

Small Business Rates Relief Scheme Consultation – Draft Belfast City Council Response

Background

1. Belfast City Council welcomes the opportunity to respond to the current consultation on the proposed Small Business Rates Relief Scheme.
2. Similar to the Northern Ireland government departments, the council is conscious of its obligations to support businesses and individuals during the recession. As such, we have developed and agreed an action plan of measures that are within our remit and that may help alleviate the difficulties created by the current economic climate.
3. This is a draft response in the absence of political endorsement through our decision-making processes. It is anticipated that this response will be ratified by Council at its meeting on 1 June 2009. Once this happens, we will make staff within the Rating Policy Division aware of the situation and will note any changes from this draft.

General comments

4. Based on the consultation paper issued in March 2007, we understand that relief is to be paid automatically to business premises with a NAV of less than £5,000 and to Post Offices with a NAV of less than £12,000. We also understand that there will be two “bands” within each of these categories: small businesses with a NAV of £2,000 or less will benefit from a 50% reduction on their rates while those businesses whose NAV is £5,000 or under will benefit from a 25% reduction. Meanwhile, post offices with a NAV of £9,000 or less will avail of a 100% reduction and those whose NAV is £9,000-£12,000 will receive a 50% relief. It is not clear if vacant properties within the qualifying NAV limits will also benefit.
5. The consultation paper suggests that these costs are based on 2008-2009 poundages and on current valuations which will need to be updated as the scheme will be introduced following the re-valuation of non-domestic properties in 2010.
6. While we are wholly supportive of the objective of this exercise, namely to “reduce the burden of rates on our smaller businesses”, we are uncertain whether the proposed scheme, as it stands, will make a significant impact on target businesses in Belfast.
7. Given the structure of the proposed scheme, this will lead to a reduction in rates for smaller non-domestic properties. This does not always mean that those benefiting will be small businesses. Large businesses with a number of small properties could also benefit.
8. We also consider that, given the £5,000 threshold for businesses and the £12,000 threshold for Post Offices, the number of businesses that can benefit from the scheme within our area is likely to be negligible. If this is the case, we feel that the scheme may disappoint small businesses who are not eligible for rates relief, under the terms of this proposed scheme. Further information is required from Rating Policy Division to allow us to more fully assess the impact on Belfast.

Views on the estimated financial impact of the scheme and the proposed NAV thresholds

9. We have found it difficult to give a detailed response of the potential impact of the scheme given the absence of supporting information in the March 2009 consultation paper.
10. We feel that it would have been useful to have had access to details on the number of “eligible businesses” by electoral ward as well as some analysis of the financial impact of the subsidy, again broken down by electoral ward.
11. Such a breakdown of information would allow us to make a considered analysis of the impact of the proposed scheme and may have allowed us to make some suggestions as to possible alternative approaches that may enhance its impact.
12. A brief analysis of NAV levels within our more deprived areas suggests that the number of businesses that might benefit from this scheme could be marginal. Furthermore, there is no proof that the scheme will target those companies (or even sectors) that are finding the recession particularly difficult as opposed to those whose businesses have not been significantly affected by the downturn.

Views on the estimated impact on section 75 groups

13. We do not anticipate that the proposed scheme would adversely affect any section 75 groups within our area. However in the absence of Ward level information it is difficult to be definitive.

Views on the estimated impact on rural areas

14. On the basis of the information currently available there is a possibility that the proposed scheme may have a disproportionately larger impact in rural areas than in urban areas such as the Belfast City Council area.
15. With regard to small businesses in urban areas, property values (and thus NAVs) are generally higher in the city than in the rural areas. In light of this, the number of businesses in Belfast whose NAV will fall below the proposed thresholds to enable them to benefit from some relief may well be small.
16. Similarly, we estimate that the majority of Post Offices in the Belfast City Council area are now housed in larger stores and therefore they are unlikely to benefit from the proposed scheme. The figures in table 6 of the consultation paper confirm this assumption (albeit that there is no breakdown for council area). A significant majority of the post offices located in rural areas (93%) will receive relief under the proposed scheme; almost 40% of those in urban locations will not be eligible for relief.

Views on the impact on deprived areas

17. Although the Belfast City Council area has 8 out of the top 10 most deprived electoral wards in Northern Ireland, it is unclear that the proposed scheme provides targeted support for small businesses located in these areas.
18. However, in the absence of any analysis of eligible businesses by electoral ward and of the cumulative financial impact of the relief scheme in those areas, it is difficult to make an assessment of the impact.

19. A random sample of the NAV rates for businesses located in some of our most deprived wards suggests that only a small percentage of retail companies located in those areas would be eligible for the proposed scheme, based on the current thresholds.

Views on the outcome of the Regulatory Impact Assessment

20. We agree that there is a risk of deadweight and that the impact of this relief on a company's survival may be negligible.
21. With regard to equity and fairness, it is suggested that the wider small business scheme would have a moderately more beneficial impact on urban areas. However we would contest this suggestion and our initial analysis indicates that the impact of this scheme in the Belfast City Council area is likely to be minimal. As previously mentioned, we feel that we could present a much more considered response if we were to have a more detailed breakdown at electoral ward level of the eligible businesses and figures indicating the financial impact of the relief scheme.
22. With regard to the small business impact test, we would contend that an automatic scheme based on valuation data is "a price worth paying" only if it makes an impact on those businesses that the scheme aims to target. In the absence of more detailed information we would contend that the impact of the current scheme may well be minimal for those businesses located in the Belfast City Council area.

Conclusion

23. We understand that, following research and analysis undertaken by ERINI in March 2008, they concluded that there was "no compelling economic justification for the introduction of a small business relief scheme in Northern Ireland" and that "the benefits that would be generated by such a scheme would be inadequate to justify its costs".
24. While we appreciate that the current economic climate is different from when that research was undertaken, we are uncertain that the proposed scheme will have any significant impact on eligible businesses. Moreover – particularly for businesses located within the Belfast City Council area – we consider that only a small percentage of businesses in the area will be eligible for the scheme.
25. We feel that, in the absence of any detailed breakdown of the number of eligible businesses and the amount of relief to be gained by those businesses, it is difficult for any party to make a response on this matter. Such a breakdown would have allowed us to consider the geographical impact of the proposed scheme across the city and to see how it could fit within a wider package of business support schemes and services provided by central and local government agencies.

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