

CABINET
20th October 2015

CORPORATE DIRECTOR
Exempt Report: CD1512

APPLICATIONS FOR SECTION 49 REMISSION OF NON-DOMESTIC RATES

1. Introduction

- 1.1 The purpose of this report is to consider two new applications for remission of rates for the current financial year.

2. Guidelines

- 2.1 A charging authority has the power to reduce or remit the whole or part of the rates payable by a ratepayer provided:
- a) The ratepayer would sustain hardship if the authority did not do so, and
 - b) It is reasonable to do so having regard to the interests of the council taxpayers
- 2.2 The former Office of the Deputy Prime Minister's guidelines on Section 49 remission are reproduced in Appendix 1.
- 2.3 The definition of hardship is left to the discretion of the local authority. However, the purpose of granting relief would normally be to secure, as far as possible, the continuation of a business that provides a local amenity to the community. Although the guidance does encourage authorities to consider all circumstances and judge each application on its respective merits.
- 2.4 As far as the interests of the council taxpayers are concerned, this requires a judgement of the extent to which residents would benefit from supporting the business, against the costs falling on the taxpayer.

3. Cost

- 3.1 Formerly, 75% of the cost of any reduction was offset against payments into the non-domestic rating pool. The remaining 25% of the charge was met by the council taxpayer.
- 3.2 Since 1st April 2013, the Business Rates Retention Scheme has introduced a fundamentally new set of arrangements for dealing with the cost of business rates. The cost to the Council of granting any Hardship Relief is most reliably estimated at being 40% of the value of the relief granted. Although the total cost is ultimately determined by a range of factors, such as the Council's total rate receipts measured against its estimated threshold for growth and taking into account whether any payment levies or safety net contributions are payable or receivable.

4. Application for Relief

- 4.1 Full details of the applications are set out in Appendix 2.
- 4.2 Cabinet will need to consider whether the evidence supplied is suitable evidence that the businesses are suffering financial hardship. If this is accepted, the decision on whether to grant relief will depend upon whether it is in the interests of local taxpayers to subsidise the businesses, taking into account the nature and circumstances of the businesses and the availability of alternative facilities in the area.

5. Recommendation

- 5.1 Cabinet is requested to consider the following applications for Section 49 relief:
 - a) Anusha Sareen, T/A Mangobean, 52 Union Street, Aldershot
 - b) Sovereign Snooker Limited, Snooker Hall Sovereign House, 1A Camp Road, Farnborough

Ian Harrison
Corporate Director

**FORMER OFFICE OF THE DEPUTY PRIME MINISTER
GUIDELINES RE SECTION 49 RELIEF**

CHAPTER 7 - Hardship

- 7.1 Section 49 of the Local Government Finance Act 1988 gives billing authorities the discretion to reduce or remit the payment of rates for any ratepayer. A billing authority can reduce or remit the payment of rates where it is satisfied that the ratepayer would sustain hardship if it did not do so and it is reasonable for it to do so having regard to the interests of its council taxpayers.
- 7.2 Whilst it is for each billing authority to decide on the facts of each case whether to exercise its powers under section 49 - and to judge the extent of those powers - authorities may wish to bear the following guidance in mind:
- (i) Although authorities may adopt rules for the consideration of hardship cases, they should not adopt a blanket policy either to give or not to give hardship relief: each case should be considered on its own merits and the application process kept as simple and streamlined as possible to enable decisions to be made quickly;
 - (ii) Reduction or remission of rates on grounds of hardship should be the exception rather than the rule;
 - (iii) All relevant factors affecting the ability of a business/ratepayer to meet their liability for rates should be taken into account;
 - (iv) The 'interests' of council taxpayers in an area may go wider than direct financial interests. For example, where the employment prospects in the area would be worsened by a company going out of business, or the amenities of an area might be reduced by, for instance, the only provider of a service in the area;
 - (v) Where the granting of relief would have an adverse effect on the financial interests of council taxpayers, the case for a reduction or remission of rates payable may still on balance outweigh the cost to taxpayers if the other interests of the council taxpayers are greater;
 - (vi) Hardship rate relief may in some cases constitute state aid, and may need to be notified to the European Commission.
 - (vii) The hardship caused to a ratepayer may be self-evident, for example where a business has been affected by severe loss of trade, due to external factors such as natural disasters. However, authorities may wish to consider how the business can demonstrate such loss of trade or business. For example, do accounts, order books, till receipts or

VAT returns show a marked decline in trade compared to corresponding periods in previous years?

- (viii) Authorities should be clear in awarding relief that it will be granted only for the period for which there is clear evidence of hardship for the ratepayer concerned; and
- (ix) To guard against fraudulent claims, authorities should satisfy themselves that the claim is from a ratepayer suffering genuine hardship.

**Anusha Sareen T/A Mangobean
52 Union Street, Aldershot, Hants GU11 1EW
Billing Number – 92079699**



Type of Business: Coffee Shop

Number of year's business established: Since January 2015

Mangobean Coffee Shop is a franchise of coffee shops across the UK.

Mangobean coffee shops represent stylish looking establishments with quirky branding, offering freshly roasted coffee from mild to strong blends at very reasonable prices in addition to smoothies, frappes, frozen yoghurt, soft serve, food snacks and cakes.

The franchisee for Mangobean, Aldershot is Anusha Sareen.

The Business Rates payable for the financial year 2015/16 is £7,374.00. This is the current year rates payable less £1,500.00 Retail Relief. The rateable value on the premises is £18,000, which means that Mangobean do not qualify for any Small Business Rates Relief.

This franchise started in January 2015, taking over the premises vacated by Next plc in June 2014. Whilst there is a Reoccupation Relief for businesses that taken on vacant shop premises, this relief does not apply in this instance as the premises had not been vacant for a continuous period of 12 months or more.

There were delays in opening the business due to ongoing issues with the previous

tenants and repair work that needed to be completed before the coffee shop could open.

Councillor Jeremy Preece has visited Mangobean several times and has provided a witness testimony to support the application, which recognizes difficult trading conditions for the business in its early days, exacerbated by significant water works immediately outside the property.

In their application, Mangobean advise the following:-

Factors which have affected trade:

SouthEast Water works causing reduced footflow, reduced visibility of the shop due to high fencing, diverted footflow to otherside due to narrow space, rundown neighbour property, homeless taking residence and off putting potential customers.

Subsequent paving works. Previous tenant left the property with many issues – delayed opening.

Reason for Application:

SouthEast Water works reduced footflow, preventing many new cutomers from seeing us.

High fencing left barely any space for footflow, causing majority of potential customers to walk on the other side which was significantly wider.

Highfencing also reduced visibility and many people did not see us open.

Rundown neighbour property with homeless lingering outside also caused people to avoid my side. Paving fencing also had a similar affect to that of the water works – these were also inactive for over 10 days.

Previous tenant left roofing issues, causing delays in opening, alongside a lack of organisation and supprt from the Franchisor team.

Benefits to Local Taxpayers:

It is a pleasant, reasonable competitively priced coffee shop that has huge potential to grow. We can only grow with the support of the local community.

As the Franchisee and Manager, I am willing to adopt, improve and adjust my products/methods to the town. We provide quality products and service with a modern and well kept design. Prices are low – thus also suitable for the town.

New businesses staying open is crucial for the development of Aldershot and will assist in attracting new retailers.

Financial position

Due to the relative infancy of this business, no supporting accounts have been provided at this time, however, some summary financial details have been supplied. The franchisee states that the rent due for the property is £4,000 per quarter,

electricity is due at around £1,300 for the first trading period and VAT for the first quarter that needs to be paid over is at £1,250. The franchisee has needed to invest capital into the business to establish it to the value of £70,000 which she said has been provided by an investor requiring repayment within 3 years. If that sum were to be repaid evenly across the three years, that would require a monthly repayment of the order of £2,000. No indication of trading data has been provided yet, however, clearly the information set out indicates that trading has been extremely difficult during the set up period.

Comment on the application

Due to the relative infancy of this particular business, a clear assessment on financial hardship is hard to conclude. Clearly, the initial start-up and early trading conditions have been challenging. This is supported in part by a series of testimonials from Councillor Jeremy Preece which are set out below.

Members will be acutely aware of the difficult retail conditions in this area of Union Street, Aldershot, so will no doubt take that into account when weighing up the value of supporting this business at this time to the broader community.

Testament 1

I have visited these premises several times to see the struggle that this new business underwent in its first few months from January.

At the point at which the business needed to be highly visible and attract new customers, I found that the works being carried out by the Water company had caused the area outside of the shop to be blocked off. There was a narrow passage left of about three feet wide in front of the shop with a wider access on the opposite side.

As a result, most of the pedestrians didn't pass on the side of Mangobean but on the wider opposite side where the shop was not properly visible.

This situation continued much longer than even was advertised.

The adjoining property is virtually derelict and had a porch that was used by homeless and other groups and these served to put off customers. Although RBC did all in its power to get the offending area boarded up it took extra months because the landlord was in liquidation. This ended up as a big double whammy, and I understand that trade has increased now that both of the issues have been resolved.

At the same time, there were problems of outstanding repairs which were the result of issues with the previous tenants.

Each of these are major causes of hardship but taken together and at a time when a new business needs to attract its customers, I think makes for a compelling case.

As Ward Councillor, I care very much about the state of our Town Centre and the

overall aims of the Activate Aldershot scheme to help out town centre. Mangobean is a rather different coffee shop which fits in well with what we want to see achieved, where there are other shops such as alcohol outlets, takeaways and gambling shops which detract.

Should this shop not succeed it would be in no one's interest to see 52 Union Street to revert to an empty shop.

In line with the conditions of the hardship relief this shop is already showing signs that trade is picking now, several months later, the problems are being resolved.

I am sending photos to support what I have said in this letter.

On this one I am sending a picture of the narrow walkway in front of the shop too narrow even to put out a sign and barely possible to push a child's pushchair.



Testament 2

Here are pictures showing the larger walkway on the opposite side of the works and also the off-putting derelict building before it was boarded up. Although in this photo, there are no people in the porch.



Testament 3

I wanted to include a pair of pictures taken from inside of Mangobean. These show a nice inviting interior in one direction and the dark aspect of looking out onto a window blocked by green tarpaulin. I think it helps to illustrate how uninviting the works made the shop at the crucial time that it was new and trying to attract new business.

I visited the shop again briefly today and it seems that business is now significantly picking up since both the next door derelict building has had its front boarded up, and since the works have moved from in front of the shop.

I understand that because of the hardship caused by works etc. it has meant that it has taken much longer to build up a customer base and therefore eat deeply into capital. Therefore we are not talking about subsidising something unsustainable.



Cost of Granting Hardship Relief

The indicative cost to Rushmoor Borough Council of granting various levels of hardship relief is as follows:

Percentage Relief	Value to the Business	Cost to RBC
25%	£1,843.50	£737.40
50%	£3,687.00	£1,474.80
100%	£7,374.00	£2,949.60

Sovereign Snooker Limited
Snooker Hall Sovereign House, 1A Camp Road, Farnborough
Billing Number – 92063661

Type of Business: Snooker Club and Premises
Number of year's business established: 10 years
Number of Employees: 10

Sovereign Snooker is a Snooker and Pool Club in North Camp, which is for private members only.

Membership is open to anyone over the age of 18.

Costs:

Membership Per Annum (New Member)	£10.00
Membership Per Annum (Renewal)	£7.50
Cost Snooker per Hour	£7.50
Cost Pool per Hour	£7.50
Costs Darts per Hour	Free



Facilities included at the Club are snooker, pool and darts. There is also a Cue Shop and a Sports Bar at the venue.

The Sports Bar has its own assessment. The rates payable on the sports bar is £1,095.08.

This application is for the Snooker Hall. The current Rateable Value is £34,750 and the rates for 2015/16 are £17,131.75.

Cabinet considered an application from Sovereign Snooker in 2014 and awarded 25% Hardship Relief for the year 2014/15, which amounted to £4,187.38. The financial effect on RBC was £1,674.95.

The indicative cost to Rushmoor Borough Council of granting various levels of hardship relief is as follows:

Percentage Relief	Value to the Business	Cost to RBC
25%	£4,282.93	£1,713.18
50%	£8,565.87	£3,426.35
100%	£7,131.75	£6,852.70

Since the award of hardship relief last year, Sovereign Snooker has maintained payments of their rates on both the Snooker Hall and the Pool Bar.

In their application, Sovereign Snooker advises the following:-

Reason for Application:

Recovering from the impact of the smoking ban, the recession and paying off historical debts.

I am investing a further £5,000.00 to meet this quarters rent.

I am unsure if you are aware that a snooker club is a very seasonal business and whilst we trade well in the winter months, when the summer arrives our turnover reduces by as much as 50%, which leaves the Club with a serious cash flow problem.

How does business benefit local taxpayers:

Sovereign snooker is a major sports venue for the area providing 11 snooker tables, 6 pool tables, 6 dartboards and a lounge bar area.

The premises were vacant for 18 years prior to our taking the unit and converting into a leisure facility the area can be proud of.

Additional Information:

To generate more versatility to the Club, we have converted a small area into a function room, at a cost of approximately £10,000 incorporating a stage, lighting rig, additional toilet facilities, furniture and a dance floor.

Financial Position

The owner of the business has supplied a set of audited accounts up to 31st October 2014. The accounts show that the business made a net loss of £39,335 at the end of this period, (worse than the loss of £21,320 the previous year).

The business generated £237,045 (down from £297,373 last year) in sales income during the period, generating a gross profit on sales of £51,215 (down from £97,168 last year) after taking out various expenses including stock purchases at £86,560 and wages at £95,207. General running expenses are of the order of £89,250 (the most significant expense entry being the rent of £40,000).

Last year, the balance sheet showed an overall negative worth of the business at £39,995. This position has clearly worsened as a result of the latest trading figures. The owner suggests in his application that he needs to introduce further capital to support the current running of the business.

Comment on the application

This is the second application for this Club to come before Cabinet. Cabinet awarded 25% relief last year against a very similar application. This is an independent local club providing facilities predominantly for local people and not part of a national chain arrangement. This appears to be the only club of this type in

Farnborough.

The owners have set out in their application the link with the local area over the past 8 years and they comment on the status of these premises in the years prior to their current occupation.

Financially, the business clearly continues to struggle, and has demonstrated that it has sustained losses in each of the past 3 years. Clearly the scale of these losses do not appear to be sustainable in the long term. The owners continue to ask for rate support in the short term to try to keep the business going until economic conditions improve.