



<b>Subject:</b>	Alternatives to the Small Business Rate Relief (SBRR) Relief Scheme – BCC Response to DFP Discussion paper
<b>Date:</b>	11 May 2016
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<b>Is this report restricted?</b>	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
<b>Is the decision eligible for Call-in?</b>	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

<b>1.0</b>	<b>Summary of Main Issues</b>
1.1	The Department of Finance and Personnel has issued a discussion paper ( <b>Appendix A</b> ), on potential alternatives to the Small Business Rate Relief Scheme including how best to use the existing Executive budget provision for the scheme from 2017/18 onwards.
<b>2.0</b>	<b>Recommendations</b>
2.1	The Committee is asked to: <ul style="list-style-type: none"><li>• agree the draft response (<b>Appendix B</b>) to the seven questions included in the discussion paper issued by DFP</li></ul>
<b>3.0</b>	<b>Main report</b>
3.1	The Small Business rate Relief (SBRR) scheme was introduced on 1 April 2010 for a period of five years to help small businesses cope with the impact of the recession. At this time Northern Ireland had suffered three consecutive years of recession and similar SBRR schemes had already been introduced in England, Scotland and Wales. The scheme has cost £61.5m to date.

3.2	<p>In order to consider the future of the scheme the Department of Finance and Personnel in 2014 commissioned the Ulster University's Economic Policy Centre (UUEPC) to undertake an evaluation of the Northern Ireland scheme. The evaluation showed that the main beneficiaries of SBRR were 'retailers, wholesalers and offices'. The most recent data demonstrated that the largest percentage of these were shops (42%).</p>
3.3	<p><b>The evaluation concluded that the scheme offered limited quantifiable economic benefits and provided a low level of value for money. Whilst it helped ratepayers with cash flow, survival and keeping the cost of overheads down, there was little evidence that the scheme incentivised any significant additional economic activity.</b></p>
3.4	<p>On the 21st March 2016 the Department of Finance and Personnel issued a discussion paper (<b>Appendix A</b>) on alternatives to the SBRR scheme. In referring to the paper the Finance Minister, Mervyn Storey MLA stated he was seeking views on alternatives to small business rate relief, with a particular focus on town centres. He further stated that small business rate relief is a popular scheme but the independent evaluation found it to be poorly targeted. He therefore stated he was canvassing views on other targeted measures, including rating and other initiatives that would provide greater support to small businesses than the current scheme.</p>
3.5	<p>The Minister for Social Development, Lord Morrow MLA stated that our towns and cities have faced many challenges over recent years and they are not as competitive as their national counterparts with the evidence base showing lower levels of employment, enterprise, and population. He further stated the aim was to drive economic growth, through better targeted support, which would facilitate and incentivise investment in urban centres. He acknowledged the impact that technology and consumer habits were having on our town centres and that innovative measures were needed to respond to this issue. He highlighted the need to build on current initiatives like Business Improvement Districts.</p>
3.6	<p><b><u>Issues for Consideration</u></b></p> <p><b>Small businesses have come to regard the small business rate relief scheme as a 'constant' over the last few years. The impact that any removal of this relief will have on the small business sector will need to be assessed carefully; likewise consideration needs to be given on the impact removal might have on LPS business rates collection.</b></p>

3.7	It should also be noted that the Chancellor of the Exchequer announced in his Budget Statement in March 2016 that Small Business Rate Relief Scheme in England would be increased from 50% to 100% and that the rateable value for SBRR would be increased.
3.8	Small business relief in Northern Ireland could be restructured, to make it more targeted in the impact on small businesses. Such a restructure could examine whether it could or should take account of the proportion of rates against turnover, or take into consideration other broad financial parameters. However, in practice, administration of such a scheme could be challenging and more expensive, given the challenges in accessing company accounts and the timeliness of this information in many cases – particularly from very small businesses.
3.9	The introduction of rates holidays for small businesses meeting specific (suitably challenging) growth criteria could be considered as a way of linking relief to economic growth. Small and new businesses start ups could be targeted through financial assistance in the initial period of establishing their standing in the market place, for example during the first two years. A business start up relief would encourage regeneration. In the context of the particularly low levels of start up in Belfast, this could be an additional incentive, offered as part of a wider package of support, which could be coordinated through the Council.
3.10	Consideration could also be given to using the relief as an incentive scheme for small businesses to create employment opportunities such as modern apprenticeships.
3.11	In framing the consultation the Department has posed a series of questions against a series of options. Those options and questions and a draft Council response have been included at <b>Appendix 2</b> . The draft NILGA response has also been included for information at <b>Appendix 3</b> .
3.12	<u>Financial and Resources Implications</u> The SBRR Scheme is funded by the NI Executive.
3.13	<u>Equality or Good Relations Implications</u> There are no specific equality or good relations implications.
<b>4.0</b>	<b>Appendices – Documents Attached</b>
4.1	<b>Appendix 1</b> – DFP Discussion Paper <b>Appendix 2</b> – Draft Council Response <b>Appendix 3</b> – Draft NILGA Response