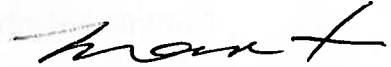


Report for: Cabinet Member Signing – 2nd November 2015

Item number:

Title: New discretionary Business Rates relief policy

Report authorised by : Tracie Evans - Chief Operating Officer



Lead Officer: Neville Murton – Head of Finance

Ward(s) affected: All

**Report for Key/
Non Key Decision:** Key

1. Describe the issue under consideration

1.1 The Council's existing policy on discretionary business rates relief dates back to January 1990, and currently grants relief to particular types of voluntary and community sector organisation. The amount of relief that can be applied is set by central Government.

1.2 There have been significant changes to the policy, legal and financial frameworks that govern business rates and these changes present an opportunity to consider how our discretionary business rates relief policy can better:

- support the Council's strategic priorities including the growth of key economic sectors, new job creation, supporting economic regeneration programmes, and working to support those organisations whose activities are bringing most social value to our residents;
- support the Council's Medium Term Financial Strategy in ensuring we can become a more financially resilient organisation in the context of changes to national funding arrangements.

1.3 Our proposals, which would form the basis for a new discretionary business rates relief policy, are in two parts:

- a) The first part relates to private organisations and considers awarding discretionary business rates relief based around the outcomes sought in our Economic Development and Growth Strategy;
- b) The second part relates to Voluntary and Community Sector Organisations (VCOs) and considers aligning our discretionary business rates relief policy for VCOs with neighbouring boroughs and includes a focus on social value.

1.4 Approval is being sought to start the consultation on 12th November 2015 and will close on 28th January 2016. We intend the consultation to be as open and inclusive as possible and in particular will ensure that voluntary and community organisations, local businesses, residents and Haringey taxpayers are able to comment and share their views.

2. Cabinet Member Introduction

2.1 In the context of significant reductions to Government funding and recent proposals by the Chancellor of the Exchequer to create greater financial freedoms and responsibilities for local authorities, Haringey Council will in the future be much more reliant on local sources of income. It is therefore in the interests of local council taxpayers and residents to think about how Haringey council can collect more revenue from business rates in the medium to long term.

2.2 It is important that we have a business rates relief policy which is fit for purpose and in line with other authorities in London. Our current relief policy was formed in 1990 and is therefore very outdated and not in line with our ambitions for Haringey as a place. We want to see new and interesting business make their home here, not least as it creates jobs and opportunities but also as it makes the borough an even more attractive place to visit and live in.

2.3 There are opportunities for our discretionary relief policy to achieve more for residents, so that it helps create jobs in the borough, grows the Council's revenue base in the medium-long term and helps support those organisations who deliver social value in our local community.

2.4 Engaging early with residents and stakeholders on the future of business rates relief through this consultation will help bring our discretionary relief policy up to date, and keep us on the front foot as the wider national changes to local authority funding take place.

3. Recommendations

That the Cabinet Member for Resources and Culture agrees:

3.1 That the Council consult on its Discretionary Business Rates Relief Policy for a period of 11 weeks, from 12th November 2015 – 28th January 2016;

3.2 The consultation seeks views on the following proposals:

- a) Introducing a new criteria for private organisations which specifically supports growth of the B1 class enterprises; (see paragraphs 6.8 – 6.10)
- b) Incorporate the option into a new policy to offer support to initiatives that support our aim to have thriving high streets and 'kick start' regeneration projects and developments e.g. temporary or meanwhile enterprises;(see paragraphs 6.11 – 6.14)

- c) Changing the level of relief we currently offer to some types of VCO that will bring us in line with neighbouring boroughs and takes into consideration the social value contribution to Haringey and our residents; (see paragraph 6.15)

4. Reasons for decision

- 4.1 Our discretionary business rates relief policy has not been updated since 1990, and is outdated.
- 4.2 There have been significant changes to the policy, legal and financial frameworks that govern business rates and these changes present an opportunity to consider how our discretionary business rates relief policy can better
 - support the Council's strategic priorities – including the growth of key economic sectors, new job creation, supporting economic regeneration programmes, and support those organisations whose activities are bringing most social value to our residents
 - support the Council's Medium Term Financial Strategy

5. Alternative options considered

- 5.1 To not go out to consultation on making changes to our business rates relief policy, and maintain the current policy.
- 5.2 This option is not being considered because of changes to the local, national, legal and financial context outlined below:
 - a) **Local**
 - i) The Council's Corporate Plan 2015-18 marks a shift to a more outcome focused approach to policy development and service delivery. It sets out five priorities for the Council to deliver against: 1) enable every child and young person to have the best start in life, 2) empower all adults to live healthy, long and fulfilling lives, 3) a clean and safe borough where people are proud to live, 4) drive growth and employment from which everyone can benefit, and 5) create homes and communities where people choose to live and are able to thrive. Under each priority the Corporate Plan lists objectives and outlines how we will measure success for each objective.
 - ii) In this new local context, there is an opportunity to consider how our discretionary business rates relief policy can better support our corporate priorities and objectives.

b) National

- i) The consultation will take place at a time when a wider agenda is emerging nationally on devolving power down from Central Government to local authorities over business rates.
- ii) On the 5th October 2015, the Chancellor announced that by the end of the Parliament, local authorities will be able to retain 100% of local business rates revenue.
- iii) With significant cuts to Government funding for local authorities in the pipeline and the expected phasing out of Revenue Support Grant, the locally retained share of business rates will in the future become an increasingly important source of revenue for Haringey Council to use to fund local services for residents.
- iv) Having the power to decide locally how relief is given on business rates is a key part of the devolution agenda, particularly as relief can be used to support the medium to long term growth of business rates revenue (see d) below). Engaging early with residents and stakeholders through this consultation will help keep us on the front foot as these wider national changes take place.

c) Legal

- i) The Localism Act 2011 has given local authorities scope to offer a broader discretionary business rates relief policy, including its extension to profit making organisations. Some local authorities are already doing so; for example Brent Council has recently introduced discretionary relief for profit-making organisations based on externally assessed standards on the London Living Wage.

d) Financial

- i) In April 2013, the Government introduced the business rates retention scheme, aiming to provide a financial incentive for local authorities to stimulate the local growth of business rates revenue. In London, local authorities now retain a 'local share' of 30% of the total business rates collected within their area.
- ii) In the context of a challenging national financial environment, revenue generated from business rates is set to become an increasingly important source of income for local authorities. A discretionary business rates relief policy, directed at incentivising the supply and value of rateable commercial property, now has the potential over the medium term to help grow the Council's revenue base from retained business rates.

6. Background information

Introduction to business rates and discretionary business rates relief

- 6.1 Non-Domestic Rates, or business rates, are levied on all organisations which occupy commercial premises and are collected by local authorities.
- 6.2 Some occupiers of properties are eligible for relief on their business rates such as small business rates relief, retail relief, empty property reoccupation relief and mandatory and discretionary relief for charities and voluntary sector organisations.
- 6.3 The Local Government Finance Act 1988 (the Act) requires local authorities to grant mandatory rate relief to the following:
- Registered charities.
 - Registered Community Amateur Sports Clubs (CASCs).
 - Village Post Offices, general stores, specialist food shops, public houses and petrol filling stations – where they are in a designated rural settlement.
- 6.4 Mandatory rate relief provides an 80% reduction in business rates. The Act also permits the Council to offer discretionary relief to top up this mandatory relief by a further 20%, offering up to 100% relief. Further, where an organisation is neither a registered charity nor falling within the above categories but is nevertheless within the Voluntary sector, the Council currently uses its discretionary powers to offer 80-100% relief.
- 6.5 Local authorities have also been given powers by the Localism Act 2011 to offer up to 100% relief on business rates to organisations when it is “satisfied that it would be reasonable to do so, having regards to the interests of persons liable to pay council tax set by it.” The use of these powers is at the local authority’s discretion, and the local authority has the flexibility to devise its own policy and criteria for when it will award such relief.

Rationale as to why we are putting forward these particular proposals for consultation:

- 6.6 Our overriding aim is to use our discretionary power to offer business rates relief to better pursue social and economic outcomes which will bring wider benefits for local residents. This includes job opportunities from supporting the local growth of key economic sectors, and supporting the work of local voluntary and community organisations through providing relief on their business rates.
- 6.7 A secondary principle will be to ensure that the administration of any new discretionary relief scheme is workable for both applicants and the Council. As part of the consultation we will gain feedback on the draft application form, to ensure that the final version does not impose an undue

administrative burden on applicants. It is envisaged that the proposed scheme will be administered from within existing resources.

Introducing a new discretionary relief scheme for some private organisations to support B1 usage of commercial property

6.8 Haringey does not currently apply any specific business rates relief scheme to support private companies who occupy general office space, research and creative studios, laboratories or work spaces – this is the B1 commercial use as defined by the Town and County Planning Act

6.9 The types of businesses who occupy this form of office and work space include technology and ICT companies, creative industries, high value manufacturing and light industry, start-ups and research companies.

6.10 The rationale for targeting the B1 sector is threefold:

- Creating new jobs and supporting employment opportunities. Technology, ICT, creative industries, high value manufacturing, start ups and research companies have been identified as having the high potential to generate local employment growth in Haringey. General office and work spaces provide more jobs per square metre than warehouses or factories.
- Supporting economic regeneration goals. The development of new work and office space will be an important part of both the Tottenham and Wood Green regeneration programmes. A business rates relief scheme which strengthens market demand for new office and work space would lend support to our ambition to make Haringey a place where businesses want to start-up and invest in.
- Supporting a financially sustainable business rates revenue base for the local authority over the medium to long term. New office and work space in the borough, once occupied, will bring in an increased amount of business rates revenue for Haringey Council to use on local services. A business rates relief scheme which strengthens market demand for this new office and work space will therefore support the growth and financial sustainability of business rates revenue in the medium to long term. It is envisaged that no additional administrative resources will be needed to be invested by the Council to administer the proposed scheme.

Incorporate into our discretionary business rates relief policy the option to offer relief to support initiatives which help generate interest and ‘kick start’ new regeneration projects and developments (e.g. temporary or meanwhile ‘pop-ups’).

6.11 When a regeneration development project is getting underway, there may be opportunities to launch specific initiatives which help generate new activities in and around the site. These initiatives will usually only be temporary or ‘meanwhile’, and aim to help create interest in the regeneration project

through providing a good reason for people to visit the area whilst development or construction is underway.

- 6.12 A recent example is a plan by Transport for London to redevelop Tottenham Hale station. Whilst this development is underway, Transport for London intends to work with local start-up and creative companies to put in place temporary 'pop-up' retail units on the location of the future development. This will help create activity and a positive environment in and around the area, whilst construction works take place.
- 6.13 To help the initiative, Haringey Council in August 2015 agreed to offer relief on business rates to the companies who will be operating the retail 'pop-ups,' who otherwise would financially not be able to run a viable business on the site. Because the area under development is not currently subject to any business rate charges, there is no loss of existing business rates revenue for the Council when applying this type of relief. The relief on business rates on the site will end once the new site has been developed.
- 6.14 Our proposal is to incorporate relief for these types of initiative formally into our new business rates relief policy.

Updating our discretionary relief criteria for Voluntary and Community Sector Organisations (VCOs)

- 6.15 The Council's existing policy on discretionary business rates relief for VCO dates back to 1990 and is based around a simple assessment over what type of organisation occupies the rateable premises. The existing policy does not assess the output or value which the organisation receiving the relief produces. The Council is considering updating the policy for the following reasons:
- The Council's new Voluntary and Community Sector Commissioning Framework places greater emphasis on VCOs demonstrating their social outcomes.
 - We would consult on asking VCOs to evidence their social value as part of the future application process for discretionary business rates relief. This would provide VCOs with an opportunity to tell the Council about their good work and help highlight success stories. It would help provide a stronger link for residents as to the social reasons why the Council should be offering business rates relief to particular VCOs.
 - An organisation can provide social value to residents in a wide number of ways. Some examples (non-exhaustive) could include:
 - helping address underlying social issues within our community e.g. family breakdown, drug & alcohol abuse, debt etc
 - help people with training, skills, volunteering or employment opportunities, and providing education opportunities

- bringing groups of residents together to build stronger community networks
 - helping to improve people's health, and give residents chances to take part in sport and leisure activities
- Improving our business intelligence.
 - By requesting that VCOs evidence their outcomes it will provide the Council with a deeper level of insight into the contribution of VCOs across the borough that does not currently exist.
 - Value for money
 - Opportunities to make financial savings to ensure that our relief policy provides value for money for local taxpayers will be considered, and balanced against the Council's desire to continue to provide relief to support VCOs contributing significant value to residents in our borough.
 - For instance, we would consult on whether to make any changes to our current policy around charity gift shops. This could mean that in the future charity gift shops would not normally be considered for the discretionary element of rates relief, although in practice most gift shops would continue to still be eligible for the 80% mandatory relief which the Council is required to provide to them under the Act, because they are registered charities.

Consultation

- 6.16 Consultation on the proposals will take place from 12th November – 28th January 2016. The consultation will be open to all residents and stakeholders to respond.

Residents, Council taxpayers and the general public

- 6.17 The Council will issue a local press release in order to communicate the existence of the consultation to residents, council tax payers and the general public. The consultation documents will be published online on the Council's website, and hard copies will be distributed to community buildings and libraries. There will also be an article in Haringey People (December edition), and publicised using social media such as Twitter.

VCOs

- 6.18 In addition to the above, the consultation document will be sent to all VCOs currently receiving discretionary business rates relief under our existing scheme, plus all VCOs on our commissioning list. We will also employ targeted engagement through HAVCO.

Private companies

- 6.19 In addition to the above, local businesses will be targeted directly through the following umbrella organisations:
- North London Federation of Small Businesses
 - North London Chambers of Commerce
 - Traders forums
 - Avenues linked to the Business Lounge, 639 Centre
 - Economic Development team, Tottenham regeneration team, and Wood Green regeneration team contacts
 - Utilise business engagement events and forums

7. Contribution to strategic outcomes

- 7.1 The proposal contributes to achieving the priorities set out in the Corporate Plan in particular Priority 4 – ‘Drive growth and employment from which everyone can benefit’ and the cross cutting theme ‘Working together with our Communities’. It also helps support the medium-term sustainability of the Council’s financial business model.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Comments of the Chief Finance Officer and financial implications

- 8.1 The Chief Finance Officer has been consulted on this report. Members need to be aware that the granting of a discretionary rate relief will result in the short term loss of income from business rates. The policy for private companies will propose a time limited relief after which the full business rate would be payable.
- 8.2 The impact and detail of the changes in the national business rates retention scheme as announced on 5th October are not yet known and this will have an effect on the financial modelling underpinning the proposed policy; further details are expected in the Autumn Statement and Spending Round announcements being made on 25th November 2015 and these will need to be reflected in the recommendations for Members following the consultation period.

Comments of the Assistant Director of Corporate Governance and legal implications

- 8.3 The Assistant Director of Corporate Governance has been consulted on this report. Section 47 of the Local Government Finance Act 1988, as amended by section 69 of the Localism Act 2011, gives local authorities a wide power to grant discretionary business rate relief, subject to the condition that the local authority may only grant the relief if it is satisfied that it would be reasonable to do so having regard to the interests of council tax payers in its area.

8.4 Therefore the Council will need to undertake consultation with its council tax payers in order that, in coming to any final decision on the policy, the Cabinet is able to consider whether the proposal is reasonable having regard to the interests of those persons who are liable to pay council tax that is set by Haringey Council.

8.5 The legal principles of a sound consultation are:

- (1) That consultation must be carried out whilst the proposal is at a formative stage. The Council can consult on a preferred option, as long as its mind is genuinely ajar;
- (2) That sufficient reasons for the proposal must be put forward to enable consultees to understand the proposal, consider it and make an informed response. Where consulting on a preferred option, the consultation papers need to make it clear that this is the case, to enable consultees to focus their minds to this fact. This includes explanation of alternative courses of action and why these are not favourable;
- (3) That adequate time is given for consultation and response. The more complex the issue, the greater the length of time that is needed;
- (4) That the product of the consultation must be conscientiously taken into account. Again, the more complex the issue, the greater the length of time that is needed.

8.6 In light of the complexities of this consultation, an 11 week consultation period is proposed.

8.7 Any final proposal on the policy put to members for decision will need to take into account the outcomes of both the consultation and an Equalities Impact Assessment.

Equalities and Community Cohesion Comments

8.8 The Council has a public sector equality duty under the Equality Act (2010) to have due regard to:

- Tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
- advance equality of opportunity between people who share those protected characteristics and people who do not;
- foster good relations between people who share those characteristics and people who do not

8.9 An EqIA is being drafted and will be updated throughout the consultation process. The outcomes of the EqIA will be considered as part of any final proposal put forward to members for decision.

Head of Procurement Comments

There are no procurement comments

9. Use of Appendices

None.

10. Local Government (Access to Information) Act 1985

- <http://www.haringey.gov.uk/housing-and-planning/planning/planning-policy/local-development-framework-ldf/local-plan-evidence-base>
- Department of Business, Innovation & Skills, Paper no2 (December 2013), 'SMEs: the key enablers of business success and the economic rationale of Government intervention.'

