

Subject:	Business Rate Revaluation and the Visitor Economy		
Date of Meeting:	Economic Development & Culture Committee 22 June 2017		
Report of:	Nick Hibberd, Executive Director Economy Environment & Culture		
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Ward(s) affected:	All		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 This report provides an update on the changes that have occurred as part of the recent revaluation of Business Rates and the planned work in support of the visitor economy.

2. RECOMMENDATIONS:

- 2.1 Members are asked to note the report and the work being planned in support of the visitor economy.

3. CONTEXT/ BACKGROUND INFORMATION

Business Rates

- 3.1 The government reviewed the Rateable Values (RV) for every non domestic property in England and Wales earlier this year. The RV is usually evaluated every five years but was extended by a further two years meaning that the RV had not been reviewed for seven years. This deferral resulted in large increases for some businesses, conversely some business have found that their RV has fallen.
- 3.1.1 Setting of business rate bills is outside of the council's control however concern has been expressed by Members about the impact on local business. Although in Brighton and Hove, roughly 57% of non-domestic properties will have no increase, or a reduction to their bill, 7% will have an increase of between 0% and 5%, a further 18% will have an increase of 5% - 10% and the remaining 18% will have an increase above 10%.
- 3.1.2 The government put in place a £3.6 billion [transitional relief scheme](#) nationally to limit and phase in changes in business rate bills as a result of the revaluation. Added to this the threshold to qualify for small business rate relief is different this year with more businesses getting 100% relief this year where they didn't receive any last year. However in future years the bills will increase as the transitional

relief reduces

In the 2017 spring budget the government announced additional measures to mitigate the impact on businesses: -

£600 per year cap on bill increases where the property formerly received Small Business Rate Relief but now gets less Small Business Rate Relief.

£300m for local authorities to set up discretionary rate relief for those hit hardest, (there is an estimated £1.96m over four years for Brighton & Hove), but details of the scheme and the allocation have not yet been released.

£1,000 reduction for pubs with an RV of under100k

Impact in the visitor economy

- 3.2 Total turnover generated by tourism in 2015 (the latest detailed study) supported approximately 15,683 FTE jobs and 21,374 Actual Jobs (where seasonal and part-time jobs are counted separately) across Brighton & Hove. These jobs are spread across the travel/transport, hospitality, leisure, and retail sectors. The value of the tourist economy is approximately 17% of the total economy of the City of Brighton & Hove, so remains an important focus of the overall economic strategy for the City. Concern was expressed prior to revaluation that small businesses may lose their small business rate relief and that larger business would see steep rises.
- 3.2.1 The available data on business rates for Brighton & Hove suggest that there have been winners and losers across and within sectors. Some of the most dramatic increases have been amongst hotels, bars and restaurants; it is not clear how many of these will be able to benefit from the mitigating measures introduced by government as the measures have not yet been rolled out.
- 3.2.2 The Valuation Office Agency's 2017 revaluation has resulted in some significant changes in Rateable Value for some properties. However the Rateable Value is only the starting point of calculating how much a ratepayer is liable to pay. Business Rates bills have been issued and these show the true increase once all the relevant calculations have been applied.
- 3.2.3 In Brighton and Hove, roughly 57% of non-domestic properties saw no increase, or a reduction to their bill, 7% saw an increase of between 0% and 5%, a further 18% saw an increase of 5% - 10% with the remaining 18% seeing an increase above 10%. The transitional protection provided by the government to limit the increases to bills means that a true picture of the impact cannot be assessed as individual transitional arrangements will apply.
- 3.2.4 A further measure that will help some businesses in the city concerns the increase in the threshold for Small Business Rate Relief from £6,000 to £12,000; more businesses are now in scope for 100% relief.
- 3.2.5 Online businesses and retailers are not specifically excluded from the change. Every non-domestic property has been revalued. However, online retailers are not necessarily limited to prime locations and premises, and so they may have

more freedom to choose premises that have a lower Rateable Value.

3.2.6 Although revaluation was first announced in October 2016, it was only in the Spring Budget that further measures were announced on top of transitional protection:

1) a £300 million discretionary fund, to be split among Local Authorities and administered locally.

2) a £1,000 discount for pubs with a rateable value below £100,000

3) Ratepayers losing all or part of their Small Business Rate Relief as a result of revaluation will have their bill increase limited to no more than £50 per month. Many Guest Houses are particularly affected by losing this relief and so they will be beneficiaries of the new protection.

3.2.7 Unfortunately none of these measures were announced in time to be included on this year's Annual Bills. However, once the government has passed the necessary legislation, and our software company has issued updates so that we can apply the changes, we will rebill the customers who are affected. However, we remain concerned about the impact on local businesses from the revaluation and we will be drawing up plans for a new discretionary scheme at the earliest opportunity

Supporting the visitor economy

3.3 In addition to the planned support for business through the planned discretionary Business Rate scheme the council also seeks to support the visitor economy through VisitBrighton. Visit Brighton is the tourism unit for Brighton & Hove City Council and works to help maintain and develop a sustainable tourism economy in the city. VisitBrighton's primary objective is to create employment and wealth for the city through marketing, sales, visitor services and destination management.

3.3.1 VisitBrighton Marketing & Communications department is responsible for promoting the city to both leisure and business visitors, engaging with target visitor markets to take them on a customer journey from "looking to booking to visiting to returning & recommending". In 2016, the press & PR work of VisitBrighton Marketing generated positive national and international travel media coverage about the city with an advertising value equivalent value (AVE) in excess of £5million. The main online marketing tool is www.visitbrighton.com which in 2016 had over 2 million users to the site.

3.3.2 The Convention Bureau is responsible for selling the city as a conference and meetings destination to UK and international conference bookers, including political parties, associations, unions and corporate organisations. This is achieved through Familiarisation Visits, Sales Calls, attending Exhibitions & Events and the VisitBrighton Ambassador Programme.

- 3.3.3 Central to and cutting across all of VisitBrighton's work is its Partnership Scheme whereby local businesses pay an annual fee to be part of, and benefit from VisitBrighton's work. In 2016/17, the scheme had over 540 Partners from across the whole range of tourism businesses, who contributed over £150K in partnership fees, making it one of the largest business membership schemes in the city. Revenue from the Partnership Scheme is ring-fenced and re-invested back in marketing the city as a destination. The Partnership is the true strength of VisitBrighton and it is important to maintain & grow business support to the tourism business providers in the City.
- 3.3.4 The VisitBrighton Partnership Scheme has been in operation since 2005 and provides a way for local businesses to support the work of VisitBrighton whilst gaining tangible benefits for their business, through the activity that the unit undertakes. In early 2016 Partnership numbers reached 540, with Partners coming from all sectors including accommodation, retail, eating & drinking, attractions, tour guides and suppliers. In 2017/18, we will continue to deliver the Partnership scheme and maintain & establish new benefits for our Partners to ensure that the scheme continues to provide value for money.
- 3.3.5 The VisitBrighton Visitor Services team continues to deliver a high quality service to visitors to Brighton & Hove both pre, and during, their visit. Services comprise; Visitor Information points, Visit Brighton Champions, and Visit Brighton Greeters.

Review of the City Tourism Strategy

- 3.4 The current Tourism Strategy, published in 2008, running from 2008 – 2018 sets out a Strategic Framework and Action Plan for tourism for both the public and private sectors to support and work towards. Whilst there have been many achievements against the actions set out in the existing Tourism Strategy, the local economy, local, national and international policy, context and customer needs have altered radically hence the Strategy needs to be re-written to take account of changing needs and behaviours. It is proposed the new Tourism Strategy would encompass 2019 – 2025 and be a dynamic working document.
- 3.4.1 The council plays an active role in the tourism industry; it supports the city's tourism businesses through many of its communications and marketing activities and in particular through the work of VisitBrighton, positioning and promoting the destination as a leading tourist destination.
- 3.4.2 Tourism is, by its nature, a fragmented industry with over 80% of tourism businesses are small or micro businesses: it is estimated that over 1,000 businesses in Brighton and Hove are involved in the visitor economy. Given the depth of engagement BHCC has in tourism in collaboration with both private and public sector businesses and organisations, and the need to proactively sustain and grow the tourism industry, which is critical to Brighton & Hove's sustained economic prosperity it is imperative we have a comprehensive Tourism Strategy to set direction for the coming years.

- 3.4.3 The creation of the strategy will be closely linked to the development of the Economic Strategy which will set a vision for the local economy to 2023. Consultation for both strategies will commence in summer 2017; the Tourism strategy will be brought to the Tourism Development and Culture committee later this year.

Hotel Futures Study

- 3.5 Later this year the council will be commissioning a focused technical study which will provide an updated assessment of the demand for visitor accommodation (hotels, guest accommodation and other formats including apartment hotels) in Brighton & Hove over the period 2017-2022.

- 3.5.1 The study will also include a robust analysis of the current and potential growth in supply of short-term holiday lets (including Airbnb) in the city.

- 3.5.2 This updated assessment of visitor accommodation demand in the city will be used to guide the assessment of planning applications for new visitor accommodation in the city (against the requirements of the recently adopted City Plan Part One Policy – CP6 Visitor Accommodation) and a potential review of the hotel core zone and policy in City Plan Part Two.

- 3.5.3 The study will provide clear recommendations as to:

Managing future visitor accommodation growth and responding to visitor accommodation investment enquiries over the next 5 years to ensure that there is an appropriate balance in demand and supply;

Review the Hotel Core Zone has shown on the 2016 City Plan Part 1 Policies Map;

Identify whether there is a need for regulation of short term holiday lets how this can be implemented.

- 3.5.4 There are four main strands of work that will make up the study including desk-based research, face to face/interviews, meetings and online surveys. The study will be completed in Autumn 2017

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 Her Majesty's Valuation Office Agency (VOA) is responsible for adjusting the rateable value of business properties to reflect changes in the property market, it is usually conducted every five years however it has been seven years since the last revaluation. There are no alternative options as payment of business rates is set in UK legislation and cannot be overturned by a local authority.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 Consultation will be a key feature of the development of the Tourism Strategy as it will be essential to secure the buy-in of local stakeholders to the implementation of the strategy.

- 5.2 The Hotel Futures study will be informed through consultation with relevant stakeholders and specialists.

6. CONCLUSION

- 6.1 Members are asked to note the update on the business rate revaluation and the proposals being put in place to mitigate the negative impact of the changes. Further alleviation of the impact will occur as a result of the planned Discretionary Rate Relief scheme however implementation of these measures will take some time as the system has yet to be finalised. The true impact of the changes on the sector will be difficult to determine as impacts will vary within the sector and between businesses.
- 6.2 Members are asked to support the development of the Tourism Strategy and the Hotel Futures Study as actions that will contribute to the vibrancy and sustainability of the sector.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 Approval to develop a strategy for Tourism was agreed at the Economic Development & Culture Committee in March 2017, the costs associated with the commission will be met from within the existing Marketing & Visitor Services revenue budgets.
- 7.2 The Hotel Futures Study will incur additional costs for the Council such as consultants' fees and staff costs. These will be met from existing revenue budgets within City Development and Regeneration.

Finance Officer Consulted: Name Gemma Jackson Date: 31/05/17

Legal Implications:

- 7.1 There are no direct Legal implications arising from this report. The proposals for implementation of a Discretionary Rate Relief Scheme will be subject to a separate report to committee.

Lawyer Consulted: Name Alice Rowland Date: 08/06/17

Equalities Implications:

- 7.2 There are no direct equalities implications arising from this report.

Sustainability Implications:

- 7.3 There are no direct sustainability implications arising from this report

Any Other Significant Implications:

- 7.4 No other significant implications.

SUPPORTING DOCUMENTATION

Appendices:

1. None

Documents in Members' Rooms

1. None

Background Documents

1. <https://www.gov.uk/introduction-to-business-rates/revaluation>

