

Environment and Economy Overview and Scrutiny Panel

Agenda
Item:
A.4

Meeting Date: 30 June 2016
Portfolio: Finance, Governance and Resources
Key Decision: YES
Within Policy and Budget Framework: YES
Public

Title: DISCRETIONARY RATE RELIEF POLICY -
Large Empty 'Hard to Let' Business Premises
Report of: Director of Resources
Report Number: RD 11/16

Purpose / Summary:

The Discretionary Rate Relief proposed amendment would encourage occupation of large 'hard to let' empty business premises and would support the Council's Economic Development objectives set out in the Carlisle Plan.

It would also help the Council compete with other Local Authorities offering similar schemes in an attempt to attract new businesses to Carlisle and provide an appropriate and important counterbalance to Kingmoor Enterprise Zone.

Recommendations:

E&E O&S is asked to consider and comment on the proposed amendment to the City Council's Discretionary Rate Relief Policy as set out in appendix 2 section (4) for the reasons detailed in the report.

Tracking

Executive:	
Overview and Scrutiny:	30 June 2016
Council:	

DISCRETIONARY RATE RELIEF POLICY - Large Empty 'Hard to Let' Business Premises

1. Introduction:

- 1.1 Currently the council is allowing re-occupation relief in granting a 50% discount from business rates for new occupants of previously empty retail premises. This is allowed for 18 months with the cost of relief met by Government Grant. The scheme finishes on the 31st March 2016 (unless the Government extends the scheme in its 16th March Budget).
- 1.2 The scheme helped in getting hard to let retail premises occupied (particularly in Earls Lane). However it did/does nothing to assist in getting hard to let offices and other commercial premises occupied. The Council currently has 32 large commercial premises empty (see appendix 1).
- 1.3 Getting such hard to let commercial properties occupied will become more difficult with the introduction of the Enterprise Zone due to the rate free incentives offered to businesses moving into Kingmoor Park.
- 1.4 Other Authorities are now taking advantage of new discretions under section 69 (5) of the Localism Act 2011 to encourage new businesses into their districts by offering 'rate holidays' when occupying empty commercial premises.
- 1.5 Due to the fact that any decision to offer such discretionary rate relief can only be made if considered reasonable having regard to the interests of Council Tax payers the main beneficiaries would be firms bringing employment opportunities to Carlisle.

2 How Such a Rate Relief Scheme Might Work:

- 2.1 In the Carlisle Plan the Council actively promotes Economic Development. Under actions supporting the plan the Council could actively support businesses looking to relocate to Carlisle with a package of assistance including a rate free holiday, for occupying empty difficult to let commercial property and other incentives e.g. subsidised parking. The businesses would need to commit to Carlisle for a minimum of 5 years and create job opportunities and other benefits for the Carlisle economy.

3 How Much Would Such a Relief Scheme Cost and How Funded?

- 3.1 Discretionary Rate Relief for such a scheme would be met by the 'Collection Fund' i.e. 50% by Government, 10% by County and 40% by the City Council.
- 3.2 However due to the workings of the Localised Business Rates Scheme in many circumstances the scheme would be self-financing in the medium to long term. This

is because landlords of large empty commercial properties usually take advantage of empty rate rules to minimise business rate exposure. The worked example below demonstrates this.

3.3 Rates paid on property with RV of £100,000

	£ PA
- Empty Rate Payable (maximising relief)	17,200
- Two years rate holiday met by City Council	39,760
- Years three onwards rates payable by occupier	49,700

Share of Rates Income:

	Empty	Occupied	
City Council	6,880	19,880	*increased income 13,000
County Council	1,720	4,970	*increased income 3,250
Government	8,600	24,850	*increased income 16,250

* Under current pooling arrangements, City Council and County Council would receive a bigger share of occupied rates in the first year of any growth (new rates income). Thereafter, the new rates are built into the baseline and split in the proportions above.

In this example the cost to the Council of giving 2 years rates free relief is £39,760. However increased rates income to the Council from year three onwards is £13,000. The cost of the empty rate discretion is repaid in 3 years i.e. $£39,760 \div £13,000$.

3.4 The Council would fund its cost of granting discretionary relief via an invest to save arrangement on its NNDR collection fund arrangements.

3.5 These are some risks to the invest to save proposals:

- The business needs to occupy for more than 5 years for the Council to recoup its share of rate relief.
- Any change to the sharing arrangements between City and the County would mean it would take longer to recoup costs.

4. Scheme Details:

4.1 Subject to members agreeing this discretionary empty rate holiday initiative, the Council's discretionary rate relief needs to be drafted to cover

- Definition of hard to let empty commercial premises (see policy appendix 2)
- 5 year commitment of business to the City
- Jobs likely to be created
- Other benefits to Carlisle relocation

- Other assistance that can be offered in any relocation package (out with Discretionary Rate Relief Scheme)

4.2 Set out at appendix 2 is suggested draft amendments to the Council's discretionary rate relief scheme to enable the Executive to consider applications.

5. Summary:

5.1 The Discretionary Rate Relief proposal would encourage occupation of large 'hard to let' commercial premises and would support the Council's Economic Development objectives set out in the Carlisle Plan.

5.2 It would also help the Council compete with other Local Authorities offering similar schemes in an attempt to attract new businesses to Carlisle and provide an appropriate and important counterbalance to Kingmoor Enterprise Zone.

6. Recommendations:

6.1 The Executive is asked to consider the proposed amendment to the City Council's Discretionary Rate Relief Policy as set out in appendix 2 section (4) for the reasons detailed in the report before recommendations to the Resources Overview and Scrutiny Panel, Environment and Economy Overview and Scrutiny Panel, and Council.

6.2 Members are asked to note that any applications for discretionary rate relief under the revised policy will be considered by the Executive on an individual basis who will determine, in considering a Business wanting to locate to Carlisle proposals, whether this is in the interests of Carlisle City Council Tax Payers before considering granting discretionary rate relief.

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Appendices

attached to report:

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- None

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's – SMT are fully supportive of the proposals.

Economic Development – The proposed policy would act to significantly bolster efforts to secure inward investment through providing a direct incentive and therefore enhanced offer. Success in this regard would directly support the corporate priority to support business growth and economic prospects for the people of Carlisle. In a more local context the proposed policy would importantly act to guard against any unintended negative consequences of the Kingmoor Park Enterprise Zone through ensuring existing employment locations can reasonably compete with it and in doing so maintain their diversity and vibrancy.

Governance – Awards such as rate relief are required to comply with the EU law on State Aid. State Aid is financial support which is provided by the State to business organisations and is generally prohibited and unlawful. There are, however, a number of exemptions and the relevant exemption in circumstances such as the one described is De Minimis Aid.

It will, therefore, be necessary for each ratepayer who is awarded relief to complete a declaration stating whether they have received any other De Minimis Aid in the current or two previous financial years, including any other Rate Relief they may have received on other property(s). The declaration will include confirmation that the award does not exceed the amount an undertaking can receive under the De Minimis Regulations EC 1407/2013.

The Discretionary Rate Relief Policy is a policy reserved to the Council under Article 4 of its Constitution. As such, any amendment must follow the Budget & Policy Framework procedure rules with any amendment, ultimately, being approved by Council.

Local Environment – NA

Resources - This report identifies changes to the Discretionary Rate Relief policy. Under previous arrangements the Council funded all discretionary reliefs out of its General Fund budget. However, since the introduction of Business Rate Retention and the Localism Act, all reliefs are funded through the Collection Fund and distributed under the proportions outlined therein between the City Council, County Council and Central Government. As any unfunded (not specifically met by Section 31 of the Localism Act) discretionary reliefs are split between the main preceptors, the cost of any new reliefs is limited to the 40% share of the Business Rate Collection Fund the Council benefits from. The report highlights that undertaking this new policy will be a cost to the Collection Fund in the period where a rate holiday is given, but will be recouped in following years should the new business stay in situ. There are wider economic growth considerations to be considered too, in that further business rate benefits may be gained by increasing capacity in areas through increased employment and footfall. This in turn may lead to additional businesses paying rates in the longer term.

The City Council's budget for 2016/17 anticipates additional income of £660,000 from business rates over and above the Government set funding baseline (£3.052m). Forecasts for business rate income in 2015/16 show that this will be achievable and would not be adversely affected by this policy.

Future changes to the Business Rate Retention system will need to be considered as and when they occur to ensure the policy remains fit for purpose. The implementation of a revaluation of business rates is scheduled for April 2017, and further changes to the retention scheme are planned with 100% retention locally anticipated by 2020.

**EXCERPT FROM THE MINUTES OF THE
EXECUTIVE
HELD ON 4 APRIL 2016**

EX.25/16 DISCRETIONARY RATE RELIEF POLICY – LARGE EMPTY ‘HARD TO LET’ BUSINESS PREMISES
(Key Decision)

(With the consent of the Chairman, and in accordance with Rule 15 of the Access to Information Procedure Rules; and Regulation 10 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 this item was included on the Agenda as a Key decision, although not in the Notice of Executive Key Decisions)

Portfolio Finance, Governance and Resources

Relevant Overview and Scrutiny Panel Environment and Economy; and
Resources

Subject Matter

The Finance, Governance and Resources Portfolio Holder submitted report RD.60/15 concerning the City Council’s Discretionary Rate Relief Policy. He informed Members that the matter was included on the Agenda as a Key Decision under the above mentioned Procedure Rules and with the permission of the Leader.

The Portfolio Holder indicated that, as Members were aware, currently the Council was allowing re-occupation relief in granting a 50% discount from business rates for new occupants of previously empty retail premises. That was allowed for 18 months with the cost of relief met by Government Grant. The scheme finished on 31 March 2016.

Whilst the scheme helped in getting hard to let retail premises occupied (particularly in Earls Lane), it did nothing to assist in terms of the occupation of hard to let offices and other commercial premises. Although the Council was bucking the trend in terms of vacant properties, 32 large commercial premises were currently empty (Appendix 1). The Executive wished to bring those premises back into use in order to attract jobs to the City and recoup relevant rates. The introduction of the Enterprise Zone would exacerbate difficulties in bringing such hard to let commercial properties into occupation due to the rate free incentives offered to businesses moving into Kingmoor Park.

Other authorities were now taking advantage of new discretions under Section 69 (5) of the Localism Act 2011 to encourage new businesses into their districts by offering ‘rate holidays’ when occupying empty commercial premises. The City Council needed to be in a position to offer similar incentives if it wished to compete with those authorities.

Due to the fact that any decision to offer such discretionary rate relief could only be made if considered reasonable having regard to the interests of Council Tax payers the main beneficiaries would be firms bringing employment opportunities to Carlisle.

The Portfolio Holder indicated that in the Carlisle Plan the Council actively promoted Economic Development. Under actions supporting the Plan the Council could actively support businesses looking to relocate to Carlisle with a package of assistance including a rate free holiday, for occupying empty difficult to let commercial property and other incentives e.g. subsidised parking. The businesses would need to commit to Carlisle for a minimum of 5 years and create job opportunities and other benefits for the Carlisle economy.

He further explained that Discretionary Rate Relief for such a scheme would be met by the 'Collection Fund' i.e. 50% by Government, 10% by the County Council and 40% by the City Council. However, due to the workings of the Localised Business Rates Scheme, in many circumstances the scheme would be self-financing in the medium to long term. The Council would fund its cost of granting discretionary relief via an invest to save arrangement on its NNDR collection fund arrangements. Details of the risks associated with invest to save proposals were highlighted for the benefit of Members.

The Portfolio Holder added that, subject to Members agreeing the discretionary empty rate holiday initiative, the Council's Discretionary Rate Relief Scheme needed to be drafted to cover:

- Definition of hard to let empty commercial premises
- 5 year commitment of business to the City
- Jobs likely to be created
- Other benefits to Carlisle relocation
- Other assistance that could be offered in any relocation package (outwith Discretionary Rate Relief Scheme)

Suggested draft amendments to the Council's Scheme were provided at Appendix 2.

The Portfolio Holder said that, in his view, the report constituted a very positive way forward and continued the Executive's efforts and ambitions to bring new business and economic growth to the City.

In conclusion the Finance, Governance and Resources Portfolio Holder moved the recommendations. In so doing, he emphasised that a key point of note was that any applications for discretionary rate relief under the revised Policy would be considered by the Executive on an individual basis.

The Leader formally seconded the report commenting that the proposal looked forward to growing the City and the provision of good quality jobs which were very much needed.

Summary of options rejected none

DECISION

That the Executive:

1. Had considered the proposed amendment to the City Council's Discretionary Rate Relief Policy as set out in Appendix 2 Section (4) for the reasons detailed in Report RD.60/15 before referring it to the Resources and Environment and Economy Overview and Scrutiny Panels for consideration and comment back to the Executive before a recommendation to Council.
2. Noted that any applications for discretionary rate relief under the revised Policy would be considered by the Executive on an individual basis who would determine, in considering a Business wanting to locate to Carlisle proposals, whether that was in the interests of Carlisle City Council Taxpayers before considering granting discretionary rate relief.

Reasons for Decision

The Discretionary Rate Relief proposal would encourage occupation of large 'hard to let' commercial premises and would support the Council's Economic Development objectives set out in the Carlisle Plan

It would also help the Council compete with other Local Authorities offering similar schemes in an attempt to attract new businesses to Carlisle and provide an appropriate and important counterbalance to Kingmoor Enterprise Zone