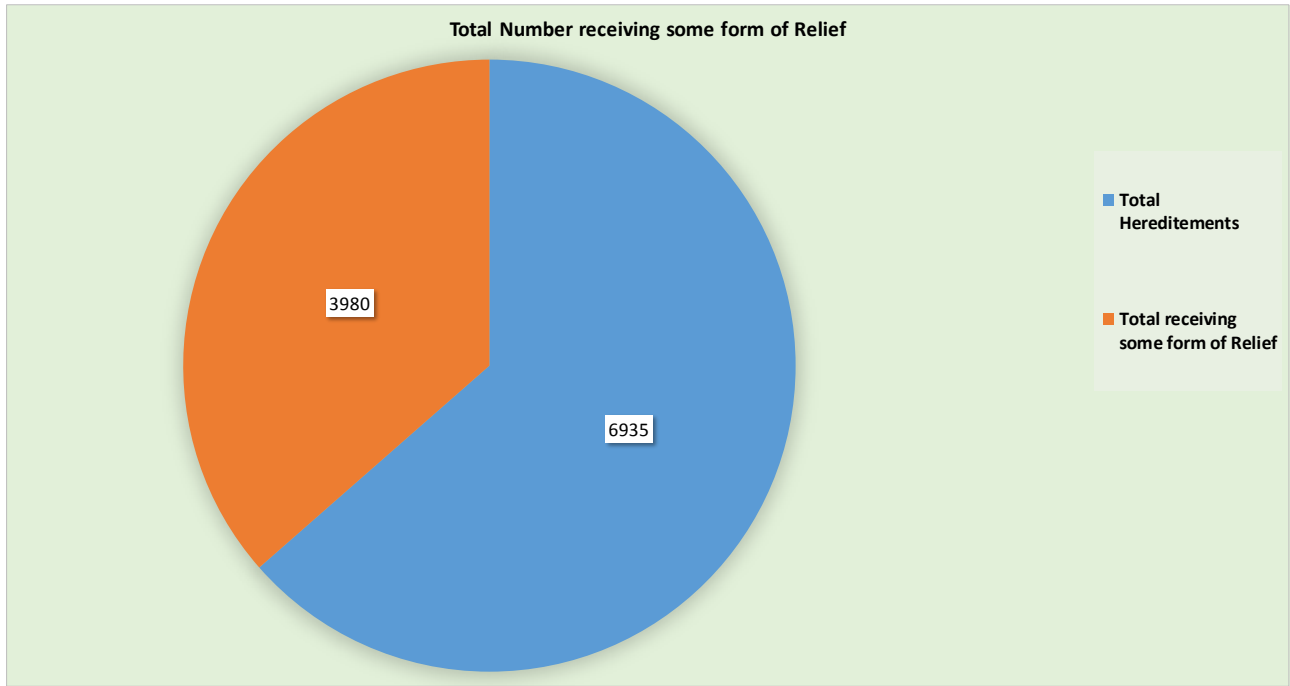
12. The following paragraphs show the support provided through current business rate reliefs, the size of the businesses community and its financial health in terms of arrears in 2019/20. The top 10 business rate payers have a total business rate liability of £10,781,571 (2019/20) this is approximately 10% of the total annual liability:



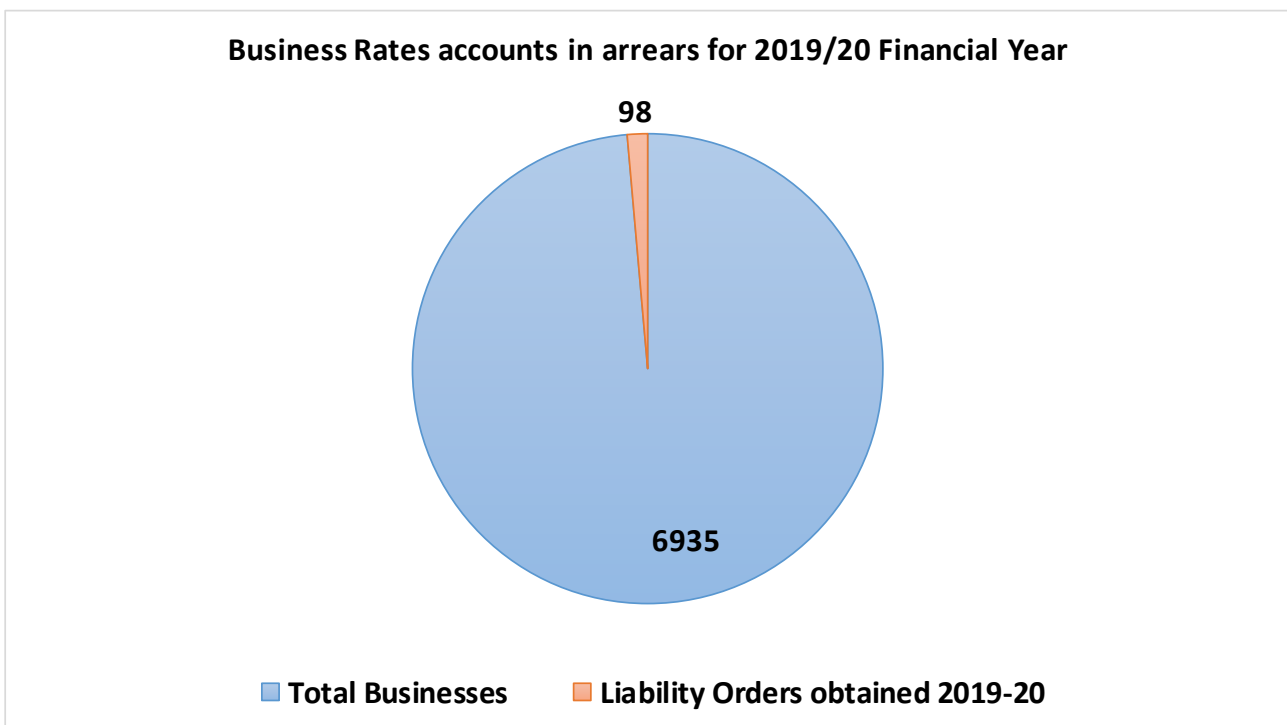
13. There are currently 6,935 business in the city including 652 shops. The number of businesses who are in receipt of small business rate relief is set out below:



14. The number of businesses receiving some form of business rate relief is:



15. The number of businesses currently in arrears:



## The Council as a Landlord

16. The council own and manage a non housing land and property portfolio valued at £335 million and which provides an income of £6.4 million and which comprises 1,295 assets.
17. The portfolio includes a commercial estate comprising over 1,100 agreements and which provide an annual revenue income of £5.8 million. This contains retail, light industrial, office and agricultural properties as well as the commercial lettings at West Office and a lease of the Race Course.
18. The portfolio is let to a considerable number of small/ local businesses and clubs for which the annual revenue income comprises £2.7million. This reflects a figure of 42% of the income generated from the total portfolio. When analysing the number of properties (excluding low value agreements such as licences) in respect of the number owned and leased to small/ local businesses, the figure occupied by such, as a proportion of the estate, is 74%. This considerable proportion of the estate, illustrates the key role that the council has in providing and managing accommodation, supportive of small business in the local economy.
19. Vacancy levels across the portfolio are low with all commercial property currently let or under offer. Whilst the council ensures it obtains best value for its assets, for which the income received supports council service delivery, it maintains a flexible approach if tenants experience difficulties in meeting their lease obligations.
20. The council has always focussed its commercial estate in York in order to promote and support economic vibrancy and ensure the preservation of historic buildings. Through its ownership of the estate the council therefore, provides accommodation which helps in developing and maintain the city's economy, serving a broad role in meeting social economic and environmental objectives such as regeneration and ensuring the sustainability and vibrancy of the city centre.
21. As detailed above this includes a considerable amount of accommodation which is occupied by small businesses. This includes premises occupied by independent retailers both in the city centre and local centres as well as property which provides the ability for businesses start ups, which includes the Eco Business Centre in Clifton Moor which provides over 60 units which is occupied by such.
22. The council has also pro actively expanded its ownership within the city centre recently, by acquiring property in Swinegate which comprises mixed use accommodation. The Swinegate area contains a range of smaller footprint offices, shops and food and beverage establishments



and is populated by a number of local, smaller retailers. Purchasing assets in this area has enabled the council to ensure the continuation of support for local businesses and to ensure that the buildings are maintained and well managed.

23. The council's property ownership and its pro activity in managing such in the city therefore, promotes local economic growth and provides key accommodation for local and small businesses to be based within. This approach is consistent with the council's over arching approach to city centre development and prosperity.

## **Consultation**

24. This is an information only report that sets out the current position so there was no consultation required in drafting. Any feedback to this paper can be sent to: [business.rates@york.gov.uk](mailto:business.rates@york.gov.uk)

## **Analysis**

25. The council through the existing business rate reliefs, its discount policy and its role as a landlord has the ability to influence and assist business growth and direction in the city. It does not have financial capacity to make quick or radicle change (If it wanted to) but it can help to shape and develop. This is only one element of any longer term vision for the city which would form part of any other major redevelopment plans the council may be involved in e.g. York Central, Southern Gateway.

## **Council Plan**

26. The development and support of the city's businesses helps create job opportunities, a thriving economy, sustainable business rate income, supporting the Council Plan commitment to achieve 'a prosperous city for all'.

## **Implications**

27. (a) **Financial** – There are no implications directly associated with this paper.
  - (b) **Human Resources (HR)** - There are no implications
  - (c) **Equalities** – There are no direct implications
  - (d) **Legal** – The are no implications
  - (e) **Crime and Disorder** - There are no implications
  - (f) **Information Technology (IT)** - There are no implications

(g) **Property** - There are no implications

## **Risk Management**

28. This is an information only paper and has no risks associated with it.

### **Contact Details**

#### **Author:**

David Walker  
Head of Customer &  
Exchequer Services  
Tel: 01904 552261

Nicholas Collins  
Head Of Commercial &  
Operational Asset  
Management, Economy &  
Place  
Tel No.01904 55167

### **Chief Officer Responsible for the report:**

Ian Floyd - Deputy Chief Executive & Director  
of Customer & Corporate Services

Pauline Stuchfield Assistant Director  
Customer & Digital Services  
Tel No.01904 551706

### **Report Approved**



**Date**

05 Aug 2019

**Specialist Implications Officer(s)** *None*

**Wards Affected:** *List wards or tick box to indicate all*

**All**

### **Background Papers:**

#### **Annexes:**

Annex A Discretionary Business Rate Policy

## List of Abbreviations

**The rateable value (RV)** – of a commercial property essentially represents the annual rental **value** of the commercial property on the open market. All non-domestic properties have a **rateable value**, which is fixed by an independent valuation officer from the Valuation Office Agency.

**The Business Rates multiplier** - A multiplier is the number of pence per pound of rateable value that you'll have to pay in business rates, before any relief or discounts are deducted. These are reviewed every year by the government in line with inflation

**Business Rate Liability** – This is the amount of money a business must pay before any reliefs and is calculated by multiplying the rateable value (RV) of the property by the multiplier.

### Multiplier 2019/20:

- non-domestic rating multiplier 50.4p (0.504)
- small business non-domestic rating multiplier 49.1p (0.491) (RV up to £51K)