

Subject:	Business Rates Empty Property Occupation Discount		
Date of Meeting:	12 September 2013		
Report of:	Executive Director Finance and Resources		
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Ward(s) affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The Government has given local authorities the discretion to set up localised Business Rate reliefs and discounts, on the understanding that the discounts are funded locally. As part of the council's 2013/14 budget, £100,000 was set aside for the purpose of assisting Brighton & Hove businesses by establishing a new type of rate relief. The proposal for an Empty Property Occupation Discount is outlined in this report. If successful this discount will contribute to the council's broader economic development objectives and could result in increases to the council's income from business rates in the longer term.

2. RECOMMENDATIONS:

That the Committee:

- 2.1 Approve the business rates Empty Property Occupation Discount scheme described in this report and specified in full at paragraphs 3.1 – 3.13 and Appendix 1.
- 2.3 Grant delegated authority to the Executive Director Finance & Resources –
- (i) to implement, manage and operate the scheme from 1 October 2013 or as soon as practicable thereafter, until 31 March 2015.
 - (ii) to take such measures in connection with the scheme as are needed to comply with relevant legislation and statutory guidance
- 2.4 Instructs the Executive Director Finance & Resources to review the effectiveness of the Discount Scheme after six months of operation and to report the findings to Policy & Resources Committee, together with any recommended amendments.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 This policy is designed to provide support to Business Ratepayers who have just occupied a long term empty property.

- 3.2 There is already a national policy that is designed to discourage landlords, owners and developers from leaving properties standing empty. This national policy works by compelling ratepayers to pay full rates on empty properties, except for a three month period at the start (or six months if it is an industrial property), during which they do not have to pay rates.
- 3.3 The new local proposal complements the national policy by providing support to ratepayers who have taken on a long term empty property. What this means in practice is that while the property stands empty, full rates are payable in accordance with national policy. But once a ratepayer actually occupies that property, they will be given a new local discount for six months, which will support them while they become established at the property.
- 3.4 To qualify for a discount, the following criteria must apply:
- Property has been empty for at least six months
 - Property has now been re-occupied
 - No previous property re-occupation discount has been applied in the last 12 months
 - If the ratepayer is already liable for eight or more other non-domestic properties in the Brighton and Hove area, they will not be eligible for the discount. This means that the scheme will exclude large multi-national companies taking on smaller properties. This clause will also automatically exclude Brighton and Hove City Council from paying itself.
 - Where a property is being used for storage purposes only, it will not be considered as “occupied” for the purposes of this Discount, unless the purpose of the business and property itself is storage.
- 3.5 The scheme is based on the Rateable Value (RV) of a property. Rateable Value is a base amount used to calculate a Business Rates liability (see Appendix 3 for a brief explanation of how the rates are calculated). The following table shows the ranges of assistance available:

RATEABLE VALUE	%	Illustrative amount of Empty Property Occupation discount for the six month period (apprx)	Numbers of properties currently empty as at August 2013
0-24999	100	£0 to £5900	485 (165 long term)
25000-34999	50	£2900 to £4100	21 (17 long term)

- 3.6 Most ratepayers with RVs under £6,000 already receive 100% discount in this financial year, due to the national scheme for Small Business Rate Relief (SBRR), so they would not need Empty Property Occupation Discount. The ones who do not receive SBRR, usually because they have another property, would receive the new local discount if they meet the criteria. Properties with RVs between £6,000 and £12,000 receive a lesser amount of Small Business Rate Relief (SBRR), between 1% and 100%, depending on how high the RV is. Cases with less than 100% SBRR would have their Empty Property Occupation Discount topped up to the full 100% discount.

- 3.7 The discount is weighted so as to provide more help to small and medium-sized businesses, whilst tapering off towards a lesser amount of help as the RV increases. By tapering the discount in this way, small and medium sized businesses will have six months of zero Business Rates once they occupy. Slightly larger businesses will still receive some support if their RV is under £35,000, but the 50% discount reflects the likelihood that they will have larger resources to support their move into the premises.
- 3.8 There are currently 9691 properties that are liable for Business Rates, of which only 1321 have an RV above £35,000. This means that Empty Property Occupation Discount is available for approximately 86% of our properties, should they meet the relevant long-term empty criteria. There are currently 783 empty properties, of which 506 could qualify for the discount if they meet the relevant criteria.
- 3.9 The intention of the scheme is to support businesses who have taken on a long term empty property in preference to another property. A 50% or 100% discount for six months could give a boost to a business in the initial period of occupation. Although the main purpose of the discount is support, it could even in some cases serve to influence businesses in choosing between two properties and picking the long term empty one. In some situations, it may be that the other property is in another local authority, and that a Business Rates discount provides an extra reason to come to Brighton and Hove.
- 3.10 The range of eligible RV's in this scheme is quite extensive, taking in diverse properties such as shop units, office blocks and medium-sized warehouses. By offering a support scheme for occupying empty properties, we are reaffirming the council's commitment to creating 6000 jobs in the city, which is especially important in the context of Welfare Reform.
- 3.11 We have chosen to create a scheme that is administratively transparent and that has an even-handed way of distributing some support, without introducing the complexities and risks of discretion and decisions on merit.
- 3.12 Ratepayers will not have to apply for the Discount. It will be applied by the Business Rates team automatically when the relevant criteria are met (as set out in Appendix 1).
- 3.13 We will be publicising the scheme in a number of ways, for example:
- Information on website
 - Press release
 - Emailing information to agents, so that they can promote long term empties with the knowledge of a Business Rates discount being available in the right circumstances
 - Circulating information to organisations such as Chamber of Commerce and Brighton and Hove Business Forum

4. COMMUNITY ENGAGEMENT AND CONSULTATION

- 4.1 The overall budget setting process involved broad consultation and included the proposal to set aside £100,000 to support businesses via a new localised type of rate relief. As such there is no requirement to repeat the consultation.
- 4.2 The principle of using £100,000 to support local businesses was touched upon in the annual Ratepayers consultation event and met with a positive response.
- 4.3 Internally, opinion has been provided from various sections, including City Regeneration, Planning, the Property Estates team. We also have a view from our commercial agents Cluttons. All felt that there was merit in the scheme and that it would only serve to support local business. There was positive support for the tapering effect of aiming the discount at lower Rateable Values.
- 4.4 Officers have had informal discussions with the Chamber of Commerce and the Brighton and Hove Economic Partnership. Feedback was positive and the initiative was encouraged. The scheme had originally been designed with three months of support in mind. As a result of these discussions and some further analysis of the caseload, the scheme now covers six months of discount, albeit for a lower range of Rateable Values.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 The administration of the Empty Property Occupation Discount scheme will be met from within existing resources. Using information from the latest complete financial year of 2012/13 the cost of this scheme to the council is estimated to be £68k in 2013/14 if it starts on 1 October, well within the £100,000 set aside by Budget Council in February. However if the scheme is successful then the cost will be higher and the actual costs will need to be monitored closely. In addition the Chancellor will announce whether SBRR will continue in 2014/15 in his autumn statement before Christmas. The maximum additional cost to the council in 2014/15 if SBRR was abolished is estimated to be £20,000. A review of the actual costs and the effectiveness of the scheme will be reported back to this committee after the end of the financial year 2013/14 along with any proposals to amend the scheme to keep within the resources available in 2014/15..

Finance Officer Consulted: Name: Heather Bentley Date: 19/08/13

Legal Implications:

- 5.2 Section 47 of the Local Government Finance Act 1988 covers the award of business rates discretionary relief. This section was amended by section 69 of the Localism Act 2011 to allow local authorities to reduce the business rates of **any** local ratepayer, not just those who can currently be granted discretionary relief, subject to the local authority funding the relief itself.

Arrangements for informing a ratepayer as to any making or revocation of a relief payment, and the determination of the amount, must comply with the Non-Domestic Rating (Discretionary Relief) Regulations 1989.

Equalities Implications:

- 5.3 An Equalities Impact Assessment screening was carried out but no significant impacts are identified.

Ratepayers can be either individuals or businesses. These businesses can vary in size from small to multi-national and we do not have data showing how groups with Protected Characteristics are represented within them.

Where ratepayers are individuals, they are likely to be in the lower RV range and so they will benefit from large discounts as a result of the scheme. Again, we have no data on individual ratepayers and whether any of them fall into certain groups.

There is a risk that if an individual has a disability such as visual impairment, they may not be aware of the scheme's existence. Consideration will be given to communicating the scheme in different ways so that potential new ratepayers are aware of the discount.

Sustainability Implications:

- 5.4 The Empty Property Occupation Discount will provide support to businesses who are taking on long term empty properties. It is anticipated that this could result in a beneficial impact on the economic health of the city. The targeting of smaller and medium sized businesses is consistent with the aims and principles of the council's One Planet Living strategy (Equity and Local Economy), helping to ensure a thriving and diverse local economy.

Crime & Disorder Implications:

- 5.5 It is possible that ratepayers could state falsely that their property has been occupied. If we are in doubt, we can send our Inspectors to look at the usage of the property to determine whether it is in use. Such opportunities for fraud are already in our system and are therefore monitored.

Risk and Opportunity Management Implications:

- 5.6 The main opportunity in this proposal is that we could help to increase the occupation of long term empty properties. Occupation would no doubt be contingent upon the ratepayer's other economic and practical considerations, not least of which are rent and location. However, we are hoping that the six month discount could influence the choice of one property over another.
- 5.7 The existing national Small Business Rate Relief scheme mostly targets ratepayers with Rateable Values under £12,000. The Empty Property Discount could help ratepayers with higher Rateable Values in the medium range.

Public Health Implications:

- 5.8 In general terms, if the scheme helps the regeneration of a particular area, there would be benefits to public health. A local area could potentially be improved and attract extra investment and further occupation of surrounding properties, therefore improving the overall wealth of the area.

Corporate / Citywide Implications:

- 5.8 The Discount supports the council's Corporate Plan objective to achieve a *healthier and higher quality built environment*, as well as the Sustainable Community Strategy goal to promote enterprise and learning.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 We considered the following possible alternative schemes:

- The same scheme as this one, but with three months of support, which enabled properties up to RV of £100,000 to be supported, albeit at a low discount.
- The same scheme as this one, but with a flat three month 50% discount for all properties up to RV of £100,000. This was within budget but we lost the advantage of choosing a tapered discount and giving smaller and medium-sized businesses proportionately more help.
- Extend Small Business Rate Relief so that properties with higher Rateable Values can qualify – this would have been too expensive to achieve
- Have the empty property discount as outlined in this report, but limit it to geographical zones – too exclusive, could become driven by local factors
- Incentive for new business – too difficult to define when this would apply and who would qualify

7. REASONS FOR REPORT RECOMMENDATIONS

- 7.1 The recommendation should be approved so that a) businesses can be supported in a new way and b) the re-occupation of empty properties can be encouraged.

SUPPORTING DOCUMENTATION

Appendices:

1. Empty Property Occupation Discount scheme details
2. Empty Properties Snapshot
3. How is the Business Rates bill calculated?