

## **NNDR Retail Relief and Council Tax Long-Term Empty Premium**

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<b>Urgent Decision?(yes/no)</b>	No
<b>If yes, reason urgent decision required:</b>	N/a
<b>Annexes/Appendices (attached):</b>	Annex1 – NNDR Retail Relief Scheme
<b>Other available papers (not attached):</b>	

### **Report summary**

**This report details changes announced in the government's Autumn Statement and for which the Council need to agree its position**

- A) A proposed scheme on how to administer the Business Rates Retail Relief scheme from April 2019.**
- B) Recommends changes to the Council Tax Long Term Empty Premium, enabled under Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018.**

### **Recommendation (s)**

- (1) The scheme set out in Annex 1 be adopted as the method of awarding Retail Relief to Business Rates payers in Epsom & Ewell, with effect from 1 April 2019 to 31 March 2021.**
- (2) From 1 April 2019 Epsom & Ewell Borough Council will charge a Council Tax Long Term Empty Premium of 100% on properties that have been left empty for longer than 2 years.**
- (3) From 1 April 2020 Epsom & Ewell Borough Council will charge a Council Tax Long Term Empty Premium of 200% on properties that have been left empty for longer than 5 years.**
- (4) From the 1 April 2021 Epsom & Ewell Borough Council will charge a Council Tax Long Term Empty Premium of 300% on properties that have been left empty for longer than 10 years.**

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### **1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy**

#### Retail Relief

- 1.1 The implementation of this policy will enhance the Council's key priority of supporting local businesses and our local economy by providing rate relief for qualifying properties.
- 1.2 The relief will also assist with the Council's sustainability plans by promoting our borough as an excellent place to do business.

#### Council Tax Long Term Empty Premium

- 1.3 The implementation of this scheme would support the Council's Empty Property Strategy by encouraging property owners to bring their properties back into use.
- 1.4 This can help the council to deal with homelessness in the borough and also improve the appearance of the borough by keeping empty homes to a minimum.
- 1.5 Any additional income will assist with funding council services.

### **2 Background**

#### Retail Relief

- 2.1 Within Epsom & Ewell there are approximately 1700 non-domestic properties. It is generally recognised that Business Rates is already one of the largest financial burdens for small local businesses.
- 2.2 The government have been under pressure from business groups to help businesses reduce this burden. This comes particularly in the light of the loss of a number of big high street brands this year and increasing concern about the viability of high streets across the country.
- 2.3 In the face of this pressure the Government announced in the October 2018 budget, that it will provide a Business Rates Retail Relief Scheme for occupied retail properties with a rateable value of less than £51,000, in each of the years 2019-20 and 2020-21. However it is for the council to agree the qualifying criteria for the scheme.

#### Council Tax Long Term Empty Premium

- 2.4 An additional Council Tax Charge for domestic properties was first introduced in April 2013, when the regulations were amended by the Local Government Finance Act 2012, allowing authorities to charge an additional 50% premium on long term empty properties.

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- 2.5 The Government introduced the premium as part of a package of measures to enable councils to increase their income to offset the cut in funding available for the new Local Council Tax Support scheme.
- 2.6 The introduction of the premium was aimed at encouraging owners of the increasing numbers of empty properties to bring their properties back into use to aid in alleviating the continuing affordable housing crisis.

### **3 Retail Relief Scheme**

- 3.1 The Council must adopt a local scheme for the administration of Retail Relief and Annex 1 of this report provides details of how the relief could operate locally. It incorporates the published Government guidance which is being used by the majority of Councils.
- 3.2 Relief can only be granted to properties with a Rateable Value of less than £51,000 of which there are 1,492 properties in the Council's area. However, many of these smaller properties already receive 100% small business rate relief and therefore have no rates to pay. Currently 193 businesses would be eligible for relief.
- 3.3 Relief will be applied as a reduction of one third of the bill after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied.
- 3.4 The scheme will only apply for a two years from 1 April 2019 to 31 March 2021, the period for which the government will fund the scheme.
- 3.5 In a similar way to other reliefs (such as Charity Relief), this is a test on use of the property, rather than occupation. Therefore, properties which are occupied but not wholly, or mainly used for the qualifying purpose will not qualify for the relief.

### **4 Council Tax Long Term Empty Premium**

- 4.1 Following the change in legislation in 2012 the Council decided to introduce the Long Term Empty Premium of 50% from 1 April 2013. For the purposes of these regulations a 'long term empty property' is defined as a dwelling which had been continuously empty for a period of at least two years.
- 4.2 From the 1 April 2019, long term empty properties can be charged an additional 100%, doubling the current premium.
- 4.3 From 1 April 2020, long term empty properties which have been empty for longer than five years, can be charged an additional 200%.
- 4.4 From 1 April 2021 long term empty dwellings which have been empty for longer than ten years can be charged an additional 300%.

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- 4.5 The legislation does not limit the length of time for which the Council can levy these additional charges.

### **5 Financial and Manpower Implications**

#### Retail Relief

- 5.1 The government have made it clear that they do not want councils to be financially disadvantaged by having to award the new Retail Relief. They have confirmed that the cost of awarding the Retail Relief will be refunded to the council by way of a Section 31 grant. These grants are provided on an annual basis based on the NNDR government returns which are completed by the council.
- 5.2. Although the functionality for local reliefs is available within the Revenues software, due to the complexity and the relationship with established reliefs, each case will have to be manually calculated and input. This will mean factoring in that the Business Rates annual billing process is likely to take substantially longer than normal.
- 5.3. Ongoing however, the revenues software should be able to cope with the new relief and no additional staff are sought for these changes.

#### Long Term Empty Premium

- 5.4. The revenue generated will depend both on the number of properties affected in future years and on the Council's ability to identify and collect the additional liabilities due.
- 5.5. Currently there are 58 properties attracting the long term empty premium at 50% which produces an income of £56,000.
- 5.6. For 2019, using the current level of Council Tax and increasing the premium to 100% for properties empty over two years, the potential additional income would be £56,000.
- 5.7. Whilst the further premiums for long term empty properties cannot be levied until 2020 or 2021 the current position is that there are 22 properties that have been empty for five years or more with eight of these being empty for ten years or more.
- 5.8. Based on the current level of Council Tax and the number of properties which have been empty for longer than five years remaining at 22, the potential additional income in 2020 would be £77,000
- 5.9. In 2021 the additional income would be £37,000 for properties empty over ten years.

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- 5.10. There is likely to be some additional administrative work in the identification and collection of Council Tax liabilities however, this will be significantly less than the Borough's share of the revenue collected. No additional staff are sought for these changes.
- 5.11. The additional revenue is shared by Surrey County Council (76%) and Surrey Police (13%) with this Council retaining 11%. The Council as billing authority is responsible for any additional collection costs.
- 5.12. Additional revenue raised may be used to help fund services and is not ring-fenced by regulation for any particular purpose.
- 5.13. Central government has also suggested that the additional revenue could be applied to offset the reduction in central government funding.
- 5.14. ***Chief Finance Officer's comments:*** *The Borough Council's share of any additional income generated by the Long Term Empty Premium will be available to help fund services and will be incorporated into the Council's Medium Term Financial Strategy.*

### 6. Legal Implications (including implications for matters relating to equality)

- 6.1. The legal framework for both of these changes is contained within the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018.
- 6.2. This Act makes amendments to the Local Government Finance Act 1988 for the Retail Relief and the Local Government Finance Act 1992 and the Local Government Finance Act 2012 for the Long Term Empty Premium.
- 6.3. Retail Relief will be State Aid compliant where it is provided in accordance with the De Minimis Regulations (1407/2013). Ratepayers will be responsible for informing the council, if their award of Retail Relief causes them to exceed European State Aid limits. Details of the State Aid regulations are contained in the Retail Relief Scheme in Annex 1.
- 6.4. The Council is required to adopt a Retail Relief Scheme under the new legislation but can set the criteria for its own scheme to accommodate specific local requirements within the categories shown in the Scheme at Annex 1.
- 6.5. Whilst the legislation has been passed to enable the Council to levy additional charges for certain long term empty properties it is the Council's decision on whether to apply the additional premiums
- 6.6. ***Monitoring Officer's comments:*** *No comments arising from the contents of this report.*

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### **7. Sustainability Policy and Community Safety Implications; Partnerships**

- 7.1. Locally the Council and our partners have already put much resource in to improving our commercial areas. Assisting with Business Rates liabilities where possible, supports this objective and helps to maintain diverse and healthy commercial sectors, which in turn bring people and additional revenue into the borough.
- 7.2. Increasing the Long Term Empty Premium supports the council's Empty Property Strategy and may encourage property owners to embrace the assistance the council can provide to bring their properties back into use.

### **8. Risk Assessment**

#### Retail relief

- 8.1. The legislative nature of the Retail Relief means that the council must implement a Retail Relief Scheme. Although the Government have allowed authorities a degree of discretion in determining the qualifying properties failure to adopt a scheme could undermine the Council's relationship with local businesses.
- 8.2. Detailed guidance on the type of properties the government feel should benefit from the relief was also provided with the new legislation and is at the heart of this proposal. Any deviation from this guidance including widening the criteria to other categories of business would result in the Council being required to fund such relief itself and could not be shared with our preceptors.

#### Long Term Empty Premium

- 8.3. The main concern on increasing the premium is non-collection of the charge.
- 8.4. Since the introduction of the 50% premium there has been an increase in attempts to avoid the additional charge. We expect this to increase and will have to modify our inspection routines to accommodate this.

### **9. Conclusion and Recommendations**

- 9.1. The implementation of the Retail Rate Relief up to the 31 March 2021, will fulfil Epsom & Ewell Borough Council's legal obligations and support businesses within our local commercial areas.
- 9.2. The increasing of the Long Term Empty Premium would support the council's strategy for bringing empty homes back into use for local residents. In addition the extra revenue which can potentially be realised, can be used to further support the funding of local services.

**Ward(s) affected:** (All Wards);