

Cabinet

6 May 2014

Report of the Cabinet Member for Finance and Performance

Reoccupation Rate Relief Scheme

Summary

1. The purpose of this paper is to set out the proposed new reoccupation rate relief scheme for Cabinet approval. This relief will provide a reduction in business rates of up to 50% or the 'state aid' limit for qualifying businesses helping to sustain employment and encourage growth of the York economy. The value of any reoccupation relief awarded to York businesses will be met in full by Central Government.

Background

2. The Government announced in its Autumn Statement on 5th December 2013 that it will provide a 50% business rates discount for 18 months for businesses moving into previously empty retail premises between 1 April 2014 and 31 March 2016, up to State Aid De Minimis limits.
3. The Governments purpose of this new relief is to encourage thriving and diverse town centres and it wants to see the number of vacant shops decrease. This relief is intended to encourage reoccupation of shops and other retail premises (Paragraph 5) that have been empty for a long period of time and reward businesses that make this happen. This is a temporary measure that applies to ratepayers moving into previously empty retail premises between 1 April 2014 and 31 March 2016 only.
3. There is no cost to the council in providing this relief which will be fully reimbursed by Central Government through the rates retention system.

Reoccupation Rate Relief

4. The new use of the reoccupied premises can be for any use (i.e. not just retail uses) except for hereditaments wholly or mainly being used as **betting shops, payday loan shops, and pawn brokers**. It is within the powers of the council to extend this list if for example the granting of a relief would go against the councils wider objectives for the local area or it is believed that such an award would not help a shopping area to thrive.

5. The premises must have been empty for a period of at least 12 months or more immediately before reoccupation and when previously used were wholly or mainly used for retail as set out below:

i. Hereditaments that were 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 centres
- Art galleries (where art is for sale/hire)

ii. Hereditaments that were being used for the provision of the following services principally 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 were being used for the provision of the following services principally to visiting members of the public:

- Financial services (e.g. banks, building societies, bureaux de change, payday loan shops, betting shops, pawn brokers)
- Other services (e.g. estate agents, letting agents, employment agencies)

iv. Hereditaments that were being used for the sale of food and/or drink to visiting members of the public:

- Restaurants
- Takeaways
- Sandwich shops
- Coffee shops
- Pubs
- Bars

6. The reoccupation rate relief will be considered as state funding and as such is subject to European state aid rules. The De Minimis Regulations allow an undertaking to receive up to €200,000 of state aid in a three year period. It will be necessary for any business wishing to claim this relief to make an application to the council and complete a state aid declaration form.

7. There are as many as 43 hereditaments that could qualify for this relief on the valuation list. Depending on the numbers applying this will potentially create additional administrative pressure on the business rates team on top of those already generated by Retail Rate Relief. It is hoped that this can be minimised through the implementation and application of efficient processes to manage applications. To put this pressure into context following the Autumn

Statement 2013 there are now 14 different Mandatory, Discretionary and Temporary rate reliefs to be administered by the council.

Options

8. There are two options associated with this report:

Option 1 – Approve all applications from businesses (within state aid rules) excluding those set out at paragraph 4 reserving the right of the Chief Financial Officer in consultation with the relevant Cabinet Member to exclude any businesses that they would deem do not support the councils wider objectives or the community at large;

Option 2 – Provide no reoccupation relief at all.

Analysis

9. The relief could benefit as many as 43 hereditaments across the city with a rateable value of £555K and rates payable of approximately £300K. In respect of unoccupied properties this relief may act as a real incentive to new business. There are also additional fully funded reliefs that a 'reoccupying' business new or existing could benefit from including Retail Rate Relief and Small Business Rate Relief. The raft of business rate reliefs now available provides a real incentive to reoccupy empty former retail premises, create employment and grow the York economy.
10. As businesses applying for reoccupation relief will want to have a prompt response to their application the power to make individual awards should be delegated to the Council's Chief Financial Officer (CFO).

Council Plan 2011 - 15

11. The power to provide reoccupation rate relief contained within the Local Government Finance Act 1988 & 2012 impact on several of the council's priorities that create the Council Plan 2011 - 15 specifically:
- a) Protecting vulnerable people

- b) Building strong communities
- c) Creating jobs and growing the economy

Implications

12. (a) **Financial** – As the Government will fully reimburse any awards made by the council there are no financial implications.
- (b) **Human Resources (HR)** - There are no implications
- (c) **Equalities** – There are no direct implications
- (d) **Legal** – The award of retail rate relief has state aid 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

13. There are no high risks associated with reoccupation rate relief. The only risks are in relation to managing the state aid implications and additional work pressures.

Recommendations

14. Cabinet are asked to:

- a) consider and approve Option 1 (Paragraph 8);

Reason: To provide clarity in respect of the categories for which the council will not consider awarding reoccupation relief.

- b) approve the power to make individual awards to the Chief Financial Officer (Paragraph 10).

Reason: To ensure that all applications are dealt with immediately when they are received and that where a business qualifies their bill is promptly amended.

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	Report Approved	√	Date 24 April 2014
Specialist Implications Officer(s) None			
Wards Affected: All			√
For further information please contact the authors of the report			

Background Papers

Reoccupation Relief Guidance – Department for Communities and Local Government.

Annexes

None

Glossary

Hereditament– A premise where business can be undertaken. The technical term used in business rate law.

CFO – Chief Financial Officer