

DISCRETIONARY RATE RELIEF AND HIGH STREETS:

A GUIDE FOR LOCAL AUTHORITIES



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This guide has been developed by the Association of Convenience Stores on behalf of the Government's Future High Streets Forum, which brings together high street stakeholders, local authorities and businesses to tackle high streets issues.

The stakeholders of the group have identified discretionary rate relief as a clear opportunity for local authorities to support their high streets and local parades.

This guide explains the benefits of allocating local rate reliefs, diagnoses the challenges faced by high streets and brings together cases studies from councils across the country already using their local discretionary rate relief powers.

PURPOSE

This guide aims to support local authorities, town teams and others to make the most out of their local discretionary rate relief powers to help their local high streets and parades to thrive. The guide makes the case for why local authorities should invest in discretionary rate relief to reinvigorate their high streets and how this will result in long term sustainable growth.

The guide brings together case studies from across the UK of how local authorities have used discretionary rate relief in innovative ways to tackle some of the challenges faced by high streets, whilst delivering value for money for local council tax payers.

WHY DO WE NEED A GUIDE?

Business rates have been identified by both government and the wider business community as a barrier to growth for existing high streets businesses and a barrier to entry for new businesses. There is significant awareness of Government action to reduce the burden of rates on businesses already by:

- Capping the Retail Price Index (RPI) increase in bills to 2% in 2014 to 2015
- Extending the doubling of the Small Business Rates Relief to April 2015
- Allowing businesses to pay their bills over 12 months (rather than 10), which will help every firm with their cashflow

However, there is limited awareness amongst the business community, local authorities and the general public of the existing powers that local authorities have to ease the burden of business rates. This guide will attempt to bridge the knowledge gap so that the powers can be more widely allocated and used to incentivise growth at the local level.

The limited number of local authorities not using the local discretionary rate relief is a missed opportunity to incentives sustained local growth. Discretionary relief is a great chance to support businesses to grow and provide essential services and jobs to local communities.

WHAT IS DISCRETIONARY RATE RELIEF?

Section 47 of the Local Government Finance Act 1998 has been amended by the Localism Act 2011 to give councils the power to give a locally determined discretionary discount on business rates.

This is different from other business rate relief as it can be allocated to any business against the local authorities own criteria. The allocation of this relief is 50% funded from local authority budgets and 50% funded by Government.

The power is also used to administer a number of Government funded schemes, but again their allocation is at the discretion of the local authority:

- **Retail Relief:** a £1,000 discount in 2014 to 2015 and 2015 to 2016 for retail premises with a rateable value of up to £50,000 - including shops, pubs, cafes, and restaurants.
- **Reoccupation Relief:** a reoccupation relief for 18 months with a 50% discount for new occupants of retail premises empty for a year or more.

MAKING THE CASE FOR DISCRETIONARY RATE RELIEF

"Lowering business tax burden; positive effects on business cash flow, for further investment and/or employment; improving the economic performance of an area; delivering on commitment to localism and promoting effective local authority/business relationships."

Government Impact Assessment of Local Discretionary Rate Relief, Localism Bill 2011

Despite the squeeze on local authority budgets there are many good reasons for local authorities to allocate budget for discretionary rate relief and develop innovative criteria to support different businesses and trading areas, like high streets and local parades, to thrive.

LOCAL IS BETTER

Targeted relief for businesses at the local level is often more meaningful than national reliefs for businesses. The national relief for a local shop on the high street may only amount to a couple of

hundred pounds per year whereas local reliefs can make a difference to their ability to trade competitively, maintain employment levels in their business and serve the local community.

HOW CAN DISCRETIONARY RATE RELIEF HELP HIGH STREETS?

Many councils are using discretionary rate relief in an innovative and strategic way to help support businesses and high streets. Using this tool to assist high streets should be viewed alongside all the other measures that councils can promote, and the Future High Streets Forum has developed an excellent new portal (thegreatbritishhighstreet.co.uk) under the Great British High Street brand which pulls together what we have learned from all the recent work to support high streets, including the towns that piloted initiatives following Mary Portas's review on high streets.

As well as giving financial help to some businesses, discretionary rate relief should be viewed as a way of targeting support on the areas that need it most, and

incentivising businesses and other stakeholders to drive improvements in their area. Discretionary relief can be part of wider efforts to forge effective and lasting partnerships between the public and private sector.

This guide sets out how this can be done, and sets out a number of different scenarios that may be familiar to many councils. For those faced with these challenges, discretionary relief may be worth considering to meet the following objectives:

1. **Helping Struggling Businesses**
2. **Addressing Short-Term Challenges**
3. **Filling Empty Shops**
4. **Improving Diversity**
5. **Incentivising Local Improvements**
6. **Energising Strategic Partnerships**
7. **Supporting Start-Up Businesses**
8. **Ensuring Enabling Services are Available**

"The village shop, pub or post office is often the beating heart of a community. So when one is threatened with closure, often for a reason as simple as the shop owner or pub landlord retiring, I would expect the local parish council to pull out all the stops to keep it going..."

"This is not about propping up failing businesses; it is often about providing temporary financial assistance or putting new community-run facilities in place, so vital services that people rely on are maintained."

Grant Shapps, former Local Government Minister, commenting on local discretionary rate relief powers.

"We need to completely re-evaluate what we use our high streets for now that the age of mass retail is juddering to a halt. Our high streets could become places where shopping is just one small part of a rich mix of activities including working, sharing, exchanging, playing and learning new skills."

As the hub of our communities, the high street could become the place where we begin to build a more sustainable world."

Elizabeth Cox, NEF Report Author, Reimagining High Streets

1) HELPING STRUGGLING BUSINESSES

With consumer spending squeezed and increasing fixed costs for business owners, many are struggling to remain viable. Giving businesses on high streets and local parades a helping hand to get through tough times can make a real difference to the communities that rely on them.

Existing hardship relief schemes are administered at the local authorities discretion but can be topped up by using the local discretionary rate relief budgets for the businesses that are essential to the community.

CASE STUDY: MIDDLESBOROUGH COUNCIL

Middlesbrough Council allocated £880,000 for 2013-14 for local discretionary rate relief to help struggling businesses with a 'credible' recovery plan to stay trading. Businesses can apply and cases are assessed on a case by case basis for further support.



2) ADDRESSING SHORT TERM CHALLENGES

High streets and parades that have historically been successful may be hit by short-term challenges. For example, traffic and transport routes may change, key employers may move or shut down, a new out-of-town developments may affect footfall, or social problems such as crime may take hold.

In circumstances such as this, discretionary rate relief can be used as part of a plan to arrest decline or to help high streets through a temporary downturn. It may be that the most appropriate way of doing this would be to give a larger level of relief at an early stage, and then to reduce the level of relief over a period of time to help businesses to gradually adjust to becoming fully commercially viable.

It may be that relief is most appropriate in circumstances like this where there is a recovery plan in place.

3) FILLING EMPTY SHOPS

Empty shops are the first signal that a high street or local parade is struggling to trade competitively and might need support or strategic vision. Since 2010, vacancy rates on UK high streets have been over 14%, and they have only just dipped below this at the beginning of 2014.

Empty shops are the start of a downward spiral for a high street. They put off consumers and highlight that a town or parade is struggling. This prevents high streets and parades from securing further investment from developers and new businesses. The government have introduced many ways to tackle this, for example making it easier to change the use class order of a premise, introducing pop up shops or for longer term empty properties there is a dedicated temporary reoccupation relief.

This relief can be topped up by discretionary rate relief for businesses re-occupying empty units. In addition, discretionary relief can be considered as a way of demonstrating to existing businesses that they are being supported in the same way as new occupiers. For example, if reoccupation relief was being offered to new businesses in a certain area, then the same benefit could be given through discretionary relief to existing businesses trading alongside them.

REOCCUPATION RELIEF

Government will fund reoccupation relief in the circumstances set out in the following guidance: <http://bit.ly/1t099KN>, which gives 50% business rates discount for 18 months for businesses moving into previously empty retail premises between 1 April 2014 and 31 March 2016, up to State Aid De Minimis limits.

4) IMPROVING DIVERSITY

Many high streets across the country have been described as clone towns, with the same shops and restaurants as all of the other town centres. In a report by NEF called "Reimagining High Streets", 41% of the towns surveyed were 'clone towns' (more than half the stores were chains); 23 per cent were on the verge of becoming clone towns (border towns); and 36 per cent were "home towns" (more than two thirds of shops in those towns are independents).

Without reinvestment and incentives for new innovative businesses to enter your area driving footfall to town centres will be a challenge.

The vitality and viability of a high street or local parade is tied up with its diversity of premises; retail, independents and multiples, food and non-food, leisure, office space and public services. All of these industries and services in one place make high streets attractive and convenient to consumers.

Discretionary rate relief could be used by councils to support businesses that add to the diversity of a local high street. This may be diversity of ownership – focusing on independent retailers – or diversity of business type – focusing on the products and offer that local people most want to see in their local high street. ACS' Community Barometer gives aggregated views on councillors, consumers and retailers about the services they wish to see in their local area, and this data can be referenced, or a similar research approach can be used in evaluating the mix of services that are most needed in your high streets.

Considerations around diversity may also relate to finding the right uses for iconic premises on a high street. Businesses could be incentivised through discretionary rate relief to develop premises in line with their historic and cultural significance, which would in turn help high streets to maintain a point of difference and attract visitors.

5) INCENTIVISING LOCAL IMPROVEMENTS

Where there are specific improvements needed in an area, discretionary rate relief can be an innovative way of giving responsibility and incentives to businesses to deliver those changes.

For example, if an area needed landscaping, improvements in street furniture, better lighting and security features, or wanted to invest in a programme of events to help market the area as a destination, this could be supported by smart and targeted use of discretionary relief.

Local businesses could present a plan for delivering these improvements themselves, or in partnership with the council, and rather than seeking new cash funding, to request a reduction in business rates over a set period of time in order to deliver this. This may be graded in order to ensure that businesses deliver on their promises, for example offering 25% relief in year one, then 50% in year two when agreed milestones are reached, and 75% in year three when the full improvements have been delivered.

This approach could be extended to giving businesses the responsibility for the ongoing management of areas in exchange for reduced business rates.

BUSINESS RATES RETENTION

The introduction of business rates retention allows authorities to keep a proportion of the business rates revenue generated in their area. This is a direct incentive for growth and means that offering discretionary rate relief in the short term could lead to long term increases in revenue.

6) ENERGISING STRATEGIC PARTNERSHIPS

Many high streets suffer from lack of strategic vision and need a strategy to reform and grow. A report from the Future High Streets Forum has shown that local leadership is essential, and this gives a wide range of excellent ideas and advice for developing the right structure and expertise to deliver local partnerships, as well as a host of practical lessons learned from recent town centre initiatives.

The burden of business rates should be assessed within this. Already, where BIDs exist there is an opportunity to use business rates revenue to reinvest in communities. As an alternative, businesses could be incentivised to commit to partnerships through discretionary rate relief. At its most tactical level, this could compensate talented leaders for their time and commitment to the wider community, or at a more strategic level relief could be used to incentivise delivery of objectives.

Many local authorities have considered aligning the allocation of local discretionary rate relief with their own corporate strategies. This reflects how rate relief can be used to drive strategic vision and deliver it in a cost effective way for local councils.

CASE STUDY: SHEPWAY COUNCIL

Shepway Council have used the allocation of discretionary rate relief to drive their economic development strategy by adding the following criteria to their decision making process:

- **Supporting healthy & vibrant towns**
- **Increasing vibrancy and activity in Folkestone Creative quarter**
- **Encouraging development of employment sites**
- **Promoting green tourism and leisure in the district**

“High streets are the heartbeat of every community. The Future High Streets Forum is right to say that good local leadership is the essential ingredient for creating great high streets.”

Brandon Lewis MP, High Streets Minister and Future High Streets Forum Co-Chairman

MODELLING THE BENEFITS OF DISCRETIONARY RATE RELIEF

Councils and town teams should view discretionary rate relief as an investment on which there should be a return. This return can be measured in a number of ways, some of which are harder to quantify than others. The table below is a tool to help consider the impact of discretionary rate relief.

		YEAR 1	YEAR 2	YEAR 3	FUTURE YEARS
Cost of Discretionary Rate Relief					
Return	Measured as:				
Footfall benefits	Yes/No or £ value				
Improved customer choice	Yes/No				
Delivery of improvements to local area	Yes/No or £ value				
Rates income from businesses remaining viable	£				
Improved customer satisfaction with overall high street	Yes/No or % change				
New business started up / became permanent	Yes/No or number				
New or improved partnership in place	Yes/No or assessment of quality				
Vacancy rates	%				

7) SUPPORTING START UP BUSINESSES

High streets and the wider economy see huge benefit from the successful development of start-up businesses. Entrepreneurs taking risks and making investments, especially when they do so with local retailing and services, is the foundation stone of local and national economic growth.

Markets and pop-up shops present lower cost, lower risk options for new businesses wanted to trial ideas and services, and this should be encouraged. Discretionary rate relief could be offered to new start-ups with a view to the future value of their businesses as they grow, possibly moving to permanent premises.

Councils could also consider relief for businesses diversifying their core offer by investing in new services. It could be that awards programmes or business bursaries could be offered, using discretionary rate relief as a vehicle for this. For example, the winner of a competition for the most innovative new business idea in the area could be offered full rate relief for the first year of trading.

8) ENSURING ENABLING SERVICES ARE AVAILABLE

Certain services are essential to high streets not as footfall drivers or anchor businesses, but as practical enablers. For example, goods availability of free cash machines helps to ensure that customers are able to spend in high streets, and particularly in markets, informal retail and catering, and independent businesses that are less likely to offer credit and debit card payment facilities.

ATMs

There are currently over 67,000 cash machines in the UK which are an essential part of UK high streets infrastructure. Cash machines are used by the majority of UK adults at least once per month and are the most preferred medium for accessing cash. Many of the ATMs available on high streets are free to use.

Where ATMs are offered for use on high streets and local centres allowing customers to access cash, using discretionary rate relief for these facilities could benefit the whole area and may lead to more free to use machines becoming available.

CASE STUDY DETAILS

Shepley District Council

<http://www.shepway.gov.uk/content/view/201620/17/>

East Devon District Council

<http://www.eastdevon.gov.uk/eddclocaldiscretionaryratereliefpolicy.pdf>

Harlow

<http://www.harlow.gov.uk/sites/harlow.gov.uk/files/documents/files/Business%20Rates%20Discretionary%20Relief%20Policy.pdf>

Lewisham Council

<http://www.lewisham.gov.uk/myservices/business/businessrates/business-rates-reductions-and-relief/Documents/Discretionary%20rate%20relief%20policy%20October%202013.pdf>

Lewis District Council

<http://cmispublic.lewes.gov.uk/Public/Binary.ashx?Document=6910>



