

AGENDA ITEM NO. 16

COUNCIL

Date	27 FEBRUARY 2014
Title	RATE RELIEF POLICY

1. PURPOSE/SUMMARY

This report advises Members of initiatives introduced by the Government to ease the burden of Business Rates on ratepayers, which require an amendment to the Council’s Discretionary Rate Relief policy.

Business Rates, also called “National Non-Domestic Rates” or NNDR are levied on all commercial properties. Their basis is set by Government legislation.

Councils can grant relief from Business Rates. Mandatory Relief can be awarded to charities. In addition, Discretionary Relief can be awarded to ratepayers who have charitable aims, or provide certain facilities that benefit the community.

2. KEY ISSUES

- The Government has introduced a number of measures that will help Councils support small businesses during difficult economic times.
- Small Business Rate Relief is already in place. Where properties have a Rateable Value of £6,000 or less they will pay no rates until 1 April 2015. The relief will gradually decrease from 100% to 0% for properties with a rateable value between £6,001 and £12,000. The number and total Rateable Value of all properties a ratepayer is liable for is taken into account when awarding this relief so some ratepayers may not get it.
- New rate reductions announced by the Government, to take effect from 1 April 2014 (the maximum reductions granted are subject to State Aid limits) are:-
 - Newly completed empty properties will not be charged Rates for up to 18 months, for properties completed before October 2016, up to state aid limits.
 - A 50% discount for up to 18 months, for ratepayers occupying certain types of retail properties that had previously been empty for at least 1 year, for two years up to the state aid limits, from 1 April 2014.
 - A discount of £1,000 for shops, pubs and restaurants with a rateable value not exceeding £50,000 for two years up to the state aid limits, from 1 April 2014.
- The Council has an existing Discretionary Relief policy (see Annex A). Instead of changing legislation to allow these new reductions mentioned above, the Government suggests Councils amend their Discretionary Relief powers to grant these reductions. The Government will reimburse the costs of relief granted.

3. RECOMMENDATIONS

It is agreed that Council accepts the recommendation of Cabinet that:

- The Rate Relief Policy is revised to include the provisions indicated in section 2 above, and that the new Policy shown in Annex B is adopted with immediate effect.

Wards Affected	All
Forward Plan Reference No. (if applicable)	These proposals are included in the Forward Plan.
Portfolio Holder(s)	Councillor Alan Melton Leader of the Council. Councillor Chris Seaton Deputy Leader of the Council. Councillor Michael Humphrey Portfolio Holder for Finance
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Background Paper(s)	N/a

1. AN INTRODUCTION TO BUSINESS RATES

- 1.1 Business Rates are charged in respect of all commercial properties. They are collected by District and Unitary Councils, with income shared between Central Government (50%), District Councils (40%), County Councils (9%) and Fire Authorities (1%).
- 1.2 They are calculated by multiplying the “Rateable Value” (a calculation of the market rental of the property, based upon the type and location of it) by the “Multiplier” which is a nominal figure set by the Government annually (in 2014-15 it will be £0.482).
- 1.3 Rateable Values are revised every five years in the “revaluation”. This allows for changes in the rental market. The last time this happened was 2009, with the effects felt in Rate bills from 2010. A revaluation was due this year, but the Government has postponed it to 2017.
- 1.4 To prevent large changes in rate bills following revaluation, Transitional Relief applies. This phases in large increases (or reductions) in bills over five years to soften the effects of these changes. This Relief is self-funding, in that the gainers effectively subsidise the losers each time.
- 1.5 Small businesses receive **Small Business Rate Relief (SBRR)**. It is only available where a ratepayer only uses one property or a main property plus other small properties with Rateable Values of no more than £2,600; so that the total Rateable Value of all properties is under £18,000.
- 1.6 For SBRR, until 31 March 2015 ratepayers will get 100% relief (doubled from the usual rate of 50%) for properties with a rateable value of £6,000 or less. This means no rates are generally payable this year on properties with a rateable value of £6,000 or less. The rate of relief will gradually decrease from 100% to 0% for properties with a rateable value between £6,001 and £12,000.
- 1.7 **Mandatory Relief** is granted to charities that are registered with the Charities Commission. This is 80% of the Rates bill.
- 1.8 Councils can award **Discretionary Relief**. For charities, this can be up to 20% (so no Rates are due where 80% Mandatory Relief has already been granted) or up to 100% for other ratepayers, subject to them meeting certain requirements as set out in the Council’s Rate Relief policy.

2. CHANGES REQUIRED TO THE RATE RELIEF POLICY

- 2.1 This section explains the changes in more detail. Any rate relief that the Council awards is subject to “State Aid” rules. These are European Union regulations that regulate state funded aid to businesses. It is the Government’s view that these reliefs constitute state aid. State aid can be given provided that it does not exceed €200,000 in any three year period (about £165,000 overall or £55,000 per year).
- 2.2 In deciding if State Aid limits apply, we need to bear in mind ratepayers who have more than one property, whether in Fenland or elsewhere. This will obviously mean that national retail chains will not qualify for these reliefs. In each case, Officers will need to satisfy themselves of these limits and therefore ratepayers will need to complete a “De Minimis declaration” (see Annex D) to enable this.

- 2.3 There are three changes that have been introduced by the Government that require the policy to be amended. The current policy is attached as Annex A. The proposed policy is attached as Annex B. The changes are shown in detail below.
- 2.4 **Newly completed empty properties will not be charged Rates for up to 18 months.** Properties that are newly built and completed between 1 October 2013 and 30 September 2016 will be exempt from empty property rates for up to 18 months subject to state aid limits. It should be noted that large new developments such as Supermarkets, will not qualify for this relief.
- 2.5 The purpose of this measure is to help stimulate construction. Construction decisions take into account the risk of paying empty property rates on newly built commercial property if the property does not become fully occupied straight away. Reducing this risk may incentivise some commercial property projects to go ahead that wouldn't otherwise, helping to stimulate the construction industry.
- 2.6 "Newly built and completed" is defined as properties "that are wholly or mainly comprised of qualifying new structures and where they can be occupied.
- 2.7 The above conditions apply to buildings complete from 1 October 2013 and before 30 September 2016, and the relief will apply for 18 months from their completion date (or the date at which they become occupied, whichever is sooner).
- 2.8 **A 50% discount for up to 18 months, for ratepayers occupying certain types of retail properties that had previously been empty for at least 1 year.** Properties re-occupied between 1 April 2014 and 31 March 2016 inclusive will qualify for this discount subject to state aid limits.
- 2.9 The purpose of this measure is to encourage the re-occupation of empty retail premises and to support businesses taking the decision to reopen retail premises that closed previously, by helping reduce their running costs for the key first few months of trading.
- 2.10 Relevant retail premises are defined by the Government. Annex C is the Government's definition which specifies types of shops, pubs and restaurants covered by this relief.
- 2.11 **A discount of £1,000 for certain types of retail properties with a rateable value not exceeding £50,000.** This is a flat rate discount that will apply for two years from 1 April 2014 to 31 March 2016 inclusive. Again, state aid rules apply.
- 2.12 The Government is using this measure to "help support town centres in their response to changes in retail", namely the rise of internet shopping that is changing the way people choose to shop. Note that the Government has stated that this measure will apply to all relevant properties, not just those in town centres.
- 2.13 Relevant retail premises are defined by the Government. Annex C is the Government's definition which specifies types of shops, pubs and restaurants covered by this relief.

3. COSTS TO THE COUNCIL

- 3.1 The Government will reimburse Councils for relief granted in section 2 above. Payments will be made “on account” during 2014-15 based on estimates of relief take-up that all Councils have provided to the Government. Any balancing payment required by, or to Councils at 31 March 2015 will be made at that time.
- 3.2 The Council estimates that these amounts of relief are likely to be granted to local businesses (note these are initial estimates only) as a result of these changes, which will make a significant difference to both them and the local economy in Fenland:-

Small Business Rate Relief extension to 2015	£535k
Newly completed empty property relief	£15k
Reoccupation of previously empty retail property	£5k
£1,000 discount for certain retail property	£240k

ANNEXES TO THIS REPORT

These are separate PDF documents that are referred to, and circulated with this report. They are:-

- Annex A Current Rate Relief policy
- Annex B Proposed Rate Relief policy
- Annex C Definition of shops, pubs and restaurants
- Annex D De Minimis declaration

ANNEX A CURRENT RATE RELIEF POLICY

Fenland District Council – Discretionary Rate Relief – From 1 April 2013

Code	Organisation	Criteria	Relief Granted		
			Mandatory Relief	Discretionary Relief	Total
CV	VILLAGE HALLS	Registered Charities Not Registered	80% 0%	0% 50%	80% 50%
CY	YOUTH ORGANISATIONS To be defined as an organisation catering wholly or mainly for persons under the age of 18 years	Occupying a property wholly or mainly for the purposes of youth recreation: Registered Charities Not Registered Charities	 80% 0%	 20% 100%	 100% 100%
CS	SPORTING CLUBS AND ASSOCIATIONS	Whose membership is at all times open to the general community and whose rules do not contravene the DETR Guidelines: Registered Charities Not Registered Charities	 80% 0%	 0% 50%	 80% 50%
CM	MUSEUMS Museums or trusts, who preserve and exhibit items of historical interest for the benefit of the general public	Registered Charities Not Registered Charities	80% 0%	20% 50%	100% 50%
CW	VILLAGE ASSOCIATION OR COMMITTEES	Providing recreational facilities for the local community: Registered Charities Not Registered Charities	 80% 0%	 0% 50%	 80% 50%
CB	CITIZENS ADVICE BUREAU	Registered Charity	80%	20%	100%
CC	REGISTERED CHARITIES (a) Samaritans, St John Ambulance, Red Cross, WRVS, St Raphael Club etc (b) Richmond Fellowship Workschemes (QEST), Papworth Trust etc	Providing a voluntary service to the public without charge either locally, nationally or internationally Providing a service to the public without charge which directly contributes to the economic development of the area and/or which contributes to the achievement of the Fenland Performance Plan	 80% 80%	 20% 20%	 100% 100%
CD	OTHER REGISTERED CHARITIES NOT INCLUDED ELSEWHERE	Registered Charities	80%	0%	80%
CP	PLAY GROUPS	Registered Charities Not Registered Charities	80% 0%	0% 50%	80% 50%
CT	THEATRES	Registered Charities Not Registered Charities	80% 0%	20% 50%	100% 50%
CE	CHARITABLE ORGANISATIONS	Carrying out or co-ordinating charitable work: Registered Charities Not Registered Charities	 80% 0%	 0% 50%	 80% 80%
CX	CHRISTMAS LIGHTING COMMITTEES	In respect of properties used for storing Christmas lighting equipment: Registered Charities Not Registered Charities	 80% 0%	 0% 80%	 80% 80%
CR	COMMUNITY AMATEUR SPORTS CLUBS	Registered Charities	80%	0%	80%

Rural Rate Relief

Type of property	<u>Relief granted</u>		
	Mandatory	Discretionary	Total
1 Sole Post Office or sole Post Office/ general store under £8,500 RV	50%	50%	100%
2 Sole Post Office or sole Post Office/ general store with RV between £8,500 and £16,500	0%	50%	50%
3 Sole general store with RV under £8,500	50%	50%	100%
4 Sole General store with RV between £8,500 and £16,500	0%	50%	50%
5 Food stores that qualify for Mandatory relief with RV under £8,500	50%	50%	100%
6 Other general stores/ food shops with RV under £8,500	0%	50%	50%
7 Other general stores/ food shops with RV between £8,500 and £16,500	0%	30%	30%
8 Sole Public House under £12,500 RV	50%	50%	100%
9 Sole Petrol filling station under £12,500 RV	50%	50%	100%
10 Farm Diversification enterprise with RV less than £8,500	50%	50%	100%
11 Other businesses in a Rural Settlement with RV up to £16,500	0%	100%	100%
Any property that falls within the definition of more than 1 of the above categories	The highest rate of relief that applies for properties in the categories into which the property falls		

A food store is defined as one that is wholly or mainly selling food on a retail basis, excluding Confectionary and excluding supply of food in the course of catering. This means that a grocers, greengrocers, butchers or bakers will be entitled to the relief but that a café or fish and chip shop will not.

From 1 April 2005 to RV of less than £6000 was increased to less than £7000.
From 1 April 2010 to RV of less than £7000 was increased to less than £8500

Type 5 is food stores such a bakers, butchers, greengrocers, grocers etc.
Type 6 is other food shops, such as sweet shops, including fish and chip shops/ take-aways etc.

From 1 April 2005 cut off point for Discretionary Rate Relief is £12,000

From 1 April 2010 cut off point for Discretionary Rate Relief is £16,500

ANNEX B PROPOSED RATE RELIEF POLICY

Fenland District Council – Discretionary Rate Relief – From 1 April 2014 – Page 1 of 3

Our Code	Type of organisation	Criteria	Relief Granted		
			Mandatory Relief	Discretionary Relief	Total
CV	VILLAGE HALLS	Registered Charities Not Registered	80% 0%	0% 50%	80% 50%
CY	YOUTH ORGANISATIONS To be defined as an organisation catering wholly or mainly for persons under the age of 18 years	Occupying a property wholly or mainly for the purposes of youth recreation: Registered Charities Not Registered Charities	80% 0%	20% 100%	100% 100%
CS	SPORTING CLUBS AND ASSOCIATIONS	Whose membership is at all times open to the general community and whose rules do not contravene the DETR Guidelines: Registered Charities Not Registered Charities	80% 0%	0% 50%	80% 50%
CM	MUSEUMS Museums or trusts, who preserve and exhibit items of historical interest for the benefit of the general public	Registered Charities Not Registered Charities	80% 0%	20% 50%	100% 50%
CW	VILLAGE ASSOCIATION OR COMMITTEES	Providing recreational facilities for the local community: Registered Charities Not Registered Charities	80% 0%	0% 50%	80% 50%
CB	CITIZENS ADVICE BUREAU	Registered Charity	80%	20%	100%
CC	REGISTERED CHARITIES (a) Samaritans, St John Ambulance, Red Cross, WRVS, St Raphael Club etc (b) Richmond Fellowship Workschemes (QEST), Papworth Trust etc	Providing a voluntary service to the public without charge either locally, nationally or internationally Providing a service to the public without charge which directly contributes to the economic development of the area and/or which contributes to the achievement of the Fenland Performance Plan	80% 80%	20% 20%	100% 100%
CD	OTHER REGISTERED CHARITIES NOT INCLUDED ELSEWHERE	Registered Charities	80%	0%	80%
CP	PLAY GROUPS	Registered Charities Not Registered Charities	80% 0%	0% 50%	80% 50%
CT	THEATRES	Registered Charities Not Registered Charities	80% 0%	20% 50%	100% 50%
CE	CHARITABLE ORGANISATIONS	Carrying out or co-ordinating charitable work: Registered Charities Not Registered Charities	80% 0%	0% 50%	80% 80%
CX	CHRISTMAS LIGHTING COMMITTEES	In respect of properties used for storing Christmas lighting equipment: Registered Charities Not Registered Charities	80% 0%	0% 80%	80% 80%
CR	COMMUNITY AMATEUR SPORTS CLUBS	Registered Charities	80%	0%	80%

Fenland District Council – Discretionary Rate Relief – From 1 April 2014 – Page 2 of 3

Type	Type of organisation	Criteria	Relief Granted		
			Mandatory Relief	Discretionary Relief	Total
1	Rural Rate Relief Sole Post Office or sole combined Post Office/ General store	Rateable Value under £8,500	50%	50%	100%
2	Rural Rate Relief Sole Post Office or sole combined Post Office/ General store	Rateable Value between £8,500 and £16,500	Nil	50%	100%
3	Rural Rate Relief Sole General store	Rateable Value under £8,500	50%	50%	100%
4	Rural Rate Relief Sole General store	Rateable Value between £8,500 and £16,500	Nil	50%	100%
5	Rural Rate Relief Food Stores (wholly or mainly selling food on a retail basis, excluding confectionary and excluding supply of food in the course of catering).	Rateable Value under £8,500 and that that qualify for Mandatory Relief	50%	50%	100%
6	Rural Rate Relief Other General Stores or Food Stores (includes confectionists, takeaways)	Rateable Value under £8,500	Nil	50%	50%
7	Rural Rate Relief Other General Stores or Food Stores	Rateable Value between £8,500 and £16,500	Nil	30%	30%
8	Rural Rate Relief Sole Public House	Rateable Value under £12,500	50%	50%	100%
9	Rural Rate Relief Sole Petrol Filling Station	Rateable Value under £12,500	50%	50%	100%
10	Rural Rate Relief Farm Diversification Enterprise	Rateable Value under £8,500	50%	50%	100%
11	Rural Rate Relief Other businesses in a Rural Settlement	Rateable Value under £16,500	Nil	100%	100%

Note: For the types of Rural Rate Relief listed above, where a property falls into more than one category, they will be entitled to the highest relief amount shown for any of the qualifying categories.

Fenland District Council – Discretionary Rate Relief – From 1 April 2014 – Page 3 of 3

Type	Type of property	Criteria	Relief Granted		
			Mandatory Relief	Discretionary Relief	Total
NCE	Newly completed empty properties	For up to 18 months for properties completed between 1 October 2013 and 30 September 2016 inclusive Subject to State Aid limit (see note)	Nil	100%	100%
ERP	Certain Retail properties occupied after being empty for at least one year	For up to 18 months for properties occupied, effective between 1 April 2014 and 31 March 2016 inclusive. Subject to State Aid limit (see note) The Government has prescribed the properties covered by this relief – see Annex C attached to this Policy.	Nil	50%	50%
TCD	Certain Retail properties with a rateable value not exceeding £50,000	For up to 2 years, effective between 1 April 2014 and 31 March 2016 inclusive. Subject to State Aid limit (see note) The Government has prescribed the properties covered by this relief – see Annex C attached to this Policy.	Nil	£1,000	£1,000

State Aid conditions

State Aid conditions apply to these reliefs. These are European Union regulations that regulate state funded aid to businesses. It is the Government's view that these reliefs constitute state aid. State aid can be given provided that it does not exceed €200,000 in any three year period (about £165,000 overall or £55,000 per year).

In deciding if State Aid limits apply, we need to bear in mind ratepayers who have more than one property, whether in Fenland or elsewhere. This will obviously mean that national retail chains will not qualify for these reliefs. In each case, Officers will need to satisfy themselves of these limits and therefore ratepayers will need to complete a "De Minimis declaration" (see Annex D) to enable this.

ANNEX C TYPES OF PROPERTY DEEMED AS “RETAIL”

The Government advises that these three categories of properties can be classed as “retail”.

1. Properties that are 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)

2. Properties that are being used for the provision of the following services to visiting members of the public:

- Hair and beauty services (such as: hairdressers, 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

3. Properties that are being used for the sale of food and/ or drink to visiting members of the public:

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

ANNEX D DE MINIMIS DECLARATION

'DE MINIMIS' DECLARATION

Dear []

BUSINESS RATES ACCOUNT NUMBER: _____

The value of the business rates retail relief to be provided to [name of undertaking] by [name of local authority] is £ [] (Euros []).

This award shall comply with the EU law on State Aid on the basis that, including this award, [name of undertaking] shall not receive more than €200,000 in total of De Minimis aid within the current financial year or the previous two financial years). The De Minimis Regulations 1407/2013(as published in the Official Journal of the European Union L352 24.12.2013) can be downloaded at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:352:0001:0008:EN:PDF>.

Please list all previously received De Minimis aid below, including the total amount of this and any other Retail Relief you are being granted.

Amount of De Minimis aid	Date of aid	Organisation providing aid	Nature of aid
€	1 April 2014 – 31 March 2015	Local authorities (for the Retail Relief total you do not need to specify the names of individual authorities)	Retail Relief

I confirm that:

- 1) I am authorised to sign on behalf of _____ [name of undertaking]; and
- 2) _____ [name of undertaking] shall not exceed its De Minimis threshold by accepting this Retail Relief.

SIGNATURE:

NAME:

POSITION:

BUSINESS:

ADDRESS:

DATE: