

BRECKLAND DISTRICT COUNCIL

Report of: Councillor Paul Claussen – Executive Member for Place

To: Cabinet – 5 September 2017
Council – 21 September 2017

Author: Cassie Ruffell, Business Growth Officer

Subject: Discretionary Retail Rate Relief Scheme

Purpose: To consider the introduction of a discretionary retail rate relief scheme within the five market towns of Breckland, following the Dereham pilot scheme completion. The retail rate relief scheme could attract investment and limit areas of retail decline. It is anticipated that this scheme could positively assist in a reduction in the number of empty retail units in targeted areas of Breckland's five market towns.

Recommendation(s):

- 1) Members to recommend whether they consider it appropriate to adopt a discretionary retail rate relief scheme within the five market towns of Breckland.

1.0 BACKGROUND

- 1.1 In February 2016 members approved the introduction of a discretionary rate relief pilot scheme to support businesses and to seek to address retail decline within the market town of Dereham, within the boundaries identified through consultation with the town council and the business forum.
- 1.2 Despite the initial launch of the discretionary business rate relief targeting retail businesses within the defined boundaries of Dereham town centre; the interest levels have not been significant, however one business has benefited from the discretionary business rate relief scheme. The scheme encouraged a local business to expand their offering within a new location and to take on a long standing store of the town; the reduction in business rates in the first year of trading was a huge factor in their decision.
- 1.3 A number of enquiries have been received for the scheme with the majority eliminated due to the location including town and the nature of the business not meeting the eligible criteria. In addition to the enquiries from businesses, we received numerous enquiries from colleagues of other councils requesting further information on how the scheme was progressing and the expected benefits it would offer locally. The reduction of empty properties and enhancing the offer in our town and city centres is seen as a priority throughout the UK, will have added to this interest.
- 1.4 We have also surveyed other properties that have been occupied within the town centre. Unfortunately these businesses were either not aware of any scheme, did not require/ask for financial support or were not within the eligible criteria and this is an area of learning for additional marketing and promotion of the scheme.
- 1.5 In common with many market towns in the UK, Breckland's five market towns are continuing to experience a decrease in footfall as a result of for example, out of town shopping, and internet shopping. Additional local factors include the growth of larger

adjacent centres which attract shoppers who might otherwise spend money in Dereham, Thetford, Attleborough, Swaffham and Watton.

- 1.6 There are other factors that will support our small businesses and high streets following the business rate re-evaluation. It has been identified that Breckland retail businesses will see up to -2.6% reductions in their rates. This will support the shortfall from the previous retail rate relief that is no longer available, this offered businesses that met the criteria a £1500 reduction per annum.
- 1.7 The Government have also introduced new changes to small business rate relief by increasing the size threshold, increasing the percentage of small business rate relief, enabling eligible properties with 12,000 RV or under the full 100% business rates and calculated pro rata for properties up to 15,000 RV. However, there are still a number of properties within our town centres and high streets that would not be eligible for relief.
- 1.8 After reviewing economic statistics for start-up businesses, it identifies that business survival rates reduce significantly within the first 3 years of trading. Figures from ONS – Business demography 2015 indicates that 90% of businesses survive the first year, whilst after 3 years only 60% are still trading. A major factor to these statistics is cash flow/capital, proving that some businesses are not able to afford to start or continue to trade in prominent retail areas within our highstreets.
- 1.9 None of Breckland's market towns are in crisis. Indeed, the local authority, County Council, Chamber of Commerce, Town Councils, retail and civic fora, private and voluntary sectors have all played their part in revitalisation. Nevertheless, retail void rates are higher than is desirable, street scenes' (including shop frontages) are suboptimal and there is a growth in the number of charity shops on high streets.
- 1.10 Although the level of interest has been muted, officers consider there is scope to continue with this scheme and indeed expand the offer to other market towns.
- 1.11 In terms of a potential expansion of the scheme within the five market towns, empty premises have been identified which could be supported. Further consultation with the town councils and partners would establish defined zoning areas, based upon a number of key variables for supporting thriving high streets including: period of time that property remains empty, high rent levels, lower footfall areas and locations which are not directly central but within a short distance of the town centre.
- 1.12 Officers within Economic Development and Communications teams would review the marketing and communications used for the Dereham pilot scheme and improve the approach for an expanded scheme, should this be approved.
- 1.13 Applicants interested in occupying vacant town centre units would be selected for consideration for business rates relief. Appendix 1 gives an indication of the kind of the eligibility of the businesses that would be supported.
- 1.14 The financial implications of the introduction of a five market town scheme will largely be governed by the size of the discounts offered, number of properties covered by the scheme and the proposed zoning of each town centre. Based upon a one-year 80% business rates reduction for all empty properties in the five market towns, the total cost would be around £39,083.52 pa. These numbers are illustrated in detail in Appendix 2, attached and described further in section 5.7 below. As the financial illustrations show, the largest proportion of the cost of the scheme falls to central government. A smaller amount impacts upon BDC, and still less on NCC. This is because the parties involved receive 50% 40% and 10% respectively of the amount of business rate collected (after any local discount is

applied).

2.0 **OPTIONS**

- 2.1 Option 1 – Members consider the introduction of a discretionary business rate relief scheme for new retail businesses filling empty properties within the five market towns of Breckland. The scheme would commence in early 2018 with applications accepted over a 12 month period. The scheme would offer up to 80% business rates relief for a 12 month period and would be targeted at businesses that meet all eligible criteria. The scheme as a whole would be reviewed on an annual basis. Financial details of the scheme are shown within the attached spreadsheet (Appendix 2).
- 2.2 Option 2 – Do nothing; continue to offer the current schemes of small business relief and the Government empty premises relief.

3.0 **REASONS FOR RECOMMENDATION(S)**

- 3.1 We have a clear corporate commitment to helping our market towns to thrive in order that they in turn provide the required support to surrounding villages and hinterlands. We recognise that Breckland's market towns need to be vibrant and busy, offering an interesting and enjoyable experience to visitors. Out of town and online shopping have drawn many people away from town centres. Thus, businesses find it hard to sustain a presence on the high street. High rents, competition and business rates add to the problem. The result is void premises, a preponderance of charity shops in some town centres and low quality retail offers in others.
- 3.2 Breckland has an important role in facilitating the renaissance of its town centres. There are a number of ways in which it can be a catalyst of change. However, it is important to be seen to act quickly in support our town centre. To this end, Members are asked to agree to a discretionary retail rate relief scheme in all five of our market towns.

4.0 **EXPECTED BENEFITS**

- 4.1 Supported by proportionate contributions from both government and NCC, a number of void units in Breckland could be filled by new high-quality independent retail and service sector businesses, reducing the impact of a relatively large number of charity shops.
- 4.2 The scheme would provide the support to new businesses looking to locate and start within the Breckland area; this would work well in support of the Government relief being provided to existing businesses that have seen a significant increase in business rates following the re-evaluation.

5.0 **IMPLICATIONS –**

5.1 **Carbon Footprint / Environmental Issues**

- 5.1.1 It is the opinion of the Report Author that there are no implications.

5.2 **Constitution & Legal**

- 5.2.1 Section 47 of the Local Government Finance Act 1988 has been amended by the Localism Act 2011 to give Council's the power to give discretionary discount on business rates. The

discount may be awarded to any property or businesses of the Council's choosing. This can be on any building type, size, location, function, in support of a regeneration policy etc. The discount can apply to an individual account or a group of accounts for a similar business type or facing a similar issue.

5.3 **Contracts**

5.3.1 It is in the opinion of the Report Author that there are no implications.

5.4 **Corporate Priorities**

5.4.1 This proposal clearly supports our corporate plan objectives.

5.5 **Crime and Disorder**

5.5.1 Reducing empty shops can have a positive contribution to improving anti-social behaviour.

5.6 **Equality and Diversity / Human Rights**

5.6.1 It is the opinion of the Report Author that there are no implications.

5.7 **Financial**

5.7.1 Details of the recommendation are shown within the attached spreadsheet (Appendix 2). This spreadsheet indicates that if all the current empty properties in all five market town centres were full we would see an income in business rates to the value of £97,708.79 per annum. With the discretionary discount with all shops receiving the full 80% retail reduction discount this would reduce to £19,541.76 per annum. This results in a difference of £78,167.03. These figures are likely to reduce following consultation on precise boundaries, eliminating a number of properties that would not be within the eligible criteria.

5.7.2 Whilst the Council is currently in a growth position for NNDR income, a levy is paid to Government of 50% of all growth above the Government baseline. The proposed relief above would reduce the annual NNDR income by £78,167.03 resulting in reducing the levy payable by £39,083.52 meaning the overall impact on Breckland of the illustrative scheme would be £39,083.52 per year under Option 1.

5.7.3 Given the results from the pilot discretionary rate relief scheme, this indicated that we only had an 8% take-up of the scheme, and a 35% interest to the scheme. This would reduce the cost to the council considerably.

5.7.4 This levy is normally paid into the Norfolk County Council "Norfolk Pool" for use on economic development projects in the area. Introducing the scheme would result in this levy reducing by the £39,083.52 per annum.

5.7.5 Whilst reviewing these figures and the amount in loss with the discretionary rate relief awarded, this would only be on the first year of trading, meaning the income of business rates for the council would increase in the second year when the full rates would be paid. Reviewing the empty from column within the table, it indicates that 57 out of the 104 businesses have been empty for 18 months or over.

5.8 **Health & Wellbeing**

5.8.1 It is the opinion of the Report Author that there are no implications.

5.9 Risk Management

5.9.1 The scheme will need to have clear rules and processes to remove potential for abuse and will need to be reviewed annually based on affordability for the Council.

5.10 Staffing

5.10.1 The scheme will be administered by the Inward Investment Team and Anglian Revenues Partnership, it is anticipated the administrative requirements of the scheme can be met within the existing ARP resources and Inward Investment services.

5.11 Stakeholders / Consultation / Timescales

5.11.1 To be agreed following Members discussion and decision on the way forward.

5.12 Safeguarding

5.12.1 It is the opinion of the Report Author that there are no implications.

6.0 WARDS/COMMUNITIES AFFECTED

6.1 Attleborough, Dereham, Swaffham, Thetford, Watton

7.0 ACRONYMS

7.1 It is in the opinion of the Report Author that there are no acronyms.

Background papers:-

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Key Decision: TBC

Exempt Decision: NO

This report refers to a Discretionary Service

Appendices attached to this report:

Appendix 1 Guidance & Application for Discretionary Rate Relief
Appendix 2 Discretionary Rate Relief Financial 2017 scheme