

## Tram Construction Project - Discretionary Rating Relief/Other possible assistance

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City of Edinburgh Council

29 May 2008

### 1 Purpose of Report

- 1.1 The purpose of this report is to consider additional rating or other assistance/reliefs that may be available to businesses that are severely impacted by the Tram construction project.

### 2 Background

- 2.1 When developing proposals for Tram construction it was recognised that the project may have a considerable impact on retail businesses which had a frontage onto the area of the works.
- 2.2 In recognition of this TIE initiated discussions with the business community and the Assessor and it was agreed that a minimum standard 20% reduction in rateable value would be applied by the Assessor where a retail business had a frontage onto the area of work.
- 2.3 The Assessor also has discretion to review the level of reduction if a trader feels the level of reduction is unfair given the disruption encountered. In addition where the trader remains dissatisfied there is provision for the case to be referred to the Local Valuation Appeal Committee which is an independent body.
- 2.4 It was also recognised that wider financial problems could be experienced by small businesses. A small business additional support scheme operated by TIE and funded by Transport Scotland and the Council was introduced. This scheme currently pays a lump sum to small businesses with a rateable value of £28,000 or less with a payment of £3,000 being made to those with a turnover of less than £61,000 and £4,000 to those with a turnover of £61,000 and over.

The scheme was recently extended to businesses within 100 metres of utility replacement works.

- 2.5 The various levels of assistance outlined above represent a more generous support package than for any other known construction scheme in the UK.

### 3 Main Report

3.1 Despite 2.5 above there are clear signs of distress among some traders affected by the construction works. In the remainder of this report consideration is given to other possible reliefs/assistance that may be available to traders.

#### 3.2 Possible Additional Rating Reliefs

3.2.1 Most Rating Reliefs are only available to charities or non-profit making bodies.

3.2.2 Rating Reliefs in the Edinburgh City Council area which are available to profit making bodies are (1) the new national Small Business Bonus Scheme (SBBS) and (2) provision for remission of rates on account of hardship.

3.2.3 The SBBS provides considerable levels of Rating Relief to small businesses as follows:

Combined Rateable Value of all business properties in Scotland	Relief Available	
	2008/09	2009/10
Up to £8,000	80%	100%
£8,001 to £10,000	40%	50%
£10,001 to £15,000	20%	25%

3.2.4 Invitations to apply for relief have gone out to ratepayers in the above rateable value categories and awarding relief is being prioritised for those whose main customer access is directly fronting onto the tram construction works.

3.2.5 Additional rating relief beyond the SBBS depends on the ratepayer sustaining hardship if the Authority did not do so and it is reasonable for the Authority to do so having regard to the interest of persons liable to pay Council Tax set by them.

3.2.6 Remission on the grounds of hardship must therefore be considered on an individual basis.

In considering a policy in relation to "hardship" the following must be borne in mind:

- (i) "Hardship" is not a temporary reduction in income and determining "hardship" can be difficult as trading profit/losses can depend on the accounting treatment of income and expenditure.
- (ii) Rates are a charge on occupation of property and are not determined by ability to pay.
- (iii) The actual impact any remission of rates will have on the viability of the business concerned.

(iv) 25% of the cost of any relief granted is met by the Council Tax payer.

3.2.7 In considering the points outlined in 3.2.6 above it is worth looking at some individual examples of the amount of potential relief available via hardship to some of the smallest businesses affected by the Tram construction.

- In relation to Constitution Street the following is the situation :

No. of properties 88 of which retail properties 18

Of the above 18 –

10 are likely to be eligible for 80% SBBS

3 are likely to be eligible for 20% SBBS

17 out of the 18 are eligible for Small Business Support from TIE

Highest rateable value for a shop is	£6,400.00
Current rates charge is	£2,931.20
Less 80% relief	<u>£2,344.96</u>
Maximum relief available from Hardship Relief	£ 586.24

- In relation to Leith Walk the position is as follows :

No. of properties 226 of which retail properties 154

Of the above 154 –

81 likely to be eligible for 80% SBBS

25 likely to be eligible for 40% SBBS

25 likely to be eligible for 20% SBBS

149 eligible for support from TIE

- In relation to Shandwick Place the position is as follows :

No. of properties 63 of which retail properties 35.

Of the above 35 –

1 may be eligible for 80% SBBS

2 may be eligible for 20% SBBS

5 may be eligible for support from TIE

3.2.8 It is clear from 3.2.7 above that there are significant differences between Constitution Street/Leith Walk and Shandwick Place as very few properties in Shandwick Place are eligible for the SBBS or additional support from TIE.

3.2.9 It is also clear from 3.2.7 above (highest rateable value shop on Constitution Street) that the maximum financial assistance available via Hardship is limited and may not provide a full solution to the difficulties being encountered.

3.2.10 Notwithstanding 3.2.9 above, it is clear that for some small businesses within 100 metres of the tram works trading conditions are very difficult and any additional relief that the Council could provide would be welcome. However general trading conditions across the city and Scotland are difficult due to economic circumstances and care needs to be exercised to establish that hardship is directly related to the construction works.

### 3.3 Proposed Application of Scheme

- Key target shall be small single businesses within 100 metres of the tram works

#### **Single businesses with a rateable value up to and including £28,000**

- Scheme will provide a fast track method of awarding hardship relief once supporting documentation has been received.
- Where businesses are eligible for SBBS application must be submitted
- Period of relief will mirror period that the Rateable Value has been reduced by the Assessor
- Relief will be linked to reduction in turnover as follows:-

No Hardship Relief will be awarded where reduction in turnover is equal or less than average experienced across the City, this is being determined through a piece of research work procured by the Director of City Development.

Where turnover reduction is up to 25% greater than average, Hardship Relief of 50% will be awarded for the period concerned

- Where reduction is greater than 25% Hardship Relief of 100% will be awarded for the period concerned.

### **Single businesses with a rateable value over £28,000**

- For businesses in this category there is no possible entitlement to SBBS and therefore all requests for Hardship Relief will require a detailed financial assessment. This will involve a more detailed consideration of the business beyond just turnover and will involve examination of the other assets of the business / ratepayer.

### **Promotion of Scheme**

- The Scheme will be widely promoted in conjunction with TIE and additional information will be available to ratepayers from the Non Domestic Rating Section.

### **3.4 Non Rating Relief / Other Assistance**

3.4.1 A number of businesses on Leith Walk pay for permits to allow them to put tables and chairs on the footway for customer use. Permits cost £65 per square metre per annum. Permits are not currently being issued for businesses along Leith Walk where tables and chairs cannot be placed on the footway due to the tram works and businesses are not being charged. If, once the permit is issued, further works prevent tables and chairs being sited on the footway, businesses are entitled to apply for a full refund.

3.4.2 TIE have been encouraging traders to submit claims under its Small Business Additional Support Scheme. In discussions with the Chamber of Commerce, Federation of Small Businesses and West End Traders it has been agreed that all claims should be submitted by August 2008. TIE are proposing to review the additional support scheme shortly thereafter to consider possible further support depending on available funds.

## **4 Conclusions**

4.1 There is clearly no "one size fits all" solution to the problems being encountered by traders.

4.2 The Scheme outlined in 3.3 above should apply only to businesses affected by the Tram Construction Project and is designed to provide relief quickly to those small businesses worst affected.

## **5 Financial Considerations**


5.1 It is very difficult to accurately forecast the likely cost of the additional relief particularly as it depends on entitlement to SBBS.

5.2 75% of the cost of additional Hardship Relief is met by the Scottish Government with 25% being met by the Council.

5.3 At this stage it is considered that the costs of the scheme can be contained within the overall estimate of Council Tax income for year. Further cost modelling will be undertaken with a report back to the Finance and Resources Committee in two cycles.

**6. Recommendations**

6.1 It is recommended that additional relief for retail properties affected by the Tram Construction Project is awarded in accordance with the Scheme outlined in 3.3 above.

  
**Donald McGougan**  
Director of Finance

21st May 2008

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<b>Appendices</b>	None
<b>Contact/Tel</b>	Mike Peterson, Head of Revenues and Benefits 0131 469 5006
<b>Wards affected</b>	
<b>Background Papers</b>	None