

MAIDSTONE BOROUGH COUNCIL

CABINET

11 JUNE 2014

REPORT OF THE HEAD OF REVENUES AND BENEFITS

Report prepared by Stephen McGinnes

1. BUSINESS RATES REOCCUPATION RELIEF

1.1 Issue for Decision

- 1.1.1 To consider the proposed scheme for Business Rates Reoccupation Relief.

1.2 Recommendation of Head of Revenues and Benefits

- 1.2.1 That the Business Rates Reoccupation Relief Policy shown at Appendix A is approved.

1.3 Reasons for Recommendation

- 1.3.1 As part of the Autumn Statement on 5 December 2013 the Government announced its intention to provide further business rate relief to support businesses and reduce the number of vacant shops. The relief provides a 50% business rate discount for 18 months for businesses moving into previously empty retail premises, regardless of the future use, between the 1st April 2014 and 31st March 2016.
- 1.3.2 At a local level it will enable the Council to gain national funding to support businesses and the local economy more generally.
- 1.3.3 The relief is to be awarded at the discretion of the Council and can be made available to those businesses occupying premises which have been empty for 12 months or more and when last in use, where wholly or mainly being used for retail.
- 1.3.4 It is estimated that up to 61 empty premises in the borough may be eligible for the relief when brought back into use, with the value of relief ranging from £300 to £75,000 over the 18 month allowance period.

- 1.3.5 To encourage take up of the scheme and maximize the benefit to local businesses the councils economic development team will be promoting the scheme through its partnership with the following: Kent Invicta Chamber of Commerce, Federation of Small Businesses, Institute of Directors, Town Centre Management, Marden Business Forum, Network of Rural Business Forums, Lenham Valley Business Association, South Maidstone Business Association. In addition it will also be promoted through Economic Development's own newsletters and featured as a news item on the Locate in Maidstone website.
- 1.3.6 Whilst the scheme is discretionary Central Government will reimburse the Council and major precepting authorities 40% of the cost, representing the share of business rates that the council would otherwise retain under the rates retention scheme.
- 1.3.7 Providing discretionary relief to ratepayers is likely to amount to State Aid. State Aid law is the means by which the European Union regulates state funded support to businesses. However Reoccupation Relief will be State Aid compliant where it is provided in accordance with the De Minimis Regulations.
- 1.3.8 The De Minimis Regulations allow a business to receive up to €200,000 (approx £165,000) of De Minimis aid in a three year period. To administer De Minimis it is necessary for the council to establish that the award of aid will not result in the business receiving more than €200,000 of De Minimis aid.
- 1.3.9 Where the Council makes an award based on an assumption that the undertaking will not been in receipt of more than €200,000 of De Minimis aid, an explanatory note will be provided and the business requested to contact the Council where they believe they have may have reached the De Minimis threshold. In such instances the council will reserve the right to withdraw relief.

1.4 Alternative Action and why not Recommended

- 1.4.1 The council could decide not to implement a scheme or introduce a restricted scheme to only apply in certain parts of the borough, fewer categories of properties or provide a lower level of reduction. In doing so it would limit the level of central government funding that is being brought into the borough to support retailers.
- 1.5.2 Equally the council could expand the scheme but the additional cost would need to be met by the Borough Council. This course of action is not recommended.

1.5 Impact on Corporate Objectives

- 1.5.1 In providing additional support to businesses the Council is actively promoting the corporate priority for Maidstone to be a good place to do business, with a growing economy and wide range of employment and business opportunities.

1.6 Risk Management

- 1.6.1 In introducing a scheme which provides a discount for 18 months only, businesses may feel that there has been a significant increase in the level of rates payable at the end of the discount period.

- 1.6.2 The restrictions on state aid are complex and are likely to be unfamiliar to many small businesses, which may result in an increase in enquiries.

To mitigate these risks, an explanatory note will be issued to those businesses that qualify for relief making clear the period of award, full level of rates that will become payable and restrictions on state aid.

1.7 Other Implications

1.7.1

1.	Financial	x
1.	Staffing	
2.	Legal	
3.	Equality Impact Needs Assessment	
4.	Environmental/Sustainable Development	
5.	Community Safety	
6.	Human Rights Act	
7.	Procurement	
8.	Asset Management	

- 1.7.2 Financial – The cost of the scheme will be dependent on occupation rates, with the combined value of relief for all properties being in the region of £535,000. 40% of this sum represents the share the council would otherwise retain under the rates retention scheme, which will be reimbursed by central government to the Council and major precepting

authorities. The cost of the scheme will therefore be met by Central government

1.8 Relevant Documents

1.8.1 Appendices

Appendix A – Reoccupation Relief Policy

1.8.2 Background Documents

DCLG Rate Relief Guidance