

8TH JANUARY 2019

KEY DECISION? ~~YES~~/NO

**BUSINESS RATES – DISCRETIONARY GROWTH INCENTIVE RELIEF
APPLICATION**

SUMMARY AND RECOMMENDATIONS:

SUMMARY

This report sets out one new application for Discretionary Rate Relief under the Council's new Discretionary Growth Incentive Relief Policy.

The applicant is from Hancock's Restaurant Limited who occupy one of the new restaurant outlets in Kingsmead Shopping Centre, Farnborough.

RECOMMENDATIONS

Cabinet are recommended to approve the award of 50% Discretionary Rate Relief to Hancock's Restaurant Limited for a period of 12 months.

1. INTRODUCTION

1.1 The purpose of this report is to:

- Outline the background and financial implications of Discretionary Growth Incentive Relief; and
- Consider one new application for Discretionary Growth Incentive Relief.

2. BACKGROUND

2.1 The Local Government Finance Act 1988, as amended provides local authorities with discretionary powers to grant relief from non-domestic rates on properties occupied by charities and other non-profit making organisations.

2.2 A local authority has discretion to grant "top up" relief of up to 20% to charities that had received 80% mandatory relief

2.3 In addition, an authority can grant relief of up to 100% to non-profit making organisations.

- 2.4 The Localism Act 2011 introduced a new power for local authorities to award a local discretionary relief, in any circumstances, where it is in the Council Taxpayers interest to do so.
- 2.5 In April 2017, cabinet agreed a new policy to award temporary Discretionary Relief to support its growth aims, which is a key item under the council purpose around sustaining a thriving economy and boosting local business.
- 2.6 This new policy is known as “Growth Incentive Relief”. Full details of this policy can be found in Appendix 1.
- 2.7 The main aims of this policy is to:-
- Bring long term empty commercial properties back into use.
 - Create new job opportunities, and
 - To attract inward investment and economic growth, by building new commercial property or extending existing commercial property.
- 2.8 With Growth Incentive Relief we can promote sustainable occupation in areas where the level of unoccupied units are high and also to attract new businesses to the borough to increase employment and to boost the local economy.
- 2.9 At present, there are 5 unoccupied units in Kingsmead. Three of which have been reconfigured to allow for the new restaurants around the cinema area. The other two are a large retail unit previously occupied by Debenhams and a unit at the south entrance of Kingsmead, previously occupied by Manpower.

3. APPLICATION FOR RELIEF

- 3.1 Hancock’s Restaurants Limited are a chain of American Kitchen and Bar restaurants, with 5 restaurants located in Kent, Surrey and Hampshire.
- 3.2 Hancock’s Restaurants Limited have opened a new restaurant in Kingsmead, Farnborough in November 2018 located in the new suite of units around the cinema area. This is Hancock’s sixth restaurant.
- 3.3 Hancock’s response to the application form is laid out in Appendix 2.
- 3.4 When Hancock’s Restaurants Limited opened, it created employment for 20-25 new employees, almost all of which come from the local area.
- 3.5 In addition to creating new employment, the restaurant adds to the local economy as well as occupying one of the reconfigured units in Kingsmead, which has been vacant since August 2014.
- 3.6 The Corporate and Democratic Services Portfolio Holder met with the Principal Revenues and Benefits Officer on 21st November 2018 in respect of this application.

- 3.7 During this meeting, the Portfolio Holder examined the application in detail, and has set out a recommendation for the level and period of support that could be provided for Hancock's Restaurant as outlined in paragraph 3.8 to 3.11 below
- 3.8 The suggested level of support is 50% relief for a period of 12 months.
- 3.9 This decision was made on the basis that Hancock's Restaurants will create employment locally, boosting the local economy and occupying one of the empty units in Kingsmead, Farnborough.
- 3.10 The unit(s) that Hancock's have moved into, have yet to be rated. Therefore, it is unknown how much the business rates will be per annum. However, the existing restaurants in Kingsmead, being Prezzo and Sticky Sisters, have rates payable of £18,360 and £15,480 respectively, per annum.
- 3.11 Assuming the Business Rates payable for Hancock's Restaurants Limited is the higher of the amount payable, the amount of relief awarded will be approximately £9,180.00.

4 IMPLICATIONS

Financial Implications

- 4.1 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 Discretionary 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.
- 4.2 The remaining 60% of the costs will be met by Central Government (50%), Hampshire County Council (9%) and Hampshire Fire and Rescue Authority (1%), under the Business Rates Retention Scheme.
- 4.3 If the suggested level of support is awarded, the financial effect on Rushmoor BC remains relatively low at £3,672.00.
- 4.4 However, any award of Growth Incentive Relief is offset by an annual business rates income of approximately £18,000.

Legal Implications

- 4.5 Section 47 of the Local Government Finance Act 1988, as amended, enables Councils to grant discretionary rate relief to any ratepayer.

- 4.6 This new policy to award Discretionary Growth Incentive Relief, follows guidance and advice provided by the Department of Communities and Local Government following the introduction of The Localism Act 2011.
- 4.7 Full details of this guidance can be found at the following web link: <https://assets.publishing.service.gov.uk/government/uploads/system/.../1896534.pdf>

To summarise, page 6 reads:-

“Greater local control over business rates

One of the most important things that councils can do to improve local life is to support the local economy. The Localism Act gives councils more freedom to offer business rate discounts - to help attract firms, investment and jobs. Whilst councils would need to meet the cost of any discount from local resources, they may decide that the immediate cost of the discount is outweighed by the long-term benefit of attracting growth and jobs to their area”.

5. CONCLUSIONS

- 5.1 In conclusion, Cabinet are asked to approve the award of 50% Growth Incentive Relief for a period of 12 months.
- 5.2 The Portfolio Holder for Corporate and Democratic Services is supportive of the application to the level set out in this report.
- 5.3 The case was reviewed in its own merit and the decision was made using the Growth Incentive Relief Policy, which was approved following guidance provided by the Department of Communities and Local Government.
- 5.4 Hancock’s benefits the local economy by:-
- Creating employment opportunities,
 - Boosting the local economy, and
 - Occupying an empty unit in Kingsmead around the cinema area.

BACKGROUND DOCUMENTS:

S47 Local Government Act 1988, as amended
Full applicant case file in respect of the applicant
Rushmoor Policy on Growth Incentive Relief

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Business Rates Growth Incentive Relief

**Policy Guidelines for the granting
of Discretionary Rate Relief**



Introduction

If Rushmoor is to continue to grow and prosper the council needs to take away barriers that might stifle business growth so our communities can all share the benefits of sustainable economic growth.

We recognise that a period of growth in a business can cause uncertainty and many businesses are naturally concerned that they do not over stretch themselves.

To help businesses achieve their growth potential the council has introduced a new scheme to give discretionary rate relief to help businesses with high potential to grow, bring empty buildings with significant economic value back into use and to attract inward investment and economic growth.

This new policy allows the council to use its discretionary powers to award temporary discretionary rate relief to support its growth aims. This supports one of the council's aims, which is to support local business and to help sustain a thriving economy in Rushmoor.

The aim of these guidelines is to set out the policy for awarding this relief to certain types of business rates payers within Rushmoor.

Localism Act 2011

Prior to the Localism Act 2011, Section 47 of the Local Government Finance Act 1988 (LGFA 1988), Councils were able to grant discretionary rate relief only in certain specified circumstances. They could top up the 80% mandatory relief available on premises occupied by charities and Community Amateur Sports Clubs and they could award up to 100% relief to non-profit making bodies.

Section 69 of the Localism Act 2011 amended Section 47 of the LGFA 1988, and came into effect on 1 April 2012. The purposes of that Act allowed for an extension of the existing provisions in that discretionary rate relief may be granted in any circumstances where a local authority sees fit, having regard to the effect on Council Tax payers in the area.

The amendments also require billing authorities to have regard to any relevant guidance issued by the secretary of state when deciding whether to grant relief under S47 of the LGFA 1988.

Government has not issued any further guidance in respect of how this power might be used.

The English Guide to the Act addresses this as follows:-

“The Localism Act gives councils more freedom to offer business rates discounts – to help attract firms, investment and jobs. Whilst the local authority would need to meet the cost of any discount from local resources, it may be decided that the immediate cost of the discount is outweighed by the long-term benefit of attracting growth and jobs to their area”.

Rushmoor Borough Council's Growth Incentive Policy

Any ratepayer applying for relief under these provisions and who does not meet the criteria for existing relief (charities, CASC's and not for profit making organisations), must meet all of the following criteria and the amount of relief granted will be dependent on the following key factors:

- The ratepayer must not be entitled to mandatory or 100% small business rate relief;
- The ratepayer must not be an organisation that could receive relief as a non-profit making organisation or as a sports club or similar;
- The premises and organisation must be of significant benefit to the residents of the borough;

The ratepayer must also demonstrate that they satisfy as much of the following criteria as possible:

- The award relates to business rates payable in respect of a new hereditament or an increase in rateable value of an existing hereditament and as a result of the new or extended hereditament the following benefits will be derived:
 - New employment opportunities will be created;
 - The organisation must bring social, environmental or economic benefit to the community; or
 - Contribute to the sustainable development of the borough;

- The applicant must prove economic value of bringing empty commercial properties back into use and the following benefits derived (The property must have been vacant for a minimum of 12 months):
 - New employment opportunities will be created;
 - The organisation must bring social, environmental or economic benefit to the community; or
 - Contribute to the sustainable development of the borough;
- Provide the resident of the borough with such services, opportunities or facilities that cannot be obtained locally or are not provided locally by another organisation;
- The ratepayer must demonstrate that assistance (provided by the discretionary rate relief) will be for a short time only and that any business/operation is financially viable in the medium and long term;
- The ratepayer must show that the activities of the organisation are consistent with the Council plan.

Where a ratepayer can demonstrate that the criteria is met, the period and value of relief granted will be solely at the discretion of the Council.

A formal application from the ratepayer will be required in each case and any relief granted, will be in line with State Aid requirements.

Excepted organisations

Relief cannot be granted to excepted properties, i.e. one where all or part of the property is occupied by any of the following:

- A billing authority, such as Rushmoor Borough Council, or
- A precepting authority such as Hampshire County Council, Police and Crime Commissioner and Hampshire Fire and Rescue Authority.

Cost of awarding relief

The cost of awarding all forms of rate relief is split between central government, billing authorities and major preceptors on a fixed percentage basis.

Central Government bears 50% of the cost, the county 9%, the fire authority 1% and billing authorities the remaining 40%.

In regard to discretionary rate relief, if the relevant conditions are satisfied, the local authority has the discretion to award or refuse the application. When making their decision the local authority must consider the guidelines and appendices in this document and take into account the impact that such awards might have on local authority tax payers in the area, as 40% of the cost is borne by the local authority.

State aid

The issue of some rating reliefs being considered as qualifying as state aid is now of some significance and is briefly explained in the “Rate Relief for Charities and other Non-Profit Making Organisations” guidance note issued by the Office of the Deputy Prime Minister in December 2002.

Broadly, any award of discretionary rate relief is subject to State Aid De Minimis limits. The De Minimis regulations allow an undertaking to receive up to €200,000 of De Minimis Aid in a three-year period (consisting of the current financial year and the two previous financial years).

Application for Discretionary Growth Incentive Rate Relief

Hancocks Restaurants Limited

46-50 Kingsmead, Farnborough, GU14 6FD



Hancock's Restaurants Limited are a chain of American Kitchen and Bar restaurants who currently have a chain of restaurants located in Camberley, Chatham, Maidstone, Eastleigh and Fareham.

In their application, Hancock's Restaurants Limited advise the following:-

Please describe the nature of your business?

We are a American style restaurant and bar catering to families and couples mainly.

For what purposes does the organisation use the premises?

We will be using it as a restaurant and bar.

Are there any other businesses of a similar nature in the borough

There are other restaurants, although not many, and none of our style, in fact there are several empty units within the development ready for restaurants.

Employment opportunities?

No of employees = 20

Resident Locally = 18

The restaurant will require approx. 20-25 new employees, almost all of which will come from the local area. This will be a range of waiters, bar staff, kitchen staff and management.

Please give the reason for your application, including how the business brings social environmental or economic benefit to the borough and contributes towards the sustainable development of the borough?

In addition to providing employment for a number of people our business adds significantly to the economy of the local area by its very nature. Particularly the night time economy, which is trying to be created by the redevelopment of the kingsmead centre. There are several empty units in this development and more restaurants in this development would mean more people would come and use the cinema and the general area – creating a new lease of life for the area and hopefully helping to develop and improve the centre.

Please explain why you consider your business benefits local taxpayers?

Taxpayers will benefit from the area generally being more populated by business and indeed an improvement in night time economy is often seen to be very good for a local area and the tax payers in it. Giving them more choice of eating options will ensure that they stay within the borough rather than travelling outside of it to go out for the evening.