

Report to the Council

Committee: Cabinet

Date: 29 September 2009

Portfolio Holder: Councillor Mitchell Cohen

Item: 11

1. THE BROADWAY, LOUGHTON – FINANCIAL ASSISTANCE FOR TRADERS

Recommending:

That a scheme of rent refunds for shops in The Broadway, Loughton that matches the temporary amendments to rateable values approved by the Valuation Officer be agreed subject to the following:

- (a) only properties that have received a reduction in rateable value will be eligible;**
 - (b) the period of the refund will match the period of the reduction in the rateable value; and**
 - (c) the percentage reduction in rent will match the percentage reduction in rateable value.**
-

Background

1. At our meeting on 13 July 2009 we considered a motion referred from full Council asking us to consider a rent deferral scheme for Council tenants in the shops in The Broadway and to look at the possibilities for helping all the Council's tenants in shops and commercial premises during the current recession.
2. We decided not to introduce a rent deferral scheme as we considered such a scheme was not a good solution for either the Council or the traders. From the Council perspective we considered it important to be fair to all tenants and there was no objective evidence at that time that allowed a distinction to be made between The Broadway and other areas. We were also conscious that a rent deferral scheme for all commercial properties could have had a serious impact on the financial position of both the General Fund and the Housing Revenue Account as there are commercial properties held within both accounts. We also felt that a deferral scheme would be of little benefit to traders as it would only prolong their financial problems and could ultimately do more harm than good.

Call in

3. Our decision in relation to shops in The Broadway was the subject of a call in and was considered by the Overview and Scrutiny Committee at its meeting on 3 September 2009.
4. At the Overview and Scrutiny Committee members were advised of the disadvantages of a deferral scheme and informed of proposals for rent refunds

matching the temporary amendments to rateable values approved by the Valuation Office. The Overview and Scrutiny Committee confirmed the decision of the Cabinet and supported the proposals outlined for rent refunds which are the subject of this report.

National Non-Domestic Rates

5. The Council collects national non-domestic rates on behalf of the Government and receives back an allocation from the national rate pool. In 2008/9 approximately £29.4 million was collected and paid into the pool whilst £8.2 million was received back. The rates payable for a property are determined by its rateable value, which is assessed by the Valuation Office. Advice was provided to The Broadway traders on applying to the Valuation Office for reductions in the rateable value of their properties for the duration of the enhancement works at The Broadway. When we considered this matter at our meeting on 13 July 2009 no notifications of reductions in rateable values had been received.
6. Notification has now been received from the Valuation Office that, on average, reduce the rateable values of 58 properties in The Broadway by approximately 25%. These reductions cover a period of 242 days when the enhancement works were being undertaken. Amended bills are now being calculated and issued in accordance with the notifications.

Housing Revenue Account

7. The original estimates for the Housing Revenue Account were constructed on the basis of Government advice and regulations in place at that time and predicted a deficit for 2009/10 of £388,000. Shortly after these estimates and the associated rent increase were set the Government changed their guidelines for rents. The initial guidelines encouraged rent increases in excess of 6% but members felt this to be excessive and set a lower increase of 4%. However, the revised guidelines required authorities to limit increases to 3% and as a result tenants will be receiving amended charges for their rent in due course.
8. The combined effects of the change in rent guidelines and the late Government amendments became clear on 28 August 2009 when the Council submitted its latest housing subsidy claim to the Department for Communities and Local Government. It is now anticipated that the negative subsidy payable to the Government for 2009/10 will be £9.75 million instead of £11.2 million. There are two negative factors to off-set against the reduction of £1.4 million, firstly the loss of approximately £250,000 of rent (due to the change in the rent increase from 4% to 3%) and secondly interest earnings will be lower than originally anticipated and this may impact by as much as £500,000.
9. Revised estimates are still very much work in progress and there are a number of other issues that need to be looked at in detail. However, based on the key items identified a prudent prediction is that the revised estimates will show a small surplus rather than a £388,000 deficit.

Rent Refund Scheme

10. At our meeting on 7 September 2009 it was not possible to calculate a precise figure for the cost of the proposed scheme. A scheme that matches the reduction applied by the Valuation Office of a 25% reduction for a 242 day period would have a cost in

the order of £160,000. If the scheme is designed to exactly match the reductions in rateable value then each property will need to be reviewed individually.

11. It is proposed that where a tenant is not in arrears their subsequent invoices should be reduced to take account of the refund. If a tenant is in arrears it is proposed that any refund will be offset against their arrears.
12. As the proposed scheme is not wholly in accordance with the current budget, approval is required from full Council.

Recommendation

13. We are recommending as set out at the commencement of this report which we consider to be far more beneficial to both the Council and the traders than a rent deferment scheme.