



Subject:	Reforming the Rating System - Rates: Rethink Consultation
Date:	20 January 2017
Reporting Officer:	Ronan Cregan, Deputy Chief Executive and Director of Finance and Resources
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Is this report restricted?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Is the decision eligible for Call-in?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

1.0	Purpose of Report or Summary of main Issues
1.1	<p>This report provides a draft Council response to the Department of Finance consultation paper on “Reforming the Rating System, Rates: Rethink, Spurring Economic Growth”</p> <p>The consultation paper was issued on the 16 December 2016 and the consultation period ends on the 16 February 2017.</p>
2.0	Recommendations
2.1	<p>The Committee is asked to;</p> <ul style="list-style-type: none"> • Agree the draft Council response included as Appendix 2.
3.0	Main report
	Review of the Business Rates System
3.1	<p>In November 2015 the (then) Department of Finance and personnel launched a public consultation seeking responses to a review of the non-domestic rating system. The Strategic Policy and Resources Committee agreed a response to this major consultation, together with a further consultation in March 2016 on the Review of rate liability in the Domestic Rental Sector.</p>
3.2	<p>The current consultation document “Rates: Rethink” (Appendix 1) further develops and broadens the issues previously considered and makes policy proposals which aim to deliver a fitter and more acceptable rating system for citizens and businesses and which spur economic growth.</p>

	Overview of the Consultation Paper
3.3	<p>The consultation paper includes the following proposed measures:</p> <ul style="list-style-type: none"> • A new £22m a year Rates Investment Scheme for smaller retail and hospitality business. • Piloting Business Empowerment Zones in two areas (Lower Newtownards Road and Lower Falls Road). • Increasing rates on empty commercial premises. • Charity shops to make a contribution. • Charging the highest value homes more. • Removing the early payment discount. • Reducing landlord allowances. • Student halls of residence to start paying rates. • A 3 year rates holiday for first residents of new energy efficient homes.
3.4	The following paragraphs provide a brief summary of the policy proposals in each area and the proposed Council response as detailed in Appendix 2.
	Investment in Small Business
3.5	Proposal to replace the existing Small Business Rates Relief Scheme (SBRR) with a new scheme targeting retail and hospitality. A commitment to provide £22m to fund the scheme which should double average awards. The proposals include two options for allocating relief, one of which favours lower Net Annual Values (NAV's)
3.6	The Council has previously responded supporting the replacement of the SBRR Scheme with a scheme which would include a focus on new start-ups and expanding SME's.
	Small Business Empowerment Zones
3.7	Proposal for two pilot Zones (Lower Falls and Lower Newtownards Road). Zone reliefs to be in place for 3 years, with automatic 50% relief within zone regardless of NAV (unless already receiving higher) and Back in Business Scheme (occupation of vacant properties) to be enhanced (75% Yr1 Relief and 50% years 2 and 3)
3.8	The Council is not in a position to comment on the specific proposals as the financial implications in relation to the potential rates income losses and whether local government will be reimbursed for additional reliefs is unknown.
	Revitalising our High Streets
3.9	Proposal based on Living over the Shops (LOTS) and Town Centre Living initiatives. Proposed 100% rates exemption for converted property, with exemption not transferrable.
3.10	The Council has previously responded in support of revitalising High Streets, but emphasised that interventions to encourage city centre living should include the wider

	private rented sector and not just for converted properties. City Centre Regeneration also requires the flexibility for temporary targeted business case relief for developments such as Grade A office accommodation and hotels.
	Charity Shops
3.11	Proposals that charity shops should pay 20% rates (currently exempt) and that an upper threshold for relief of NAV £25k (same as SBRR Replacement Proposals) should be applied to discourage charities occupying prime retail sites and to reduce relief on planned new charity superstores.
3.12	The Council has responded previously with the view that charity shops should pay some rates.
	Non-Domestic Empty Property Relief
3.13	Proposals to end the current 3 month 100% vacancy exemption and to reduce the current relief from 50% to 25%.
3.14	The Council would strongly object to the removal of the 3 month 100% exemption as this could have a negative impact on city centre development projects. The council would support the reduction in relief after the 3 month period from 50% to 25% to more align with Britain. N.B. Relief would still be more favourable than in England Nil after 3 months, Scotland 10% after 3 months.
	Halls of Residence
3.15	Proposal to remove existing 100% exemption for University Halls of Residence.
3.16	The Council has already argued for this exemption to be removed as it is unfair to those students in private accommodation who pay rates and citizens who pay for services which will be required for new accommodation. New student accommodation in Belfast is an important outcome of the City Centre Regeneration Strategy and Growing the Rate Base.
	Hardship Relief
3.17	Proposal to review the definition of the scheme and widen the decision making beyond LPS.
3.18	The Council would support a review of the definition and the input of local government.
	Sports & Recreation Relief
3.19	Proposal to include spectator stands that do not generate income in sports and recreation assessment. Also proposal to review the non sporting area 20% disregard "de minimus" anomaly.
3.20	On a principle of fairness the Council would support the spectator stands and de minimus proposals.
	Domestic Rates Cap
3.21	Proposal to remove the existing Domestic Capital Value Rates Cap of £400,000 for the

	regional rate element of the rates bill.
3.22	Responses to be considered by individual political parties, however if any change is made it should benefit local government and not just central government.
	Early Payment Discount
3.23	Proposal to remove existing 4% domestic rates discount for up-front payment.
3.24	The Council currently incur a loss of 45% (district rate element) of the 4% discount, with no benefit, as rates payments are made to the Council based on 1/12 th of estimated income.
	Landlord Allowance
3.25	Proposal to reduce the current allowance from 10% to 5%. This applies to Landlords who are responsible for paying rates (rather than tenant) i.e. Mandatory if Capital value under £150,000 or Voluntary option by the Landlord. This includes Social Landlords e.g. NIHE. Reduce current 10% allowance to 5%.
3.26	Council position is that allowance should remain. The Council would support a reduction in the allowance, although there is no information available on the likely impact of voluntary registrations of allowance being reduced.
	Energy Efficient New Homes
3.27	Proposal for a 3 year domestic rates holiday for first occupants of newly constructed energy efficient homes.
3.28	The proposal is supported.
3.29	<u>Financial & Resource Implications</u> There are no finance implications at this point.
3.30	<u>Equality or Good Relations Implications</u> There are no Equality or Good Relations Implications at this point.
4.0	Appendices – Documents Attached
	Appendix 1: Rates: Rethink Consultation Document Appendix 2: Draft Council response to the consultation questions