

West Belfast & Greater Shankill Enterprise Council Response to Small Business Rates Relief Scheme Consultation –

Background

1. The Enterprise Council welcomes the opportunity to respond to the current consultation on the proposed Small Business Rates Relief Scheme (SBRR).
2. The West Belfast & Greater Shankill Enterprise Council was established in August 2006 and was officially launched in February 2007 by the then Minister Maria Eagle to encourage and support business growth in the West Belfast and Greater Shankill areas. It was formed as a direct result of recommendations made in the West Belfast & Greater Shankill “Task Force Report” to establish an Enterprise Council to bring greater coherence to the promotion and support of local businesses.
3. The intention to establish the West Belfast and Greater Shankill Task Forces was announced by Ministers Sir Reg Empey and Maurice Morrow (later replaced by Nigel Dodds) on 2 May 2001 to ‘*Bring forward recommendations aimed at reducing unemployed and poverty*’ in the West Belfast and Greater Shankill areas. The West Belfast Task Force was chaired by Padraic White and the Shankill Task Force by John Simpson
4. The members of the Enterprise Council represent a broad cross section of the local business community including representatives from small and medium sized enterprises, manufacturing and service sectors, newly established / long established businesses and family owned companies. (Membership list – appendix A)
5. The Enterprise Council and its members have formed and support a number of local business forums and networks as part of its remit.
6. The Enterprise Council have launched a number of studies that outline a strategic programme and a number of iconic projects that could economically transform this part of our region. (These documents can be downloaded from our website www.enterprisecouncil.org or hardcopies are available on request). Rates Relief has been identified in our Enterprise Regeneration Programme, entitled “Think Enterprise”, as one of a range of interventions that can be used to stimulate indigenous business growth and attract inward investment.
7. The Enterprise Council has recently undertaken a comparative study of rateable values in our area. This research has so far involved discussions with the Land and Property Services, Belfast City Council and local Business leaders.
8. The above study, although not yet finalised, our key strategy documents¹ (mentioned in the text above) and the research that has gone into their development form the basis of our response to this consultation.

¹ These documents are 1) “Think Transformation: development initiatives for the economic transformation of West Belfast and Greater Shankill 2) “Think Enterprise – A New Approach” Outline of an Enterprise Regeneration Programme 3) The Andersonstown Gateway Feasibility Study

General comments

9. The Enterprise Council wish to commend the Minister and his department on the development of this scheme. The principle behind it, that small businesses pay a higher proportion of turnover in rates than larger business and therefore should pay a lower rate in the pound, should be welcomed and encouraged. However we believe that this scheme, in its present form, will not dramatically impact on the SME sector in our area for the reasons stated below.
10. Based on the consultation paper issued in March 2009, we understand that relief is to be paid automatically to business premises with a Net Annual Value (NAV) of less than £5,000 and to Post Offices with a NAV of less than £12,000. There will be two “bands” within the small business category: those with a NAV of £2,000 or less will benefit from a 50% reduction on their rates while businesses whose NAV is between £2000 and £5,000 will benefit from a 25% reduction. It is not clear if vacant properties within the qualifying NAV limits will also benefit. The NAV thresholds stated are based on the Welsh SBRR model however if applied to our area of operation (West Belfast and Greater Shankill) they appear extremely low in comparison to the value applied to small business properties here². Hence only a small number of SMEs will get the benefit of any rate relief.
11. Additionally even if NAV thresholds are reviewed upwards in response to the ongoing reappraisal of rateable values this situation is unlikely to change significantly as they will be reviewed on a NI wide basis and will not take account of specific geographical issues i.e. comparable rental values tend to be higher in capital cities.
12. At the moment within our area there are large variations in NAV between comparable, even neighbouring, properties which would result in an uneven pattern of rates relief across districts and the SME sector that reflects only the rent levied by individual property owners and not the needs of the business or the physical or social environment in which it operates.
13. There are no measures within the proposed rate relief scheme to specifically target small businesses operating within our most deprived communities
14. There are no measures within the scheme to target rate relief within areas that have low business start-up numbers, poor business survival rates or low number of business stock³ operating within it. Any such measures would put a greater emphasis on the stimulation of business growth as a priority of the scheme.
15. The ERINI report highlights the problem that, in the medium to long term, landlords benefit more directly from rates relief than the small businesses it is aimed at. This new measure does not propose a way of overcoming this issue reflecting the desire that the policy should be straight forward and simple to implement and administer.

² NAV figures supplied by Land & Property Services

³ (These figures are produced at PC level by BERR Enterprise Directorate Analytical Unit)

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

16. 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. However based on our understanding of the proposed SBRR scheme we would commend the decision that the regional rate will not be increased to recover lost revenue experienced through the introduction of this scheme. Any increase in the regional or district rate would undermine any wider benefits the introduction of the SBRR would have for our business community.
17. A brief analysis of NAV levels within our area 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.
18. Any NI scheme should allow for regional variations in NAV especially between Urban and Rural areas.

Views on the estimated impact on section 75 groups

19. Evidence within our comparative study suggests that within our area the large variations in NAV between districts could lead to a differential of impact of the scheme across community background unless additional criteria for rates relief was applied (possible additional criteria are mentioned in the conclusion section of this paper).

Views on the estimated impact on rural areas

20. 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.
21. 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.

Views on the impact on deprived areas

22. Although West Belfast and Greater Shankill contain the most deprived communities in NI⁴ with 68% of the population living in our countries most deprived wards, based on the NAV thresholds indicated in the consultation document, this SBRR scheme will have minimal impact on businesses in this area.

⁴ Deprivation Statistics are based on the NI Multiple Deprivation Measure 2005

Views on the outcome of the Regulatory Impact Assessment

23. We agree with the rationale for intervention as put forward in the consultation document.
24. However 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. We would contest this suggestion and, as previously stated, our initial analysis indicates that the impact of this scheme in our area of Belfast is likely to be minimal. If we look at New TSN analysis we would expect this area, given its level of deprivation, to be more positively and equitably impacted by this scheme.
25. With regard to the small business impact test, we would agree that an automatic relief scheme would be more beneficial to small businesses given the evidence of low uptake from other application based schemes. However we believe that for an equitable and fair scheme other criteria should be used to help target small business that will benefit the most from the proposed SBRR scheme. Statistics that give an indication of a poor business environment are readily available such as Deprivation Measures and statistics indicating level of business stock in the area. Coupling these with NAV levels (allowing regional variations) would be achievable and still allow the scheme to be automatic.

Conclusion

26. We understand, following research and analysis undertaken in March 2008, ERINI 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”. However, we appreciate that the current economic climate is different from when that research was undertaken and that the Minister and his department are justified in putting forward a SBRR scheme.
27. We agree that the scheme should be funded from the NI’s public expenditure and that it is preferred that the final scheme should be one that can be applied automatically using existing data.
28. If NAV thresholds are to be used as part or as the only criteria for this SBRR scheme then they must be revised upwards to reflect the modern rental values and clearly there should be a stepped threshold between rural and urban areas as comparable rents would tend to be higher in a capital city.
29. However allowing the only criteria for the proposed relief to be based on NAV is, as recognised in the consultation document, problematic and coupled with the low thresholds proposed will result in an inequitable and unfair distribution of benefit from the scheme across our area. We base this statement on the scale of modern rents in the area and the large variations in NAV across districts and even between neighbouring properties.

30. We would recommend that the emphasis should not solely be on rental value but also criteria identified to ensure to that the businesses receiving the rates relief are those that need it the most. A simple method of targeting it towards deprived areas, where small businesses struggle to survive, is to provide rates relief to those businesses operating only in the 10% most deprived communities in N.I., the criteria for this has already been used to establish Neighbourhood Renewal Areas and the data was updated in 2005.
31. If the above criterion was used in addition to NAV, with thresholds reflecting regional variations, we believe that the SBRR scheme would be more likely to reach those Small Businesses that will benefit the most from it.
32. Alternatively, to encourage the scheme to stimulate business growth, areas that have historically low business stock or poor business survival rates can be easily identified through existing government data and, in conjunction with NAV thresholds, rates relief can be targeted at small businesses in these areas.
33. The case for rates relief as a tool to encourage inward investment, indigenous business growth and start-up enterprise stimulation is a recurrent theme in many economic regeneration documents. The Enterprise Council believes that as part of a framework of strategic interventions it can play an important role in the economic revival of some of our most blighted and deprived regions. We therefore support the introduction of an SBRR scheme for small businesses and encourage the department to consider other ways in which such interventions can be used to help stimulate and grow more successful and sustainable indigenous enterprises.

Appendix A

Member's list of the West Belfast & Greater Shankill Enterprise Council

Name	Position	Business
Padraic White	Chair	
Terry Cross	Vice Chair	Delta Print & Packaging Ltd
Dr. Mark Brotherston	Vice Chair	Adfab Engineering Ltd
Prof. Ken O' Neill	Company Secretary	University of Ulster
Jim Carvill	Member	Wilton Healthcare
Máirtín Ó Muilleoir	Member	Belfast Media Group
John Carmichael	member	Silotank
Geraldine Mc Aleese	Member	Sky Line
Douglas Adams	Member	Sliabh Dubh Pubs
Michael Scott	Member	Lanark home Ltd
Terry Mearns	Member	Oasis Garden Centre
Arthur Rooney	Member	Whitefort Inn
Michael Mc Glade	Member	Yellow Design & Digital Media
Sheena Clegg	Member	Transition Training Ltd
Brendan Farnan	Member	Glenhill Merchants
Harry Mc Kee	Member	Belfast Angling Centre
Art Mc Cabe	Member	Arthur J. McCabe & Associates