

Small Business Rate Relief Evaluation

1 December 2014

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1. Executive summary

SBRR was introduced in 1 April 2010 for five years to help small businesses in NI cope with the impact of the recession. 85,293 Small Business Rate Relief (SBRR) awards were made to non-domestic ratepayers, averaging £516 each were made to 31 March 2014, at a total cost of £44.0m.

Respondents to the survey of over 500 individual businesses felt that the scheme was beneficial. The main impacts were qualitative in terms of improving cashflow, helping with survival and reducing the cost of overheads. A very limited number of respondents were able to say that there were any quantifiable economic impacts such as increasing employment or investing in machinery. Respondents were also supportive of providing the greatest levels of assistance to the smallest businesses.

Those who took part in the consultation process were supportive of the principle of the NI Executive helping small businesses. Consultees were in agreement that the introduction of SBRR was the correct thing for the Executive to do when NI was in the midst of the prolonged economic downturn. The relief received was welcomed by businesses as it provided an increase in cash flow during the recession and also throughout the period of recovery when many small businesses continued to struggle. A range of other options were suggested as to how the assistance could be delivered via the rating system and there is general support for a more targeted scheme in the future.

The economic outlook is improving and the private sector is in recovery mode. However, whilst signs of recovery are evident, the implementation of austerity measures in the public sector means that it is essential that the NI Executive maximise the level of Value for Money from each and every form of relief.

As already announced by the Minister for Finance and Personnel, there is a broader review of rates planned for 2015. This review, the potential implications of the revaluation process, on-going mergers of District Councils, the outcome of the “devolution of power” discussions that have followed the Scottish referendum and the on-going discussion on rating policy in England all combine to make it an inopportune time to consider removal of SBRR without considering all of the relief offered within the rating system and how they interact. Implementing any significant change to the scheme at a time in which businesses are already facing uncertainties would not be an advisable course of action. NICEP recommends that;

1. SBRR is retained in its current form during 2015/16 until the outcome of the revaluation process and mergers of District Councils are complete.
2. The cost of SBRR is capped at £17.3m during 2015/16. Once the number of eligible businesses is known for 2015/16, the percentage award should be amended accordingly to ensure that total relief does not exceed the maximum limit.
3. SBRR should be phased out as wider economic conditions improve, preferably over a 3 year period by reducing the total amount awarded (perhaps moving to £10m then £5m) as opposed to changing the qualifying thresholds. The rationale for recommending maximum thresholds is that there will be no change to those who are eligible for aid and it will ensure that at a time of austerity that the total cost of operating the scheme will not increase due to changes in NAV's as a result of the revaluation process or mergers of District Councils
4. A wider review of the rating system should be carried out encompassing all reliefs once the revaluation is complete, the direction of future policy in other competing jurisdictions is known and the new LPS data systems are in place which will allow a full and complete assessment of the various reliefs, how they

interact and costs and benefits. Each relief would be linked to a specific rationale (social or economic for example) and would consider the policy need at the point of implementation and evaluation.

5. If a replacement scheme for SBRR is to be considered that will help to grow the economy it should be a more targeted scheme, focussing on economic growth, to ensure that Value for Money is maximised. A more targeted scheme should help to reduce the level of deadweight and increase cost effectiveness in relation to the outcomes. Whilst LPS have access to a large amount of data, the indicators are necessarily focussed on ratepayers and the rating system and do not include other business focussed data that would be required to implement an automatic award system on a more targeted basis. Therefore, a simple application based approach would be required in order to implement a more targeted system. Naturally, there are factors to consider and risks associated with this approach that would need to be assessed fully before adopting such an approach. These include:
 - a. The objective of the scheme. If it is to support economic growth then an application system that tied the relief to investment in the productive capacity (to include investment in employees, employment or capital) of the business would seem appropriate (this would be NICEP's preferred objective). The costs and benefits of a more targeted scheme can be more fully assessed once the outcome of the revaluation is known. If the objective of the scheme is to support business survival then a different criteria would be more appropriate (NICEP's recommendation is that this type of anti-recessionary policy is only implemented during a recession). For the targeted scheme, given the scale of relief involved the scheme envisaged would be a simple one page application showing that the firm had invested in increasing the productive capability or capacity of the firm. Random inspections would be required for a proportion of those awarded relief to ensure applications are accurate.
 - b. Awareness: Some ratepayers may not apply because they were unaware of the scheme not because they did not qualify. In order to combat this, the application form for relief could be included in the annual rate bill.
 - c. Recurrent: an application based system would require an annual application and award and therefore, costs would be recurrent.
 - d. Costs: There are costs for both businesses and the administering authority in completing forms, processing of the applications (plus carrying out any investigations). Indeed, the administrative cost per award of any targeted scheme should be considered in relation to the value of each award provided. LPS have advised a unit cost of £35 per simple application £115 for a more complex one suggesting a significant cost of any move to an application based system. NICEP would recommend that this price is market tested to ensure that VfM is maximised.
6. Further consideration of a replacement scheme is recommended in the light of the new valuation and in tandem with a review of all reliefs. There are considerable risks associated with sectoral or location specific incentives and though they were popular with the majority of Stakeholders care must be taken when assessing their merit. They may result in moving economic activity (displacement) and thus damaging other locations or missing out key businesses in need if a broad sectoral classification is used. The current scheme responded to a particular economic need at a point in time and any future scheme should be tied to a similar clearly identified need.
7. Consideration should be also given to developing a simple rating policy model in Microsoft Excel that could be used in addition to existing information to allow officials and decision makers to consider the implications of different scenarios on ratepayers and the amount of rates revenues that would be raised / offered in relief. This "smart" modelling tool will allow a broader consideration and articulation of the implications of potential policy initiatives from a range of perspectives.

2. Introduction

The NI Centre for Economic Policy (NICEP) has been commissioned by the Department of Finance and Personnel (DFP) to carry out an evaluation of the Small Business Rate Relief Scheme (SBRR) and consider potential options for the future.

The evaluation includes a survey of 552 non-domestic ratepayers, face to face consultations with key stakeholders, a public consultation, analysis of data helpfully provided by Land and Property Services (LPS), a review of relevant literature and consideration of rate relief schemes in place in other parts of the UK.

The objective of the evaluation is to provide evidence of the wider economic impact of the SBRR and its effectiveness as a policy intervention. The evaluation will also inform the decision on any alternative scheme that may be needed after the general revaluation exercise planned for April 2015. It should be noted that the outcome of the 2015 revaluation process will be required to assess the impact of different NAV's on the costs and benefits of potential future policy options.

Terms of Reference for the evaluation can be found in Annex 1.

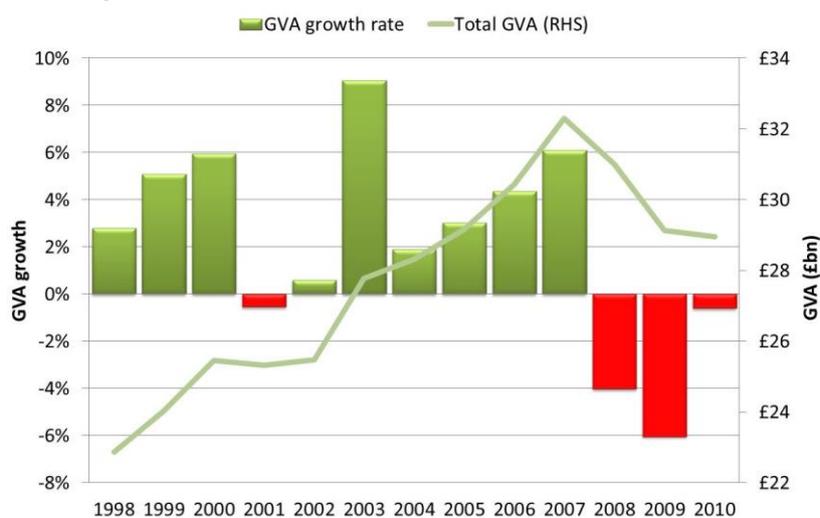
2.1 Background & economic context

The Small Business Rate Relief Scheme was launched by the Department of Finance and Personnel on 1 April 2010 as a temporary measure to help alleviate pressures placed on small businesses as a result of the recession which began in 2008. At the time, the legislation provided relief for five years, until 31 March 2015, when the current scheme ends.

The challenging economic conditions that prevailed in 2010 provided the rationale for the introduction of SBRR. By 2010, as figure 2.1 shows, Northern Ireland had suffered three consecutive years of recession and the key economic indicators at that time reveal that from 2007;

- Real GVA had fallen by 10.3%;
- The working age (16-64) employment rate had fallen from 68.4% to 66.0%, equivalent to 11,350 jobs;
- The ILO working age unemployment rate had almost doubled to 5.2%; and
- 33,500 more individuals were either unemployed or economically inactive.

Figure 2.1 – Annual Economic Growth in NI, 1998-2010



Source: ONS / NICEP

It is clear that economic conditions were particularly challenging during 2010 and as a result, the NI Executive and Ministerial team were keen to react to the prevailing economic conditions and introduced a range of measures to stabilise the economy and help stimulate growth.

During 2008, DFP commissioned the Economic Research Institute of Northern Ireland (ERINI) to investigate the economic case for SBRR in NI, considering the different schemes that were in place in England, Scotland and Wales. The ERINI report concluded that;

***“Taking account of all of the evidence collected ERINI has concluded that there is no compelling economic justification for the introduction of a small business relief scheme in Northern Ireland. The local rate base has already been weakened by a series of reliefs and exemptions and a further relief to small firms would mean that either public services would have to be curtailed or those firms not benefiting from the relief would face even higher rate bills. The benefits that would be generated by such a scheme would be inadequate to justify its cost.*”**

However, if the Executive and the Assembly decide to proceed with a small business rate relief scheme on wider political or social grounds the recommendation is that they adopt the Welsh scheme¹ as the appropriate model for Northern Ireland including its provision for supporting Post Offices.”

In the context of the challenging economic conditions that prevailed and the fact that small businesses in England, Scotland and Wales were already in receipt of SBRR, the NI Executive agreed to introduce SBRR to Northern Ireland. The SBRR scheme was introduced as a political measure by the NI Executive, rather than via a “Value for Money” approval. The implication is that there are no specific economic targets set within the approval of the scheme, such as increasing employment, investment, productivity or output. It was introduced as an anti-recessionary policy, which was a reasonable rationale when the scheme was implemented and within the evaluation, effort is devoted to identifying the economic impact in addition to establishing how popular the scheme was.

The scheme that was introduced sought to emulate the main features of the original Welsh SBRR scheme, with enhancements for small Post Offices. Unlike the case in England and Scotland, it was intended that the scheme would not be funded by applying a general levy on other businesses.

2.2 A small firm economy

Northern Ireland is often referred to as a “small firm economy” which is correct, but this is also the case in all other regions of the UK. The intention behind introducing the SBRR was, at least in part, to try to help the majority of small businesses through the rating system.

¹ The Welsh scheme provides 100% rate relief to non-domestic properties with an NAV from £0 - £6,000 followed by relief on a sliding scale from 100% at £6,001 to 0% at £12,000. Post offices receive 100% relief for premises with an NAV of less than £9,000, 50% for those between £9,001 and £12,000. Child care premises with an NAV of less than £12,000 also qualify for 50% relief.

Table 2.1 – Structure of UK business base by region, 2013

Region	Micro / Small (0-49 employees)	Medium (50-249 employees)	Large (250+ employees)
NORTHERN IRELAND	98.2%	1.5%	0.3%
WALES	98.2%	1.5%	0.3%
SOUTH WEST	98.2%	1.5%	0.3%
EAST	98.0%	1.6%	0.4%
SOUTH EAST	98.0%	1.6%	0.4%
UK	97.9%	1.7%	0.4%
SCOTLAND	97.9%	1.7%	0.4%
LONDON	97.8%	1.7%	0.5%
WEST MIDLANDS	97.8%	1.8%	0.4%
EAST MIDLANDS	97.8%	1.8%	0.4%
NORTH WEST	97.7%	1.8%	0.4%
YORKSHIRE AND THE HUMBER	97.6%	1.9%	0.4%
NORTH EAST	97.4%	2.1%	0.5%

Source: Interdepartmental Business Register, ONS

2.3 Rates and public services

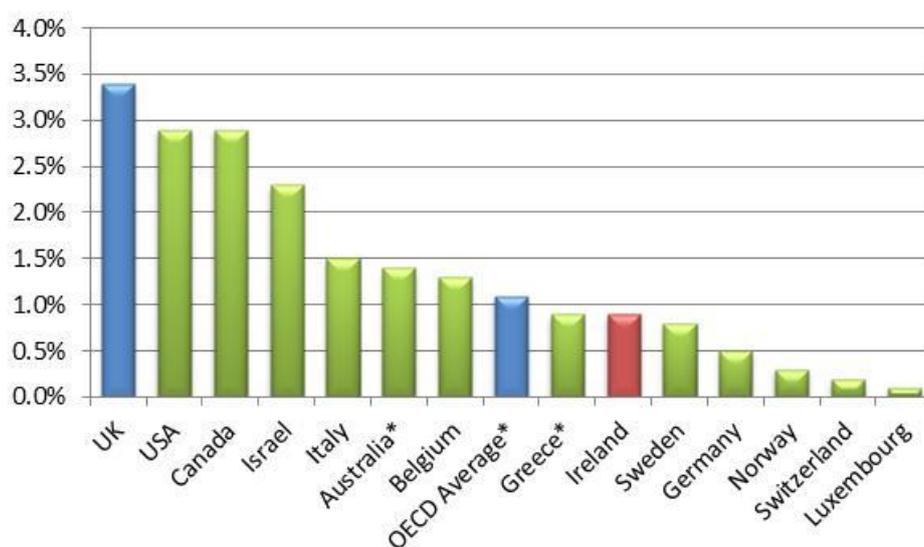
The revenue generated through the rating system provided £1.1bn for the NI Executive in 2013-14.² Therefore, the property owners and tenants, domestic and non-domestic, provide a significant contribution to the c£22bn of funding that is required to provide public services in NI annually.

The supply of property, quite naturally, does not change significantly from year to year. In addition, property cannot be moved and its ownership is easily established, making it relatively straightforward to identify who should pay any tax. Property taxation (such as rates) is therefore a relatively stable form of income for the public sector. From one perspective property taxation is appealing as it enables Government to build relatively accurate income and expenditure plans and there are relatively high levels of compliance. However, the high level of stability is from another perspective, inflexibility, which means that the rating system does not react at all to changes in economic conditions or an individuals' ability to pay, resulting in criticism of this method of income generation from some quarters. Property taxation also encourages the efficient use of resources in that when assets are taxed, they are kept in productive economic use.

When considered in an international context, the UK generates the highest proportion of tax receipts from non-domestic immovable property of the countries in the OECD database, and is significantly above the OECD average. Whilst figures are not available for NI as a regional economy, the proportion is likely to be broadly similar to the UK average. The UK Government have opened a discussion on the future of business rates in England, based on the fact that firstly, rates are not responsive to changes in the economic climate and secondly, the administration of business rates can be improved. Therefore the UK rating system is being scrutinised and NI should watch these developments closely.

² Draft Land & Property Services Trust Statement: Rate Accruals Account (for the year ended 31 March 2014)

Figure 2.2 – Total government tax receipts from recurrent non-domestic immovable property as a % of GDP, 2012



Note: * = 2011 data

Source: OECD

2.4 The Macroeconomic context vs a microeconomic evaluation

There are two approaches to economics in general. The first is the macroeconomic approach – considering the whole economy from the top down and the second is the microeconomic approach which works from the bottom up, examining the impacts at individual firm level and aggregating the results.

The Terms of Reference for this evaluation specified that the report should “*Consider the impact that rate relief has had on decision making by business ratepayers, in terms of business sustainability, investment and growth;*” and as such the approach is from the microeconomic perspective. That said however, it is also important to consider how a macroeconomic approach may differ and the implications for SBRR.

At a macro level, the general consensus is that lowering taxes on the business base will lead to increased economic growth as they use that money to invest and grow. There are a number of important points to note with this type of approach in relation to SBRR.

Firstly, the SBRR is a relatively small scheme in the context of the NI economy, providing £16m of relief in 2014 (the largest amount of any year) in the context of a regional economy that is £29bn – about 0.06% of the economy. Therefore, at a macro level, modelling the impact of such a scheme will be impractical due to its small size.

The second issue is what will the private sector do with the additional monies? Economic data from the Blue Book shows that businesses have been holding onto cash in recent years, perhaps waiting for more of a recovery to minimise the risk of investing their reserves. Rather than saving, beneficiaries may spend the money and the question is whether they will spend the money within the domestic economy, or will it leak out of NI as imports are purchased?

The third issue is around what sectors, or who will be helped by the relief. The main beneficiaries (as revealed by the survey later on) are retailers and wholesalers who are dependent on consumption expenditure. Whilst the relief will have helped with cashflow (again as reported in the survey), it is unlikely to help boost demand for their products.

Lastly, Government must balance income and expenditure and rate relief results in a more constrained public expenditure environment. Therefore Government must be careful to keep taxes that matter the most for economic growth at the lower end of the spectrum and raise enough revenue to deliver effective public services.

In summary, whilst there is clear merit in macroeconomic modelling of changes in taxation policy, SBRR is a relatively small relief and it would be impractical to do so.

2.5 Genesis of SBRR

The SBRR was introduced by Nigel Dodds, Minister for Finance and Personnel on 1 April 2010. He said

“Small firms are the lifeblood of the local economy providing much needed employment and services. In these difficult times, I am looking for new ways of helping our small business sector deal with the challenges they face. I am pressing ahead with a small business rate relief scheme which will deliver help automatically from April 2010 and does not impose a burden on other business ratepayers. This measure forms part of the Executive response to the economic downturn.”

2.6 Structure and evolution of the scheme

When SBRR was introduced, there were two bands of relief for non-domestic ratepayers and two more generous bands of relief for post offices. All awards within the SBRR scheme were automatically deducted from the Rate bill. There was no application process which minimised the administrative burden to LPS and ratepayers. The relief comes at a cost to the regional rate as District Councils do not lose funding as a result of the scheme. Therefore, there is a reduction in the amount available for public expenditure on other programmes and projects in NI – the opportunity cost in economic terms.

Table 2.2 – Structure of original SBRR scheme

Non-domestic properties		Post Offices	
NAV	Level of Relief	NAV	Level of Relief
£2,000 or less	50%	£9,000 or less	100%
£2,001 - £5,000	25%	£9,001 - £12,000	50%

Notes: Exclusions apply to vacant or partially occupied properties, ATMs, property used for the display of advertisements, car parks, sewage works, telecommunication masts and properties occupied by Government / public bodies

In April 2012, four modifications were made to the Scheme to broaden its reach and include a greater number of ratepayers who received no other relief. They were;

1. Inclusion of 20% relief to non-domestic properties with an NAV from £5,001 - £10,000;
2. Inclusion of 20% relief to post offices with an NAV from £12,001 - £15,000;

3. Exclusion of ratepayers who own multiple³ premises; and
4. Introduction of a 15% levy on large retail premises⁴.

Modifications three and four provided additional Rate income which was recycled within the scheme to fund some of the costs of including additional properties in modifications one and two.

In April 2013, two final modifications were made to the scheme as part of the NI Executive's "Jobs and Economy Initiative". They were;

1. Inclusion of 20% relief to non-domestic properties with an NAV from £10,001 - £15,000; and
2. Exclusion of those ratepayers who were in receipt of double relief,⁵ such as industrial de-rating, or sport and recreational relief.

Again, the additional Rate Income was recycled within the scheme to help pay for the inclusion of the additional non-domestic properties from £10,001 - £15,000.

Table 2.3 – Current structure of NI SBRR scheme

Non-domestic properties		Post Offices	
NAV	Level of Relief	NAV	Level of Relief
£2,000 or less	50%	£9,000 or less	100%
£2,001 - £5,000	25%	£9,001 - £12,000	50%
£5,001 - £15,000	20%	£12,001 - £15,000	20%

Notes: Exclusions include multiple property owners, "double reliefs", vacant or partially occupied properties, ATMs, property used for the display of advertisements, car parks, sewage works, telecommunication masts and properties occupied by Government/public bodies.
A large retail levy of 15% is used to fund part of the cost of rate relief to small NAV non-domestic properties

2.7 What cost?

During 2014, almost 23,000 non-domestic properties in NI benefitted from some form of relief through the SBRR scheme (52% of non-domestic ratepayers). The value of this relief to the non-domestic sector is £16.1m in 2014, in terms of Rate Relief offered and represents a 3.6% reduction in Rates income to DFP which could have been used to fund other public sector projects or initiatives.

Over the lifetime of the scheme, the cumulative amount of relief provided amounts to £47.6m.

2.8 Considerations for the future

The current economic context is more favourable than when the SBRR scheme was introduced. There is a general recovery across all the main economic indicators. A number of challenges remain for businesses in terms of the

³ Owners of more than 3 non-domestic properties were excluded from SBRR on the basis that the "spirit" of the scheme is to provide relief to small businesses.

⁴ The Large Retail Levy is applied to large retail premises with a rateable Net Annual Value (NAV) of £500,000 or more. The premises must be used primarily for retail sales.

⁵ Those getting 70% industrial de-rating, up to 80% Sport and Recreation Relief or Freight and Transport relief

rising cost of overheads, access to finance, reductions in demand and the pace of recovery has slowed over the last quarter.

Table 2.4 – Key economic indicators for NI

Data	Source	Change on Qtr	Change on Yr
GVA (2012)	ONS		
Employment	ONS		
Employee jobs	ONS		
Self employment	ONS		
Unemployment	ONS		
Economic inactivity	ONS		
House prices	ONS		
Skills- NVQ 4+ (2013)	ONS		
Business start ups (2012)	ONS		
Exports (2013)	DETI		
Redundancies	DETI		
Tourism	DETI		
Composite economic index	DETI		
Index production	DETI		
Index services	DETI		
BERD/HERD/GOVERD (2012)	ONS		
Car sales	SMMT		

Note: 2014 unless otherwise stated.

Northern Ireland, like all other parts of the UK, is faced with austerity and the Executive must deliver public services within an increasingly constrained budget. This is particularly relevant in the context of SBRR, which reduces income from the rate base to provide relief to the private sector, as it necessarily means that the public sector budget is lower than would be the case if the relief ends, or is reduced.

2.9 Structure of report

The remainder of this report is structured as follows:

- **Chapter 3** will consider the English, Scottish and Welsh SBRR schemes;
- **Chapter 4** looks at data analysis and policy monitoring information;
- **Chapter 5** summarises the results of the beneficiary survey analysing the overall outcome in terms of the level of Value for Money that was offered by the scheme;
- **Chapter 6** presents the outcome of the public consultation process;
- **Chapter 7** presents the outcome of the targeted stakeholder consultation process;
- **Chapter 8** discusses the perspectives of each of the main political parties in NI on SBRR;
- **Chapter 9** assesses the compliance of SBRR with the relevant legislation and regulations and assesses the equality and deprivation impacts of the initiative;
- **Chapter 10** assesses the level of value for Money offered by SBRR;
- **Chapter 11** discusses future policy options. A range of possible options for the future of the SBRR are presented based on the evidence gathered throughout the evaluation process; and
- **Chapter 12** summarises the key messages that have been made throughout the evaluation and makes recommendations and conclusions based on the evidence.

3. GB policy environment

3.1 Current policy environment

SBRR is a feature of the policy environment across the UK. Northern Ireland was the last of the four constituent countries to introduce an SBRR scheme. Table 3.1 provides an overview of the different SBRR schemes in place in Great Britain.

Table 3.1 – SBRR policy overview in England, Scotland and Wales.

	England	Wales	Scotland (Small Business Bonus Scheme)
Introduced	April 2005	April 2007	April 2003 for SBRR, SBBS replaced SBRR in 2008
Ends	31 March 2015	31 March 2015	31 March 2017
Objective	Ease financial pressures on businesses and encourage economic growth.	Provide support to small businesses at a difficult time in the economic cycle.	Contribute to Government's ambition to create a more successful country by increasing sustainable economic growth.
Qualification	Rateable value of property is less than £12,000.	Rateable value of property is less than £12,000.	Combined rateable value of all business premises in Scotland is £35,000 or less.
Threshold	<ul style="list-style-type: none"> £0 - £6,000 = 100% relief & small business multiplier⁶. The rate of relief will gradually decrease from 100% to 0% for properties with a rateable value between £6,001 and £12,000. This will decrease on a sliding scale by 1% for every £60 rateable value between £6001 and £12,000 If rateable value is £12,001 - £17,999 (£25,499 within 	<ul style="list-style-type: none"> £0-£6,000 -100% relief & small business multiplier. The rate of relief will gradually decrease from 100% to 0% for properties with a rateable value between £6,001 and £12,000. This will decrease on a sliding scale by 1% for every £60 rateable value between £6001 and £12,000. Post offices 	NAV of <ul style="list-style-type: none"> £0 - £10,000 = 100% relief. £10,001 - £12,000 = 50% relief. £12,001 - £18,000 = 25% relief.

⁶The multiplier is used by local councils when calculating business rates bills. It indicates the percentage, or pence in the pound, of the rateable value that businesses will pay in business rates. The small business non-domestic multiplier for 2014-15 is 47.1p (47.5p in London), per pound of rateable value whilst the standard is 48.2p (48.6 in London) per rateable value.

	<p>London) the business will not qualify for relief however the bill for their single or main property will be calculated using a lower non-domestic rating multiplier rather than the ordinary non-domestic rating multiplier that is used to calculate the liability of other businesses.</p>	<ul style="list-style-type: none"> • 100% relief for premises with rateable value up to £9,000 • 50% for premises with rateable value between £9,001 and £12,000 which are used, or part of which is used, for the purposes of a post office business. • Child Care Premises 50% relief for premises with a rateable value up to £12,000 which are wholly used for child minding or the provision of day care and are registered under the Children Act 1989. 	
Multiple properties	<p>Can receive SBRR with more than one property if each of the other properties has a rateable value of less than £2,600. The rateable values of the properties are added together and the relief is applied to the main property.</p>	<p>Can receive relief for multiple properties.</p>	<p>Upper limit for cumulative rateable value ⁷£35,00 = 25%</p>
Application Necessary	<p>Application is necessary for a first application for small business rate relief in a valuation period in respect of a property or for a fresh application that is required because the ratepayer has taken up occupation of an additional property.</p> <p>If the ratepayer does not take up occupation of any additional properties they will not need to apply for relief more than once in each valuation period.</p> <p>The Government has simplified the process for claiming the relief by removing the legal</p>	<p>Relief is applied automatically.</p>	<p>Application is necessary.</p>

⁷This will allow a business with 2 or more properties, with a cumulative rateable value of under £35,000, to qualify for relief at 25% on individual properties with a rateable value of £18,000 or less.

	requirement for an application form in order to claim the relief.		
Average Saving	N/A	N/A	Average saving over all bands - £1,403.

3.2 Future policy direction

England

In April 2014, HM Treasury and the Department for Communities and Local Government issued a discussion paper regarding the administration of business rates in England⁸.

The paper identifies two issues for discussion, firstly that the rating system is based on rental values and is therefore not responsive to changes in the economic climate and secondly, that the administration of business rates can be improved. In the foreword, David Gauke MP, Exchequer Secretary to the Treasury and Brandon Lewis MP, Parliamentary under Secretary of State for Communities and Local Government state that;

The next step is to improve the business rates system in England so that it works better in the 21st century. We want to find ways to make the business rates system simpler, more transparent and more responsive to economic circumstances. This paper summarises how the business rates system works and opens up a discussion with a view to reforming the system after the next revaluation in April 2017.

In Budget 2014, the Chancellor announced a combination of measures worth £2.7bn over five years from April 2014, benefitting 1.8m business ratepayers. The measures include;

- SBRR extension to 2014/15, providing £580m of relief to English Business ratepayers;
- £5m of business rate relief within Enterprise Zones annually from 2014/15 to 2018/19;
- Relaxation of the single property criteria;
- Capping the Rate increase to 2% in 2014/15;
- Introducing a £1,000 discount for two years for shops, pubs and restaurants with a rateable value of less than £50,000; and
- Introducing reoccupation relief for retail premises.

Wales

Small Business Rates Relief has been extended until March 2015. The extension of the scheme is part of a number of relief measures by the government to help the business sector.

The Welsh Assembly Government has capped Business rate increases at 2% for the next year and also announced funding for Business Improvement Districts (BID's).

8

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/308504/PU1623_administration_of_business_rates_discussion_paper.pdf

Scotland

The Scottish Government is committed to continuing the current SBBS scheme until 2016-17.

3.3 GB policy summary

It is clear that the SBRR schemes in place in other parts of the UK provide greater coverage, or are more generous in the rate of relief that is offered, or both compared to the scheme that is currently in place in NI. Each of the three countries have announced that their scheme will remain in place for a year or more and England in particular, appears keen to reduce the level of administration within their version and to introduce greater flexibility and responsiveness to economic conditions.

Whilst this particular report is focussed on SBRR, it is worth remembering that there are other reliefs available to non-domestic ratepayers in NI, such as industrial de-rating and also that the NI Executive has control over the total amount of rate revenue raised.

4. Data analysis

This section provides an overview of the data provided by LPS on the characteristics, location and awards provided through the SBRR scheme⁹.

Given that rates are NI's primary revenue raising power, access to the data for research and policy purposes is very important. This will ensure that the right policies are developed for NI and are also monitored and evaluated over time to ensure continued effectiveness and relevance. Such data can provide a wealth of intelligence on ratepayers, which groups get relief, disbursements, where they are located and whether or not levels of financial stress are increasing within the population. It does, however, need careful handling to ensure that data protection rules are adhered to.

We understand LPS data systems are due to be replaced over the next few years. They were designed and developed for the valuation; billing and collection of revenue and before such schemes as Small Business Rate Relief were put in place. They are not readily accessible for the purposes of policy analysis. It is important therefore that the next generation of systems are capable of producing standard reports that can assist the development, monitoring and evaluation of policies.

4.1 Key Statistics

There were 73,656 non-domestic and mixed hereditaments in NI in 2014, an increase of 2.8% since 2010. The LPS draft income and loss statement for 2012/13¹⁰ reveals that the value of SBRR awards to non-domestic and mixed hereditaments was £17.3m in 2013/14, providing relief valued at 2.5% of the gross rate income to those sectors.

Table 4.1 – Key facts for Non-Domestic and Mixed Hereditament ratepayers in NI, 2014¹¹

	2014
Non-Domestic & Mixed properties	73,656
Gross rate income (£M)	682
Mean average rate bill (£)	£9,263

Source: LPS

4.2 SBRR key facts¹²

The total value of SBRR awarded to non-domestic properties over the life of the scheme was £61.9m¹³; a significant policy initiative in the context of NI, and especially in the context of the NI rating system. It is noteworthy that from 2010 when the scheme was launched to 2014;

1. The annual cost of SBRR has more than trebled;
2. The relief accounted for a 2.5% reduction in rates revenue in 2014;

⁹ LPS provided data on Non-Domestic ratepayers and DFP's Rating Policy Division provided information on the amount of SBRR that was awarded to mixed hereditaments in 2012. The LPS dataset contained c12,000 duplicate records and these have been removed manually by NICEP.

¹⁰ Subject to audit assurance.

¹¹ Information is based on data received from LPS in response to a specific information request by NICEP relating to the total value and number of awards.

¹² To non-domestic properties.

¹³ To 31 October 2014. Data provided by LPS on 28 November 2014.

- 3. The number of SBRR awards has more than doubled;
- 4. The average SBRR award has increased by 76%.

Originally intended as a scheme that would help the smallest ratepayers, it has become more general in its focus as NAV thresholds have increased and it is now more of a general rate relief to those who are not already in receipt of some other relief.

Table 4.2 – SBRR key facts, non-domestic properties, 2010 -2014.¹⁴

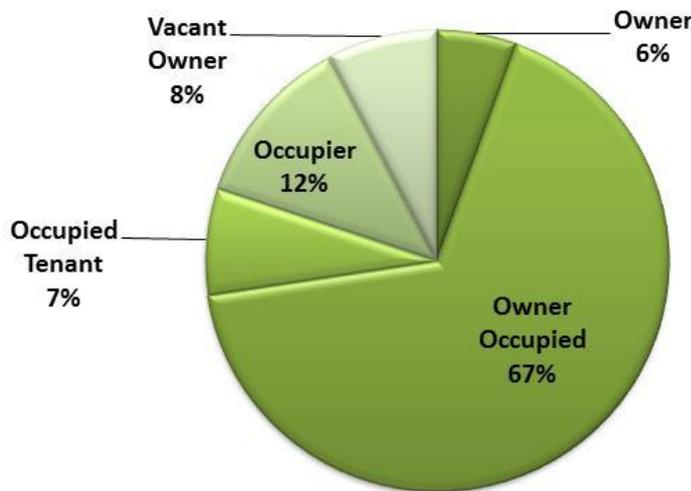
	2010	2011	2012	2013	2014	Total
Total value of SBRR (£M)	£3.8	£4.2	£9.0	£14.5	£16.1	£47.6
No. of SBRR awards	9,620	10,334	16,953	20,718	22,933	80,558
Average award (£)	£399	£407	£531	£699	£702	£591

Source: NICEP & LPS

Status of property

The majority of non-domestic properties in NI are owner occupied and therefore in two thirds of cases, the owners are the direct recipient of rates bills (and relief) and cannot retain the benefits of lower rates by failing to pass them on to tenants. In terms of the capitalisation of the relief, it will reduce the potential incidence in NI, as 19% of rate bills are issued to occupiers who do not own their building.

Figure 4.2 – Status by property type, all non-domestic properties, 2014.



Source: NICEP & LPS

Capitalisation

A range of academic literature exists on the capitalisation of local property taxes into property prices. Effectively, there are two ways in which rate relief can be capitalised.

¹⁴ Data provided by LPS in June 2014

The first is by landlords failing to pass on the rate relief to tenants (assuming the landlords rather than the tenants are responsible for paying the rates) and the second is that lower rates of taxation increase the rate of return on a property resulting in higher property prices.

The academic literature on this subject suggests that in the longer term, the rate of capitalisation ranges from 50% to 100% which suggests that property owners will be the main beneficiary of any relief scheme that may be in place. In addition to local rates of taxation, other factors also impact upon property prices such as public expenditure in the local area, neighbourhood effects (positive or negative), tax rates in neighbouring districts, macroeconomic conditions and the availability and price of finance to name but a few.

Therefore, the concern for local policy makers is that any tax relief may simply result in higher property prices, or that landlords may not pass on the reduction in rates to their tenants in the form of lower rents and instead, capitalise on the rate relief themselves.

Capitalisation by landlords

In the context of the NI data, 67% of non-domestic ratepayers are owner occupiers and therefore, at most only in one third of cases could the relief be capitalised by the landlord.

Capitalisation into higher property prices

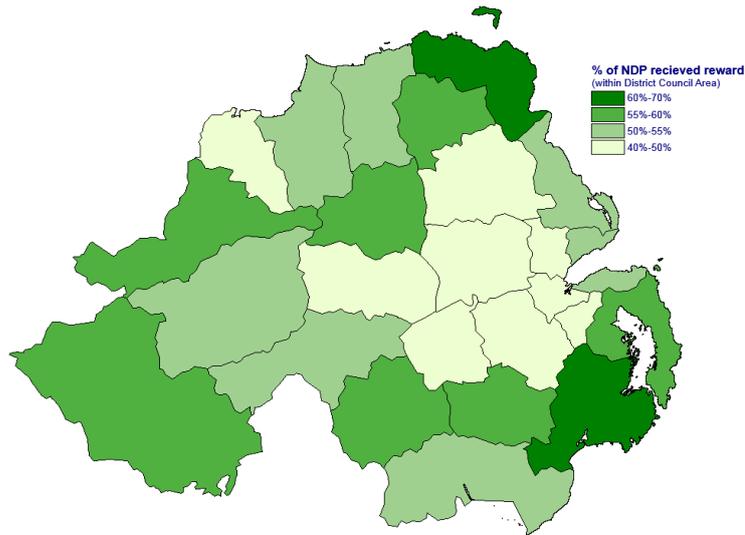
This element of the evaluation is particularly difficult to conclude upon at this point in time. SBRR was introduced to help non-domestic ratepayers during the recession, when property prices were falling. To work out whether or not the rate relief was capitalised in higher property values, data would be required on the sale value of properties for those who were in receipt of SBRR and those who were not in receipt. The difficulty of such an exercise will be further compounded by the degree of turbulence in the local property market between 2010 and 2014 as prices declined significantly and the volume of sales began to pick up in 2013 and 2014.

Therefore it would be difficult to conclude how much more commercial property prices may have fallen in the absence of the policy. Capitalisation may be more of a risk going forward, but given the turbulence in the market from 2010 – 14 it is not likely to be a significant impact of the scheme.

Geographical impact of SBRR

Figure 4.3 shows the percentage of Non-Domestic properties that received relief within each District Council Area during 2014. The areas in which greater proportions of properties receive SBRR are, in general, those areas with lower NAV's.

Figure 4.3 - % of Non-Domestic Properties that received award by District Council Area, 2014

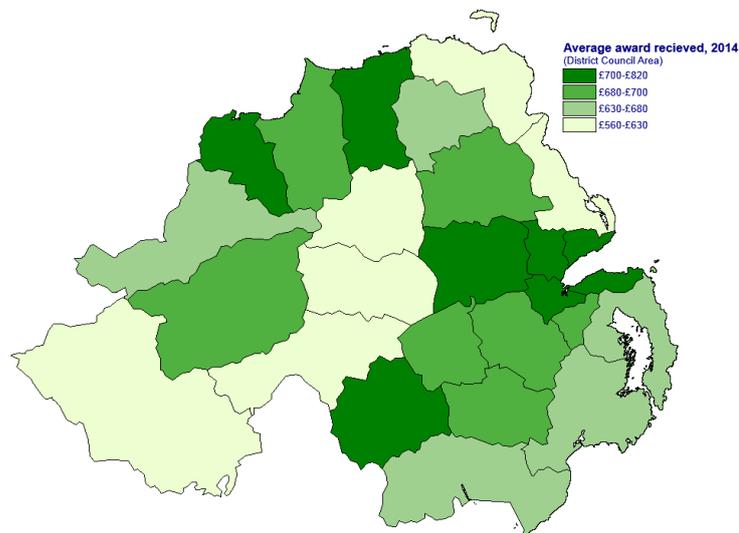


Source: NICEP & LPS

72% of Non-Domestic properties located in Moyle District Council and 64% in Down District Council received SBRR. In contrast, only 43% of properties located within Belfast City Council area qualified. Belfast City Council had the lowest proportion of properties qualifying, although this is to be expected as a significant proportion of the properties in Belfast that have NAV's in excess of the maximum threshold for award.

When the average amount of award is considered, the pattern is almost reversed. The areas with higher NAV's (within the SBRR thresholds) have higher average awards, as a result of the method of calculation, which is based on NAV's.

Figure 4.4 - Average SBRR award received by District Council Area, 2014



Source: NICEP & LPS

New District Council Areas

As part of the analysis, a rough estimate of the average SBRR award and proportion of businesses that would have been eligible are detailed in tables 4.3 and 4.4. Unfortunately, it is not possible to map these areas at this point in time until the NI Statistics and Research Agency (NISRA) complete their work on assigning boundaries.

Table 4.3 – % of Non-Domestic Properties that received award by new District Council Areas

District	2010	2011	2012	2013	2014
Antrim & Newtownabbey	34%	29%	45%	49%	46%
Mid & East Antrim	43%	39%	53%	54%	50%
Armagh, Banbridge & Craigavon	39%	38%	54%	56%	52%
Belfast	21%	21%	35%	43%	40%
Causeway Coast & Glens	45%	41%	56%	60%	55%
Derry & Strabane	33%	32%	49%	54%	50%
Fermanagh & Omagh	44%	43%	58%	58%	55%
Mid-Ulster	42%	40%	57%	54%	52%
Newry, Mourne & Down	42%	40%	58%	58%	55%
North Down & Ards	37%	34%	53%	56%	53%
Lisburn & Castlereagh	29%	26%	48%	50%	48%

Source: NICEP & LPS

Table 4.4 – Average SBRR award received by new District Council Areas

District	2010	2011	2012	2013	2014
Antrim & Newtownabbey	£397	£421	£570	£748	£741
Mid & East Antrim	£393	£401	£518	£670	£674
Armagh, Banbridge & Craigavon	£410	£421	£531	£697	£707
Belfast	£445	£464	£625	£815	£814
Causeway Coast & Glens	£406	£421	£526	£675	£670
Derry & Strabane	£430	£432	£562	£759	£760
Fermanagh & Omagh	£358	£371	£465	£611	£620
Mid-Ulster	£197	£200	£252	£336	£343
Newry, Mourne & Down	£166	£174	£227	£299	£301
North Down & Ards	£377	£378	£508	£671	£680
Lisburn & Castlereagh	£382	£383	£509	£688	£685

Source: NICEP & LPS

The analysis carried out by new District Council Area show, like the current DCA's, that the more rural areas of NI have greater proportions of properties qualifying for SBRR and urban areas benefit from the highest average levels of award. Given that DFP bear the cost of SBRR, there are limited consequences for District Councils, old or new.

Types of property awarded SBRR

The main beneficiaries of SBRR are the owners of shops, supermarkets and showrooms, which received 45%, or £7.3m of relief during 2014. Three out of five in this category were awarded relief.

When the top three categories are considered together, they account for more than four out of every five properties in receipt of SBRR and 84% of the total relief provided by the scheme.

It is worth noting that 125 manufacturers received £67k of relief between them during 2014 when “double aid” for those in receipt of industrial de-rating was removed. NICEP do not have access to the data for those ratepayers who are in receipt of industrial de-rating, but, there is a prima facie case for removal of SBRR to these properties and recovery of relief awarded in error.

High proportions of unlicensed hotels, public and privately built housing (that are classed as non-domestic, such as some dental surgeries etc.) qualify for SBRR, but the average award values and total value of awards are relatively low due to the small numbers concerned.

Table 4.5 – SBRR recipients and average award by property class, 2014

	No. in category	No. Receiving SBRR	% of property type receiving SBRR	Average SBRR award	% of SBRR awarded to property type	Total value of SBRR awards
Shops, Showrooms, Supermarkets etc	15,641	9,351	59.8%	£778	45.2%	£7,272,649
Offices(Includes Banks and Post Offices)	8,351	4,709	56.4%	£680	19.9%	£3,200,892
Warehouses, Stores, Workshops, (Non-IND) Garages	7,915	4,568	57.7%	£657	18.6%	£2,999,743
Privately Built Housing	2,509	1,904	75.9%	£537	6.3%	£1,021,925
Licensed Premises	964	549	57.0%	£964	3.3%	£529,485
Hotels etc Unlicensed	399	365	91.5%	£357	0.8%	£130,126
Non Sporting Rec Facility	548	281	51.3%	£556	1.0%	£156,293
Hospitals, Clinics, Surgeries, Homes	456	228	50.0%	£800	1.1%	£182,424
Sites and Yards	265	201	75.8%	£463	0.6%	£93,111
Commercial Unclassified	1,064	185	17.4%	£443	0.5%	£81,933
Filling Stations	386	158	40.9%	£919	0.9%	£145,267
Manufactories	3,611	125	3.5%	£533	0.4%	£66,663
Schools etc	211	68	32.2%	£850	0.4%	£57,829
Sporting Recreational	704	68	9.7%	£712	0.3%	£48,394
Nurseries and Garden Centres	67	50	74.6%	£618	0.2%	£30,885
Caravan Sites, Camp Sites and Holiday Chalets etc	94	38	40.4%	£790	0.2%	£30,031
Public Built Housing	40	31	77.5%	£330	0.1%	£10,225
Markets, Marts	32	19	59.4%	£927	0.1%	£17,612
Hotels etc Licensed	145	12	8.3%	£987	0.1%	£11,849
Rights and Tolls	10	6	60.0%	£594	0.0%	£3,565
Miscellaneous Land Use	9	5	55.6%	£364	0.0%	£1,822
Law and Order Establishments	14	5	35.7%	£671	0.0%	£3,353
Churches, Church Halls etc	14	3	21.4%	£483	0.0%	£1,450
Libraries etc	11	2	18.2%	£510	0.0%	£1,019
Miscellaneous Education, Cultural, Scientific	4	1	25.0%	£1,401	0.0%	£1,401
Miscellaneous Public Service Properties	14	1	7.1%	£543	0.0%	£543
Other	948	0	0.0%	£0	0%	£0
Totals / averages	44,426	22,933	51.6%	£702	-	£16,100,489

Source: NICEP & LPS

Notes: Three highest values highlighted in green and three lowest values highlighted in red in each category. “Other” includes properties classified as quarries, sand pits and mines, car parks, utilities, advertising stations and signs, farms, agricultural buildings, market gardens, freight transport (other than public utility), defence hereditaments, coast guard & telecommunications

Post Offices

Just over 120 post offices received an enhanced amount of SBRR annually. The enhanced post offices element of SBRR provided 100%, 50% or 20% relief for small, medium and large post offices respectively, based on their NAV as detailed earlier in the report.

The inclusion of post offices in the original version of the scheme could be considered as a social measure, to ensure that services are available to those in all parts of NI. In the context of the rating system and SBRR, post offices are awarded a relatively small amount of relief, having made up almost 5% of awards in the original smaller scheme, but now just over 1% in the current scheme.

Table 4.6 – Post offices in receipt of enhanced SBRR of 100% and 50%

	Post offices receiving relief	Amount of relief	Average per property	% of SBRR total
2010	107	£185,295	£1,732	4.8%
2011	104	£183,194	£1,761	4.4%
2012	104	£191,451	£1,841	2.1%
2013	102	£189,194	£1,855	1.3%
2014	107	£213,680	£1,997	1.3%

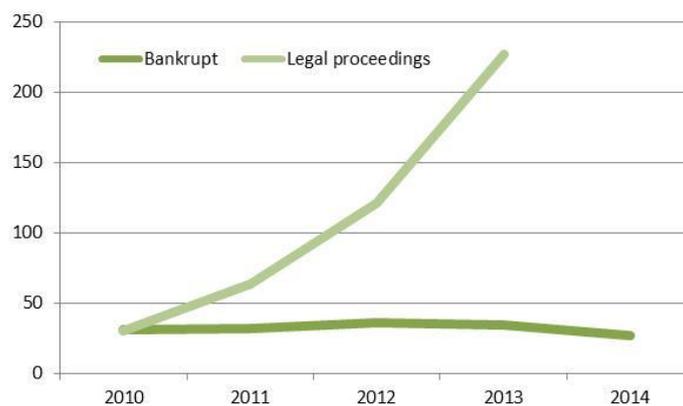
Note: Post offices in receipt of 100% relief and 50% relief included. 22 post offices received relief of 20% in 2014.

Source: NICEP & LPS

Indicators of financial stress

The LPS dataset contains information on the number of bankruptcies and legal proceedings launched by LPS to recover unpaid rates. These indicators provide a good proxy for the level of financial stress that is faced by ratepayers. As can be seen, the number of legal proceedings launched has increased significantly, although the number of bankruptcies has remained stable.

Figure 4.5 – Number of bankruptcies and legal proceedings launched by LPS



Note: data for 2014 not available at time of publication

Source: NICEP & LPS

Links to economic data

Given the geographical patterns that were observed in the data, it was considered that the SBRR scheme may be a reasonably blunt tool, but that it was able to provide relief to areas of NI that suffered from high unemployment, or economic inactivity. If that was the case, then whilst the method of implementation may be blunt, if areas in need were awarded greater amounts then the targeting of the scheme could be considered reasonable.

However, as can be seen from the scatter charts below, there is no clear relationship between the level of unemployment and the average value of properties or the average value of SBRR awards. An econometric analysis reveals that unemployment rates explain only 1% and 4% of the variation in SBRR (proportion in receipt and average value of awards respectively). Therefore, the analysis has not identified any clear link between the SBRR and economic conditions by ward and it is likely that this reflects the fact that NAVs and rates are not linked to current economic conditions, hence the UK review.

Figure 4.6 – % of properties in receipt of SBRR vs. claimant unemployment rate

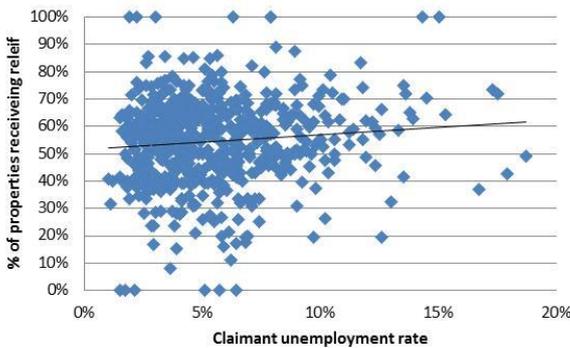
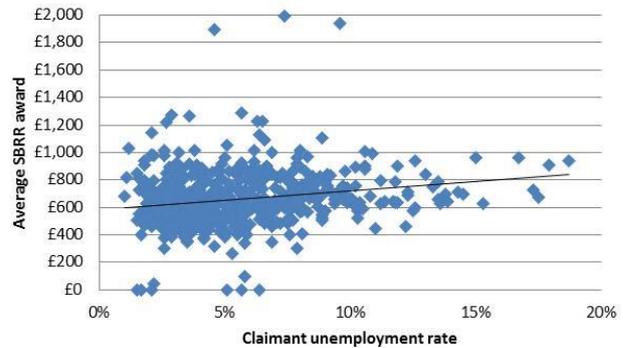


Figure 4.7 – % of properties in receipt of SBRR vs. claimant unemployment rate



4.3 Summary of data analysis

SBRR was intended to help the “smallest” in the rating system, as defined by their NAV. However, the scheme has evolved over its lifetime, trebling in annual cost to become a more general rate relief. With a price tag of £47m for non-domestic ratepayers over its lifetime, it is a costly scheme to the NI Executive, who foot most of the cost of its operation. Despite the very large value of relief provided, it is spread thinly across almost 23,000 ratepayers receiving an average award to non-domestic ratepayers of around £700.

Property owners are the main beneficiary of the scheme, which reduces the potential for capitalisation of the scheme, or failing to pass on lower rates to tenants to a significant degree.

Geographically, there is limited a differential in the proportion of non-domestic ratepayers who receive the relief, or the average size of award, but that is to be expected of a relief that is applied through the use of NAV’s.

Retailers, wholesalers and offices are the main beneficiaries of the scheme, accounting for around four out of every five awards and a similar proportion of value.

Post offices were an important social element of the SBRR scheme, introduced to help the viability of small post offices and help to ensure that their services are available to most of the population of NI. Relatively speaking, the cost of their inclusion is quite small, although the impact of this enhancement is social, rather than economic.

There are no clear linkages to economic data at a District Council level.

5. SBRR survey

Perceptive Insight undertook a survey of 552 individuals as part of the evaluation. 449 received relief and 103 were not beneficiaries of the scheme.

The objective of the survey was to find out what non-domestic ratepayers knew about SBRR, how it impacted them, what may be reasonable options for the future and how the scheme may be funded. Importantly, the survey also provided data on the characteristics of companies and individuals who received the relief, which is not available from the LPS dataset. It also allowed the collection of information on the current business environment and key challenges that businesses are facing, which helps to understand the economic context within which any extension or amendment to the scheme will be set.

The main elements of the survey were;

- Characteristics of the individual;
- Company details;
- Impact of SBRR;
- Future of SBRR; and
- Current business environment.

This section will provide an overview of the key findings from the survey. Annex 3 contains more detail from the survey.

5.1 Characteristics of those surveyed

Overall, 552 individuals responded to the survey¹⁵ carried out by Perspective Insight. Of these individuals;

- 57% were property owners;
- 40% were tenants;
- 1% were both property owners and tenants; and
- 1% described themselves as 'other'.

Table 5.1 shows a breakdown of the annual rent that the tenants pay and of annual rates bill of those who pay rates. Whilst one group is tenants and the other is all non-domestic ratepayers, this table shows that for more valuable properties (rent and rates of more than £5k) that rents are a greater cost than rates. However, for properties below £5k, this relationship reverses and rates are more than rent. Therefore, this table suggests that rates are a relatively more significant burden for the smallest businesses.

¹⁵ Figures throughout the survey may not add to 100 due to rounding.

Table 5.1 – Breakdown of annual rent and rates bills

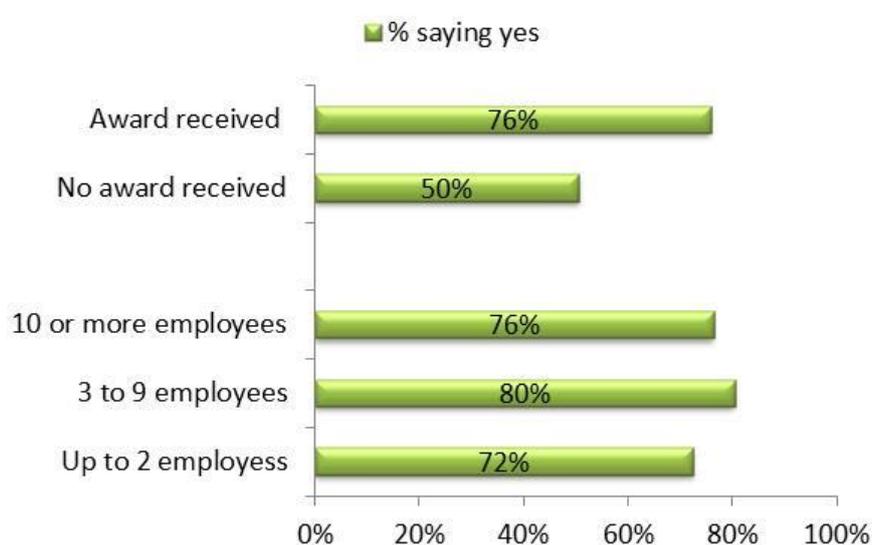
Threshold	Tenants, N=223	All who pay rates N=543
	Annual Rent	Annual Rates Bill
More than £10,000	22%	8%
£5,000 - £10,000	35%	14%
Less than £5,000	27%	57% ¹⁶
Not sure	17%	22%

Source: Perceptive Insight

5.2 Awareness of the scheme

Awareness of the scheme was reasonably good – however almost a quarter of those surveyed who had received an award had not heard of the existence of the scheme. The corresponding figure was lower for non-recipients of SBRR as would be expected.

Figure 5.1 – Have you heard about the SBRR scheme?

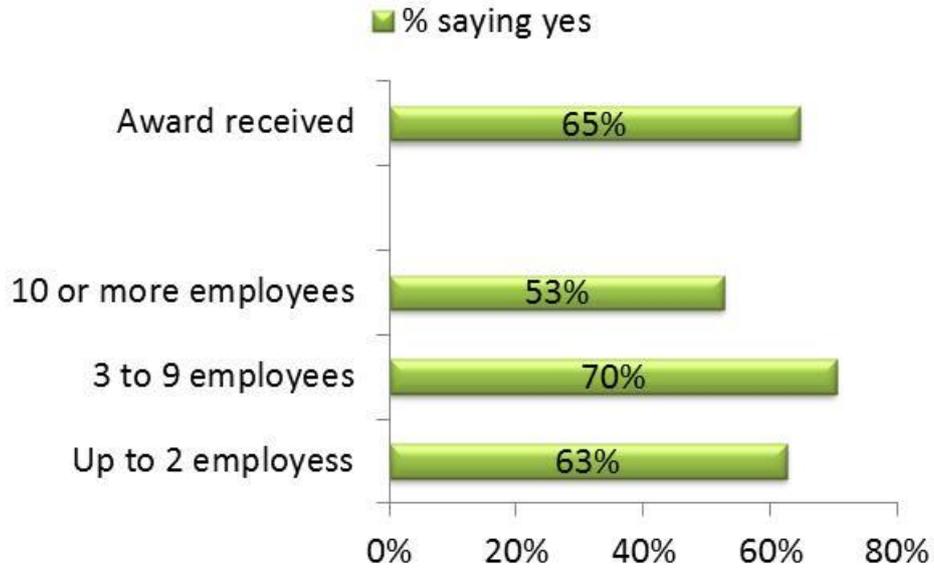


Source: Perceptive Insight

Of those ratepayers who were aware of SBRR (76%) and had received a reduction in their bill, only 65% were aware that they had received a reduction in their rates bill as a result of SBRR, which seems to be a reasonably low level of awareness. The larger companies (10 employees or more) were least aware of the relief, suggesting that other factors weigh more heavily on their minds than their rates bill.

¹⁶ Of these 57%, 22% have an annual rates bill between £2,500 and £4,999 and 35% have an annual rates bill of less than £2,500.

Figure 5.2 – In your last rates bill, are you aware that you received a reduction due to the SBRR scheme?

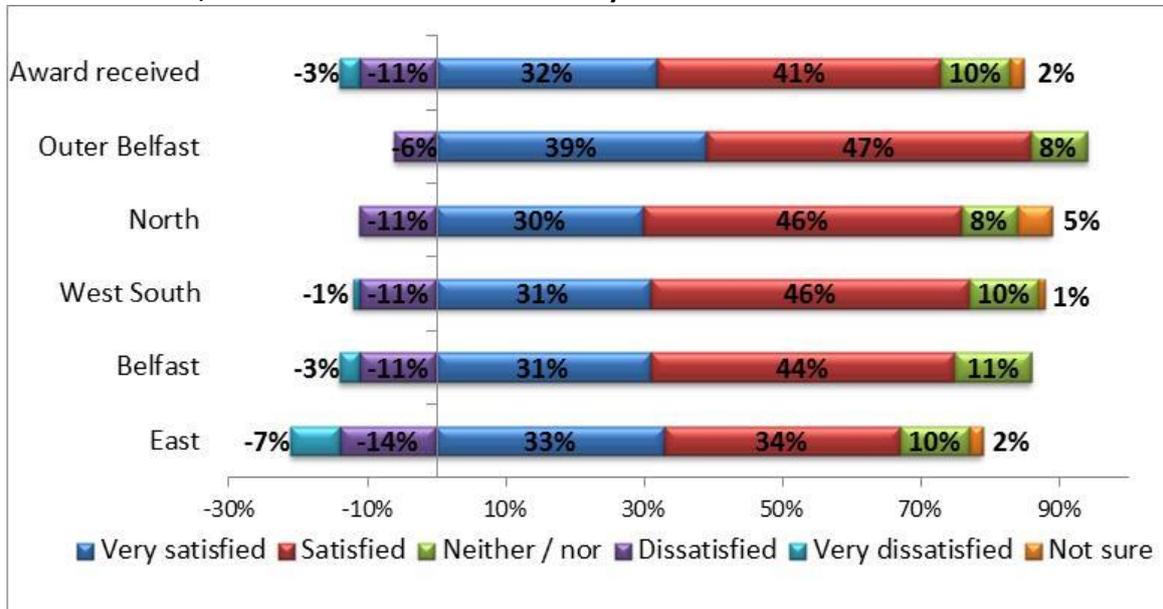


Source: Perceptive Insight

5.3 Satisfaction with SBRR

Of those who were aware that they received an award through the SBRR scheme, 73% were either satisfied, or very satisfied. When the data is examined sectorally, the highest levels of dissatisfaction are within agriculture, farming and construction (perhaps due to the fact that double relief to manufacturers was removed in 2012). When examined by firm size around 15% of firms employing 0-9 employees were dissatisfied.

Figure 5.3 – Overall, how satisfied or dissatisfied are you with the Small Business Rates Relief Scheme?

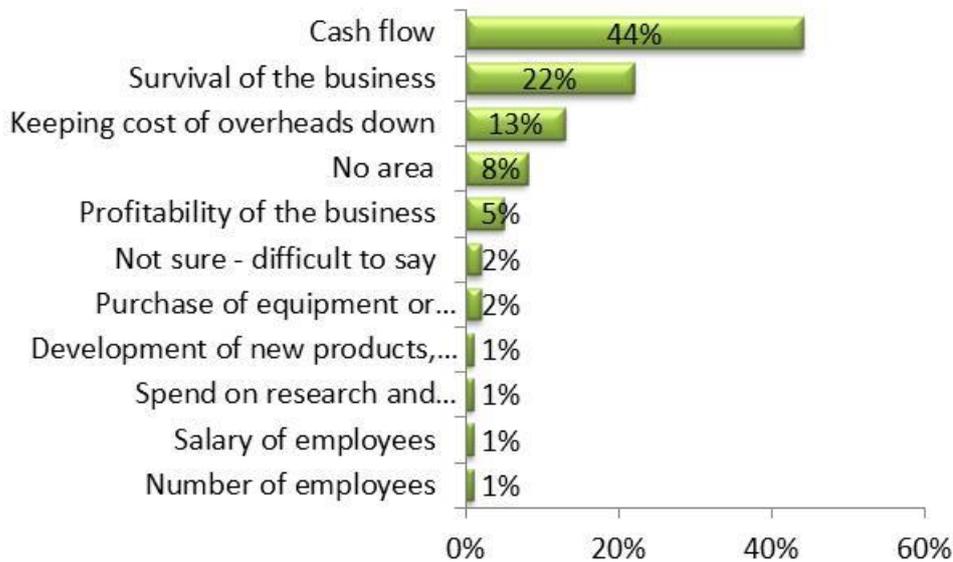


Source: Perceptive Insight

5.4 Impact of SBRR

The major impact of SBRR was on cashflow, survival and keeping the cost of overheads down. The significance of these factors can be difficult to articulate in economic terms as there is an imprecise link to any measurable change. What is clear is that the scheme was not able to drive increased employment or investment, which is not surprising given the relatively small amount of relief awarded to each ratepayer. In order to incentivise these factors, the rate of assistance would need to be significantly higher in order to change the behaviour of firms.

Figure 5.4 – In which area of your business, if any, was the impact of the rate relief greatest?



Source: Perceptive Insight

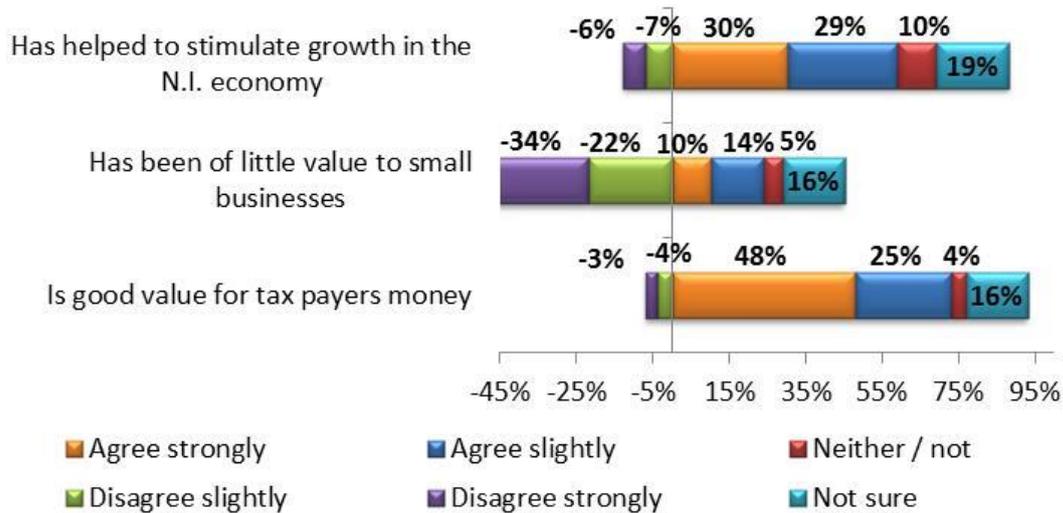
In economic terms, the level of additionality measures the additional economic activity that was generated by a policy initiative over and above what would have happened in its absence. Only nine respondents answered the question on additionality to say that the SBRR generated an additional impact on their business. Whilst a survey response of nine is too low to draw any conclusions from, the fact that only nine were able to answer the question is a demonstration in itself, of a low level of additionality or incentive effect that is provided by SBRR in its current form.

5.5 Value for Money

Almost three quarters of respondents agreed, or strongly agreed that the SBRR provided good Value for Money for the taxpayer. This is interesting in itself, as more respondents felt that the scheme provided good Value for Money than were aware of the scheme at the outset of the survey.

Only a quarter felt that the scheme had been of little value to businesses and almost three out of every five respondents felt that the SBRR scheme helped to grow the NI economy. Following on from the answers in section 5.1, it is noteworthy that respondents felt that helping with cashflow, business survival and keeping costs down equated to a scheme that helped to grow the economy, even though it did not help to grow their own business.

Figure 5.5 – To what extent do you agree or disagree with the following statements?

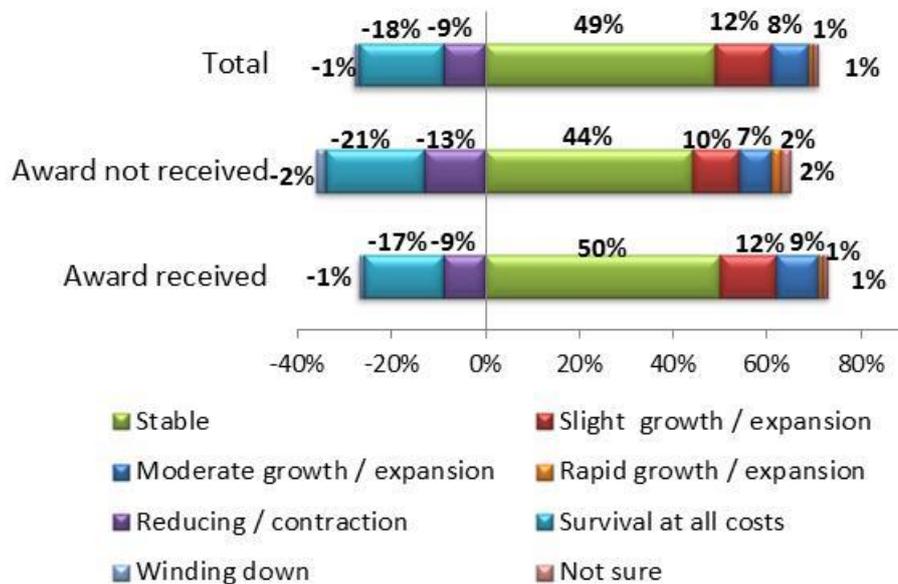


Source: Perceptive Insight

5.6 Current business environment

More than a quarter of those surveyed were in winding down, survival or contraction mode, which is reasonably large proportion given the recovery in many economic indicators over the last year. It is concerning that more businesses (36%) are in difficulty and did not receive an award from the SBRR scheme suggesting that the automatic award system is not effective in getting relief to those who are most in need.

Figure 5.6 – Which of the following best describes the current position of your business?

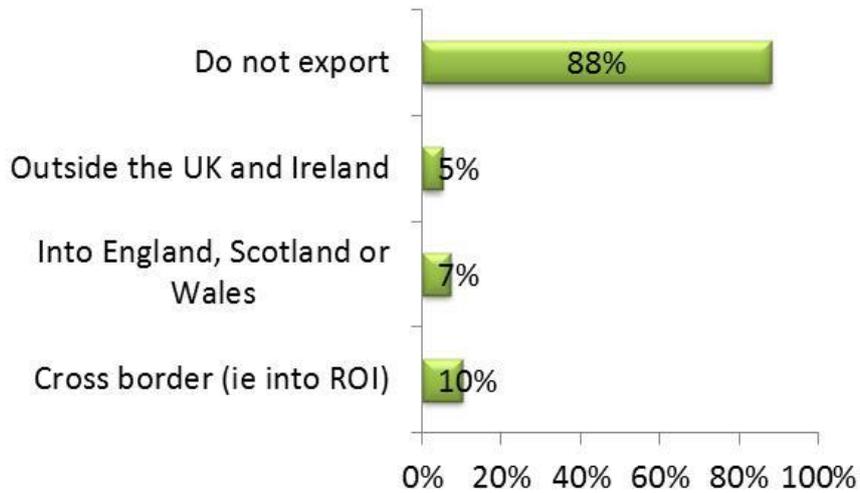


Source: Perceptive Insight

In terms of geography, the South and West of NI had the greatest proportion of firms in difficulty (33%). When considered by sector, hotels and hospitality faced the greatest challenges with 36% in difficulty.

The vast majority of firms do not export – only 15% do and 22% sell outside NI. Therefore, the SBRR is unlikely to help exporters to a significant degree, instead it is in the main, awarded to domestically focussed businesses.

Figure 5.7 – Do you export your products or services?



Source: Perceptive Insight

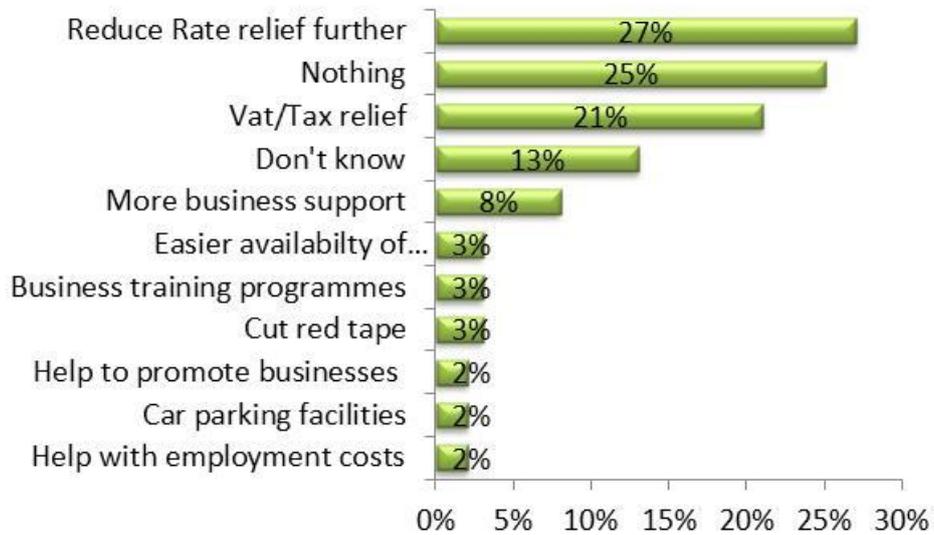
5.7 Business challenges and actions

Over the past four years 40% of respondents have taken steps to reduce energy costs and 33% have changed energy supplier, showing that firms are proactive in dealing with the issues they face. Two in five have also delayed purchasing new equipment and one in five has reduced staff working hours.

5.8 Future of SBRR

A quarter of those surveyed felt that the SBRR scheme should not be amended and just over a quarter felt that rates should be reduced further to help businesses. Following closely at just over one in five responses, reductions in VAT or other tax reliefs were suggested.

Figure 5.8 – In what ways do you think Government assistance could be targeted towards small firms that may be a more effective alternative to the Small Business Rate Relief Scheme?

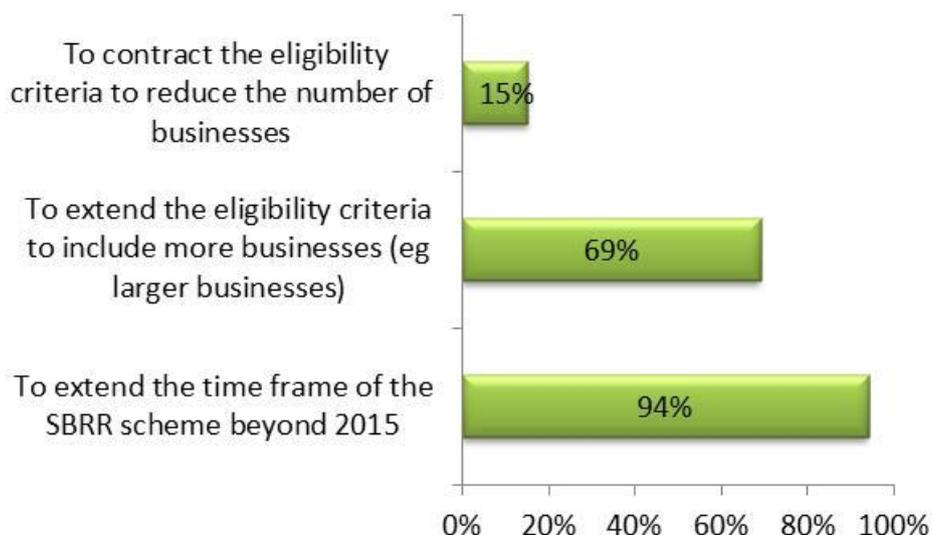


Source: Perceptive Insight

When asked specifically about the future of SBRR, there was almost unanimous agreement that the scheme should be extended and a significant majority felt that the scheme should be extended to include more businesses. There was very little support for a reduction in the scope of the scheme.

It is particularly noteworthy that a larger number of the respondents felt that the scheme should be extended, than felt that the scheme offered good Value for Money. Effectively, a significant group of respondents feel that the SBRR was not good Value for taxpayers money, but that it should continue in the same way. In a time of austerity, this is a particularly surprising finding.

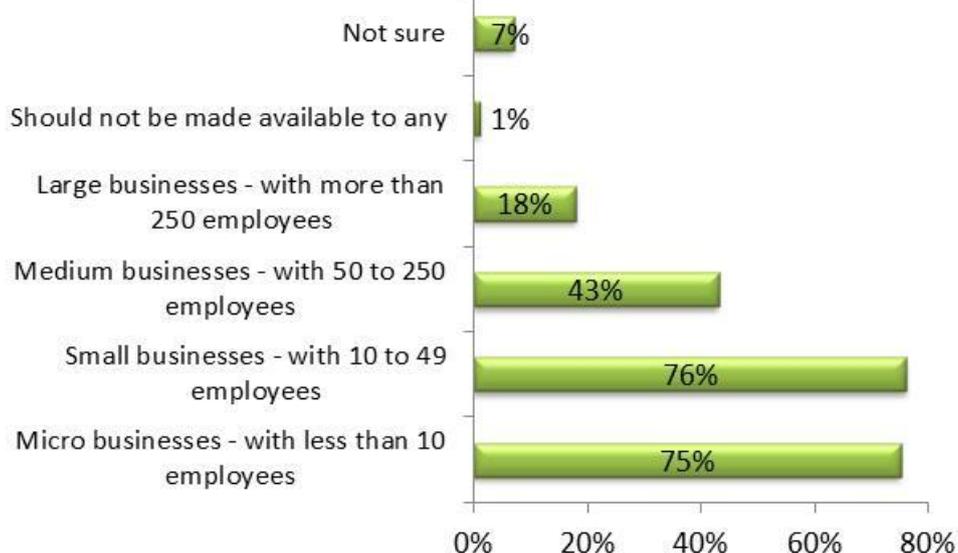
Figure 5.9 – Do you think there is a need for any of the following...?



Source: Perceptive Insight

The majority were in agreement that the scheme should be made available to small and micro businesses whereas less than one-fifth felt that the SBRR scheme should be made available to large businesses. This supports the principle that underpins the scheme - to try to assist small businesses.

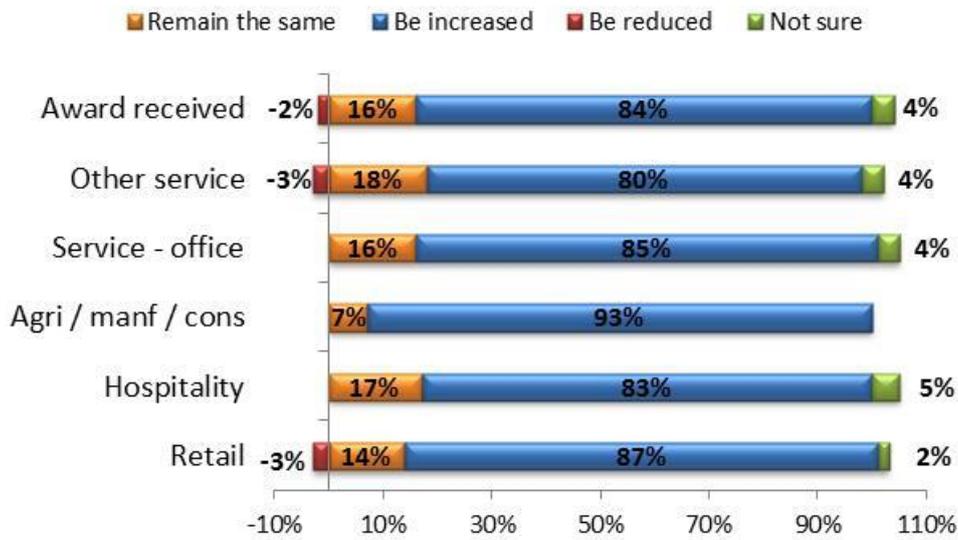
Figure 5.10 – Which size of business, if any, do you think the scheme should be made available to?



Source: Perceptive Insight

In total, 83 per cent of respondents felt that the level of relief should be increased. When considered by sector, the most support was within agriculture, manufacturing and construction, with the lowest (but still significant) levels of support in “other” and “other services”. There are limited differentials by geographical area and size of business, although smaller businesses are slightly more supportive of an increase than large.

Figure 5.11 – Looking forward, do you think the level of relief should be...

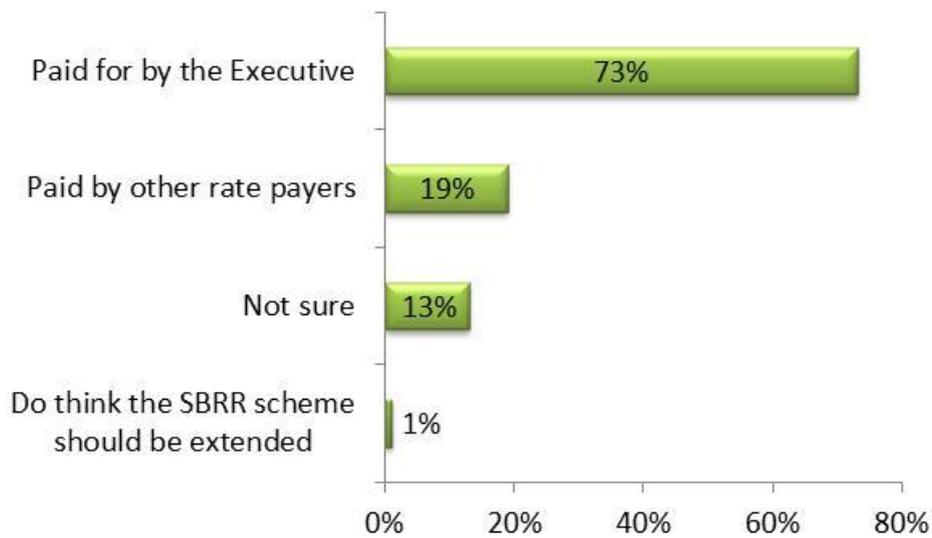


Source: Perceptive Insight

5.9 Paying for SBRR in the future

Three quarters of those who felt that the scheme should be extended (out of the 425 that received relief) felt that the Executive should foot the bill. About one in five felt that the burden should be borne by other ratepayers. Eighty per cent of this group felt that large retailers should be the group that should bear the additional cost and twenty percent other businesses.

Figure 5.12 – How do you think the rates relief offered by the scheme should be paid for?



Source: Perceptive Insight

5.10 Survey summary

The survey results were particularly interesting, if incongruent in a number of ways. The level of awareness of SBRR was lower than may have been expected and beneficiaries of the scheme were in the main, domestically focussed firms.

The main benefits that respondents felt were in terms of increasing cashflow, helping with business survival and the cost of overheads and generally, those surveyed were satisfied with the scheme.

Whilst SBRR did not help to grow their own business in most cases, most respondents felt that the scheme provided a good level of Value for Money to taxpayers and helped to grow the NI economy. This was a surprising finding as logic would dictate that if a policy did not help an individual business to grow, then it would not help other firms and the broader economy.

Only a small number of respondents were able to answer the additionality question, which would suggest that the incentive effect of the scheme was reasonably low and that firms did not behave differently to the way they would have in the absence of SBRR.

The scheme is popular and there is huge support for its continuation – in fact more respondents felt that the scheme should continue than the number who felt that it offered Value for Money – which again was surprising.

Whilst economic statistics show that the NI economy is in growth mode, the survey revealed that there are still a significant number of firms in difficulty. Worryingly, a larger proportion of firms that are in difficulty are not eligible for SBRR and therefore, it would seem that the automatic award system has not been successful in getting rate relief to those companies who are most in need of assistance.

The most stark of the findings from the survey was that the NI Executive should foot the bill for the continuation and potential expansion of the SBRR, even though the economic benefits of the scheme were limited. This raises the question of “opportunity cost” i.e. what is the policy initiative that is foregone in order to fund the SBRR scheme? This is especially pertinent at a time of austerity when Executive budgets are already constrained.

It will be more important than ever to ensure that each pound of Government expenditure delivers its objective, in whatever arena that may be. Economic policies must deliver economic outcomes, and NI taxpayers must be part of the conversation about fiscal responsibility as the conversation shifts towards funding the essential services.

6. Public consultation

There were 12 responses to the public consultation. The low number of responses was surprising when considered in relation to a scheme that has provided £47.6m of rate relief to non-domestic ratepayers.

The small number of responses makes it difficult to gauge the full impact of the policy from a range of perspectives. Councils and relevant bodies were amongst those who gave their feedback, as well as private businesses. However, private businesses only accounted for 2 of the 12 respondents. Whilst time pressures on small businesses are significant, the lack of responses from small businesses is cause for concern considering they represent 98% of the private sector. Respondents included;

Businesses

- Co. Fermanagh based retailer - is considered a small business with only two employees, yet it does not qualify for SBRR because of its high NAV.
- Co. Down based manufacturer – is a family-owned joinery business. It has evolved into a leading international specialist in new build and refurbishment to the marine, commercial and private sectors. It does not qualify for SBRR as it qualifies for industrial de-rating and is therefore excluded from double relief.

Councils and local Government

- Ballymena Borough Council (BBC)
- Lisburn City Council (LDC)
- Fermanagh District Council (FDC)
- Strabane District Council (SDC)
- Northern Ireland Local Government Association (NILGA) is the representative body for local councils in Northern Ireland.

Business representative bodies

- Northern Ireland Independent Retail Trade Association (NIIRTA) is a locally based retail and wholesale business organisation. It has 1,300 members across Northern Ireland and represents wholesalers, independent retailers, suppliers, Local Traders' Groups and affiliated Chambers of Commerce.
- Omagh Chamber of Commerce has over 100 member businesses, which are located within Omagh town and the surrounding district. The Chamber represents all sectors of the business community
- The Federation of Small Business (FSB) was formed in 1974. It has 200,000 members across 33 regions and 194 branches in the UK. The FSB aim to promote member concerns and identify the changing needs of the small business sector.

Other

- Belfast City Centre Management (BCCM) established to provide administrative, development and membership services to Belfast Chamber of Trade and Commerce, and to assist the statutory agencies in the delivery and co-ordination of public services in Belfast City Centre. It represents a public / private partnership.
- Land Value Taxation Campaign ("the Campaign") is a non-party / all-party organisation. They aim to secure legislation to replace existing taxes on wages, goods and services by a property tax on the rental value of all land.

Responses from the public consultation were varied although key themes were present. The general themes that emerged were;

- The administration and fairness of the scheme;

- Funding of the scheme;
- Modifications to the scheme and alternative options;
- Future of the scheme

6.1 Application and fairness of the scheme

Respondents were in agreement that the automatic award of relief was beneficial as it does not require any input from the beneficiary and only limited administration by LPS. Whilst respondents understood the benefits of the automatic application, some noted that this comes at the expense of fairness and equity. An application process was proposed by some to target relief at various sectors or for specific economic development activities; however the level of increased bureaucracy that would accompany any change to an application based approach was noted. There was an underlying contradiction in many responses where it was argued that increased fairness is required, but the additional bureaucracy of an application process was not welcomed.

It was noted by some that SBRR is not a relief to small businesses; rather it is relief to small NAV property owners and therefore the name of the scheme may have some impact on who the scheme is intended to help – i.e. businesses rather than ratepayer which are not the same thing.

“The automatic award of relief was a major advantage and the reduction in bureaucracy is welcomed by the business community.” FDC

“An application process would be complex and expensive to implement, however there is a sense of unfairness concerning the scheme and an application process may be required in order to improve the system.” SDC

“Fairness within the scheme was envisaged through the three bands of relief dependant on the assessed NAV of the property. However, in relation to schemes of this nature, it is regrettable that some small businesses who should qualify do not. Whilst not perfect, the reality is that NAV is much easier from an administration point of view, for Land and Property Services as well as the businesses themselves. It is also a proven criterion which has been used elsewhere in the United Kingdom.” FSB

6.2 Funding of the scheme

Many respondents suggested alternative ways in which the current funding for the scheme could be used and these are outlined within the “modifications and alternative options” summary. Whilst alternative policies were suggested, all respondents were in agreement that the Executive should continue to pay. No consultees suggested that the relief should not be awarded and instead be retained by the Executive in order to fund other public expenditure. In addition to this, the majority of respondents felt that large retailers should continue their contribution to the funding of the scheme through the Large Retail Levy as any reduction would require funding to be secured from elsewhere. However, some respondents provided a contrary perspective, stating that large businesses have borne the cost of the levy for long enough and should not be penalised for their success and could inhibit investment by large retailers from outside NI.

“We believe that the Large Retailer levy has caused no significant impact on large multi-national retailers, we believe it should be extended beyond 2015 to ensure a funding stream for the SBRRS. Ideally we would like large town centre multiple stores to be excluded from the Large Retail Levy.” NIIRTA

“The scheme is currently part funded by the large retail levy which is also due to end in March 2015. We believe that this could continue in some form to help subsidise the SBRR scheme into the future.” FSB

“The levy against larger stores has been a hindrance to expansion or investment, with further large brand names continuing to close. The levy is not attractive to investors and may influence their investment decisions. A priority for Government should be to recognise the importance of business friendly policies.” BCCM

*“The Council does not see another viable option apart from the continuation of the Executive funding the scheme.”
FDC*

“We support continuation of the scheme and maintaining the status quo.” SDC

6.3 Modifications and alternative options

Targeting – Business improvement districts (BID’s) and town centres

A number of respondents were in favour of using the current funding to rejuvenate town centres. It was suggested that this could be done by introducing BID’s. They suggested that current amount of relief received is spread too thinly across too many businesses and could be better used if it was pooled together to collectively enhance business areas. Another option was to offer a rate relief scheme for those businesses operating within town centres.

“There is an argument to look at a targeted approach to support town centres, arterial routes and retailers. There is a current unbalanced situation where town centre traders can pay more per sq ft in rates that large multinational out of town hypermarkets. To complement this, we would call upon DFP to establish a targeted Town Centre Rate Relief Scheme, which would provide a 25% reduction for town centre retailers and those in the hospitality sector”. NIIRTA

“We appreciate rates must be a revenue neutral scheme, but believe a more beneficial outcome criteria should dictate the direction of relief along with a need based measurement will result in showing relief in a more tangible and beneficial way. Serious consideration should be given to the BID concept.” Ballymena Borough Council

“There is scope to develop local Business Improvement Districts, with this money potentially going into a central fund which would provide services which the participating businesses may not be able to afford on an individual basis” LCC

Blanket coverage

Another key point made concerning improvements that could be made to the scheme was that the rate of relief should not be based on NAV so that it is more targeted towards small businesses in need.

“All businesses should receive a fixed rate of relief, for example 5% or 10%, regardless of NAV. This would perhaps be a fairer allocation, given that businesses with larger premises may be facing equally difficult, if not indeed tougher, financial issues.” Co. Down based manufacturer

Vacant premises

Vacant premises were raised as a concern. Response from the private sector highlighted that vacant premises can have an impact on surrounding businesses. There was also an argument that premises which lie vacant should not be charged rates. These properties do not have any ongoing business activities and therefore no stream of income.

“It is unfair to charge landlords rent for vacant premises when there are no services required for them. No support has been provided from the government and we and our fellow traders are being squeezed out of business.”
Fermanagh based retailer

Encouraging entrepreneurship

A number of respondents were of the view that new businesses and start-ups should also have some exemption from rates. There can be increased financial pressures with a start-up business and it was argued that this should be taken into consideration to help the longevity of the business. Start-ups are an advantage for the surrounding business environment and so should be supported accordingly.

“Rates were once a reasonable percentage of business overheads, now they are a large percentage of costs and disproportionate. Small businesses are affected by online trade as large online retail companies do not have to pay rates and thus affect local businesses.” Omagh Chamber of Commerce

6.4 Future of the scheme

All respondents agreed that some form of SBRR should remain in place, as it is crucial to businesses. However, that is where the agreement ends. Some respondents were of the opinion that no radical changes should be made until a wider review of the rating system is undertaken in 2016/17, but in general, there are issues with the current format of the scheme and it should be amended to better target the relief. The target of that relief is the subject of much contention, some believe that it should continue as is, others to boost entrepreneurship, some to improve town centres, or streetscapes and some calls for a complete overhaul of the rating system.

There was a general consensus that the automatic award should be retained, despite kept There was no mention concerning the amount paid to SBRR. This would suggest that the budget be redistributed, rather than changed.

“Business activities are already ceasing with the relief in place, therefore the removal of relief would have extreme consequences. We support continuation of the scheme and maintaining the status quo” SDC

“NIITRA has always recognised that SBRRS is not a ‘silver bullet’ but it was a welcome response by DFP in providing a practical form of assistance. While we are happy for the current SBRRS to continue, NIITRA believes that a new, targeted approach to addressing the twin challenges facing Independent Retailers and Town Centres is needed.”
NIITRA

“The SBRR scheme should be continued in the short-term to sustain the disproportionately affected small business sector. Additionally, the length of targeted support could be linked to agreed regional growth indicator thresholds that would offer local businesses a tapered financial safety net that in part would protect against capital loss.”
NIGLA

“The FSB strongly advises that the scheme continues along broadly similar lines, at least until such times as a wider review of the rates system is undertaken in 2016/17. The opportunity may then be available to look at a more fair and equitable system for taxing businesses in Northern Ireland.” FSB

“A form of rate relief scheme is valid. However, charges to out-of-town centres and around out-of-town car parking (raised in BCCM’s initial consultation response) remain possible and are perhaps more viable solutions.”
BCCM

“The relief is still needed in areas such as Fermanagh which is yet to escape the economic downturn” FDC

“We would be pleased to see the adoption of Land Value Taxation (LVT) in place of UBR.” Land Value Taxation Campaign

“The Council is aware of the ongoing costs of maintaining the SBRR scheme, and the potential impact of this on local service delivery. Therefore there are other options which need to be considered.” LCC

“Short-term business rates need to be reduced while in the long-term there is a need for a complete reform of the business rates system to ensure it is fit for purpose.” Omagh Chamber of Commerce

“Business activities are already ceasing even with the relief in place. Any dramatic reduction or suspension of the scheme has the potential to have a negative impact on the small businesses that currently benefit from it.” SDC

6.5 Summary from public consultations

In general, the SBRR was a scheme that those who responded to the consultation liked and felt that it should continue. The automatic award system is well liked and whilst respondents felt that the scheme should be better targeted, an application based system seemed a step too far for most as it would bring with it additional bureaucracy and costs for both the applicant and LPS. However, it is difficult to see how the scheme could be better targeted using an automatic award system and the data available within the LPS system. Any targeting would, most likely, require the incorporation of additional data to the LPS dataset (for example business starts from the IDBR) or some form of application and award mechanism.

There are many different perspectives on what the SBRR policy objective should be, how the relief should be targeted to achieve this and consequently, there is no clear consensus on how the scheme should operate in the future, once RPA and the revaluation have passed. What is clear though, is that all respondents believe that SBRR should continue in some shape or form.

7. Targeted stakeholder consultation

NICEP met with key stakeholders as part of the consultation process to take account of their views on the effectiveness of SBRR and the potential options that they see for the future. These stakeholders are key to the policy development process and we are grateful for the time and effort they put into the consultation process and conversations. In particular, we should thank the Federation of Small Businesses who carried out a survey of their members and provided the key findings to NICEP.

7.1 Stakeholder consultees

Business representative organisations

- Confederation of British Industry (CBI)
- Federation of Small Businesses (FSB)¹⁷
- Manufacturing NI (MNI)
- NI Retail Consortium (NIRC)
- NI Independent Retail Trade Association (NIIRTA)¹¹
- National Federation of Sub-Postmasters (NFSP)

Councils

- Belfast City Council (BCC)
- Derry City Council (DCC)

Central Government

- Department of Trade, Enterprise and Investment (DETI)
- Invest NI (INI)
- Land and Property Services (LPS)

7.2 General observations

All consultees welcomed the intent of the NI Executive in their attempt to help support small businesses. There was also broad agreement that there was a need for Government to help small businesses when they were gripped by the teeth of the recession in 2010.

Whilst it is recognised by consultees that support for small businesses was required, that is where the agreement ends. There were a range of opinions voiced and evidence provided in terms of the effectiveness, future options and funding arrangements for SBRR.

General themes that emerged were;

- Administration and fairness of the scheme;
- Impact of the scheme;
- Appropriateness of the scheme;
- Funding of the scheme; and

¹⁷ It should be noted that both FSB and NIIRTA provided a written response to the public consultation and engaged in the stakeholder consultation.

- Alternatives and future of the scheme.

7.3 Administration and fairness of the scheme

The majority of consultees were satisfied with the automatic application of the scheme due to its low cost and simplicity. It was highlighted however that this blanket approach was unfair to a certain extent as some genuine small businesses (with a small turnover and a small number of employees) are excluded from receiving the rate relief.

The scheme was described as a blunt instrument which provided relief to businesses with small premises and not just those in need of support. Again, some felt that the inclusion of “business” in the name of the scheme somewhat influenced the perception of who the SBRR’s intended beneficiaries are and if businesses are the target group, then all small businesses should be eligible, although this would require an application based scheme.

LPS noted that the scheme needs to be easy to administer from their perspective. Additional resources would be required to modify the scheme in order to target those businesses that are in need of relief but are currently excluded. Whilst this is doable, the cost of the scheme will increase. Initial estimates from LPS suggest that a simple application based scheme would cost c£0.9m per annum to administer with 25 additional staff required, and a more complex scheme could cost c£3m and require an additional 80 staff. It should be noted that these are LPS estimates, based on the administration of other LPS schemes and NICEP are not privy to the methodology or assumptions used in their construction.

It may be an option for DFP to source some alternative quotes for the cost of running such a service. On the basis of 12,000 applications per annum; if 15 staff were employed to check and approve the applications at a fully loaded cost of £28k (£20k base + 40% overhead) with one manager at £42k (£30k + 40% overhead) and the staff process 20 applications per day (one every 21 minutes) the annual cost would be £462k. As such, there may be some potential to trim the cost of administering an application process.

Some comments include;

“The SBRR scheme within NI is seen as a success in comparison to other similar schemes in England, Scotland and Wales, particularly with regard to automatic award.” FSB

“A greater balance is required in terms of the eligibility criteria as many small businesses feel excluded; these businesses contributed for years in a difficult economic climate and have not received any fiscal recognition.” DCC

“The NAV is an appropriate basis for relief as those post offices most in need of support received relief. The level of relief was ideal and worked extremely well, therefore I recommend that the scheme needs to continue at similar levels.” – NFSP

7.4 Impact of the scheme

Due to the relatively small amount of relief received by businesses, the majority of consultees agreed that the scheme did not result in a significant economic impact. It was noted that the scheme was difficult to judge on a ‘value for money’ basis. Even though the scheme did not generate much in terms of tangible economic outcomes, consultees highlighted that it was very important that the Executive was seen to do something to help small businesses during the recession.

There are differences in opinion concerning the level of impact upon businesses. Some consultees have stated that the increase in cash flow provided through the relief would have relieved businesses of financial pressures whilst others argue that this small amount would have had no substantial impact upon small businesses and if any businesses are relying on this relief there are other issues, such as viability and demand, which need to be addressed by the business itself.

“The SBRR scheme contributed to the survival of small businesses by helping with operating costs in a difficult economic environment.” FSB

“Within the threshold, the benefits received were largely minimal, especially in comparison with the economic environment that was being faced.” DCC

“The scheme is vital for the survival of small post offices, particularly in rural areas. The survival of Post offices is crucial to NI overall as they provide a huge social benefit to communities.” - NFSP

“It is difficult to imagine that the rate of relief achieved through the scheme would have had a significant impact upon individual business’ output. If the relief received managed to keep businesses afloat during the recession then trading issues are likely to have been present pre-recession.” DETI

“The amount of relief received by properties was a relatively small amount and likely has had little impact on being profitable or not. If a business is in jeopardy and is reliant on this amount, there is a more fundamental issue of demand which could be addressed by using this investment to improve the likelihood of success.” MNI

“Most of NIIRTA’s members have used the money freed up by SBRR to reinvest in their business, in things such as investment in equipment, signage etc. The impact of the scheme must be seen as part of a broader package of measures that helped small retailers / small businesses, such as supporting enterprise (energy, doing something about upward only rent agreements, planning, regeneration, cheaper / free town centre car parking, infrastructure developments etc). From our perspective, one of the most important aspects of SBRR was that it provided a signal to small retailers that the Executive understood their problems and was willing to help. The importance of this should not be underestimated.” NIIRTA

7.5 Appropriateness of the scheme

All consultees are in agreement that there is a need for Government to support small businesses as they are crucial to building and growing the NI economy. However, they were divided on whether the SBRR scheme was the appropriate mechanism to assist small businesses.

The majority of consultees noted that the economic recovery is at risk and the removal of the relief may place the recovery in jeopardy. It was also stressed that it would be inappropriate to remove the scheme at a time when small businesses are facing great uncertainty as a result of the imminent revaluation and merging of District Councils. Others noted that the scheme gives breathing space to small businesses but it is not the solution to the problems that small businesses are facing.

“For the past 4-5 years, many small businesses’ focus has been on survival. Now that the economic environment has improved the cost base is rising, and until there is more stability the scheme is still required.” FSB

“Originally the scheme was introduced as a short-term measure to support small businesses during difficult economic times, however the scheme is a sticking plaster for an injury that requires surgery.” NIRC

7.6 Alternatives and future of the scheme

Only one of the consultees stated that the SBRR scheme should continue (FSB). The majority of consultees were in agreement that funding should be redirected to an alternative scheme which would induce a greater impact upon small businesses and provide substantial economic outcomes. It was noted by one respondent that all other UK regions have a form of SBRR in place and therefore, NI should not be disadvantaged and suggested expanding the scheme to include some larger NAV properties. The remaining consultees noted that “a” SBRR scheme should continue, but it should be modified so that the scheme is targeted towards businesses who demonstrate a real need for relief and most felt that the Executive should pay for any such scheme.

Due to the uncertainty that businesses are currently facing with the changes resulting from RPA and the revaluation, it was suggested that any modifications to the scheme or its removal should be postponed. A list of suggestions put forward by consultees of how the funding could be better used is;

- Business Improvement Districts;
- Rate relief for business start-ups;
- Tiered scheme of payment which is dependent upon size or sector;
- Used to contribute towards energy costs; or
- Overcome problems which could arise as a result of the revaluation of rate and merging of district councils.

Whilst alternative options were provided by consultees, it was agreed that the removal of the scheme would be difficult for the NI Executive as the general public are keen on rate relief. The introduction of a scheme is easy as it generates ‘winners’ as some businesses will receive relief. The elimination of such a scheme is problematic as it transforms the businesses who were previously ‘winners’ into ‘losers’ as those who previously gained relief will lose out.

“The SBRR has provided relief to a significant number of our small businesses, and we would strongly urge that it be retained for at least the final year of this Assembly term. This will provide a degree of continuity in what may be a period of significant turmoil, due to the revaluation and convergence exercises.” FSB

“Due to the revaluation and merging of the district council’s it would be problematic to implement any changes to the scheme before April 2015. The best option would be keep the scheme as is until the other changes have been made.” LPS

“Within the National Federation of Sub-Postmasters, post offices located in Northern Ireland are in the most difficulty as a result of being left behind. Support from the Executive is essential and the prospect of losing this relief is very worrying.” – NFSP

“The transfer of local economic development functions to Councils for enterprise and business start-up alongside the Council’s existing business growth function provides an opportunity in the medium-term to use the resource more efficiently, perhaps through a tiered scheme of payment in terms of a business’s size or sector”. BCC

“The scheme has not had any major impact upon small businesses within NI and therefore should be redirected towards other areas where the overhead costs are greater such as energy.” CBI

“A blanket approach with regard to the SBRR scheme would be preferable whilst making changes to the percentage of relief available in order to increase the threshold. If this is not possible the scheme needs to be targeted and specific which is sympathetic to the needs of small businesses.” DCC

“From an economic standpoint the continuation of the scheme does not provide large benefits to small businesses and therefore funding could potentially be used to address more pressing issues within the small business sector.”

DETI

“Invest Northern Ireland welcomes fiscal initiatives such as the Small Business Rate Relief Scheme which improve the operating environment for Northern Ireland’s SMEs and which complement Invest NI’s existing support packages and advice for the wider business base.” INI

“The redirection of funding has the potential to smooth out difficulties with increased rates which may occur as a result of the transitional arrangement from the merging of councils.” MNI

“It is clear that the scheme is not the answer. Small businesses do need support; there is a problem and high streets need to be rejuvenated. BIDs would provide a better solution but in order to do this successfully, a joined up Government and taskforce working together and being proactive are required. Something needs to be set up that works at a local level; look at what is unique to the area and how to use that to attract and keep people within the area. It is an opportunity to build on destination retailing, ‘café culture’ and increase footfall.” NIRC

“All other GB regions have a form of SBRR in place and NI should not be left behind. The scheme should be automatic as the cost of administering an application based scheme would be huge and resource intensive for LPS. NIIRTA would like to see options explored to;

Enhance the scheme – increase the eligibility threshold (NAV) from £15k to say, £17k;

Target the scheme better – Large, out of town retailers should pay more rates to level the playing field (in terms of £ per sq ft). NIIRTA’s view is that these LOTR’s should help fund / fund the relief to small ratepayers; and

Consider a needs-based scheme - NI has the highest shop vacancy rate in the UK at twice the national average. Empty premises relief should be extended from 6 – 12 months.” NIIRTA

7.7 Funding of the scheme

When asked about the options for funding any SBRR scheme in the future, opinions were divided. Some pointed out that the funding could be used more effectively to assist businesses in other ways (such as Business Improvement Districts). Some felt that the Large Retail Levy was an appropriate way to help fund the scheme, whilst others felt that it was unfair to ask a small group to shoulder such a burden. Interestingly, in contrast to the survey of beneficiaries, calls for the Executive to fund SBRR were muted.

“One option with regards to the funding of the SBRR scheme would be to review the current process for major out of town retailing businesses and establish if this could be raised further; although these retailers would contend that they already pay a great amount in rates and a balance needs to be struck.” DCC

“The Executive should continue to fund the scheme, specifically if they place importance on the well-being of local communities. Many of the most vulnerable in society go to their local post offices to get guidance and without this they would be stuck on where to get advice.” - NFSP

The SBRR scheme sustains life and supports small businesses however it is unfair that the large business sector was asked to fund it. The levy makes it difficult to make decisions on a global basis and hurts FDI by making NI a less attractive place to invest. – NIRC

“The Executive need to tax and spend money more wisely, the funding used for the SBRR scheme has the potential to help overcome other problems such as the revaluation of rates and increased rates as a result of merging councils.” MNI

7.8 Summary of targeted stakeholder views

It was heartening to have five of the main business representative organisations take part in the consultation process as their views summarise the perspective of a number of private sector companies the number also provides an even balance to the number of public sector participants. Their views provide an important insight to the impact, effectiveness and best way forward from the private sector, which is essential in any evaluation of Government assistance to the private sector.

In general, those who were consulted liked the automatic award system as it kept the burden of the scheme to a minimum. However, the weakness of the scheme was that it was rather blunt and inflexible, which is the cost of such an automatic award. Many respondents were able to cite examples of small companies trading in NI, who were not eligible for SBRR mainly due to the high NAV of their property. There is also the issue of being seen to be penalised by the rating system for improving buildings when in fact, some reward should be given by the public sector for improving the built environment.

Consultees felt that the SBRR was an appropriate scheme for its time. Government had to do something for small businesses during the recession. However, whilst it helped with cashflow and survival, they felt that it did not have a significant economic impact due to the small size of the award to many businesses. Indeed, some felt that if a business was reliant on SBRR, there were underlying issues with viability that needed to be addressed.

When the views that were aired as part of the consultation process are considered, it would appear that there is a blurring of the policy objective. When discussing future options, it became clear that there were many different perspectives on what the SBRR should be used to do – provide general relief, help the smallest, help town centres, make the scheme more generous etc. The question of what the specific policy objective could or should be, will need to be the key consideration when the future of the scheme is considered, as it will not be possible to satisfy all of the policy desires articulated by consultees. In terms of funding, it was clear that most felt if the scheme continued, then the Executive should continue to fund it, and there was general support for the use of a large retail levy to fund the scheme, except for those organisations whose membership included large retailers.

One of the key concerns, raised by many during the process, was that there are many other changes that are taking place at the same time as SBRR is scheduled to end. RPA and the forthcoming rating revaluation were commented upon by a number of consultees and the general view was that there should be no change to SBRR while these other changes are underway.

8. Political perspectives on SBRR

SBRR was an initiative introduced by the NI Executive in 2010, costing more than £47m during its lifetime. Given that this was an initiative introduced by the Executive and the current UK Government policy on austerity, it is important that the views of the main political parties in NI are included in the evaluation and consideration of options going forward. We are grateful for the time and effort that each of the parties and their representatives put into the consultation process.

General

There was a general consensus that the SBRR scheme was an appropriate mechanism introduced to assist small business during the economic downturn. The Executive recognises that small businesses are vital to the NI economy and each of the parties understands the need to both support and encourage small businesses. Whilst the scheme was highlighted as an appropriate policy at the time, as it acted as a pressure release valve for small businesses, a number of issues regarding the operation of the scheme were highlighted during the consultation process, they were;

- The fairness of the scheme;
- The lack of quantifiable economic outcomes;
- Funding of the scheme;
- Whether the scheme is still appropriate; and
- Is there a better appropriate alternative?

8.1 Sinn Féin

The SBRR scheme was appropriate at the time of implementation and there is still a need to support and encourage our small businesses. Our economy is changing. Attracting consumers into town centres is one of the biggest challenges facing our economy; we must ensure a welcoming environment will be provided alongside the promotion of café culture.

It is evident the scheme has been both successful and popular with small businesses. Although, with changes such as revaluation, RPA, Corporation Tax and the imminent outcome of the Scottish referendum we should consider waiting before implementing a new scheme or even removing the existing scheme.

If the scheme were to be continued, we would be supportive of a levy placed on large businesses to fund the scheme, as opposed to Executive. Larger businesses with larger profits can negatively impact small businesses through displacement. However with small, local businesses, there is a lesser chance that profits will leak out of the NI economy. Therefore, there should be a progressive tax placed on large businesses or large out of town resources.

There is a sense that there is some unfairness within the SBRR scheme. For example, small businesses such as indoor go-karting facilities require large premises, and therefore do not qualify for relief. This is despite generating a low level of turnover and having few employees. Furthermore, in the future it may be beneficial to base qualifications for the scheme on measures such as turnover, in an attempt to make the scheme more targeted. A second option for the future of the SBRR scheme would be, using the money collectively to improve areas such as town rejuvenation.

8.2 Ulster Unionist Party

The UUP is focused on the future and there needs to be a complete review of the overall rating system within NI.

In relation to the SBRR scheme, it is beneficial to offer relief to small businesses. However, rates do need to be raised to fund public expenditure and therefore it is not always possible to continue giving reductions. A sensible adaptation of the scheme would be to offer relief on a sliding scale; smaller businesses receive greater relief whereas those on the larger end of the scale receive less relief.

8.3 SDLP

The scheme is effective and we are glad of its existence. Small businesses are finding it difficult to compete during the challenging economic conditions and the relief helps to keep them afloat. Even with the SBRR in place, small businesses are still struggling with huge rates bills. The party would support the continuation of the scheme and if possible to provide greater rate relief to further alleviate small businesses by targeting genuine businesses in need.

It is difficult to answer the question of whether the scheme has generated much economic impact as this was not its intention. The scheme was introduced as a mechanism of providing relief to small businesses, not to generate economic output.

The scheme should not be removed unless a more effective alternative is put in place; however it is difficult to imagine what type of scheme would be appropriate. As the relief is spread quite thinly across businesses, one suggestion would be to put the funding into a pot and give control of this to enterprise agencies. If the scheme is continued, the large retail levy should remain in place. It is fair that the larger businesses with greater profits contribute to the growth of small businesses.

8.4 Alliance

Small businesses are the backbone of the NI economy and the SBRR scheme is a successful policy as it highlighted the importance that the Executive placed on them. The scheme did increase cash flow and allowed businesses to make some minor changes i.e. fixing signs etc. However, it did not seem to have a significant economic impact in terms of job creation.

With the revaluation of rates, merging of councils and other changes currently coming into effect, an option may be to continue with the scheme until such times as those changes have been completed. In order to fund the continuation of the scheme for an extra year, the large retail levy should be continued.

Once all the changes have come into effect it may be preferable to implement a different scheme. The funding could then be more efficiently allocated into incentivising town centres via schemes such as streetscape or BIDs. This possible rejuvenation of town centres will further create a multiplier effect. Another possible option for the reallocation of funding could be towards employment grants. If job creation is incentivised, consumer spending will increase, further increasing consumer demand and thus, ultimately we could see an increase in economic growth.

8.5 DUP

SBRR was one of the measures introduced by the Executive during the recession to alleviate pressures faced by small businesses. At that point in time there was no relief from central Government for small businesses. The symbolism of the scheme was important as it emphasised the significance of small businesses to the NI economy, and that the NI Executive understood they were facing real challenges. The benefit received from the scheme is small, in line with the amount of relief, although it allowed businesses to continue trading. However, any businesses relying solely on the SBRR are in a very precarious position.

The economy is currently in recovery mode and whilst the scheme was introduced as an anti-recessionary policy, removal of the scheme may impact upon recovery. SBRR needs to continue, whether it is this scheme as is or a modified scheme, although any modifications are likely to incur a cost.

The scheme is a blunt instrument for providing relief and someone will always lose out. There must be a cut-off point and whilst some small businesses are excluded, any amendments to the automatic application such as exception applications will increase the cost of the scheme. Currently there is not enough funding to expand the scheme to include more businesses or make adaptations; there is only so much weight the rating system can bear.

Large retailers should not bear the costs of funding smaller businesses. Large businesses should not be punished for being successful. We want to encourage growth within retail rather than to place pressure on that sector and hinder growth. At the same time, whilst we support the growth of large retailers, we must be sensitive not to grow large retailers at the expense of small businesses. There needs to be a balance between small and large businesses as both bring benefits to the NI economy.

8.6 Summary of political perspectives

There was general agreement amongst all of the consultees that the decision to introduce SBRR was appropriate at the time of its introduction. It was important at that time that the NI Executive was seen to be supportive of small businesses.

However, the scheme is seen as a blunt instrument with its automatic award system. The automatic award is beneficial in that it minimised the administrative burden both to LPS and the ratepayers, but the cost was that some small businesses did not receive relief, whilst some other larger businesses occupying low NAV properties did.

There is broad agreement that the economic impact of the scheme has been limited, in line with the small amount of relief offered to businesses. There are some impacts in terms of investment in signage etc, but overall, the quantifiable economic outcomes are limited for a scheme which carries a price tag of £47m. Indeed, some thought that as it was not introduced as an economic development scheme, it should not be expected that there are economic outcomes.

With the Review of Public Administration and a revaluation process underway, ongoing negotiations on Corporation Tax, the outcome of the Scottish referendum, there is some concern at implementing any change to the SBRR scheme until the outcome of these other factors are known. That said, it is likely that at any point in time, other factors that impact upon SBRR will be evolving and could further delay any decision on the scheme. There is no consensus on a preferred option, but generally, there is agreement that SBRR should be formulated differently in the future and that careful consideration must be given to how the scheme may be funded. A number of the parties suggested that sections, or sectors within the ratepayer base could help bear some of the cost of providing relief to the smallest ratepayers. As such, it is clear from this stakeholder group and political parties that there is some appetite for change to SBRR, but perhaps at a date in the future rather than in the immediate term.

9. Complying with legislative requirements

There are a number of legislative requirements that all policies and programmes must adhere to within the EU, UK and NI policy framework. NICEP can provide an overview of the legislation that is relevant to the SBRR scheme and a broad view on applicability, compliance and future options. However, specialist advice should be sought on each of these areas by DFP.

9.1 State Aid

State aid can occur when a member state of the EU provides financial assistance (such as subsidies, grants, tax relief, goods or services provided on preferential terms etc.) to businesses that could potentially distort competition and affect trade within the European Union.

Where there is a genuine market failure, State aid may be a necessary and justifiable intervention if the objective is to incentive enterprises to change their behaviour in order to correct that market failure. Importantly, aid should only be granted where the benefits outweigh the negative effects on competition.

The European Union definition of State aid is;

“An advantage in any form whatsoever conferred on a selective basis to undertakings by national public authorities.”¹⁸

Article 107 states;

“Save as otherwise provided in the Treaties, any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market.”¹⁹

To be considered a State aid, a measure must include these features:

1. There has been an intervention by the State or through State resources which can take a variety of forms (e.g. grants, interest and tax reliefs, guarantees, government holdings of all or part of a company, or providing goods and services on preferential terms, etc.);
2. The intervention gives the recipient an advantage on a selective basis, for example to specific companies or industry sectors, or to companies located in specific regions
3. Competition has been or may be distorted;
4. The intervention is likely to affect trade between Member States.

SBRR is a form of State aid and is delivered under the de-minimis regulation. There are a number of rules within the regulation that preclude de-minimis aid to a number of sectors and activities. The exclusions are;

1. Aid to agriculture, fisheries and aquaculture;
2. Marketing of agricultural products
3. Export related activities

¹⁸ http://ec.europa.eu/competition/state_aid/overview/index_en.html

¹⁹ http://eur-lex.europa.eu/legal-content/EN/ALL/;ELX_SESSIONID=GkKdJlXbf5mkmnQLZshpGyQ4rQ5nN2jtNbs4FhGkTTW93mjWnWzd!-1253510573?uri=CELEX:12008E107

4. Aid in excess of €200,000 in any three year fiscal period.

As SBRR is constructed, the main risk to the NI Executive is in terms of the addition of DFP's SBRR to other forms of de-minimus aid that has been awarded to enterprises by other Departments. DFP have sought to minimise this risk by writing to ratepayers informing them of their obligation to declare to DFP if the aid they receive breaches the de-minimus threshold.

Obviously, LPS record the properties that are in receipt of relief, but the occupant is of less relevance to the organisation in its main function as a rate collection agency. As such, there is a slight risk built into the current approach as LPS do not record which businesses receive the relief and therefore some businesses may not declare the overpayment.

State aid summary

It would appear from the evidence that the SBRR scheme is compliant with the de-minimus regulations. However, there is a small risk that DFP's SBRR could push an enterprise over the €200,000 in a three year period and that enterprise would not make DFP aware (the survey revealed that 25% of SBRR recipients weren't aware that they were in receipt of the relief). In terms of correction, the question is whether DFP or the enterprise would bear the cost of correction and any penalty imposed.

9.2 Equality impacts

Section 75 and Schedule 9 to the Northern Ireland Act 1998 places a statutory obligation on public authorities in carrying out their various functions relating to Northern Ireland, to have due regard to the need to promote equality of opportunity between;

- persons of different religious beliefs;
- persons of different political opinion;
- persons of different racial groups;
- persons of different age;
- persons of different marital status;
- persons of different sexual orientation;
- men and women generally;
- persons with a disability and persons without; and
- persons with dependants and persons without.

SBRR is awarded to businesses on the basis of their NAV, although there are a number of exclusions and enhancements which are detailed earlier in this report. The LPS data provided as part of this research project is a rich source of information on who received relief, where they are located, how much the relief was worth etc. However, it does not include any specific variables that provide information on the religious belief, political opinion, racial group, age, marital status, sexual orientation, disabilities or whether or not those who pay non-domestic rates have any dependents.

Therefore, it is necessary to consider other data sources that are available at ward level alongside the LPS data to identify any patterns or relationships that may indicate whether or not discrimination may be apparent against any of the section75 groups. This analysis can be carried out using econometrics, but can also be visually represented in scatterplots. Both methods can help determine the size, direction and significance of a relationship.

Econometric analysis

Econometric analysis has been carried out using NISRA's 2011 Census data by ward alongside the LPS data. Essentially, the analysis is testing to see if any of the section 75 groups have a positive or negative impact on the proportion of properties that are awarded SBRR, or if they impact upon the average award.

There are two key statistics within the analysis and it is important to understand both of them and how they should be considered concurrently to provide a full and clear perspective on the results of the analysis.

Coefficient

Captures the relationship between the variables, in this case either the proportion of properties in receipt of SBRR, or the average award of SBRR and their relationship (separately) to the section 75 groups. A positive figure suggests both sets of numbers will increase, or decrease together. A negative figure suggests that as one variable increases, the other will decrease and vice versa. The coefficients show the direction of the relationship.

R Squared

Explains how much of the variation in the dependant variable (in this case either the proportion of properties in receipt of SBRR, or the average award of SBRR) can be explained by the variation in the independent variable (in this case the section 75 groupings). In this context, a high R squared will demonstrate that the average SBRR award is very much influenced by a variation in the section 75 variable and vice versa.

Table 9.1 – Econometric analysis of the impact of SBRR on section 75 groups

Section 75 category	LHS	RHS	Coefficient	R Squared
Religion	% of properties receiving relief	% of pop' who are Roman Catholic	-0.1	0.3%
	Average SBRR award	% of pop' who are Roman Catholic	-87.8	0.4%
	% of properties receiving relief	% of pop' who are Protestant or other Christian religion	0.0	7.8%
	Average SBRR award	% of pop' who are Protestant or other Christian religion	-16.2	0.0%
Race	% of properties receiving relief	% of pop' who are non-white	-2.3	5.1%
	Average SBRR award	% of pop' who are non-white	3,770.2	8.5%
Age	% of properties receiving relief	Weighted average age of pop'	0.0	0.2%
	Average SBRR award	Weighted average age of pop'	3.7	0.4%
Marital Status	% of properties receiving relief	% of pop' who are married (Aged 16+ years)	0.0	0.0%
	Average SBRR award	% of pop' who are married (Aged 16+ years)	-624.6	8.9%
Gender	% of properties receiving relief	% of pop' who are male	0.7	0.6%
	Average SBRR award	% of pop' who are male	-2,902.1	6.1%
Disability	% of properties receiving relief	% of pop' who are disabled / have LT health problems	0.4	1.2%
	Average SBRR award	% of pop' who are disabled / have LT health problems	728.8	2.9%
Dependants	% of properties receiving relief	Dependancy ratio	0.8	2.0%
	Average SBRR award	Dependancy ratio	-823.2	1.5%
Sexual orientation	Is not included in the analysis due to a lack of available statistical information			
Political opinion	Is not included in the analysis due to a lack of available statistical information			

In general, for an econometric model to be regarded as having a reasonable degree of explanatory power, the R squared value would need to be in excess of 50%. The R squared values are particularly low for this analysis, confirming that the concentration of any of the section 75 groups in any ward does not have a material or significant impact on the proportion of properties that are in receipt of SBRR, or the average value of the SBRR

award. In conclusion, the econometric analysis has confirmed that there is no evidence of discrimination against any of the section 75 groups by the SBRR policy.

Scatterplot analysis

In order to show the relationship between two variables, a scatterplot can be used. The SBRR analysis is included below, based on the proportion of properties in receipt of SBRR by ward, the average SBRR award by ward, and data from the 2011 census. Annex 4 contains the results of the scatterplot analysis.

The scatterplots show some weak positive and negative correlations, like the econometric analysis. However, two variables moving in the same direction does not necessarily mean that they are related (such as handwriting ability and the size of children's feet which will be positively correlated, but one does not influence the other –the driving factor is growing older). **The scatterplots confirm that there is no clear or systematic relationship between the proportion of properties in receipt of SBRR, or the average SBRR award and any of the Section75 groups.**

Equality impact assessment summary

In conclusion, both the econometric analysis and scatterplots have confirmed that these data provide no statistical evidence of discrimination against any of the section 75 groups by the SBRR policy.

9.3 Impact on deprivation

OFMDFM's Practical guide to policy making states that;

“New Targeting Social Need (New TSN) requires all Government departments and relevant agencies to tackle social need and social exclusion by targeting efforts and available resources on people, groups and areas in greatest objective social need. The policy has three complementary elements: tackling unemployment and increasing employability; tackling inequality in other policy areas such as health, housing and education; and Promoting Social Inclusion (PSI). Overall the approach to the promotion of New TSN is one of mainstreaming - the aim is to facilitate total integration of New TSN into the policy and programme development of all departments.”

SBRR is awarded to non-domestic properties on the basis of their NAV and not to individuals. Data that provides a direct link to how deprived recipients of the relief are does not exist and therefore it has been necessary to use both the LPS dataset and NISRA's Multiple Deprivation Measure that was published in 2010. This analysis is carried out at District Council level.

ERINI noted in their report “An investigation into a Small Business Rate Relief scheme” in 2008 that;

“Unfortunately, a general scheme based on aiding small businesses on grounds of assisting areas of multiple deprivation would not be particularly effective as there is little or no correlation between areas of deprivation and small firm's rates bills.”

In the same format as the equality impact assessment, the SBRR data has been analysed visually using scatterplots and econometrically, to test for any relationship between deprivation and SBRR

The econometric analysis returned very low r squared and coefficient values, confirming that there is no statistical link between the average SBRR award, or the proportion of properties in receipt of SBRR and the level of deprivation by ward.

Table 9.2 – Econometric analysis of the impact of SBRR on deprivation

	LHS	RHS	Coefficient	R Squared
Deprivation	% of properties receiving relief	Multiple Deprivation measure - rank of ward	0.000	0.006
	Average SBRR award	Multiple Deprivation measure - rank of ward	-0.128	0.012

Sources: LPS, NISRA & NICEP

Deprivation impact assessment summary

Based on both the scatterplots and econometric analysis, it is clear that SBRR did not have an impact on deprivation, either positive or negative.

9.4 Regulatory impact in businesses

The impact of a regulation, policy or programme must be considered from the perspective of the business to establish the potential impacts that may affect them.

Compliance costs

The construction of the SBRR scheme minimised the impact on businesses, as it was granted via an automatic award. As such, there were no compliance costs that arise from the SBRR. A Large Retail Levy was introduced in 2012 to help fund the costs of the SBRR. However, the Large Retail Levy is a separate policy initiative and is therefore beyond the scope of this evaluation.

Competition effects

The SBRR is likely to have had negligible impact upon competitive and comparative advantage, as it is such a small amount of aid to a large number of ratepayers. Indeed, that is the premise upon which de-minimus aid is predicated – that it will not have a significant impact on displacement or competition. Given that a large proportion of shops, supermarkets and offices were in receipt of aid and that the aid provided was a small amount in relative terms, it is highly unlikely that any displacement will have occurred, or competitive advantage been conferred..

Regulatory impact assessment summary

SBRR was constructed to provide assistance to a large number of small non-domestic ratepayers, without adding any burden to them during the recession. It fulfilled this ambition through the automatic award system which ensured that there was no impact to businesses. In addition, the awards were to many ratepayers and also were small in relative terms and therefore no evidence exists of significant displacement or impacts on competition.

9.5 Summary of legislative compliance

The available evidence has confirmed that the SBRR scheme is operating within the legislative and regulatory framework set out by the EU and NI Governments in terms of State aid legislation, Section 75 legislation and objectives in relation to deprivation.

The statistical analysis carried out as part of this evaluation reveals no evidence of discrimination, either positive or negative on any of the section75 groups. In addition, the analysis revealed no evidence of any impact on deprivation. Low NAV non-domestic ratepayers benefitted from the scheme and the small amount of relief to many combined with the automatic award system ensured that the regulatory impacts on businesses were negligible.

10. Assessing Value for Money

Value for Money is the overall consideration of the level of return a policy or programme has offered to society, i.e. considering the outcomes in relation to the resource expended, which on the face of it seems a straightforward concept.

However, the consideration of VfM is at times nebulous concept as a range of factors must be considered some of which are unquantifiable and depending on the case under consideration, some factors will weigh more heavily on the final determination than in other cases.

This section of the report considers the level of Value offered for the revenue forgone in the SBRR scheme.

Strategic fit

SBRR was launched in 2010, part way through the 2008 – 11 NI Programme for Government, which had five key objectives. One of these objectives was growing a dynamic, innovative economy. As the 2008 PfG was launched, the recession hit NI, which meant Government activity necessarily turned towards measures that could safeguard the economy rather than promoted growth. It was within this context that SBRR was launched and it is considered by many of those consulted during the evaluation process to be appropriate for its time, as the rating system was used as a way of alleviating pressure on small ratepayers.

Costs

The scheme cost £62.0m over its five year lifespan.

Quantifiable benefits

There was limited evidence of quantifiable benefits emerging from the scheme. Only three respondents to the survey stated that they increased employment as a result of the relief and only five noted that they invested in machinery or equipment that helped their business. Given that the amount of aid is relatively small (£700 on average) and also that it is in the form of tax relief rather than a grant or subsidy which may be easier to link directly to outcomes for businesses, it is not surprising that the measureable benefits are limited.

Unquantifiable

Conversely, there is more evidence of unquantifiable or qualitative benefits arising from the SBRR. 44% of those surveyed felt that it helped with cashflow and 22% felt that it helped with survival and 13% with keeping the cost of overheads down. Obviously, this is an important benefit of the scheme, as when the scheme was launched, businesses were faced with the dual challenges of falling demand and increasing prices and therefore, the scheme may have helped to keep some businesses trading. Consultees also felt that it was important that the Government valued the contribution that small businesses made to the NI economy and launched the initiative to help the smallest ratepayers. This helped with the acceptance of the rating system at the time (as the rating system is based on NAV's it is often seen as unresponsive to economic conditions).

The major impact of SBRR was in qualitative terms, which was important at a time when businesses were facing falling demand throughout the recession.

Cost effectiveness

Is usually measured in cost per job, or cost per square foot of building etc., in order to provide a relative assessment of the success of a policy or programme. This is a relatively more difficult judgment in the case of SBRR, as the impacts were in the main, qualitative. However, with just three survey respondents out of 552 surveyed noting that they increased employment as a result of the relief, aggregating this up to the population of

recipients would result in 117 ratepayers increasing employment. At a total cost of £47m, this would mean that the gross cost per job would be just over £400,000, which is very low on the spectrum of cost effectiveness.

Additionality

Measures the amount of additional output that is generated by a Government initiative. The survey revealed a low level of quantifiable additional economic activity as a result of the programme. Helping with cashflow and keeping the cost of overheads down are without doubt benefits of the scheme, but are in themselves unlikely to generate any additional output. Helping with survival (22%) may mean that some businesses are still in existence that may not have otherwise been, although the additional impact is difficult to measure without knowing more detail. In summary, it would appear from the evaluation evidence that the level of additionality is low.

Displacement

Is concerned with whether or not employment or other economic activity is encouraged to move around NI, or the UK as a result of a Government Policy. Again, as the average amount of relief is relatively low at £700 and also that the SBRR is not differentiated based on any sectoral or geographic breakdown it has not resulted in an significant degree of displacement.

Affordability

The scheme was affordable for DFP throughout its lifetime, although costs escalated significantly in 2013 and 2014 as NAV thresholds increased. However, affordability will be a more significant issue for any replacement scheme going forward in an environment of austerity.

VfM conclusion

Taking into account all of the evidence provided through the evaluation process the conclusion is that the SBRR offered a low level of VfM for NI from an economic perspective. The scheme could be said to have been successful from either a social or political perspective as the scheme was popular and provided rate relief to a broad swathe of NI's non-domestic ratepayers and it could be said that the scheme was more appropriate for the time when it was launched, rather than for current economic conditions.

As with any judgement, the cost of £47m has to be weighed against the mainly qualitative benefits (and whilst these are not measurable, they may have been critical to an individual or firm, but limited in terms of aggregate impact), some quantifiable benefits and the generally low levels of cost effectiveness and additionality. In this case, the benefits are considered to be reasonably limited in relation to the overall cost and the economic case is not considered to be compelling.

11. Future options for SBRR

A range of policy options have been suggested for the future of SBRR, importantly all of them are “do something options”. All of those consulted, and most respondents to the survey felt that there was still a need for Government to help small businesses, with many noting that small businesses still face on-going pressures even though the recession has ended.

What became apparent from many of the discussions regarding options was that there were a range of opinions on what the policy objective should be. Some felt the smallest businesses should be assisted, others felt that all businesses should get help. Some felt that businesses that are growing employment should be rewarded and others felt that this would simply reward those who are already successful.

The kernel of the issue is that the policy objectives are blurred between economic, social and political. The challenge for SBRR and potentially the whole rating policy framework going forward is to be clear and specific about policy objectives that are assigned to the rating system. If any economic objectives are assigned, then the cost, incentive effect, monitoring framework and outcomes must be identified prior to the implementation of the policy. If there are social or political rationales for implementing a particular strand of policy, these too need to be considered within the same process, but with differential objectives. Post office enhancements within SBRR are a good example of an incentive aimed at a social objective.

11.1 Options

The range of options that are available for SBRR in the future include;

Continuation of SBRR in some form

1. Continue with SBRR as is
2. Continue with SBRR broadly as is, but with a cap on costs
3. Continue with SBRR, but at a more generous rate of relief, or to more ratepayers, or both
4. Continue with SBRR, but more specifically targeted at the smallest value properties
5. Mirror English scheme
6. Mirror Scottish scheme
7. Mirror Welsh scheme

Economic incentives

8. Relief for employment creation, investment in capital, innovation, R&D, or exporting, which would require an application process.
9. Change all or part of the rate collection formula to one based on turnover or profit

Social incentives

10. Relief to post offices, shops and services in rural or deprived areas
11. Relief for repairing dilapidated buildings
12. Relief for charity shops or social enterprise

End SBRR, but fund other initiatives to help small businesses

13. Business Improvement Districts
14. Town Centre redevelopment

11.2 Economic recovery underway

The economic recovery is underway in NI, which partly sets the context for the discussion of future options for SBRR. The majority of economic indicators are positive over the last year, although significant risks remain, not least the pressure on Government spending and consumer spending which will impact on the rate of growth.

Whilst there are improvements in economic conditions in NI since the launch of the scheme, the survey of non-domestic ratepayers has revealed that a number of them still face challenges. In addition, an interest rate rise is likely during 2015 and the UK Government looks set to continue with its austerity plans.

The NI Executive is also dealing with the financial implications of not implementing welfare reform in line with GB policy. NI may also have other decisions to make on the transfer of fiscal powers as the Corporation Tax negotiation progress and the outworking of the implications of the Scottish referendum become clearer for the devolved regions.

Table 9.1 – Forecast of key economic indicators for NI

	2014	2015	2016	2017	2018
Real GVA growth rate	1.7%	2.8%	2.1%	1.1%	0.9%
Unemployment rate	5.1%	4.6%	4.2%	3.9%	4.0%
Employment growth	1.4%	1.9%	1.9%	1.5%	0.5%
House price growth	7.0%	7.0%	10.5%	9.6%	7.4%

Source: NICEP

The economic recovery in NI has been driven in the main, by consumers, as Government expenditure has been constrained, businesses remain reticent about investing and NI continues to be a net importer of goods and services. NICEP forecasts suggest that NI will continue to recover over the next five years, however, in 2017 and 2018 the level of consumer debt means that this group will not be able to drive the recovery at the same rate and the 'baton of recovery' will need to pass to businesses to maintain current levels of economic growth.

Table 11.1 considers the potential policy options in the PESTLE framework (that is Political, Economic, Social, Technological, Legal and Environmental). It should be noted that these options cannot be costed at this point in time as the revaluation process will change the properties that are eligible before April 1 2015 and NICEP does not have access to the full non-domestic rating database, which would be required to carry out such an exercise.

Table 11.1 – Summary of options and key issues

Option	Political	Economic	Social	Technological	Legal	Environmental
1. Continue with SBRR as is	✓✓ Popular scheme, relief provided to many ratepayers	XX Issues with affordability, limited economic impact, low cost effectiveness and additionality	✓ No impact on deprivation, but enhanced help for rural post offices.	✓ Technology exists for LPS to make automatic awards	✓ State aid, Section 75 and NTSN compliant	N/A
2. Continue with SBRR broadly as is, but with a cap on costs	✓ Popular scheme, relief provided to many ratepayers. Same ratepayers will be eligible for a similar, but potentially slightly smaller amount of relief. More appropriate for current economic conditions and responding to cost pressures	✓ & X Slightly more affordable and removes the risk of cost escalation. Issues will remain with limited economic impact, low cost effectiveness and additionality	✓ No impact on deprivation, but enhanced help for rural post offices.	✓ Technology exists for LPS to make automatic awards	✓ State aid, Section 75 and NTSN compliant	N/A

<p>3. Continue with SBRR, but at a more generous rate of relief, or to more ratepayers, or both</p>	<p>More popular scheme, relief provided to a greater number of ratepayers</p>	<p>May no longer be affordable. Limited economic impact, low cost effectiveness and additionality</p>	<p>No impact on deprivation, but enhanced help for rural post offices.</p>	<p>Technology exists for LPS to make automatic awards</p>	<p>State aid (with more de-minimus risk), Section 75 and NTSN compliant</p>	<p>N/A</p>
<p>4. Continue with SBRR, but more specifically targeted at the smallest value properties</p>	<p>Challenge of removing relief from recipients above the agreed threshold May allow cost savings to be used for a form of transitional relief</p>	<p>More affordable and targeted at smallest. Smallest NAV's may not necessarily translate into businesses in need. Limited economic impact, low cost effectiveness and additionality will persist</p>	<p>No impact on deprivation, less help for rural post offices above NAV threshold unless a special case is made for post offices.</p>	<p>Technology exists for LPS to make automatic awards</p>	<p>State aid, Section 75 and NTSN compliant</p>	<p>N/A</p>
<p>5. Mirror English scheme</p>	<p>Risk that Autumn budget will introduce more generous scheme Former medium NAV recipients lose. Low NAV recipients win</p>	<p>Targeted at smallest. Smallest NAV's may not necessarily translate into businesses in need. Limited economic impact, low cost effectiveness and additionality will persist</p>	<p>Greatest level of relief to smallest properties. No enhanced relief for Post Offices.</p>	<p>Application based scheme. LPS will need to introduce apply, approve, award system</p>	<p>State aid, Section 75 and NTSN compliant</p>	<p>N/A</p>

	Will require an application system which will be unpopular		Additional costs for LPS in processing applications. Businesses will bear some cost of application process				
6.	Mirror Scottish scheme	✓	x	✓	✓	✓	N/A
	<ul style="list-style-type: none"> £0 to £10,000 = 100% relief. £10,001 to £12,000 = 50%. £12,001 to £18,000 = 25% 	More generous scheme. More properties included at higher rates of relief	<p>Likely to cost more than current SBRR scheme and may no longer be affordable.</p> <p>Limited economic impact, low cost effectiveness and additionality will persist</p>	<p>Broad coverage</p> <p>No enhanced relief for Post Offices.</p>	Technology exists for LPS to make automatic awards	State aid, Section 75 and NTSN compliant	
7.	Mirror Welsh scheme	~	x	✓	✓	✓	
	<ul style="list-style-type: none"> £0 - £6,000 = 100% relief + enhancement Declining rate to £12k Enhanced for post offices & childcare 	Former medium NAV recipients lose. Low NAV recipients and childcare establishments win	<p>Slightly more affordable.</p> <p>Limited economic impact, low cost effectiveness and additionality will persist</p>	Enhancements for childcare and Post Offices.	Technology exists for LPS to make automatic awards	State aid, Section 75 and NTSN compliant	

<p>8. Relief for employment creation, investment in capital, innovation, R&D, or exporting etc.</p>	<p>XX</p> <p>Will remove relief from ratepayers not engaged in additional economic activity</p> <p>Will require an application system which will be unpopular.</p>	<p>✓✓✓</p> <p>More targeted and therefore more affordable and higher levels of economic impact, better cost effectiveness and higher levels of additionality</p> <p>Additional costs for LPS in processing applications. Businesses will bear some cost of application process</p>	<p>X</p> <p>Will lose social perspective as economic activity targets will take precedence</p>	<p>X</p> <p>Application based scheme.</p> <p>LPS will need to introduce apply, approve, award system</p> <p>This option will introduce significant additional costs to LPS (which at this point are unknown).</p>	<p>✓</p> <p>Different scheme and therefore State aid, Section 75 and NTSN issues will need to be considered.</p>	<p>N/A</p>
<p>9. Change all or part of the rate collection formula to be based on turnover or profit</p>	<p>X & ✓</p> <p>Will remove some of the inflexibility of the rating system. Perceived as a “fairer” system.</p> <p>Will be unpopular with those who lose.</p> <p>Open to corruption if not linked to official data sources for declared profits etc.</p>	<p>✓✓✓</p> <p>More responsive to prevailing economic conditions and business performance. Better linked to ability to pay.</p> <p>Additional costs for LPS and businesses in providing turnover or profit data and approval / implementation of rate bill.</p>	<p>✓</p> <p>Better link to ability to pay. Less well-off groups will pay lower rates.</p>	<p>XXX</p> <p>Application based scheme.</p> <p>LPS will need to introduce apply, approve, award system and link up data. This is liked to be very expensive indeed and difficult to police effectively (given the evidence from the sectors which currently use this</p>	<p>✓</p> <p>Different scheme and therefore State aid, Section 75 and NTSN issues will need to be considered.</p>	<p>N/A</p>

					method). Costs may be prohibitive.		
					LPS will need to link to other Government datasets to cross check data in application form.		
10. Relief to post offices, shops and services in rural or deprived areas	~	XX	✓✓✓	✓		✓	N/A
	Will remove relief those in less deprived areas	Domestically focussed and less likely than current scheme to help generate economic growth.	Excellent scheme from a social perspective, helping areas most in need.	Technology exists for LPS to make automatic awards	Different scheme and therefore State aid, Section 75 issues will need to be considered.		
	Number of sectors and geographical areas will lose relief	Sectors of focus are demand dependent and therefore the rating system will not be the key determinant of their fortunes				Positive NTSN impacts	
	Seen to help those in most need in society	Likely to suffer from low levels of cost effectiveness, additionality and VfM					
11. Relief for repairing dilapidated buildings	~	X & ✓	✓	X		✓	N/A
	Will incentivise improvement in NI's built environment	Domestically focussed and less likely than current scheme to help generate	Should help in deprived / run down areas	Application based scheme.	Different scheme and therefore State aid, Section 75 issues will		

	<p>Number of sectors and geographical areas will lose relief</p> <p>Could be seen as relief for property developers</p>	<p>economic growth.</p> <p>Cost effectiveness, additionality and VfM would need to be tested based on the specification of the scheme</p> <p>Will bring unused resources back into productive economic use</p> <p>Additional costs for LPS in processing applications. Businesses will bear some cost of application process</p>		<p>LPS will need to introduce, approve, system</p>	<p>need to apply, award</p>	<p>need to be considered.</p> <p>Positive NTSN impacts</p>	
12. Relief for charity shops or social enterprise	<p>✓</p> <p>Will remove relief for other sectors</p> <p>Seen to help those in most need in society</p>	<p>XX</p> <p>Domestically focussed and less likely than current scheme to help generate economic growth.</p> <p>Likely to cause displacement from other sectors (such as retail & manufacturing). Cost effectiveness, additionality and VfM likely to be low</p>	<p>✓✓</p> <p>Will help in deprived areas and boost socially oriented activities</p>	<p>✓</p> <p>Technology exists for LPS to make automatic awards</p>	<p>✓</p> <p>Different scheme and therefore State aid, Section 75 issues will need to be considered. Displacement may be an issue.</p> <p>Positive NTSN impacts</p>	<p>✓</p>	N/A

13. Business Improvement Districts	✓ & X	XX	~	✓	✓	N/A
Will remove SBRR as it currently exists and will therefore be unpopular.	Domestically focussed and unlikely to help generate economic growth unless construction is involved	Areas that are BID's may not be areas in social need	No technological requirement. Relief will be removed.	Different scheme and therefore State aid, Section 75 and NTSN issues will need to be considered.		
Could fund BID's in a number of areas. Scheme will be popular in winning areas and unpopular in other areas.	Likely to cause displacement non-BID areas. Cost effectiveness, additionality and VfM likely to be low					
Agreement on winning BID areas will need to be reached.						
14. Town Centre redevelopment	✓ & X	XX	~	✓	✓	N/A
Will remove SBRR as it currently exists and will therefore be unpopular.	Construction may provide an initial boost to the local economy.	Areas that are redeveloped may not be areas in social need	No technological requirement. Relief will be removed.	Different scheme and therefore State aid, Section 75 and NTSN issues will need to be considered.		
Could fund Town centre redevelopments in a small number of areas.	Likely to cause displacement from other / out of town shopping complexes. Cost effectiveness, additionality and VfM would need to be tested as part of plan.					
Scheme will be popular in winning areas and unpopular in other areas.						

11.3 Summary

There are a broad range of SBRR and related policy options that are available to DFP and the NI Executive at this point in time.

It is clear that the economic environment is more positive than when SBRR was introduced and whilst challenges remain, a private sector recovery is underway. The economy faces a number of headwinds and given that economic conditions may become more challenging in the future, DFP may wish to have some more aggressive policies in reserve should conditions worsen in the medium term.

There has also been a degree of policy blurring, and the consultation process revealed the desires of many to use the policy for different ends and means. In order for a policy to be successful, it must have SMART objectives, be implemented thoughtfully and monitored effectively. A policy with too many broad ranging and unquantified aims often results in sub-optimal activity and outcomes and therefore, it is recommended that the policy objectives are more clearly specified before the sifting of options.

Table 11.1 demonstrates that there is no “perfect option” for SBRR that will address all of the different policy desires. In fact, many of the different objectives can be seen to work against each other. As an economic policy centre, NICEP recommends that option 2 is taken forward at this time, continuation of the scheme with a cap on its overall cost. This reflects the unsuitable climate for a major change in the system at this point. The economy may be in recovery mode but it is still fragile and firms, particularly small firms, continue to report challenges in the trading environment. The revaluation, mergers of district councils, austerity and on-going changes in English rating policy all combine to make this a difficult time to assess and then implement a significant policy change. The revaluation in particular, could result in significant changes to eligibility and therefore, the cost of the scheme. However given the concerns over the economic validity of the scheme and the lack of traceability of the support to outcomes NICEP would recommend winding down the scheme over time or replacing with a more targeted version that can better demonstrate positive economic impact. This means transitioning to option 8 by 2015/16. A careful assessment of likely costs of implementing such a system would be required before an decision could be made as to the viability of such an approach. If this is not pursued NICEP would recommend gradual phasing out of the relief over a 3 year period subject to the prevailing economic conditions remaining supportive. Although there is clearly merit in option 9 from an economic point of view (moving to a turnover or profit based system for determining eligibility) there is too large a cost involved and potential for corruption or misuse of the system to make this a workable recommendation at this stage. It is important to bear in mind when considering the recommendations that a more flexible system of rates charging is likely to be needed for the economy of tomorrow and thus consideration of how to efficiently handle an application based system is a worthwhile exercise regardless of the outcome of this review.

12. Conclusions

12.1 Key findings from the evaluation

Rationale

The SBRR was introduced in April 2010 by the NI Executive as an anti-recessionary measure. By 2010, the NI Economy was in its third year of recession and in the context of the prevailing conditions and the fact that England, Wales & Scotland all had their own versions of SBRR in place; the Executive was keen to support small businesses at a difficult time.

The consensus view throughout the evaluation was that the SBRR was an appropriate policy initiative for the NI Executive to launch when NI was in the teeth of the recession. It was seen as important that the Government valued small businesses and their contribution to the economy and society in NI.

Structure and timing

SBRR provided relief to low NAV non-domestic properties and more generous relief to Post Offices from 1 April 2010 – 31 March 2015. Originally for properties with NAV's of £5k or less, the scheme evolved to include larger NAV properties and in the current version of the scheme, it provides relief to more than half of all non-domestic ratepayers. Therefore, the scheme could be considered a general form of rate relief.

Table 10.1 – Current structure of NI SBRR scheme

Non-domestic properties		Post Offices	
NAV	Level of Relief	NAV	Level of Relief
£2,000 or less	50%	£9,000 or less	100%
£2,001 - £5,000	25%	£9,001 - £12,000	50%
£5,001 - £15,000	20%	£12,001 - £15,000	20%

Notes: Exclusions include multiple property owners, “double reliefs”, vacant or partially occupied properties, ATMs, property used for the display of advertisements, car parks, sewage works, telecommunication masts and properties occupied by Government/public bodies.
A large retail levy of 15% is used to fund part of the cost of rate relief to small NAV non-domestic properties

In total, the scheme cost the NI Executive £47.6m over its lifetime, but with so many ratepayers included in the scheme, the average award was reasonably low, at just over £700.

Implementation

The automatic award system is popular, as it keeps administration costs to a minimum for both recipients and LPS. However, the strength of the automatic award system is also its Achilles heel, as the SBRR is a rather blunt policy implement. A number of genuine small businesses do not receive the award, while larger businesses occupying smaller NAV properties do and in addition, there is no mechanism to identify those companies who are most in need of help.

Impact – the economic perspective

The beneficiaries were, in the main owner occupiers and occupiers. Shops, supermarkets, showrooms and offices benefitted most when property type is considered and the relief was spread across NI.

The relief helped ratepayers with cash flow, survival and keeping the cost of overheads down. However, there was limited evidence of incentivisation of quantifiable additional economic activity arising from the scheme – some reported investments in signs and a very small number noted that they increased employment. However, this finding may not be surprising in the context of a scheme that was introduced to help reduce costs rather than stimulate economic growth.

Helping businesses with cash flow, survival and costs at a time when many business surveys were reporting falling demand, rising costs and difficulties in accessing finance meant that the scheme did help with the issues of the day. However, the benefits (both quantifiable and qualitative) are reasonably limited in the context of a price tag of £47m mean that in economic terms, SBRR did not generate enough measureable additional activity and was limited in terms of cost effectiveness. In conclusion from an economic perspective the scheme provided a low level of Value for Money.

Whilst the SBRR scheme that was in place from 2010 – 15 offered a low level of VfM, the key question is how the policy could be improved to offer better VfM in the future.

Other perspectives

SBRR was introduced by the NI Executive to help ratepayers through the recession. It is clear that the scheme was very well received and ratepayers were grateful for the relief that they were awarded. Therefore, from the NI Executives perspective, it could be considered a success as those associated with its introduction received many plaudits.

One issue for SBRR was that the policy objectives were blurred between the economic, social and political. Many people who were consulted or responded to the survey felt that the SBRR should have been able to deliver on all three areas, or that they are one and the same. The challenge for SBRR and potentially the whole rating policy framework going forward is to be clear and specific about policy objectives that are assigned to the rating system and reliefs or disbursements offered. If any economic objectives are assigned, then the cost, incentive effect, monitoring framework and outcomes must be identified prior to the implementation of the policy. If there are social or political rationales for implementing a particular strand of policy, these too need to be considered within the same process, but with differential objectives.

Other issues

The inclusion of “business” in the name of the scheme influences the perception of how the scheme works (or should work) and who the intended beneficiaries are. This was apparent within the survey and consultation elements of the evaluation. The relief is to low NAV ratepayers, rather than businesses and therefore, in any future version of the scheme, consideration could be given to amending the name of the scheme to reflect the activity of the initiative more accurately, such as the Small Property Relief Scheme.

12.2 Looking to the future

Chapter 11 has outlined a range of policy options for SBRR going forward. NICEP’s considered view is that, given the current economic climate and the significant number of uncertainties around future rates bills and the lack of a credible alternative business focussed use of the money that Option 2 (continuation of the scheme for a further year at a capped cost) be chosen at this time. Looking ahead the system should move to an application based approach from 2016/17 if this is financially feasible and if not the scheme should be phased out at an appropriate rate based on the health of the private sector economy. Each of the options have merit for a range of reasons, but

in a constrained budgetary environment, the NI Executive and DFP will need to make every pound count. The decision for the Executive is whether the rating system should be used to help ratepayers as a general cost cutting measure until the economy recovers, or should it be used in a more targeted way to boost economic growth.

Some felt that SBRR should continue as is, others at a more generous level. Some felt specific sectors or larger rate payers should shoulder more of the rating burden as they have the broadest base and others felt that success should not be penalised. A few suggested that the SBRR should not be awarded; instead the rates should be collected and awarded to BID's, or streetscape improvement projects. A diverse and fulsome list of options were provided, which in itself shows some level of dissatisfaction with the specification of the current scheme.

Economic conditions in NI have improved considerably since 2010 when the SBRR was launched. Nearly all economic indicators are positive over the last year; however the rate of improvement has slowed over the last quarter. The SBRR survey revealed that despite the improvement in general economic conditions, a significant proportion of businesses are still struggling. The consultation process also revealed that, without exception, the view is that Government still needs to support small businesses to help them to thrive and contribute to economic growth and also that the NI Executive should continue to fund the scheme. How the Government should support small businesses is a point of much more contention.

The parity argument will also feed into considerations of what the future may hold for SBRR. England, Scotland and Wales all have their own version of SBRR in place, with Scotland enjoying the most generous adaptation of the scheme. HM Treasury and the Department for Communities and Local Government have opened a discussion about the future of business rating, to try to make the rating system simpler, more transparent and responsive to economic circumstances. It will be important that NI observes developments in GB quite closely, and reacts appropriately to ensure ratepayers in NI are not disadvantaged relative to their counterparts. A full review of the rating system is revaluation process is also underway and the District Councils are being merged to create 11 new Council areas from the current 26.

As such, there is a significant level of concern at the number of changes that are already underway within the rating system and broader economy and how these changes may impact upon non-domestic rate payers. Closing, or changing the SBRR significantly is viewed as a difficult option for the NI Executive at this point in time by most who took part in the evaluation process and many, including NICEP believe that a one year extension should be granted to allow the impact of other changes to filter through.

12.3 Recommendations

There are a number of recommendations that should be considered for the SBRR scheme in order to implement the most appropriate policy for NI.

NICEP's view is that the SBRR scheme should no longer be used to cut costs as an anti-recessionary measure, but that its focus should change to encouraging economic growth. This necessarily means that the structure and content of the scheme will change to reflect the new objective. In relation to the focus of the scheme, NICEP recommends that;

1. **SBRR is retained in its current form during 2015/16 until the outcome of the revaluation process and mergers of District Councils are complete.**

Consideration must then be given to the cost of retaining SBRR for 2015/16. Given that the impact of the differential factors are not known at this point, the cost of SBRR has escalated significantly over its

lifetime and the current environment of austerity, DFP should cap the cost of the scheme to protect against any unexpected increases in cost.

2. **It is recommended that the cost of SBRR is capped at £17.3m during 2015/16. Once the number of eligible businesses is known for 2015/16, the percentage award should be amended accordingly to ensure that total relief does not exceed the maximum limit.**
3. **It is recommended that SBRR should be phased out as wider economic conditions improve, preferably over a 3 year period by reducing the total amount awarded (perhaps moving to £10m then £5m) as opposed to changing the qualifying thresholds.**

The rationale for recommending maximum thresholds is that there will be no change to those who are eligible for aid and it will ensure that at a time of austerity that the total cost of operating the scheme will not increase due to changes in NAV's as a result of the revaluation process or mergers of District Councils

4. **It is recommended that a wider review of the rating system should be carried out encompassing all reliefs once the revaluation is complete, the direction of future policy in other competing jurisdictions is known and the new LPS data systems are in place which will allow a full and complete assessment of the various reliefs, how they interact and costs and benefits. Each relief would be linked to a specific rationale (social or economic for example) and would consider the policy need at the point of implementation and evaluation.**
5. **It is recommended that if a replacement scheme for SBRR is to be considered that will help to grow the economy it should be a more targeted scheme, focussing on economic growth, to ensure that Value for Money is maximised.**

A more targeted scheme should help to reduce the level of deadweight and increase cost effectiveness in relation to the outcomes. Whilst LPS have access to a large amount of data, the indicators are necessarily focussed on ratepayers and the rating system and do not include other business focussed data that would be required to implement an automatic award system on a more targeted basis. Therefore, a simple application based approach would be required in order to implement a more targeted system. Naturally, there are factors to consider and risks associated with this approach that would need to be assessed fully before adopting such an approach. These include:

- a. The objective of the scheme. If it is to support economic growth then an application system that tied the relief to investment in the productive capacity (to include investment in employees, employment or capital) of the business would seem appropriate (this would be NICEP's preferred objective). The costs and benefits of a more targeted scheme can be more fully assessed once the outcome of the revaluation is known. If the objective of the scheme is to support business survival then a different criteria would be more appropriate (NICEP's recommendation is that this type of anti-recessionary policy is only implemented during a recession). For the targeted scheme, given the scale of relief involved the scheme envisaged would be a simple one page application showing that the firm had invested in increasing the productive capability or capacity of the firm. Random inspections would be required for a proportion of those awarded relief to ensure applications are accurate.
- b. Awareness: Some ratepayers may not apply because they were unaware of the scheme not because they did not qualify. In order to combat this, the application form for relief could be included in the annual rate bill.

- c. Recurrent: an application based system would require an annual application and award and therefore, costs would be recurrent.
 - d. Costs: There are costs for both businesses and the administering authority in completing forms, processing of the applications (plus carrying out any investigations). Indeed, the administrative cost per award of any targeted scheme should be considered in relation to the value of each award provided. LPS have advised a unit cost of £35 per simple application £115 for a more complex one suggesting a significant cost of any move to an application based system. NICEP would recommend that this price is market tested to ensure that VfM is maximised.
6. **Further consideration of a replacement scheme is recommended in the light of the new valuation and in tandem with a review of all reliefs. There are considerable risks associated with sectoral or location specific incentives and though they were popular with the majority of Stakeholders care must be taken when assessing their merit. They may result in moving economic activity (displacement) and thus damaging other locations or missing out key businesses in need if a broad sectoral classification is used. The current scheme responded to a particular economic need at a point in time and any future scheme should be tied to a similar clearly identified need.**
7. **Consideration should be also given to developing a simple rating policy model in Microsoft Excel that could be used in addition to existing information to allow officials and decision makers to consider the implications of different scenarios on ratepayers and the amount of rates revenues that would be raised / offered in relief. This “smart” modelling tool will allow a broader consideration and articulation of the implications of potential policy initiatives from a range of perspectives.**

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Annex 1 - Terms of Reference

EVALUATION OF THE SMALL BUSINESS RATE RELIEF SCHEME TERMS OF REFERENCE

Background

1. The small business rate relief (SBRR) scheme was introduced in Northern Ireland on 1 April 2010. Since then it has been extended twice by the Northern Ireland Executive, once in 2012, and again in 2013.
2. Currently under the scheme, eligibility for relief is based on a property's net annual value (NAV).²⁰ This is also the case for the other schemes that operate elsewhere in the UK.
3. There are 3 levels of relief for Northern Ireland's SBRR scheme:-
 - business properties with an NAV of £2,000 or less will receive a reduction of 50 per cent relief
 - business properties with an NAV between £2,001 and £5,000 receive 25 per cent relief
 - business properties with an NAV between £5,001 and £15,000 receive a 20 per cent relief.
4. Exclusions apply for various categories of properties including ATMs, property used for the display of advertisements, car parks, sewage works, telecommunications masts and government buildings.
5. A distinct scheme operates for Post Offices. Post Offices are generally awarded enhanced relief. That is, post offices with an NAV of up to £9,000 will receive 100% relief; those between £9,001 and £12,000 will get 50%. A small number of Post Offices (just over 20) with a value between £12,001 and £15,000 are eligible for 20% relief under the main scheme.
6. Last year ratepayers in almost 25,000 non-domestic properties in Northern Ireland benefitted from at least a 20% discount through the Small Business Rate Relief Scheme.
7. The scheme will have provided over £60 million in rate relief to business ratepayers across the lifetime of the current scheme structure.
8. There is no application procedure for the Small Business Rate Relief. Instead, relief is applied automatically by Land & Property Services to all businesses that qualify. This avoids the need for business to apply and therefore there are no significant issues currently around awareness and take-up.
9. It does mean, however, that any departure from the use of rateable values as the key qualifying requirement may render the scheme incapable of automatic award. Such a change would need careful consideration because a complex application-based scheme will add disproportionate cost to business and government, which would reduce the amount of relief available to the business sector and cause delays.

Policy evaluation

10. Under the original legislation for the scheme the designated end-date was set at 1 April 2015.

²⁰ Net Annual Value, or NAV, which is the assessed rental value of a rateable property as at April 2001; the standard valuation date for the Rating Valuation List, last revalued in 2003.

11. The Department of Finance and Personnel is now commencing the evaluation process in relation to the scheme in line with its milestone commitment under the Programme for Government.
12. It is the Department's assessment that the scheme has been running long enough to gauge its wider economic impact and to assess its effectiveness as a policy intervention.
13. The evaluation will inform decisions on any alternative scheme that may be needed after the general revaluation exercise planned for April 2015. It will look at ways in which the scheme could be targeted in order to support ratepayers in light of the outcomes of revaluation.
14. An evaluation could not have taken place sooner than the planned timeframe because the outcome of revaluation (in terms of its overall and differential impact on small businesses) will not be known until then.
15. It is important to note that any continuation of the scheme has a clear dependency on revaluation. The NAV thresholds employed within the scheme would change anyway from 1 April 2015. Some change is required anyway to allow the scheme to continue.
16. The Department has made adjustments to the enabling power for the scheme to allow for an amount of money to be paid out under the scheme instead of a percentage reduction. This change was aimed at securing the widest possible range of options going into this evaluation process.

Scope of evaluation

17. The focus of the evaluation will be to:
 - (i) Establish if there is sufficient economic rationale for continuing with a small business rate relief scheme, post April 2015, taking into account emerging findings from the Revaluation;
 - (ii) Consider the eligibility criteria for the scheme including an assessment of whether NAV threshold / % discount would remain the preferred delivery model in any extended scheme post-April 2015 or whether other factors such as turnover should determine eligibility;
 - (iii) Consider the impact that rate relief has had on decision making by business ratepayers, in terms of business sustainability, investment and growth;
 - (iv) Consult with stakeholders, considering arguments given for and against such a scheme;
 - (v) Consider the success of similar schemes elsewhere;
 - (vi) Examine the options for a SBRR scheme post 2015, taking into account LPS' operational capability and other considerations such as State Aid;
 - (vii) Examine whether there is strong independent evidence that the benefit of a business rate exemption will pass to the landlord in the medium to longer term, as the landlord is able to charge higher rents and most small businesses (particularly retail) rent. This matter needs to be considered in gauging the effectiveness of any small business rate relief scheme;
 - (viii) Provide associated impact analysis: Equality Impact Assessment, Regulatory Impact Assessment and New Targeting Social Needs Analysis;

(ix) Make recommendations based on consultation with stakeholder groups, evidence obtained and analysis carried out.

18. The **working assumptions**, as well as some guiding principles, for the evaluation are as follows:

- Any new or enhanced scheme cannot be part-funded by a new large shops levy (as has been the case since 2012);
- The scheme needs to be kept as simple as possible for both government and business and complicating the rules will simply add cost, which means less relief for business;
- The scheme design needs to take into account budgetary limitations and the wider public expenditure environment.

Assembly / Executive Liaison

19. The views of the Finance and Personnel Committee have been sought in relation to this Terms of Reference. The Committee's views will also be sought before final decisions are taken on the way forward later in the year. The Committee will also consider any legislation required to give effect to these decisions through the normal Assembly processes.
20. The Northern Ireland Executive will agree any revised policy prior to its enactment in legislation.
21. The consultation associated with the evaluation will be treated as the main policy consultation for any legislative change. However, this will not remove the Department's responsibility to undertake an integrated impact assessment before final decisions are taken.

Stakeholder engagement

22. The evaluation process is one of informing decisions on the future of an important feature of the rating system.
23. Given this context and the scheme's importance, the Department intends to engage with relevant Northern Ireland wide business organisations, local Chambers of Commerce and other representative groups who have previously commented on the scheme in both its original form and on the subsequent modifications.
24. The Department will also run advertisements in the usual 3 regional newspapers publicly inviting comment from ratepayers, which will help illustrate the benefits of the scheme and identify any problems with it.

Drafted by Rating Policy Division, DFP, 4th March 2014

Annex 2 - Survey questionnaire

Good morning/ afternoon,

My name is _____ and I am calling on behalf of the market research company, Perceptive Insight. The Department of Finance and Personnel have commissioned us, along with the NI Centre for Economic Policy to undertake an evaluation of a rate relief scheme aimed at small businesses. The findings from the evaluation and will inform the future direction of small business rating policy.

We would appreciate if we could have just 10 minutes of your time to answer some questions. Your call may be monitored for training and quality purposes. This survey is conducted in accordance with the Market Research Code of Conduct. All responses are confidential, and no individual or business will be identifiable through our research.

If respondent is unable to spare some time now, ask: Would it be possible to call you back at a time which would be more convenient for you? (*RECORD APPOINTMENT*)

Record Unique ID

Record NAV from contact information

Section A: Individual and company details

First, I would like to begin by gathering some information about your business.

A1) Are you the property owner or tenant for <address>?

- Property owner
- Tenant
- Both
- Other
- Not sure

IF A1=2

A2) Approximately, how much is your rent for this property?

(Ask respondent to estimate if they are not sure of the exact figure)

- Per month
- Per year
- Not sure

A3) Do you/your business pay the rates bill for this property?

- Yes
- No *(if no go to Q)*

A4) How much is your annual rates bill for this property?

(Ask respondent to estimate if they are not sure of the exact figure)



- Per month
- Per year
- Not sure

A5) Have you heard of the Small Business Rate Relief scheme?

This is a scheme set up by government in 2010, by which qualifying businesses receive a reduction of between 20% and 50% on their annual rates bill.

(If the respondent asks for more details about the scheme inform them that you will give them a website address at the end of the interview where they can read more about it- www.nibusinessinfo.co.uk)

- Yes
- No

A6) In your last rates bill, are you aware that you received a reduction as part of the small business rate relief scheme?

- Yes
- No *(if no go to B1)*
- Not sure
-

A7) How much of a reduction did you receive?

(Ask respondent to estimate if they are not sure of the exact figure)

- Per month
- Per year
- Not sure

Section B:

B1) What is your position within the business?

- Managing director, chief executive officer
- Finance director
- Other board director or member of senior management team
- Business owner or partner
- Other

B1 Other

B2) Which sector best describes the main activity of your business that you operate from property <X >?

- Agriculture
- Manufacturing
- Construction
- Service - Transport / communications
- Service - Finance, banking, insurance

- Service - Post Office
- Service - Computer related activity
- Service - Business services
- Service - Hotels, restaurants and catering
- Service - Retail
- Service - Wholesale, distribution and logistics
- Other service
- Community organisation / not for profit
- Charitable organisation
- Health
- Education
- Public administration
- Other (*please specify*)

B2 Other

B3) Can you tell me how many employees you have in Northern Ireland?

(If they employ part-time staff, ask them to estimate the number of full-time equivalents)

- None
- Self-employed/sole trader
- 1 to 2
- 3 to 9
- 10 to 20
- 21 to 49
- 50 to 100
- 101 to 249
- 250 or more
- Not sure

B4) What is the annual turnover of your business (in Northern Ireland) for the most recent financial year?

- 0 to £49k
- £50k to £100k
- £100k to £199k
- £200k to £299k
- £300k to £399k
- £400k to £499k
- £500k to £749k
- £750k to £999k
- £1m to £1.999m
- £2m to £2.999m
- £3m to £3.999m
- £4m to £4.999m
- £5m to £9.999m
- More than £10m
- Not sure
- Refused

Section C: Impact of the SBRR Scheme

(Do not ask Section C to those who do not receive rate relief)

C1) Overall, how satisfied or dissatisfied are you with the Small Business Rates Relief Scheme?

- Very satisfied
- Satisfied
- Neither / nor
- Dissatisfied
- Very dissatisfied
- Not sure

C2) To what extent, if at all, did the rate relief have an impact on your business?

- It had a large impact - it was very noticeable
- It had some impact - it was quite noticeable
- It had a little impact - it was slightly noticeable
- There was no impact - it was not noticeable *(if so go to section D)*
- Not sure

C3) In which area of your business, if any, was the impact of the rate relief greatest?

(Rotate order, prompt to pre-codes)

- Cash flow
- Survival of the business
- Profitability of the business
- Number of employees
- Salary of employees
- Purchase of equipment or machinery
- Spend on research and development
- Spend on staff training
- Development of new products, processes or services
- Marketing/promotion
- Keeping cost of overheads down
- Not sure - difficult to say
- No area *(if so go to section D)*
- Other

C3 Other

(If C3=4 to 10)

C4) In what way did the rate relief impact the <{C3}> in your business?

(Probe to quantify the impact - e.g. number of employees taken on, amount spent on marketing etc.)

(If C3=4 to 10)

C5) If you had not received the rate relief what would have happened in relation to this activity/area of your business?

- Would have done this anyway
- Would have done this later
- Would have done this, but at a smaller scale
- Would have done this later and at a smaller scale
- Would not have done this
- Not sure

Section D: The future of SBRR

(ASK ALL)

The Small Business Rate Relief scheme was introduced in 2010 to operate for five years. It costs the taxpayer about £15m per year. It is available to private businesses, with less than 4 properties and that have an NAV (Net Annual Value) of £15,000 or less. The relief is automatically applied to the business rates bill by Land & Property Services.

D1) To what extent do you agree or disagree with the following statements?

- The Small Business Rate Relief scheme is good value for tax payers money.
 - Agree strongly
 - Agree slightly
 - Neither /not
 - Disagree slightly
 - Disagree Strongly
 - Not sure

- The SBRR scheme has been of little value to small businesses.
 - Agree strongly
 - Agree slightly
 - Neither /not
 - Disagree slightly
 - Disagree Strongly
 - Not sure

- The SBRR scheme has helped to stimulate growth in the Northern Ireland economy.
 - Agree strongly
 - Agree slightly
 - Neither /not
 - Disagree slightly
 - Disagree Strongly
 - Not sure

D2) In what ways do you think Government assistance could be targeted towards small firms that may be a more effective alternative to the Small Business Rate Relief Scheme?

D3) Do you think that there is a need for any of the following... ?

- To extend the time frame of the SBRR scheme beyond 2015?
 - Yes
 - No
 - Not sure

- To extend the eligibility criteria to include more businesses (e.g. larger businesses)?
 - Yes
 - No
 - Not sure

- To contract the eligibility criteria to reduce the number of businesses?
 - Yes
 - No
 - Not sure

D3) Which size of business, if any, do you think the scheme should be made available to?

(If D3a is 'yes' ask)

- Micro businesses - with less than 10 employees
- Small businesses - with 10 to 49 employees
- Medium businesses - with 50 to 250 employees
- Large businesses - with more than 250 employees
- Should not be made available to any
- Not sure

D4) Looking forward, do you think the level of relief should...

- Remain the same
- Be increased
- Be reduced
- Not sure

D5) How do you think the rates relief offered by the scheme should be paid for?

- It should be paid by other rate payers e.g. domestic ratepayers, other businesses, large retailers, removal of part of industrial derating
- Come from the Executive (that is from their budgets for health, education, economy, roads etc.)
- Do not extend the SBRR scheme
- Not sure

(IF D5=other ratepayers ASK)

D6) Which other ratepayers should the scheme be paid by?

- Domestic ratepayers
- Other businesses
- Larger retailers
- Removal of all/some industrial derating
- Other
- Not sure

D6 Other

D7) Do you have any further comments on the future of the SBRR scheme? Record below.

Section E: Current business environment

E1) Which of the following best describes the current position of your business?

- Rapid growth / expansion (more than 20%)
- Moderate growth / expansion (5% to 20%)
- Slight growth / expansion (less than 5%)
- Stable
- Reducing / contraction
- Survival at all costs
- Winding down
- Not sure

E2) During the past 12 months was your business...

- Very profitable (More than 10%)
- Quite profitable (Up to 10%)
- Broke even
- Slightly unprofitable (Up to -10%)
- Very unprofitable (More than -10%)
- Not sure
- Refused

E3) Do you export your products or services....

(Click all that apply)

- Cross border (i.e. into ROI)
- Into England, Scotland or Wales
- Outside the UK and Ireland
- Do not export
- Not sure
-

E4) Aside from the Small Business Rate Relief, in the last 12 months did you receive any other financial assistance from Government?

- Yes
- No (*go to E6*)

E5) From which Government organisation(s) did you receive financial assistance?

- Invest NI
- Department for Employment and Learning (DEL)
- InterTradeIreland
- Local Council
- UKTI
- Other

E5 Other

E6) Over the past four years have you considered undertaking, or have you undertaken any of the following actions?

- Made staff redundant
- Have undertaken
- Thought about undertaking
- Neither
- Not sure
- Not replaced staff vacancies
- Reduced staff pay levels
- Reduced staff working hours
- Reduced staff training
- Down-sized premises
- Delayed investing in new equipment
- Reduced energy costs
- Changed energy supplier
- Reduced water costs
- Reduced travel costs
- Changed bank
- Changed insurance provider

E7) What are the main issues currently being faced by your business?

E8) What actions do you think Government should be taking to assist businesses in Northern Ireland?

(ASK ALL)

Would you be willing to be recontacted by Perceptive Insight to take part in any future business surveys?

- Yes
- No

RECORD COMPANY NAME
RECORD CONTACT POSITION
RECORD CONTACT NAME
RECORD DIRECT TELEPHONE NUMBER
RECORD EMAIL ADDRESS
THANK AND CLOSE

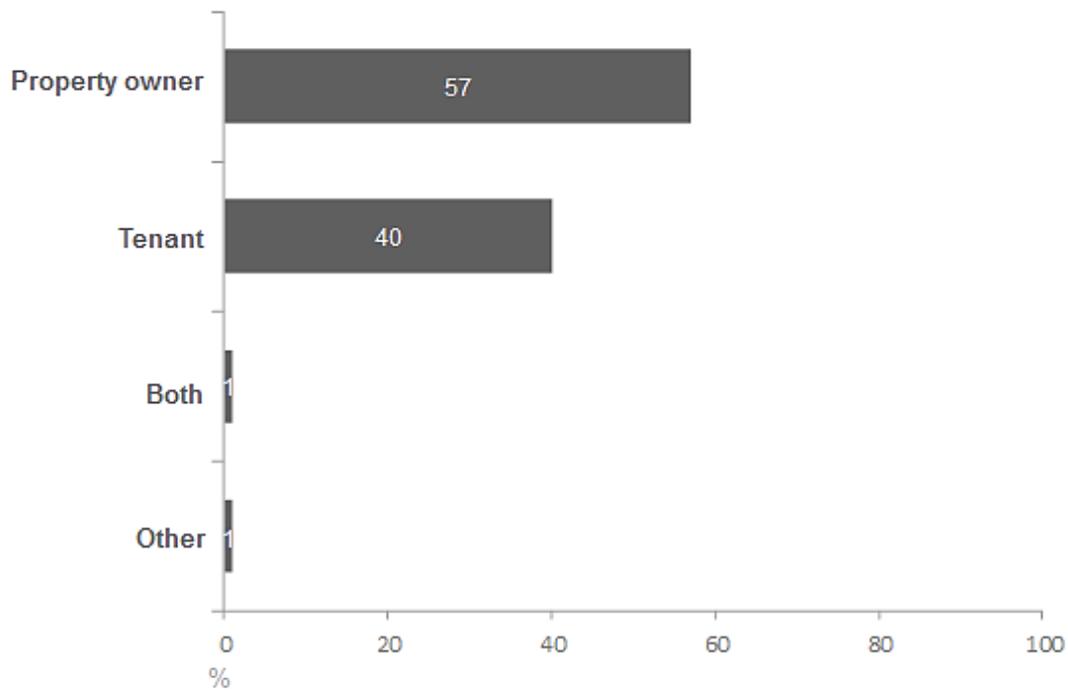
I declare that this interview was conducted within the Market Research Society's code of Conduct and according to instruction and that the respondent was unknown to me. I understand that all the info given to me must be kept confidential.

INTERVIEWER NAME
INTERVIEWER NUMBER

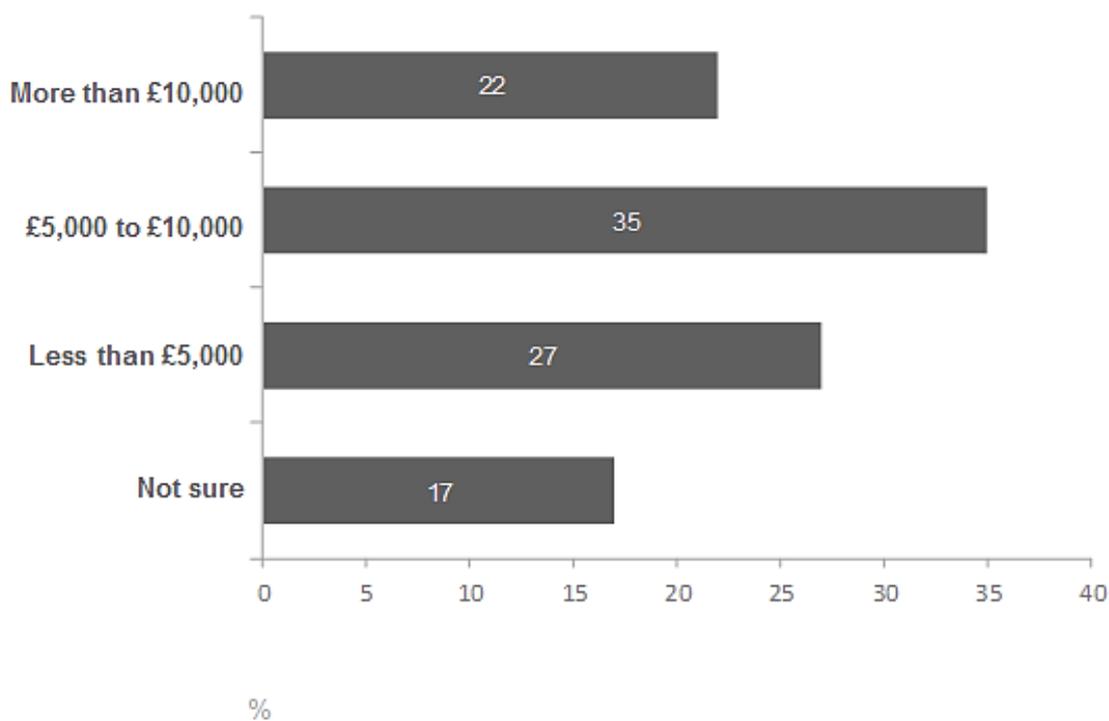


Annex 3 – Survey results

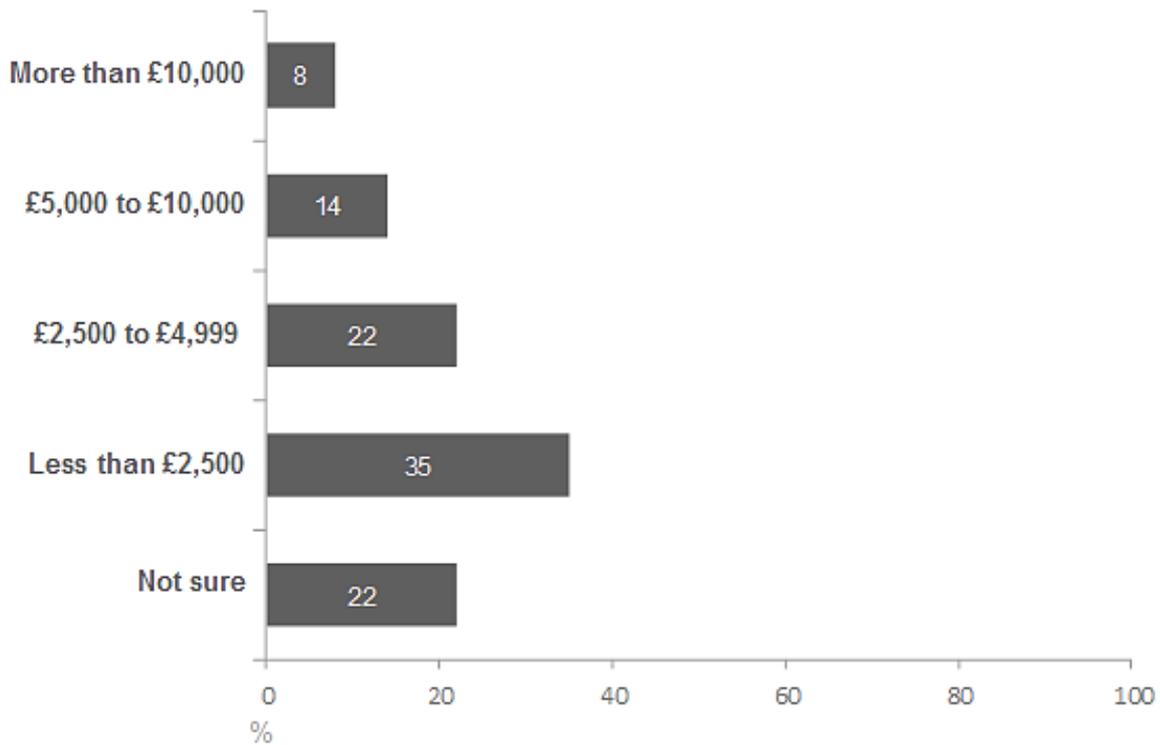
A1. Are you the property owner or tenant of this property? (Base 552: All respondents)



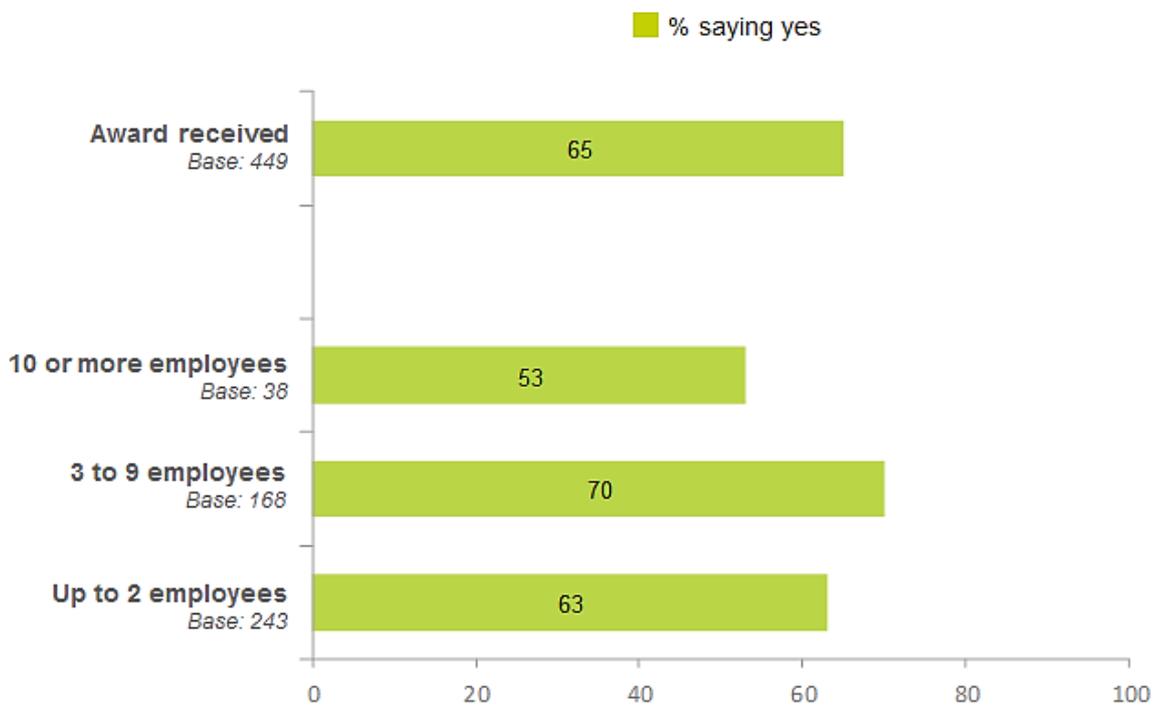
A2. What is your yearly rent for this property? (Base 223: All tenants)



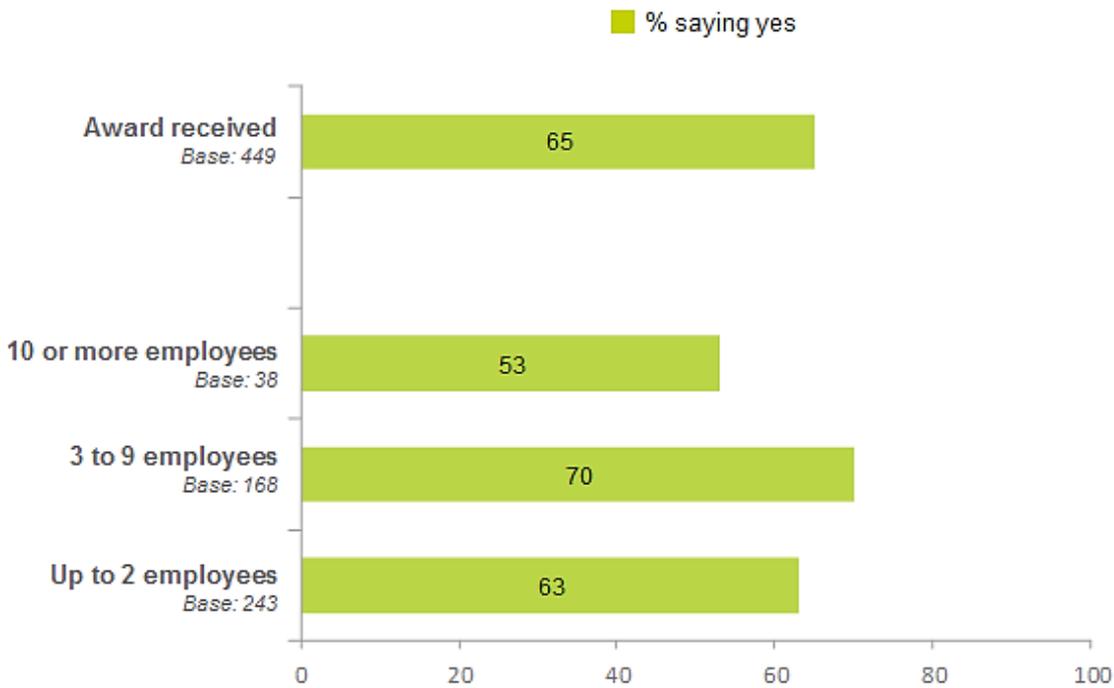
A4. What is your annual rates bill for this property? (Base 543: All those whom pay rates)



A5. Have you heard of the SBRR scheme? (Base 552: All respondents)

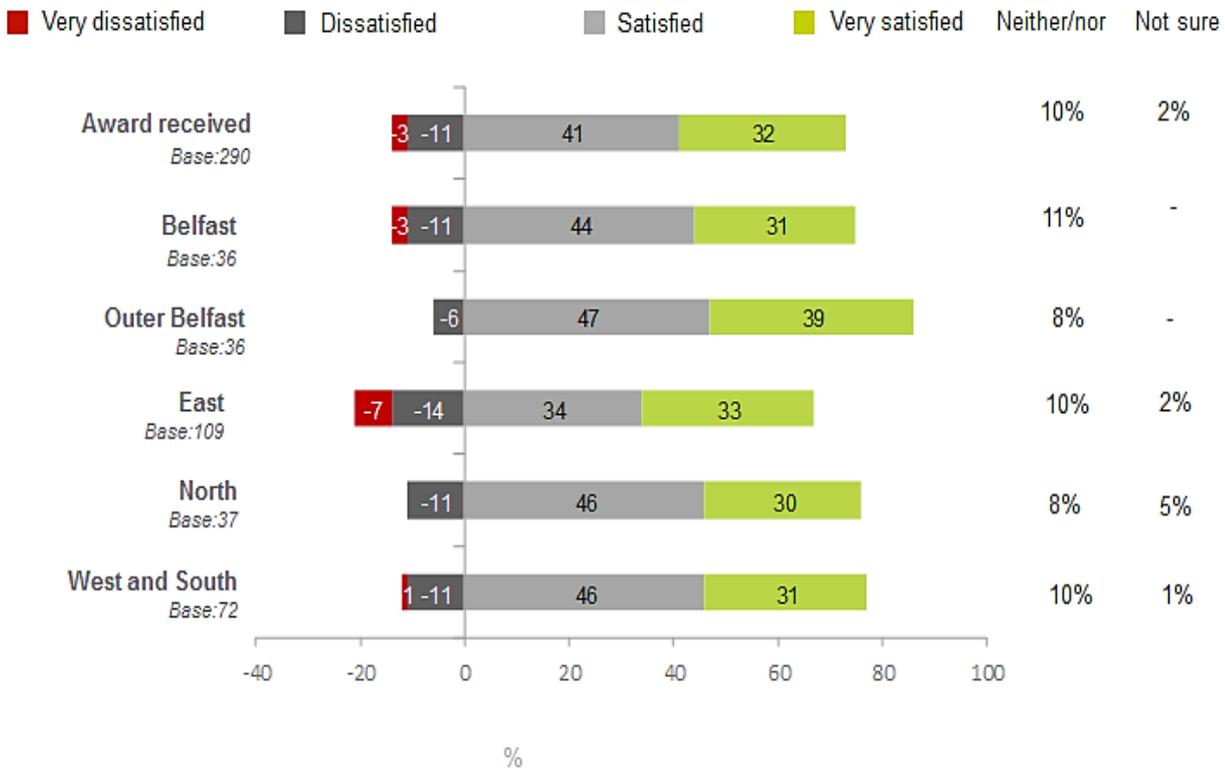


A6. In your last rates bill, are you aware you received a reduction due to the SBRR scheme? (Base 449: All those who receives an award)

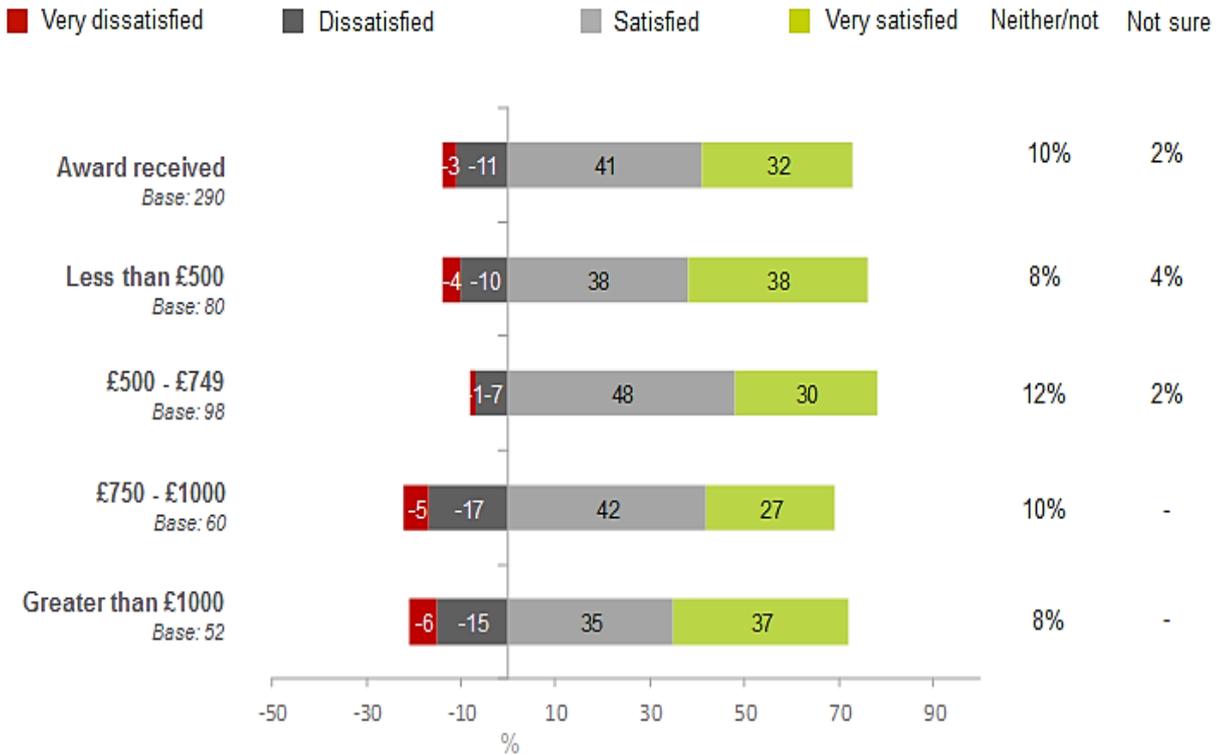


C1. Overall how satisfied or dissatisfied are you with the SBRR scheme?

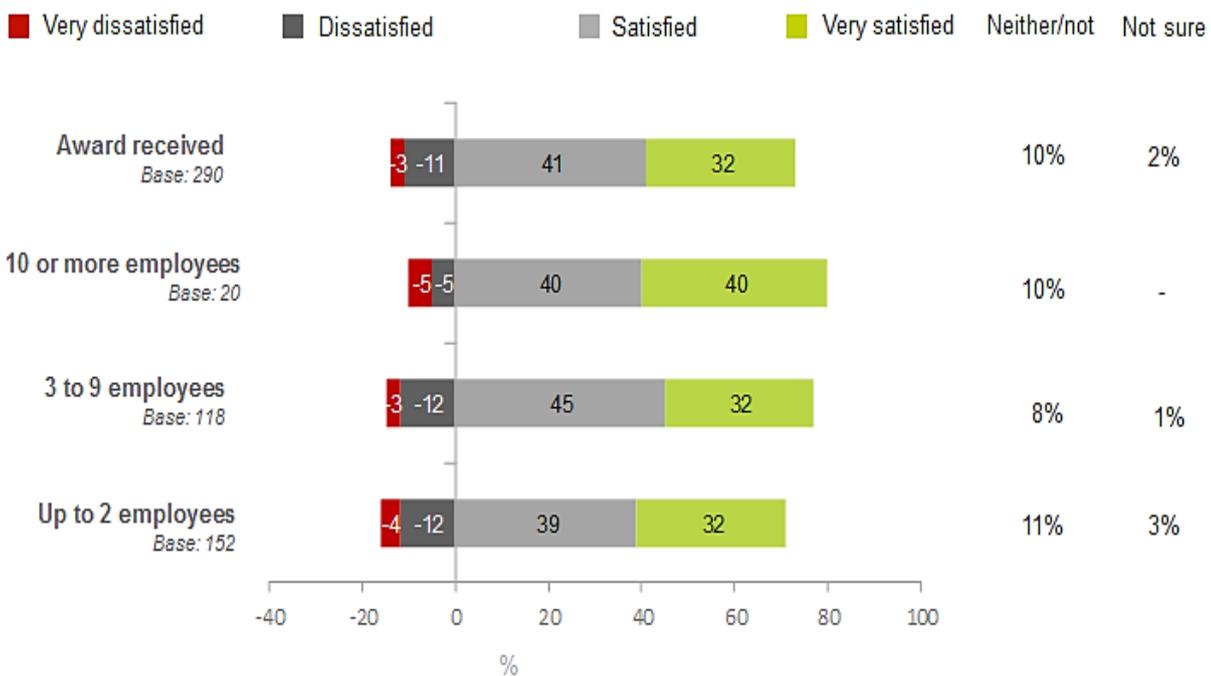
❖ By area (Base 290: Those aware they received an award)



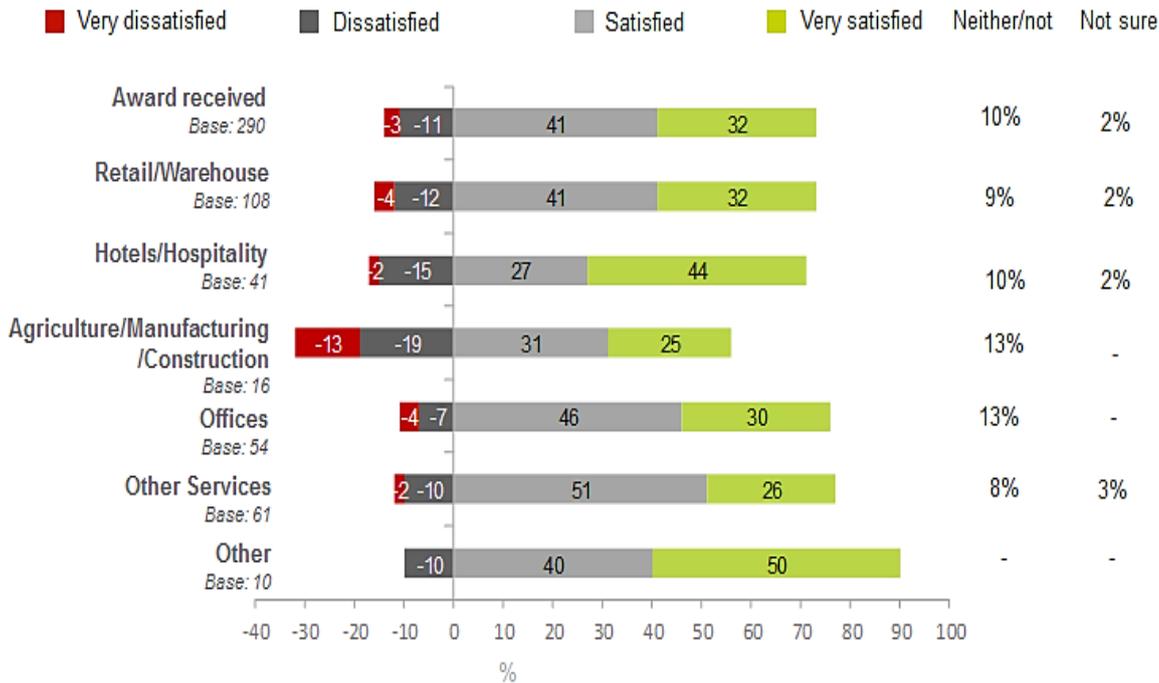
❖ Amount received from award (Base 290: Those aware they received an award)



❖ No. of employees (Base 290: Those aware they received an award)

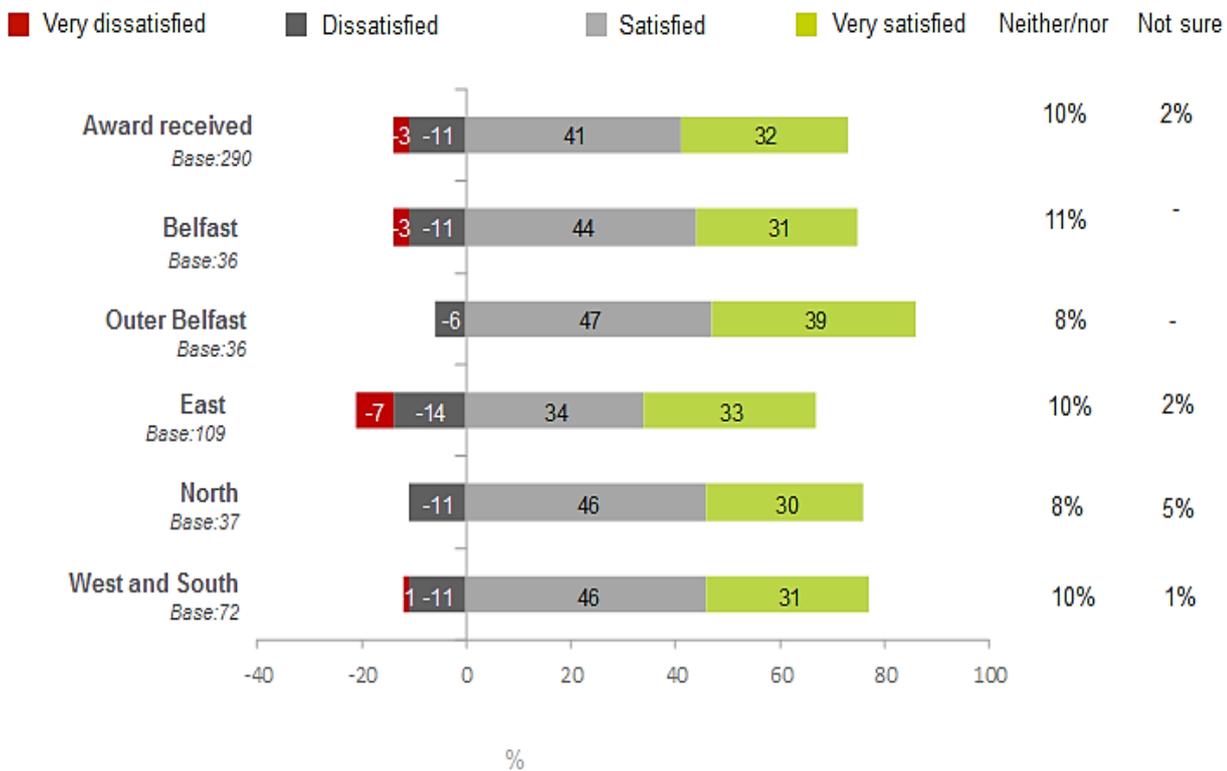


❖ By sector (Base 290: Those aware they received an award)

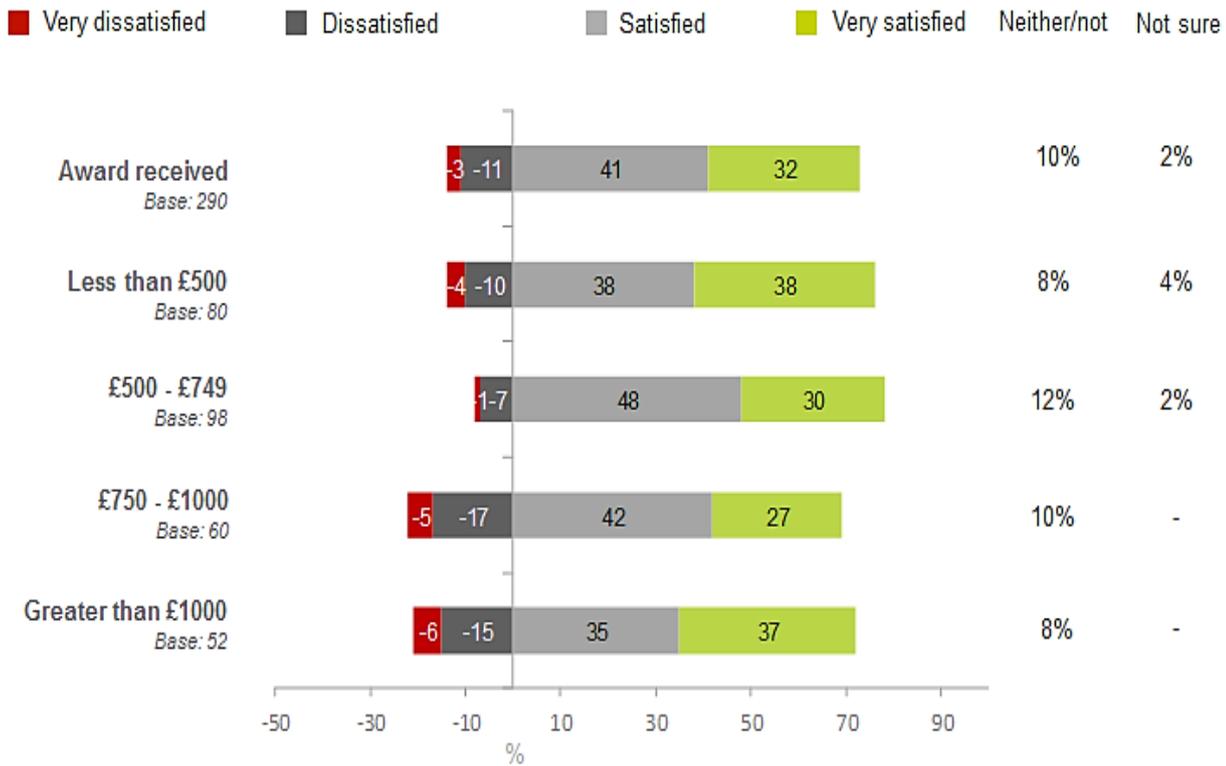


C2. To what extent, if at all, did the SBRR scheme have an impact on your business? (*Base 290: Those aware they received an award*)

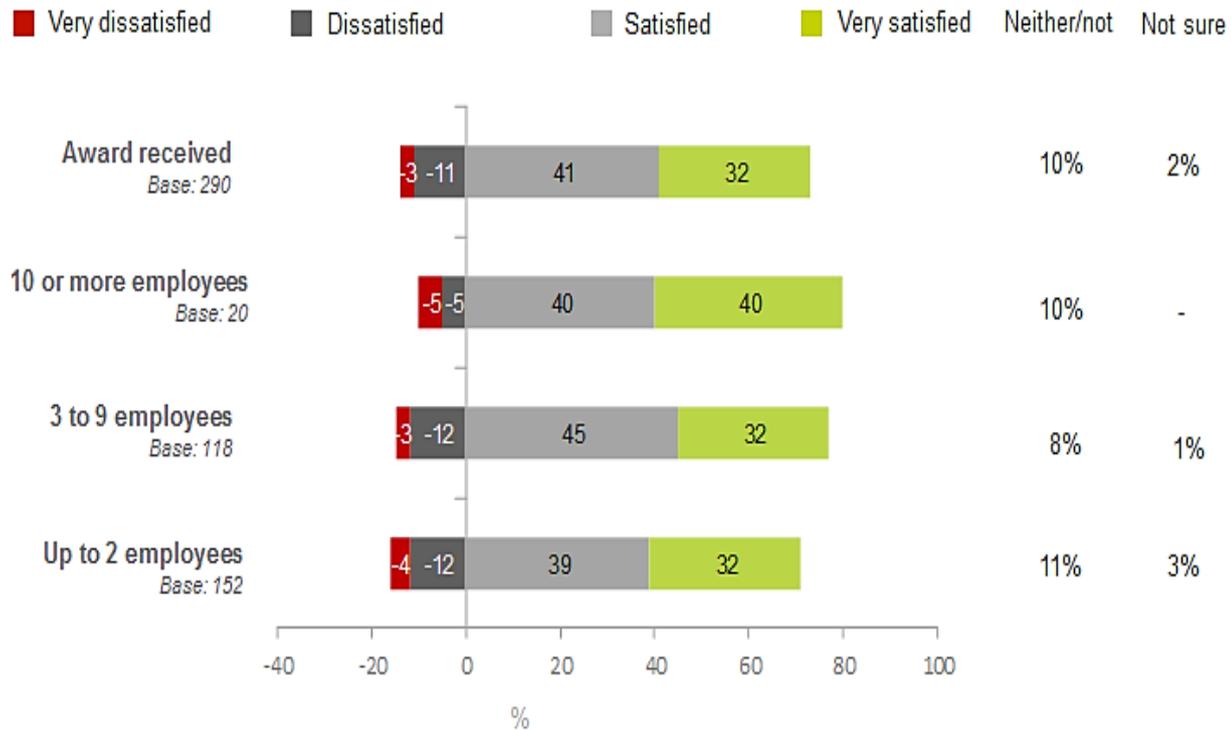
❖ By area (Base 290: Those aware they received an award)



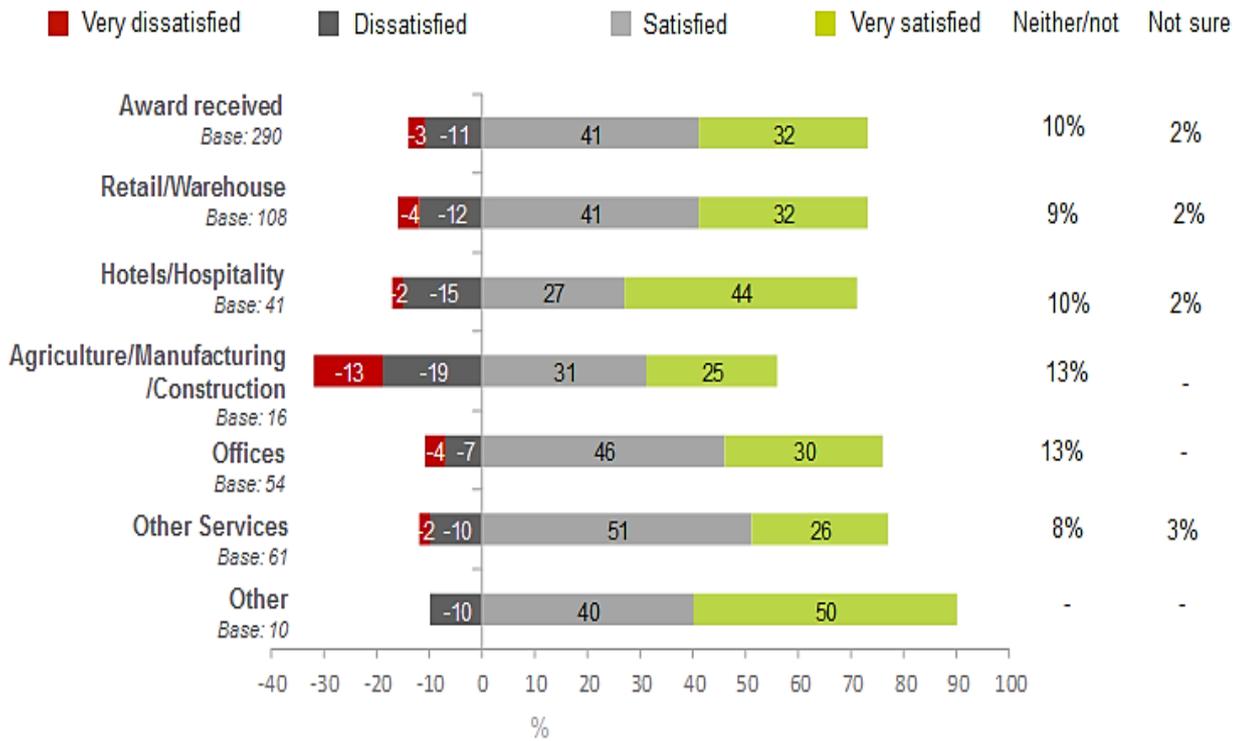
❖ Amount received from award (Base 290: Those aware they received an award)



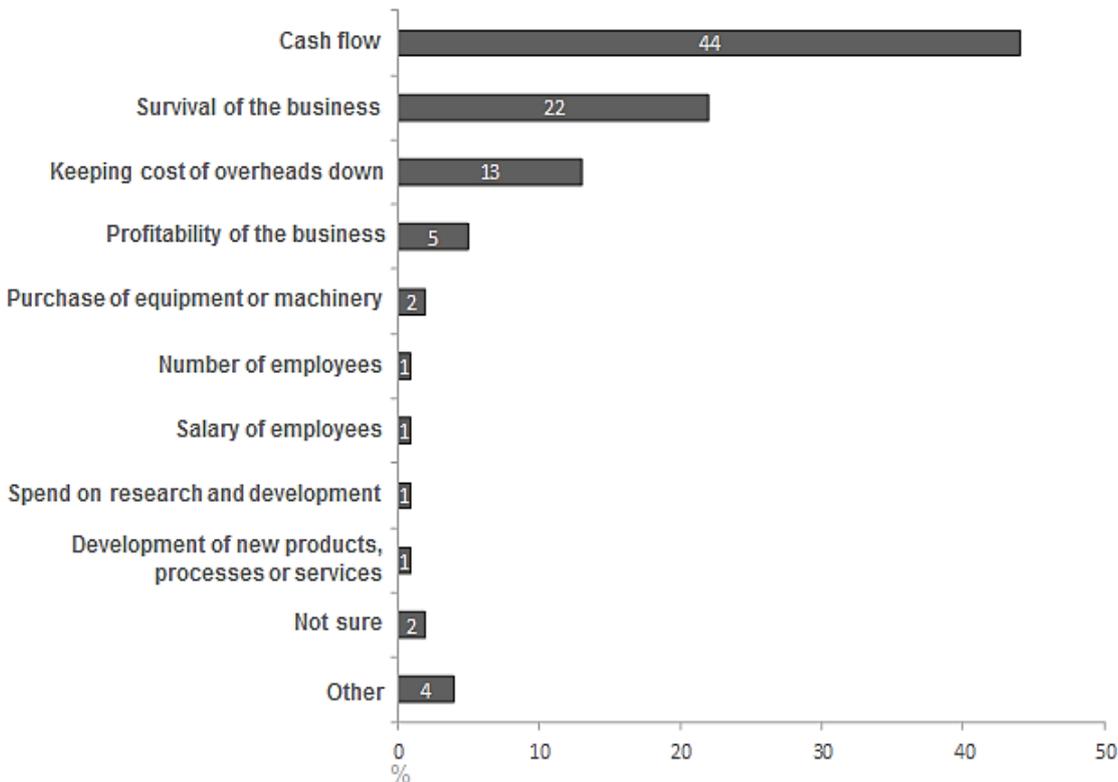
❖ No. of employees (Base 290: Those aware they received an award)



❖ By sector (Base 290: Those aware they received an award)

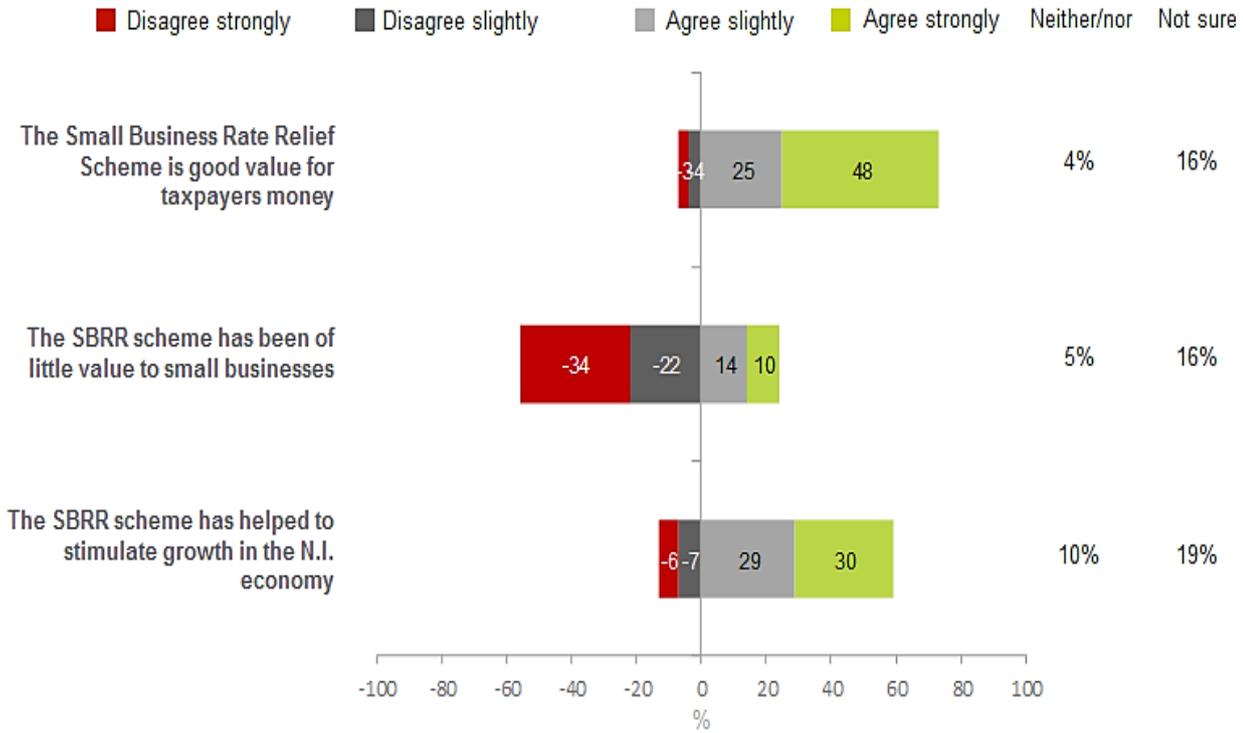


C3. In which area of your business, if any, was the impact of the SBRR greatest? (*Base 243: Those who said SBRR had an impact*)

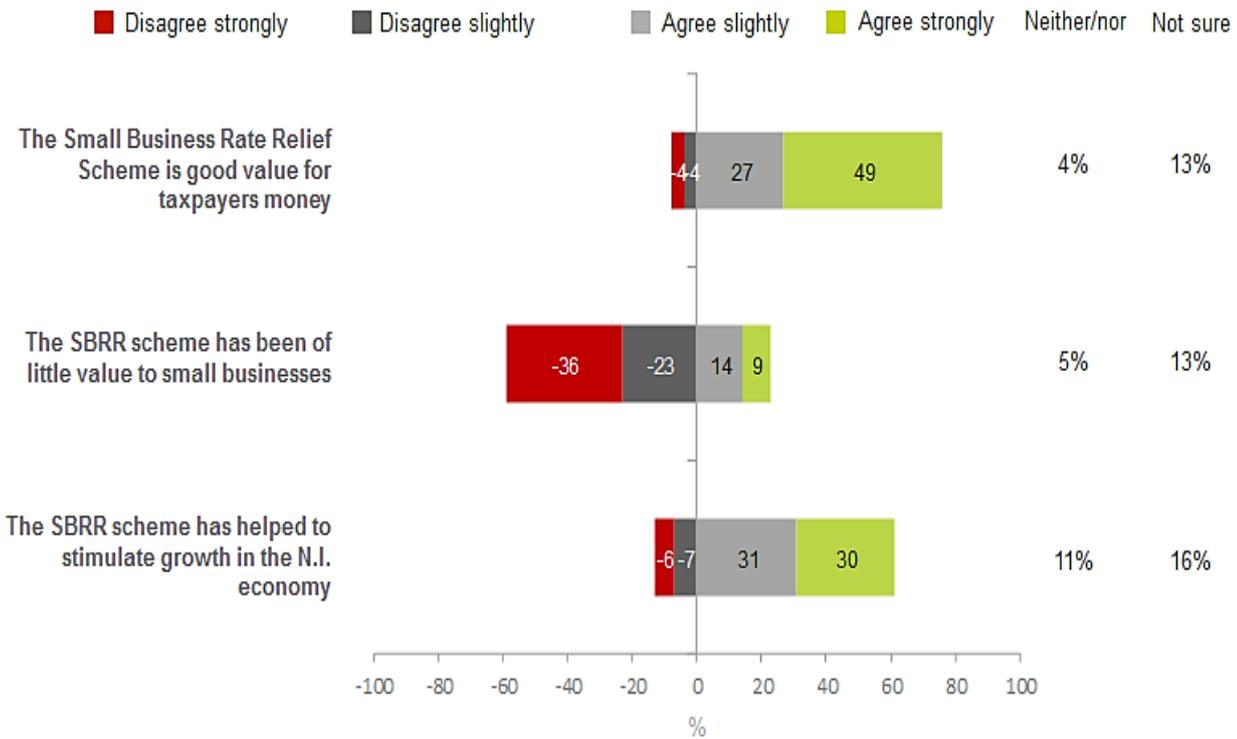


D1. To what extent do you agree or disagree with the following statements?

❖ All respondents (Base 552)

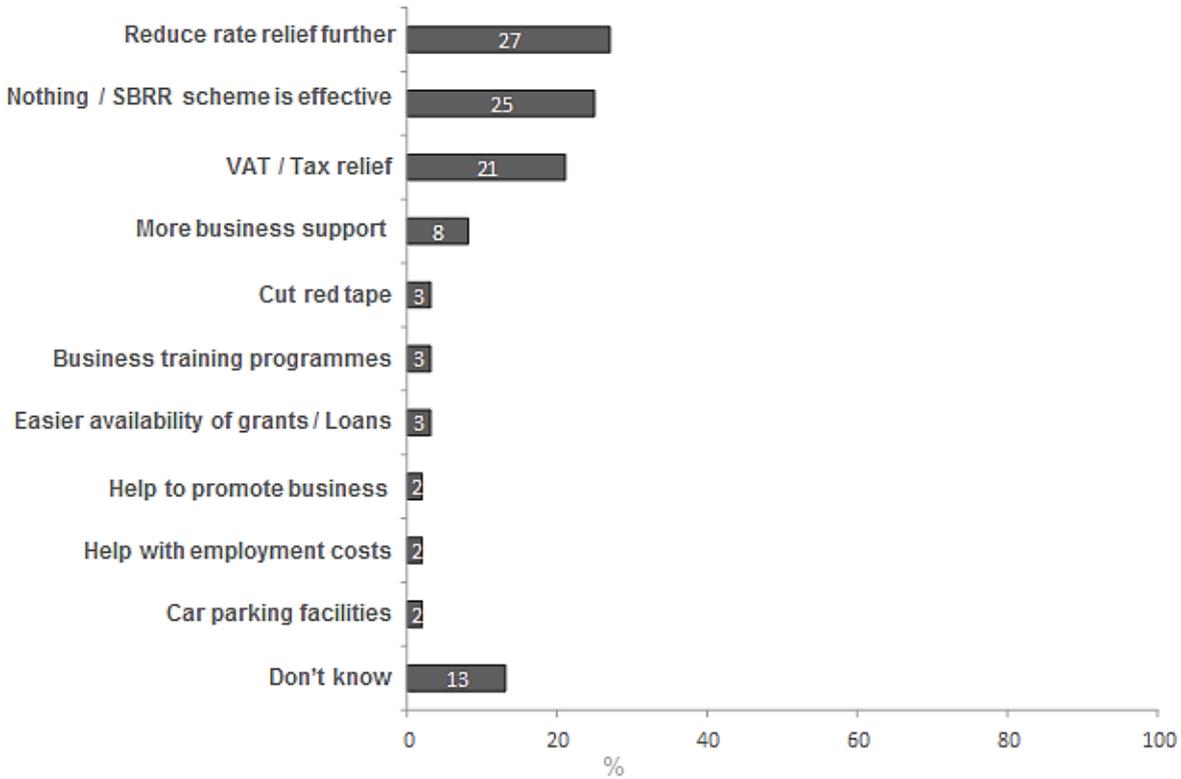


❖ Of those who received an award (Base 449)

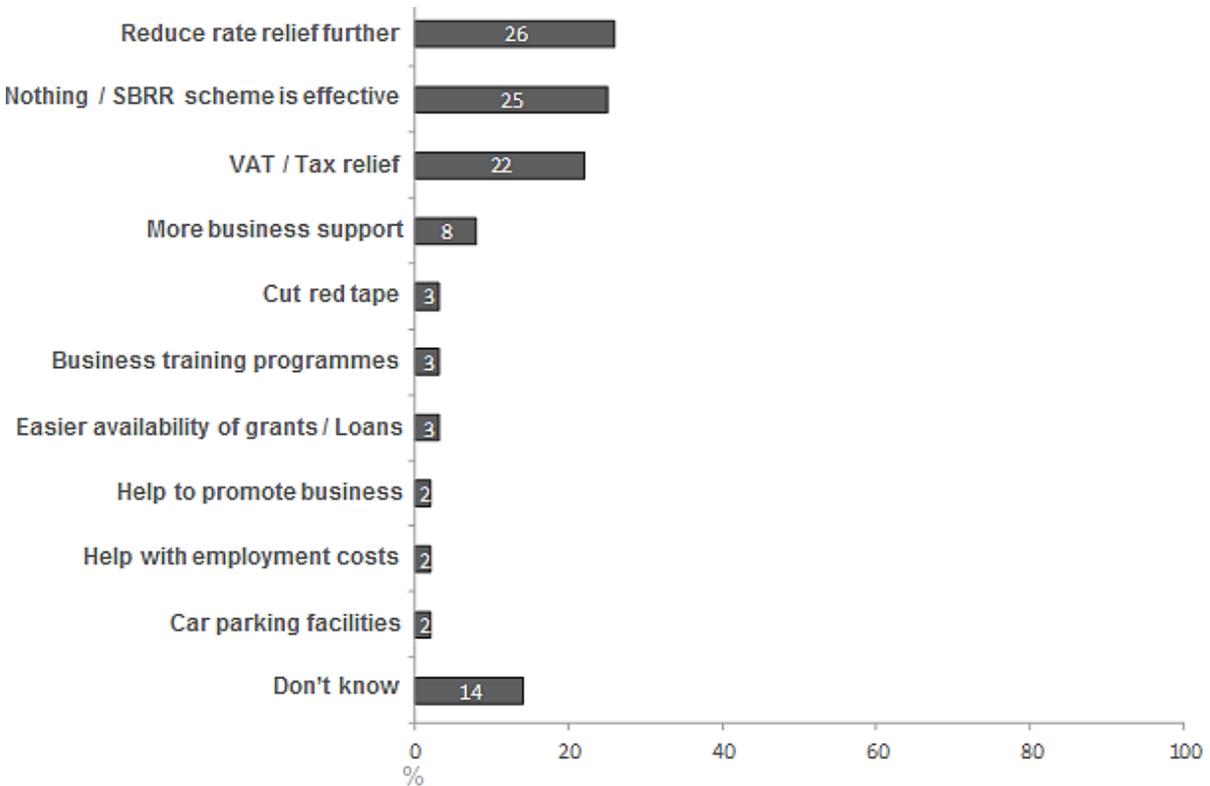


D2. In what way do you think government assistance could be targeted towards small firms that may be more effective than the SBRR scheme?

❖ All respondents (Base 552)

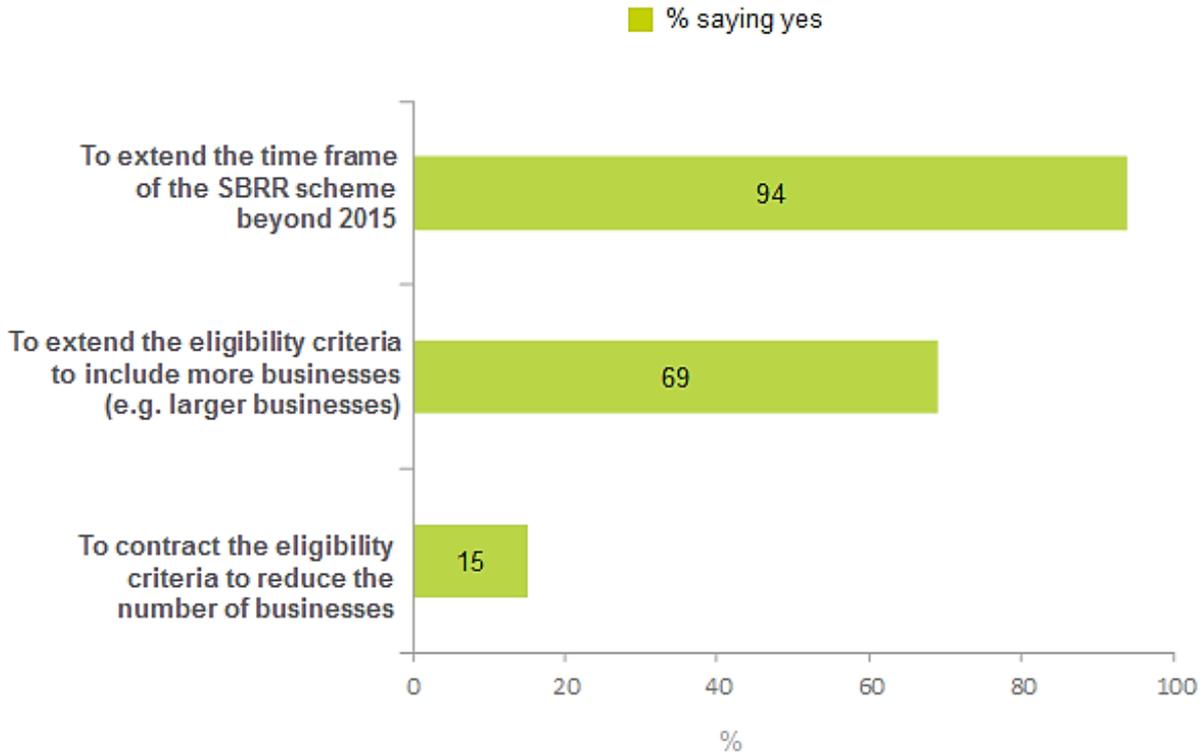


❖ Of those who received award (Base 449)

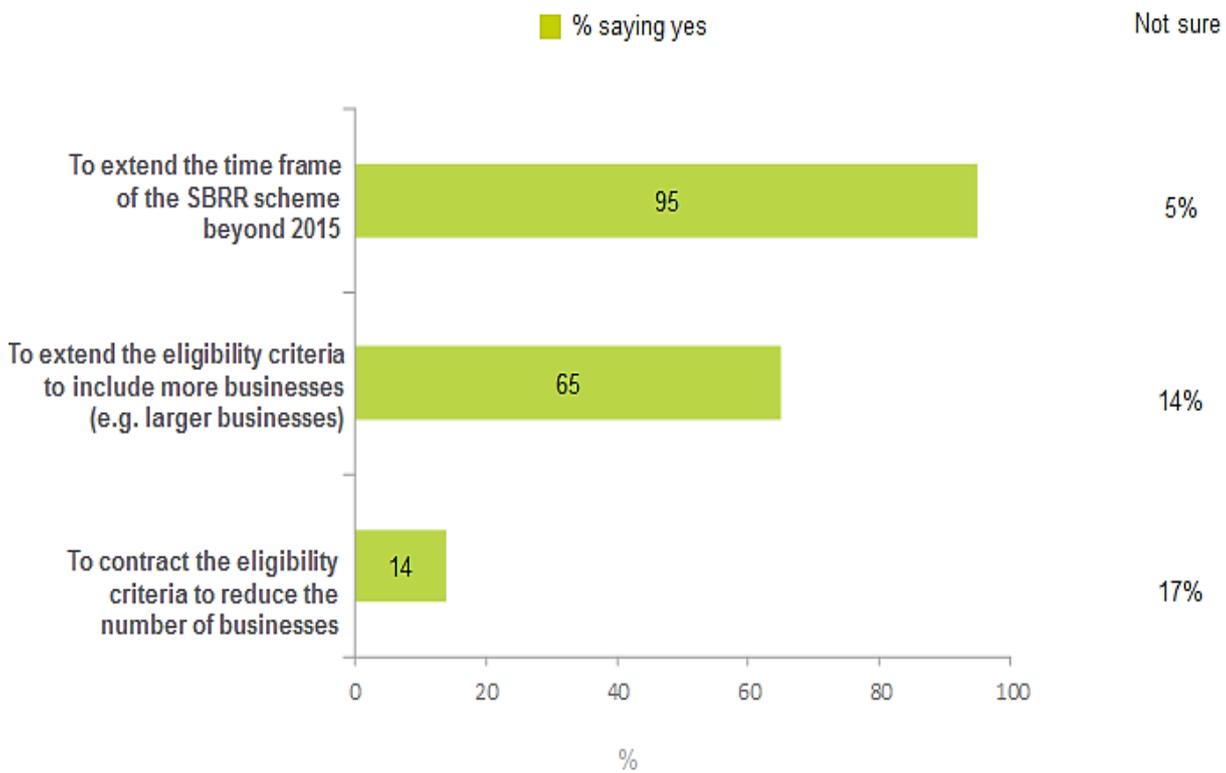


D3. Do you think there is a need for any of the following?

❖ All respondents (Base 552)

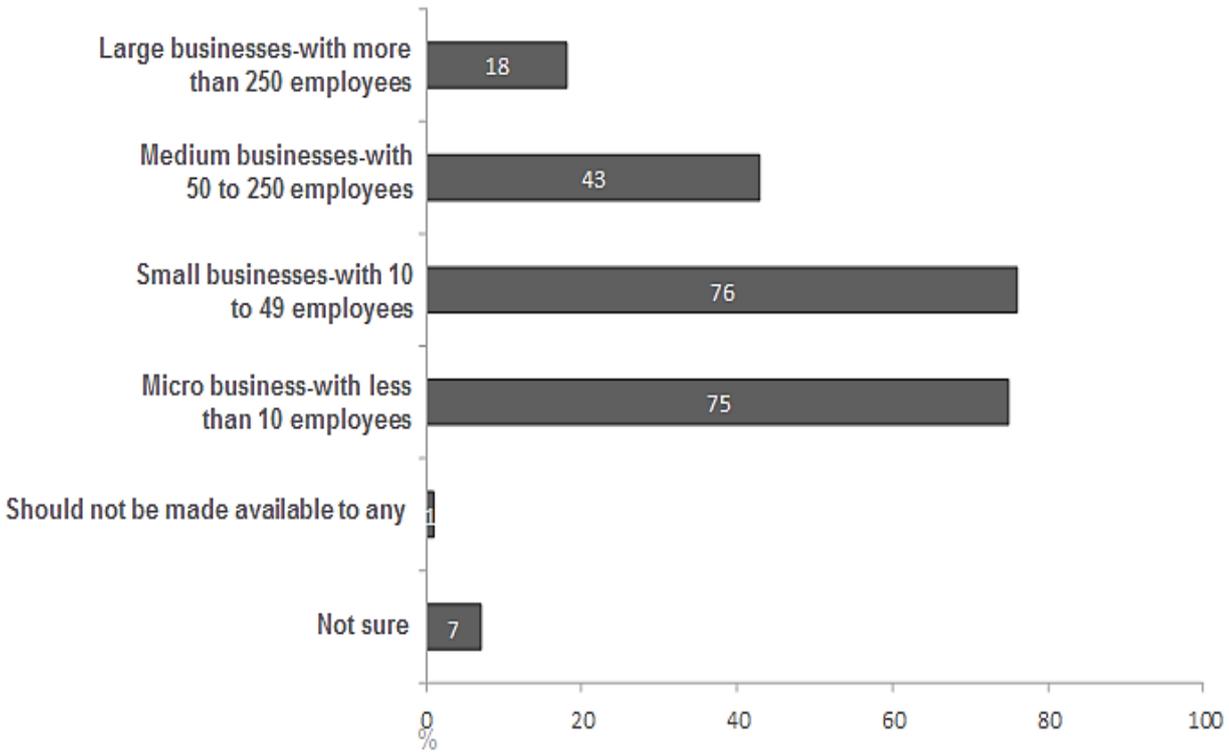


❖ Of those who received award (Base 449)

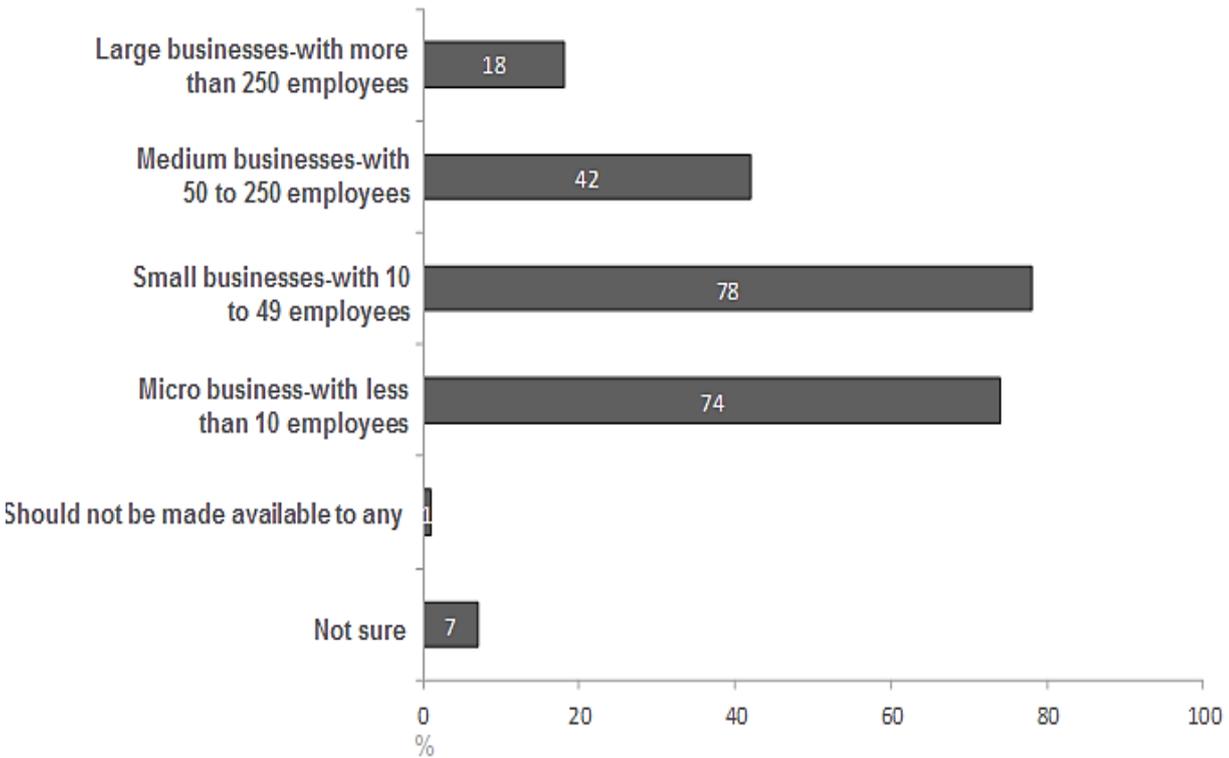


D4. Which size of business, if any, do you think the scheme should be made available to?

❖ All respondents (Base 552)

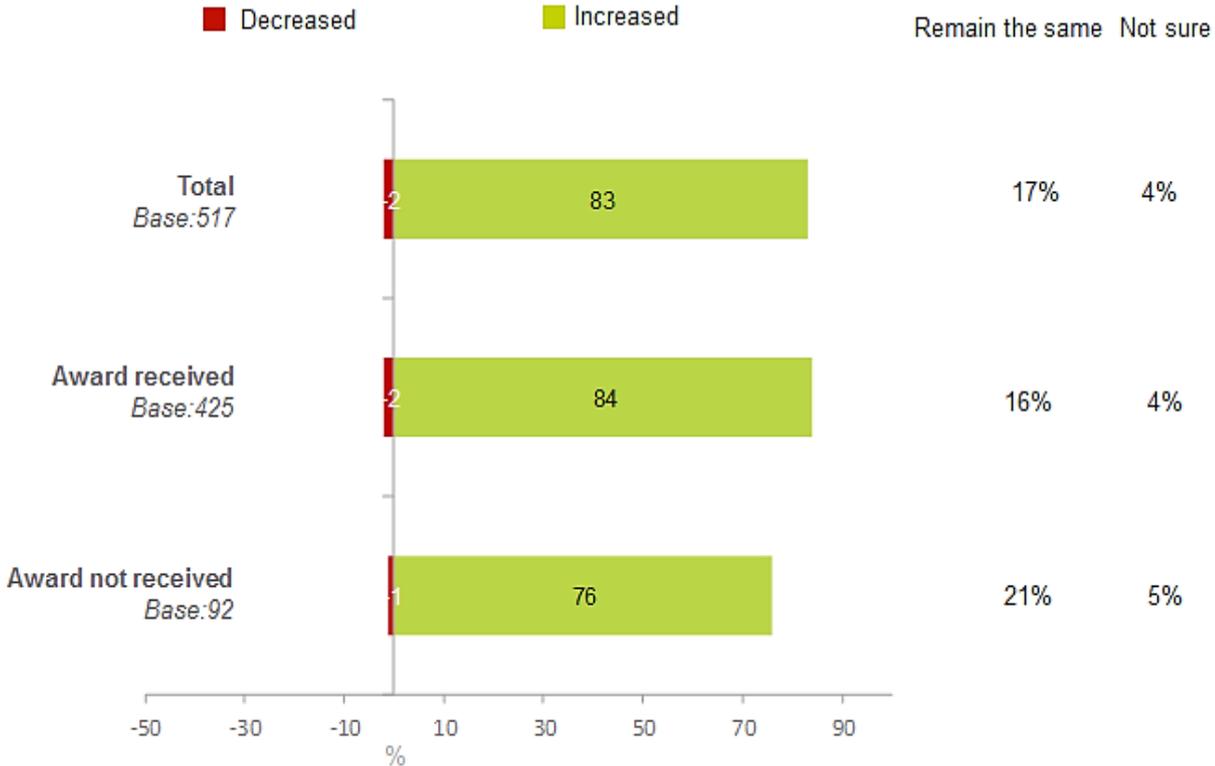


❖ Of those who received award (Base 449)

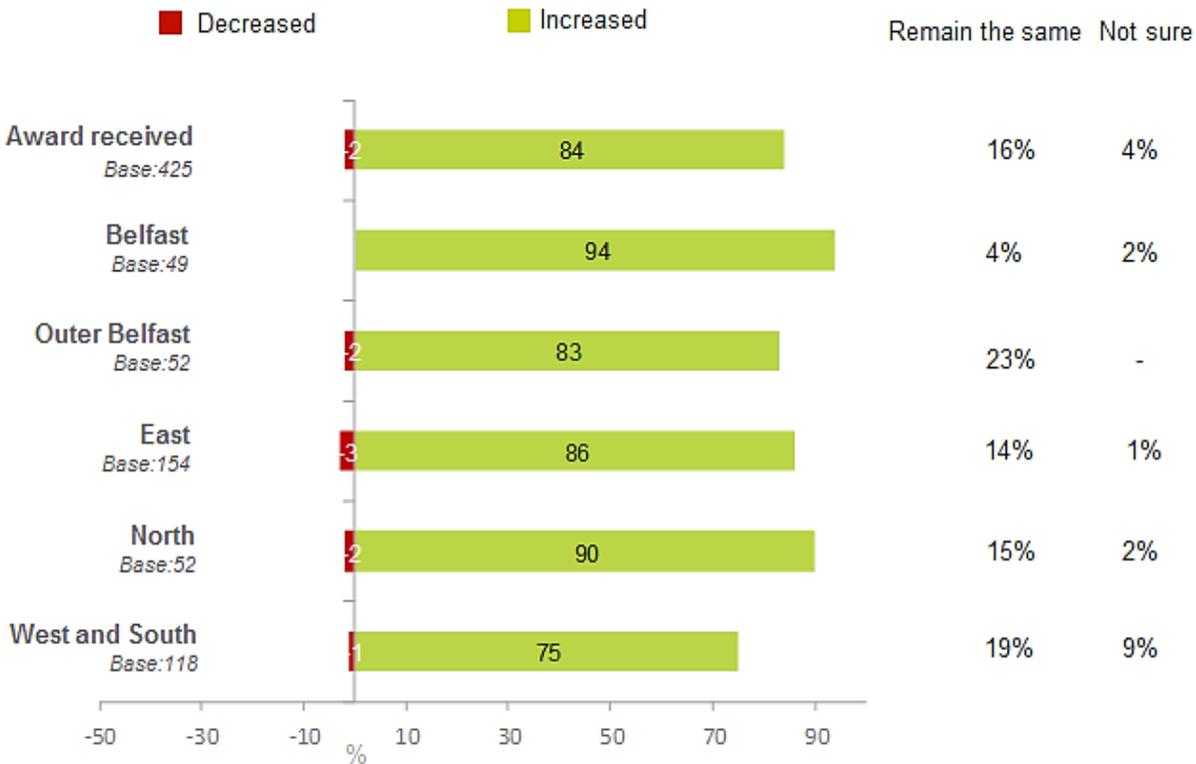


D5. Looking forward, do you think the level of relief should increase, decrease or remain the same?

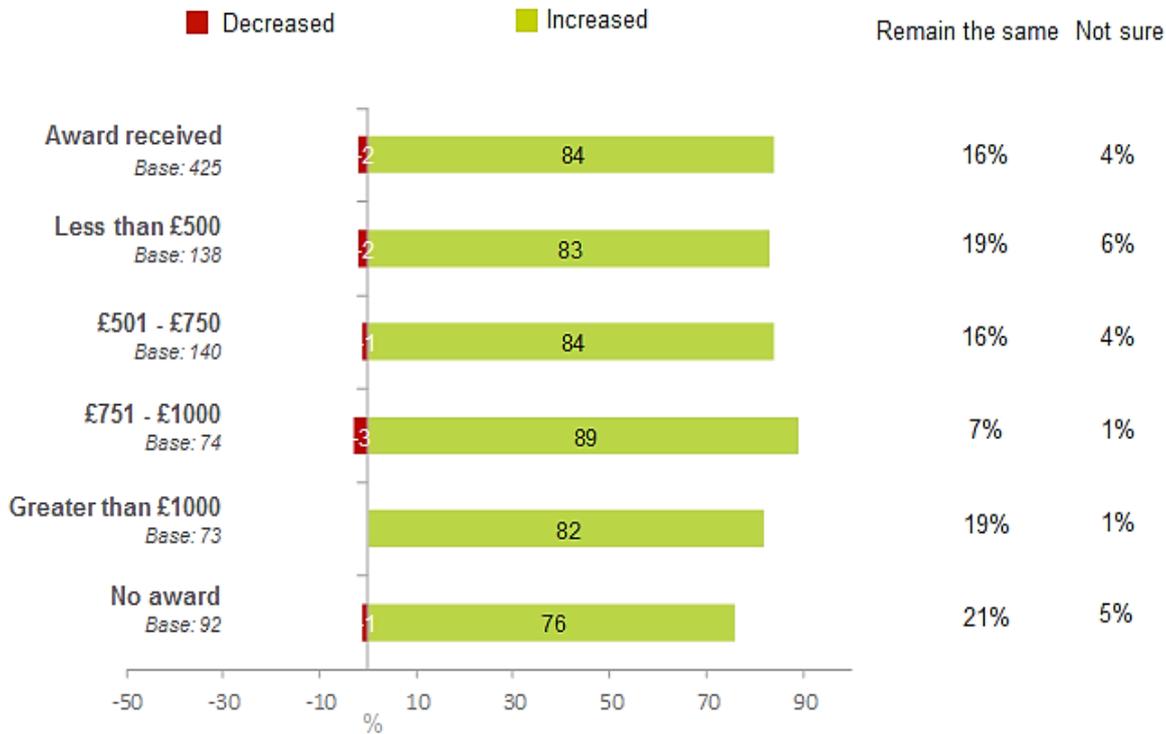
❖ All respondents (Base 517: Those who wish to extend the time frame of SBRR scheme beyond 2015)



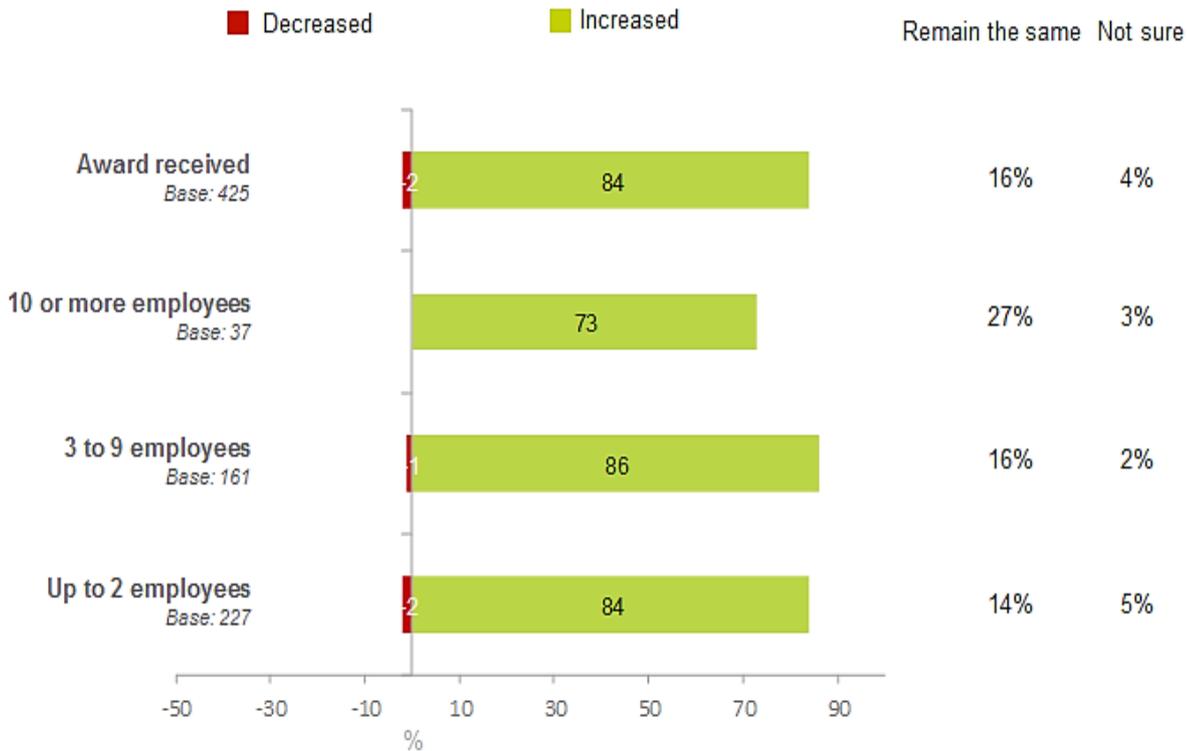
❖ By area (Base 425: Those who received award and wish to extend the time frame of SBRR scheme beyond 2015)



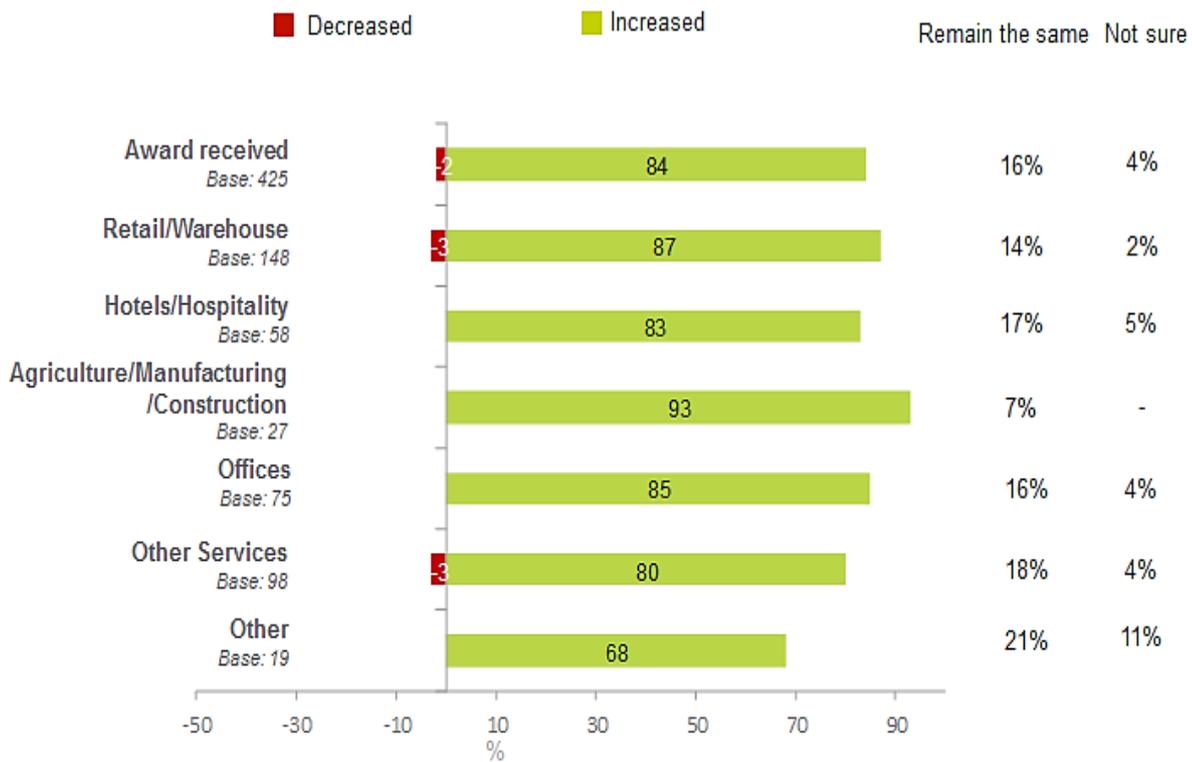
- ❖ Amount received from award (Base 425: Those who received award and wish to extend the time frame of SBRR scheme beyond 2015)



- ❖ No. of employees (Base 425: Those who received award and wish to extend the time frame of SBRR scheme beyond 2015)

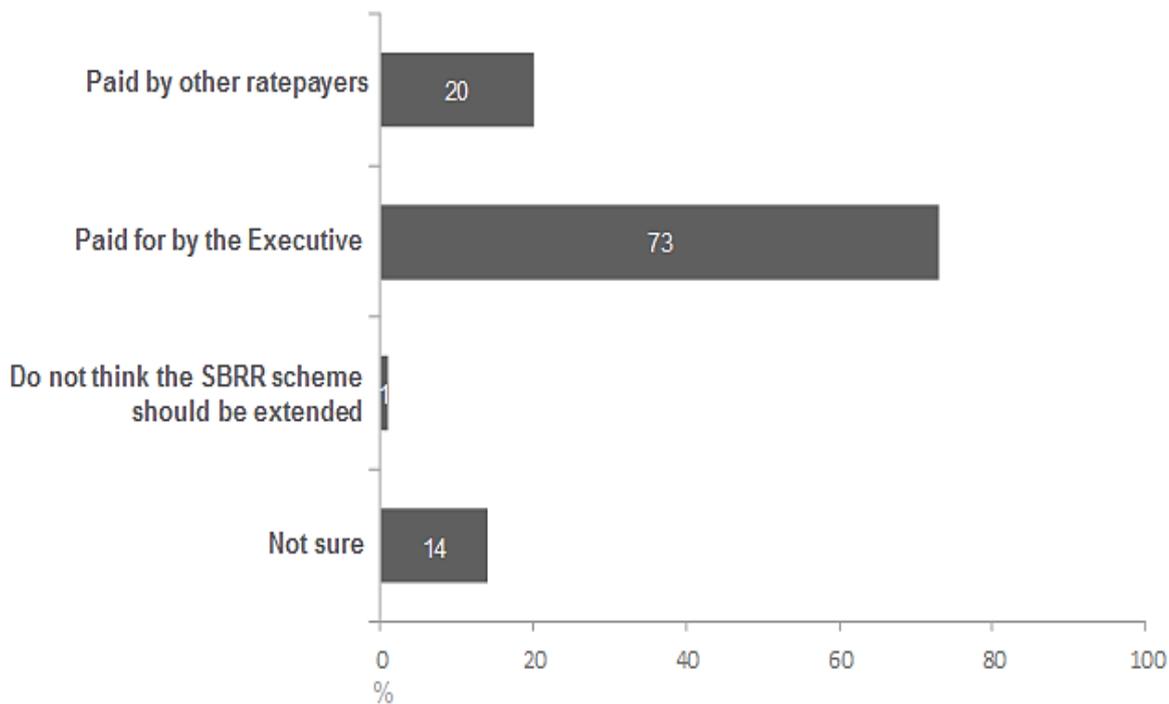


- ❖ By sector (Base 425: Those who received award and wish to extend the time frame of SBRR scheme beyond 2015)

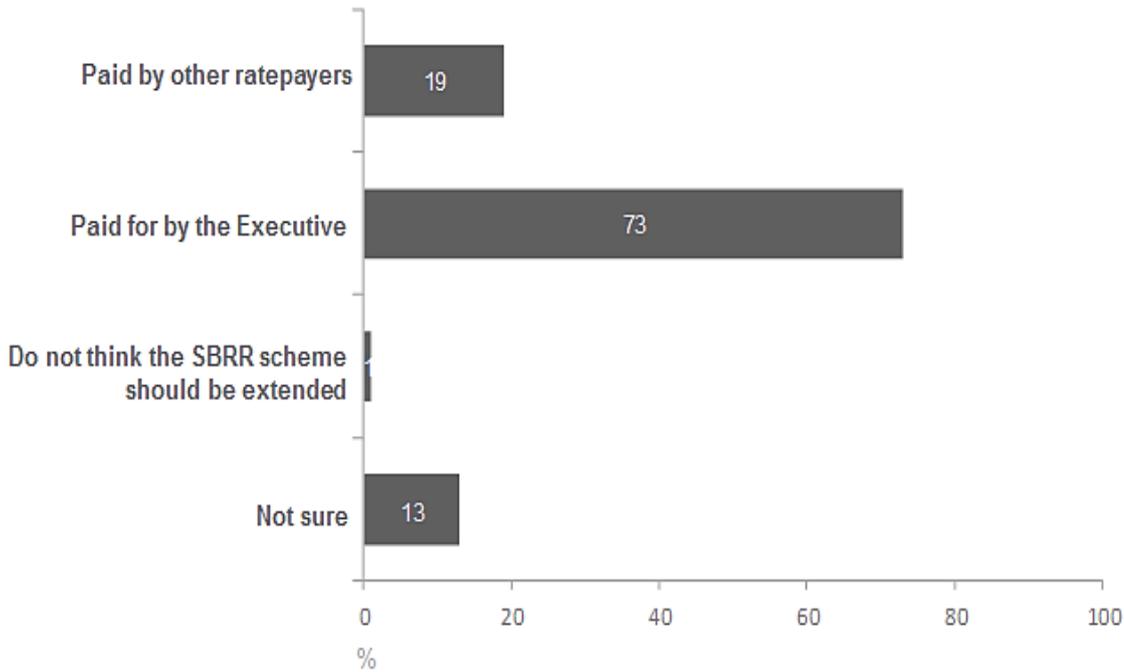


D6. How do you think rates relief offered by the scheme should be paid for?

- ❖ Of those who wish to extend the SBRR scheme beyond 2015 (Base 517)

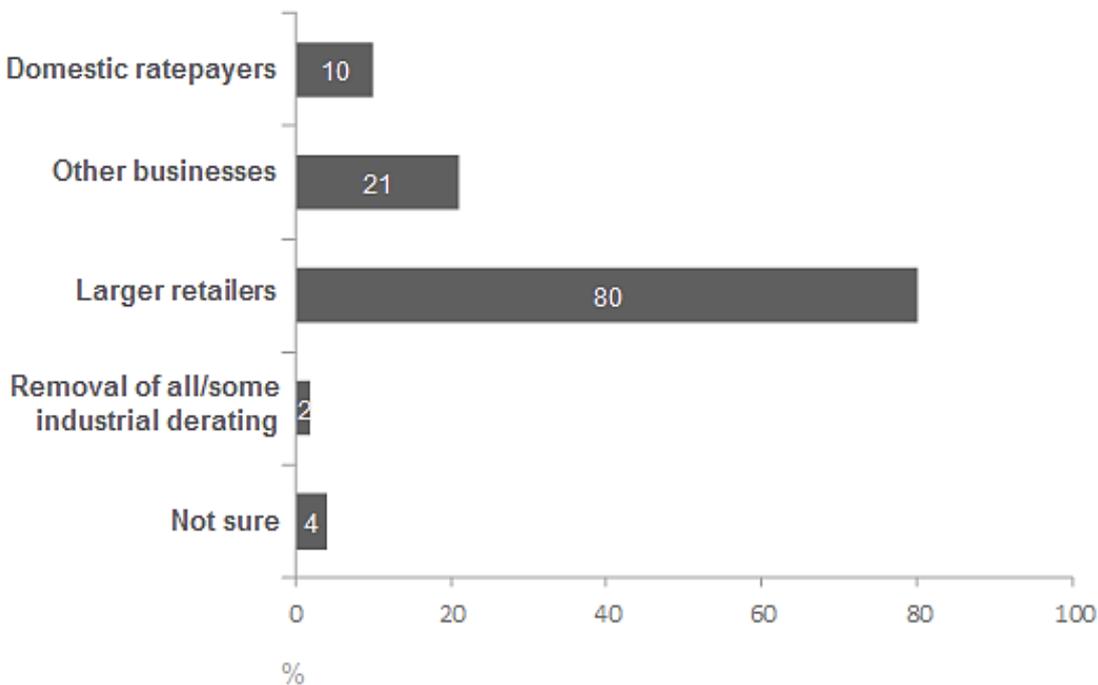


- ❖ Of those who received award and wish to extend the scheme beyond 2015 (Base 425: Those who received award and wish to extend the time frame of SBRR scheme beyond 2015)

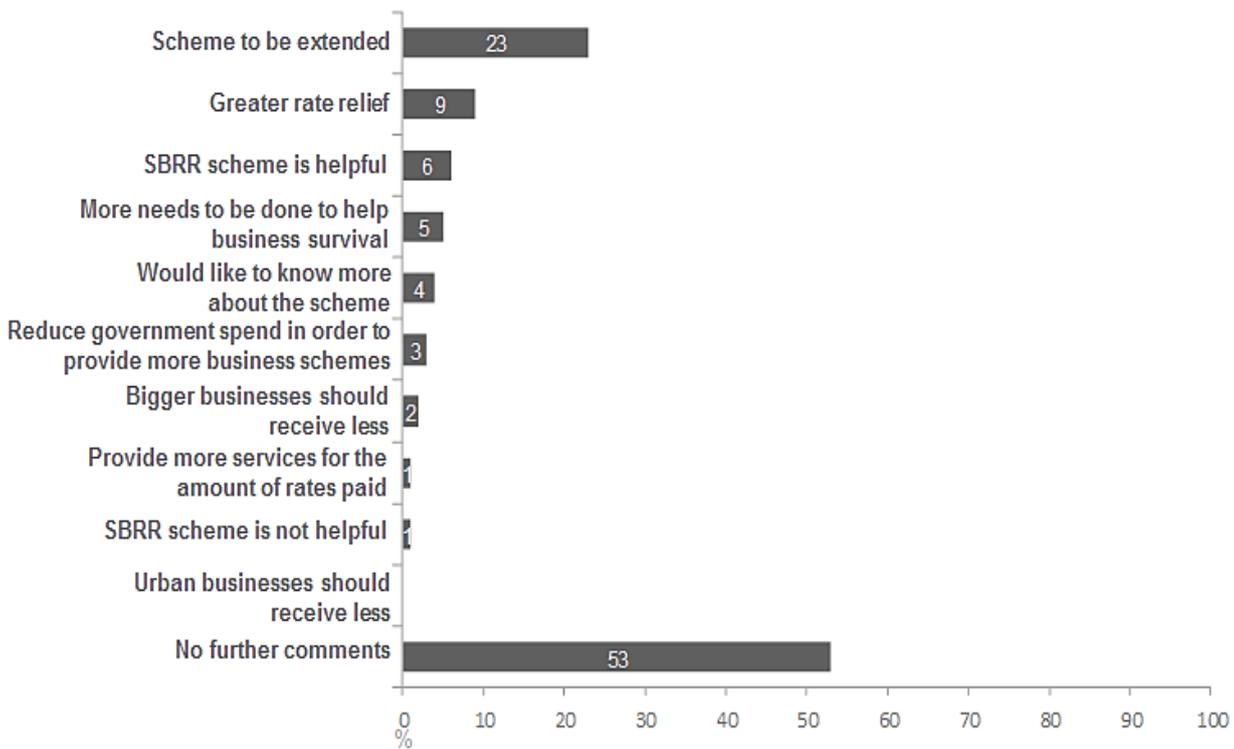


D7. Which other rate payers should the scheme be paid for by?

- ❖ Of those who think other rate payers should pay for the scheme (Base 101: Those who think that other rate payers should pay for the scheme)

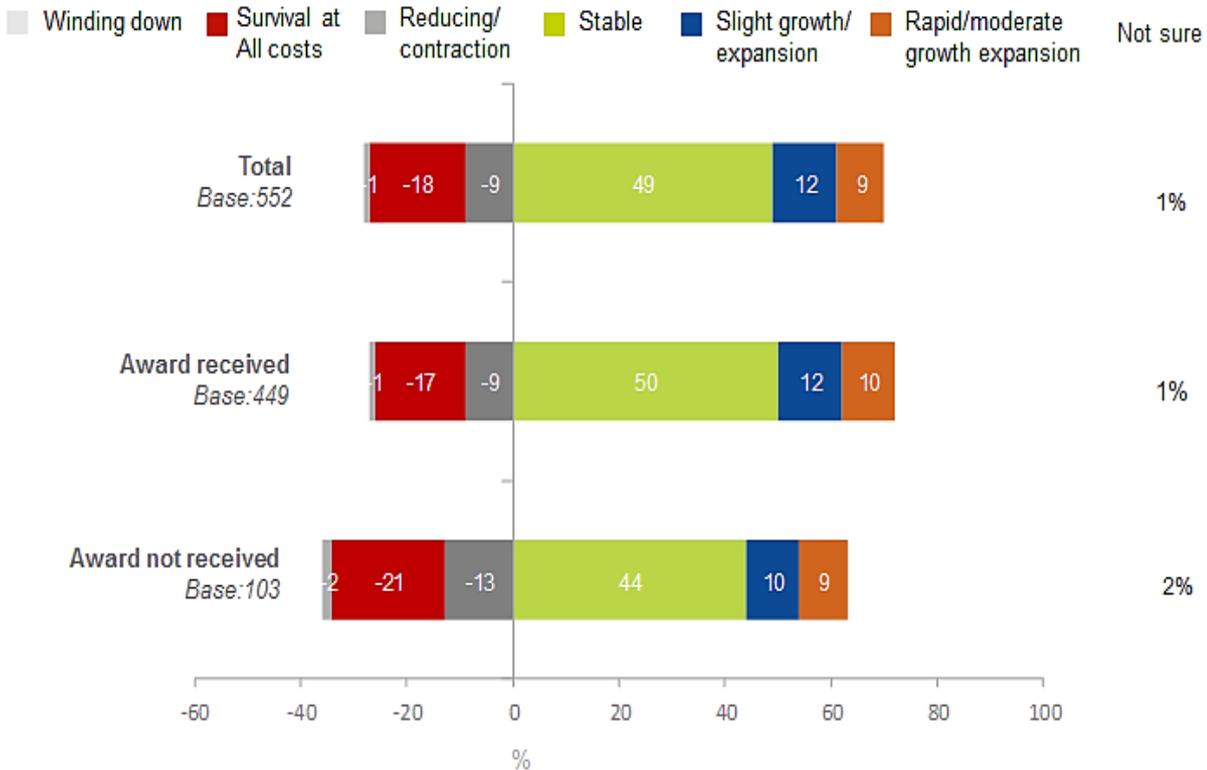


D8. Do you have any further comments on the future of the SBRR scheme?

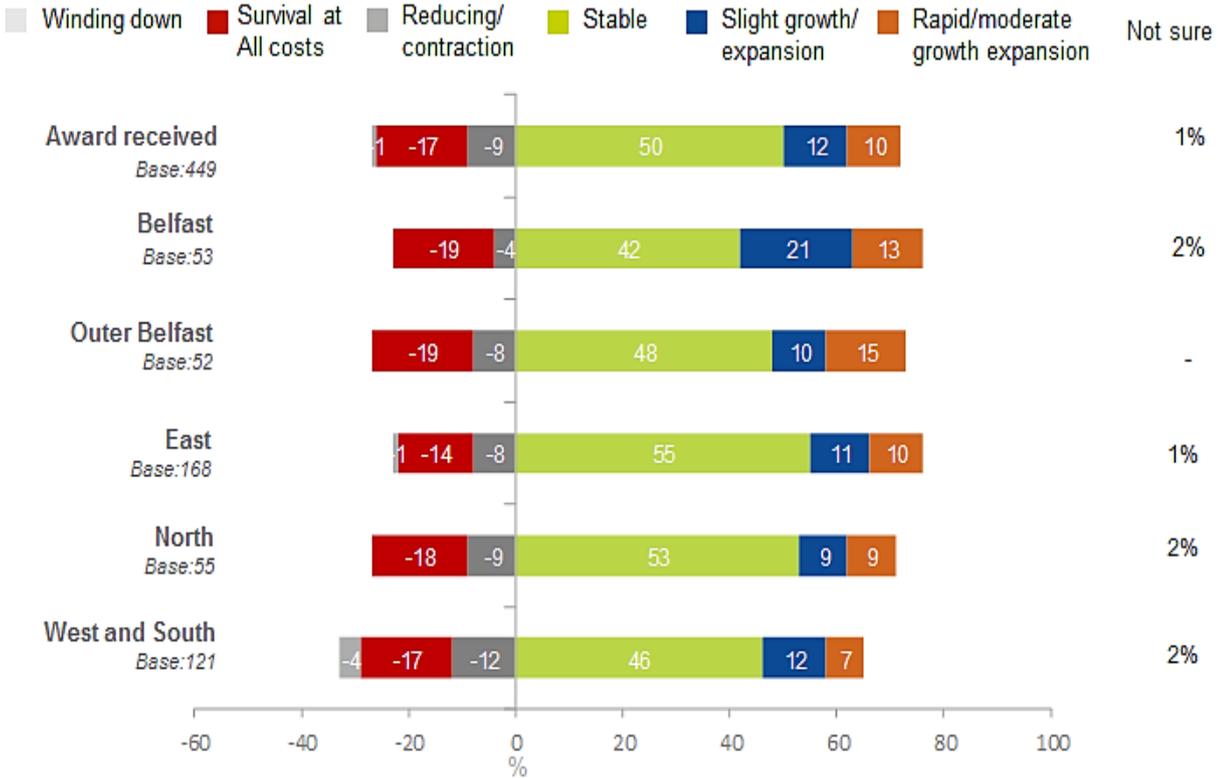


E1. Which of the following best describes your current position of business?

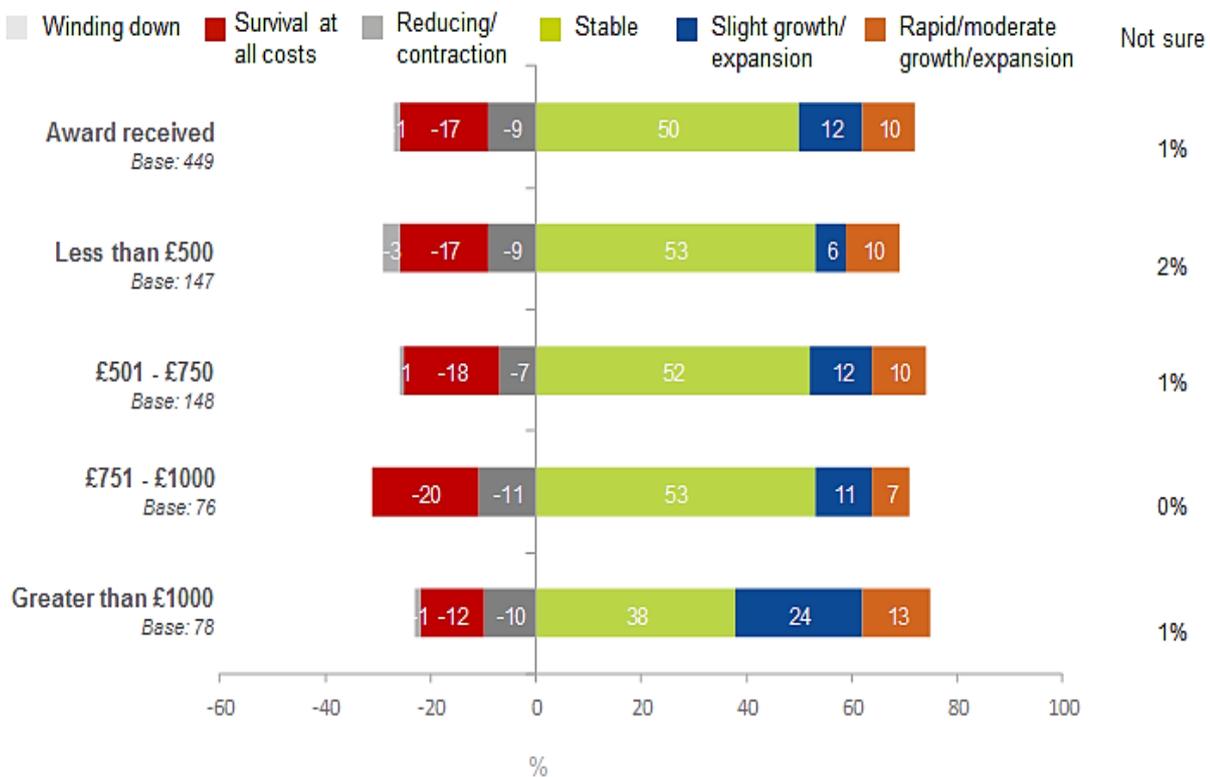
❖ All respondents (Base 522)



❖ By area (Base 449: All those who received rate relief)



❖ Amount received from award (Base 449: All those who received rate relief)

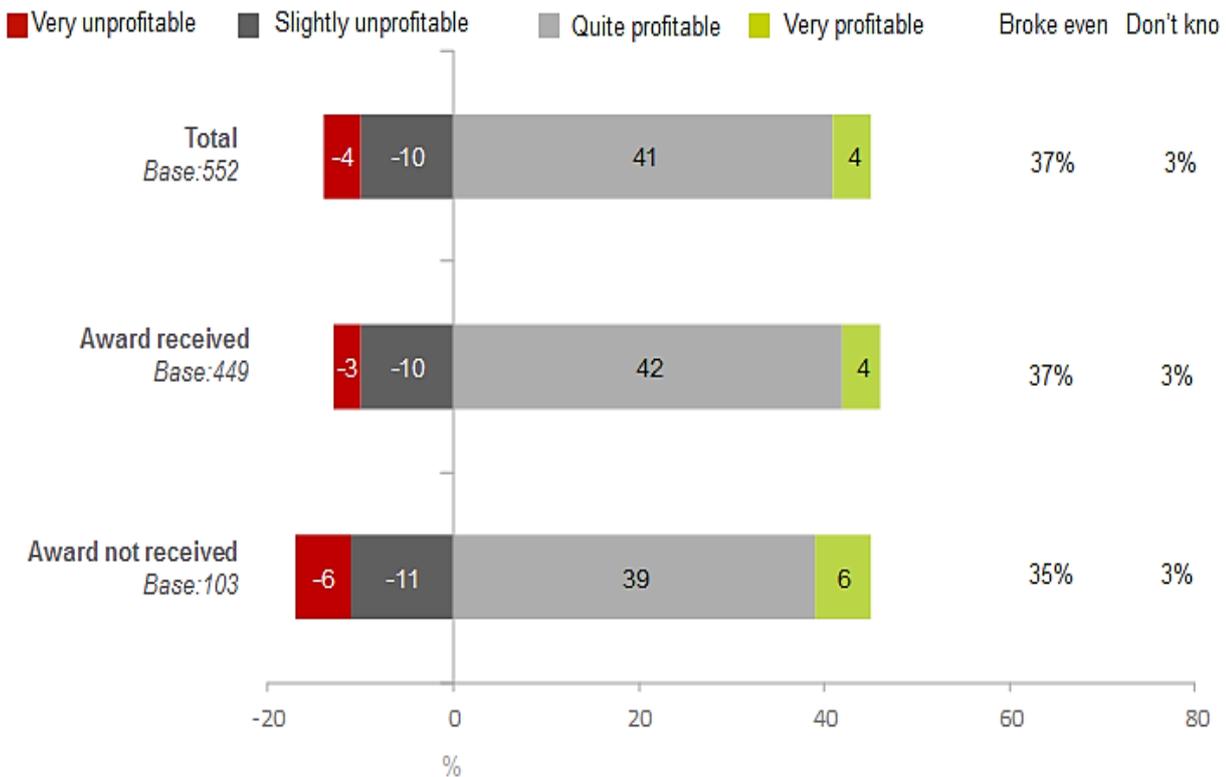


❖ By sector (Base 449: All those who received rate relief)

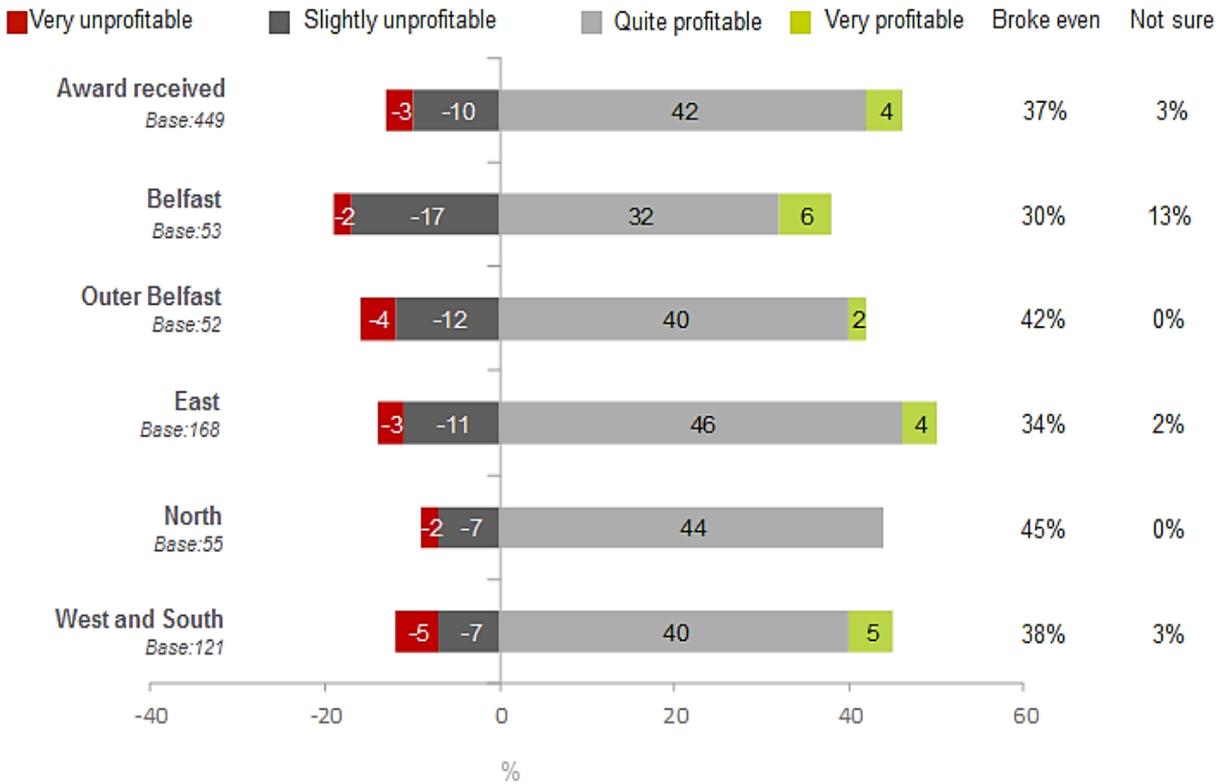


E2. During the last 12 months what was your business?

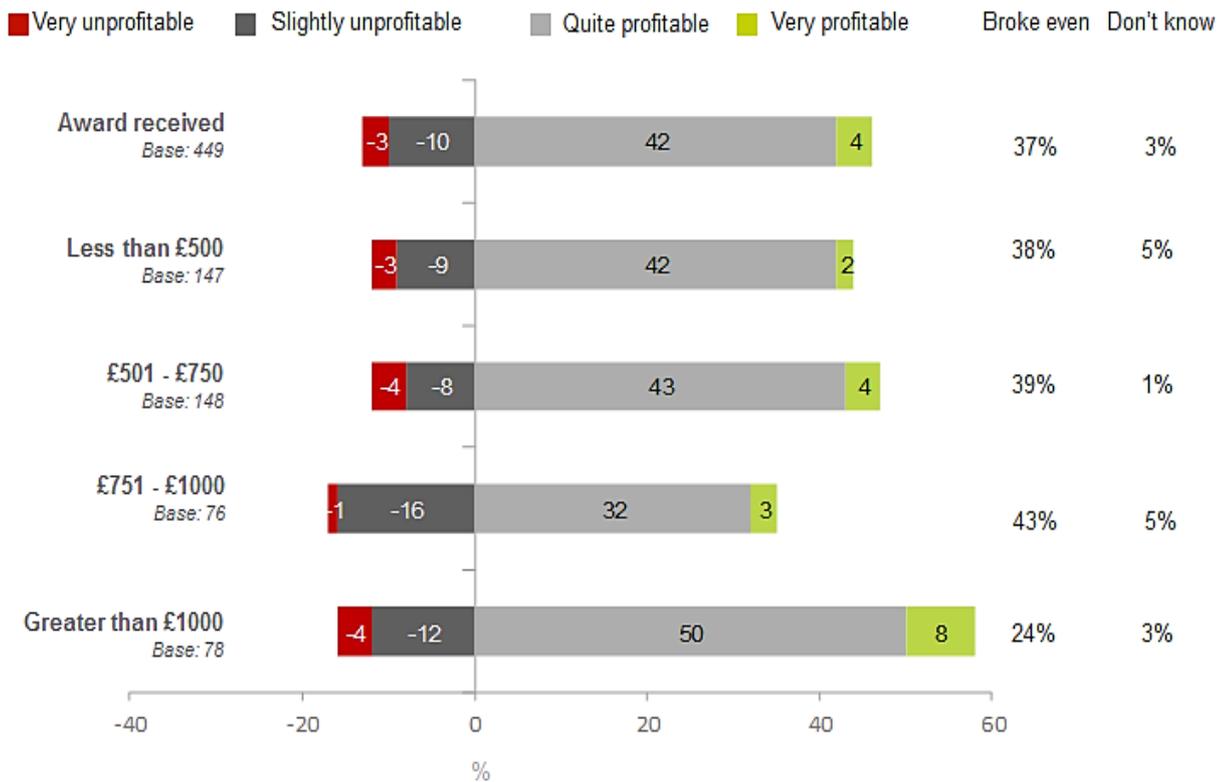
❖ All respondents (Base 552: All respondents)



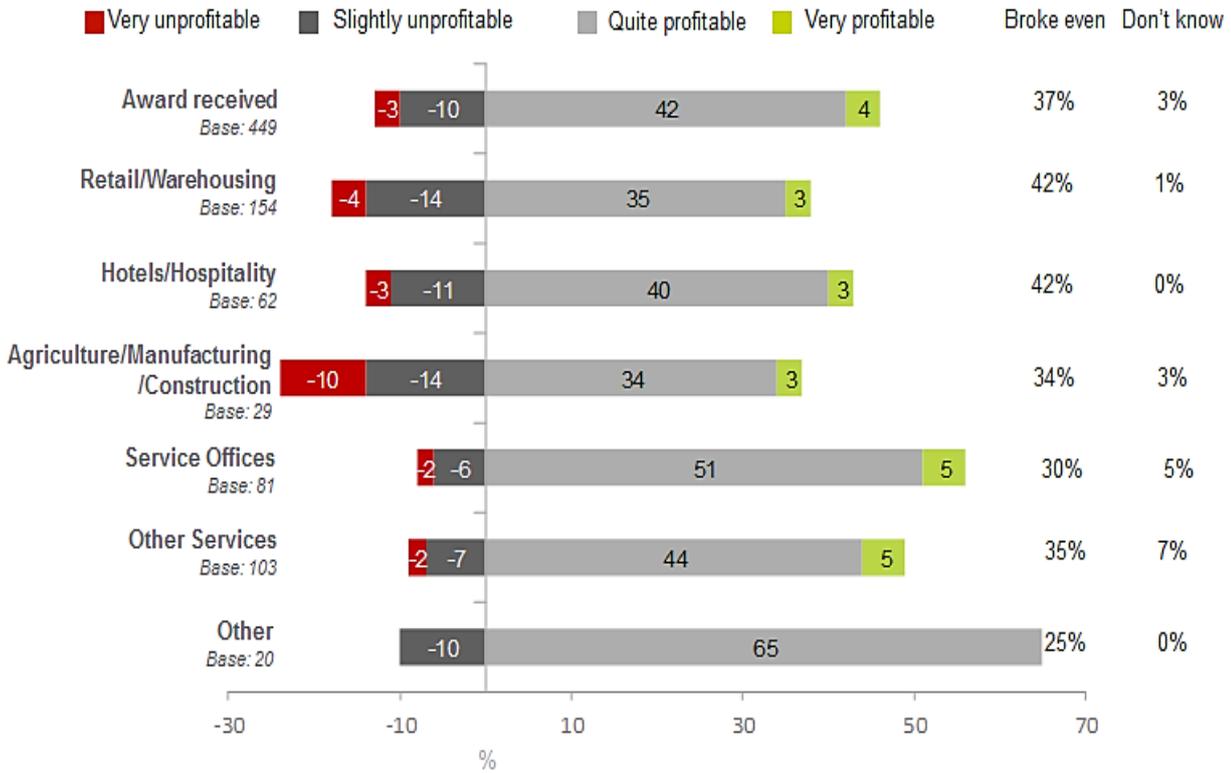
❖ By area (Base 449: All those who received rate relief)



❖ By amount received from award (Base 449: All those who received rate relief)

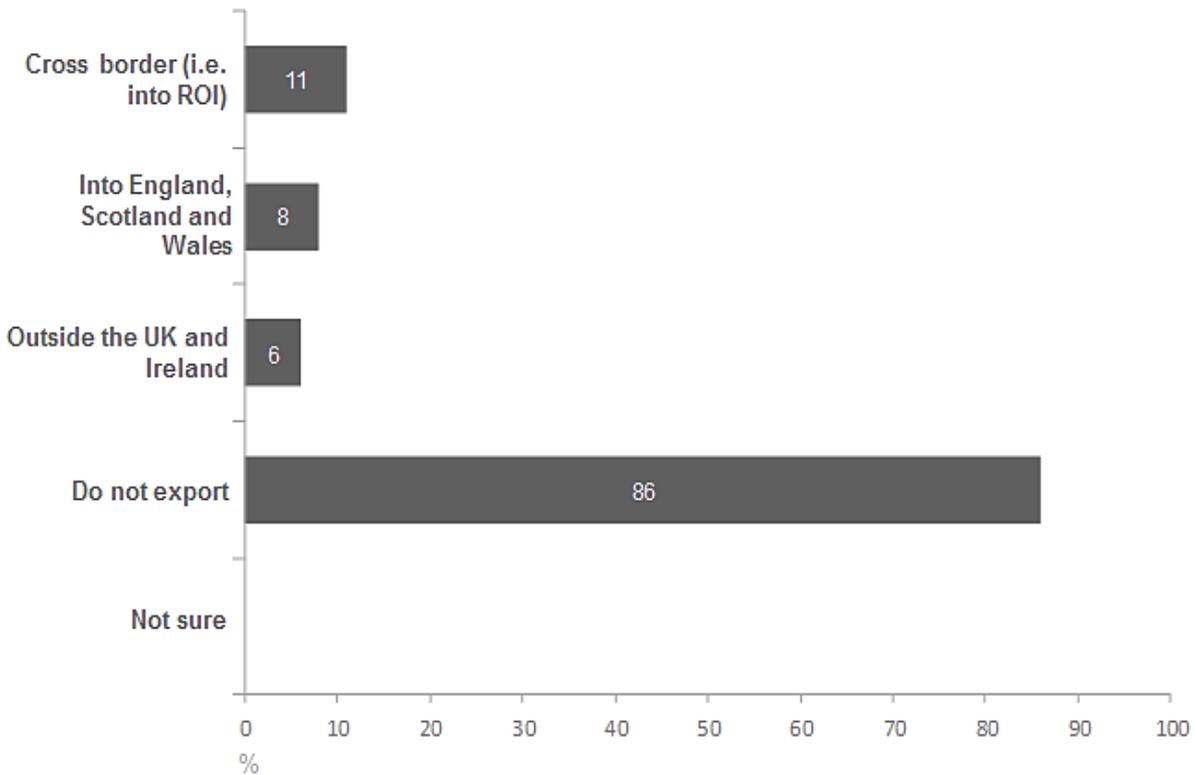


❖ By sector (Base 449: All those who received rate relief)

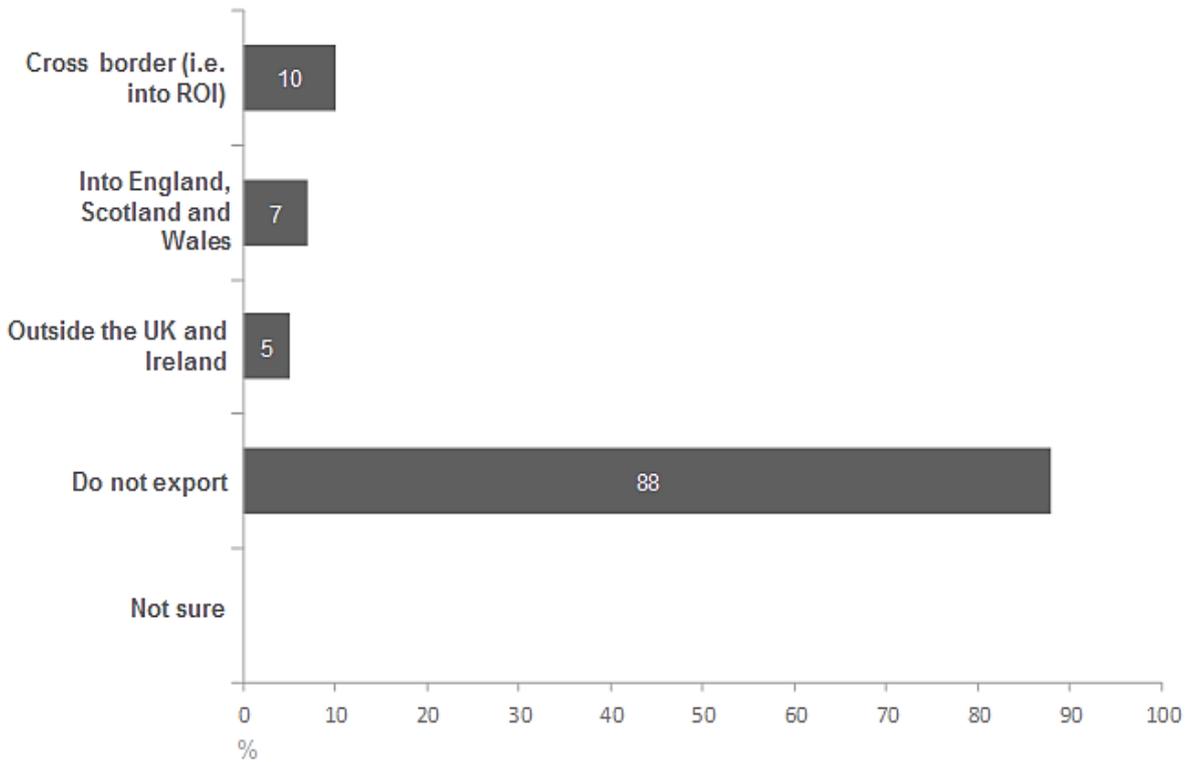


E3. Do you export your goods or services?

❖ All respondents (Base 522)

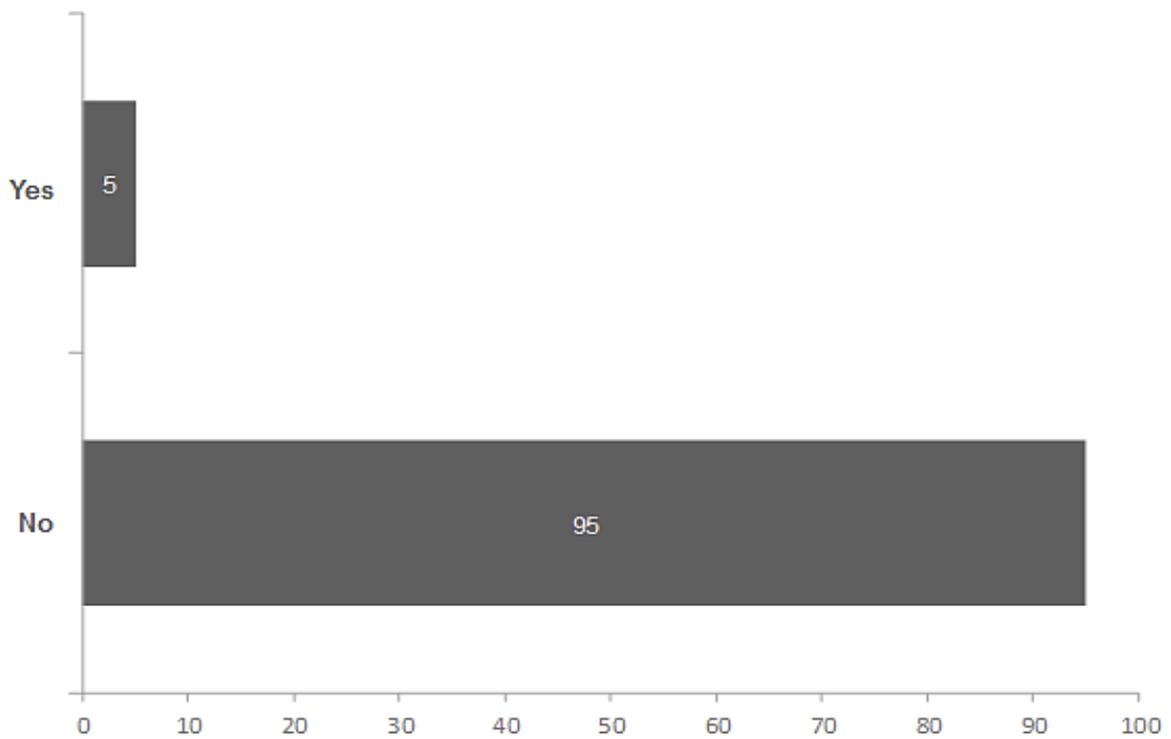


❖ All those who received award (Base 499)

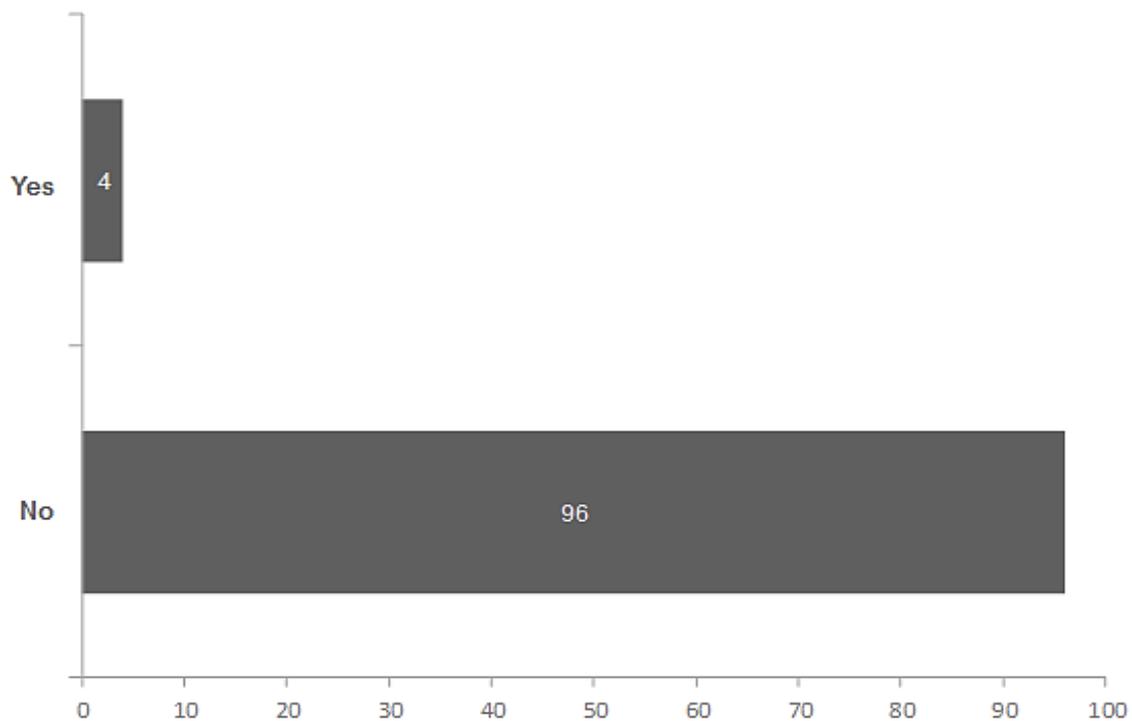


E4. Aside from the SBRR, in the last 12 months did you receive any other financial assistance from Government organisation(s)?

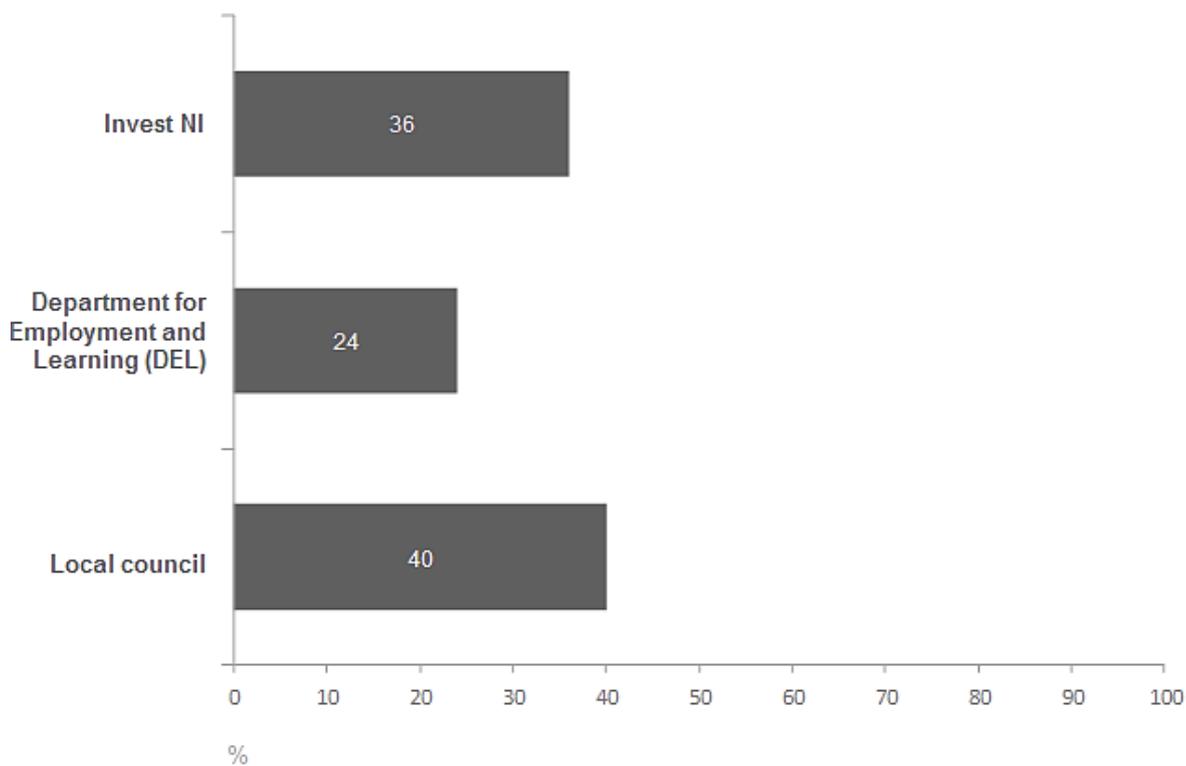
❖ All respondents (Base 522)



❖ All those who received an award (Base 499)



E5. From which Government organisation(s) did you receive financial assistance? (Base 25: All respondents who received other financial assistance)



E7. What are the main issues currently being faced by your business? (Base 552: All respondents)

E7 What are the main issues currently being faced by businesses?	Total	Yes	No	Up to 2	3-9	10 or more	Retail	Hospitality	Agriculture, Manual, Construction
Rising cost of other overheads (apart from energy)	30%	27%	45%	23%	32%	26%	27%	26%	31%
Reduction in demand for goods and services	20%	20%	22%	21%	18%	18%	25%	27%	17%
Access to finance	11%	10%	18%	8%	11%	11%	10%	6%	14%
Current economic climate	10%	10%	12%	12%	8%	-	10%	8%	14%
Competitors	9%	11%	4%	14%	5%	11%	14%	10%	-
Survival	5%	5%	8%	6%	4%	3%	6%	5%	3%
Business and consumer confidence	5%	6%	1%	8%	6%	-	7%	6%	7%
Business regulations	3%	4%	3%	2%	5%	3%	3%	5%	-
Keeping up with innovations and development	3%	3%	2%	3%	4%	-	3%	3%	7%
Rising cost of energy	3%	3%	-	3%	4%	3%	3%	8%	-
Cost of employment	2%	2%	-	2%	2%	3%	5%	2%	-
Finding appropriate skills for business	2%	1%	3%	1%	2%	-	2%	-	-
Parking for customers	2%	2%	-	1%	3%	3%	5%	2%	-
Maintaining same standard	1%	2%	-	2%	1%	5%	1%	3%	3%
Late customer payments	1%	0%	3%	0%	-	-	1%	-	-
Don't know	2%	2%	3%	2%	1%	3%	1%	-	3%
None	9%	11%	3%	10%	9%	24%	5%	5%	10%

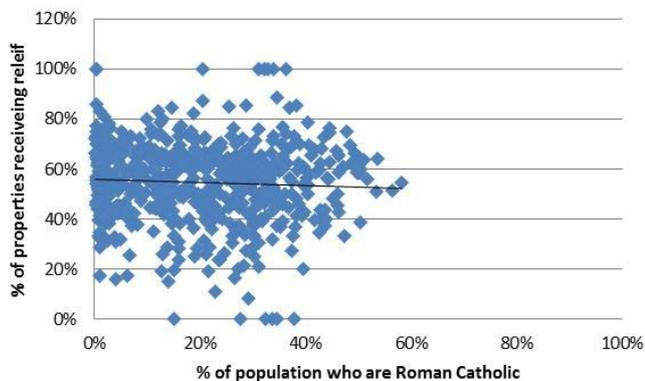
E8. What actions do you think the government should be undertaking to assist businesses in Northern Ireland?
(Base 522: All respondents)

E8 What actions do you think the Government should be taking to assist businesses in Northern Ireland?	Award received			Size (Award only)			Sector (Award only)					
	Total	Yes	No	Up to 2	3-9	10 or more	Retail	Hospitality	Agriculture, Manufacturing, Construction	Service - office	Other Service	Other
Base	552	449	103	243	168	38	154	62	29	81	103	20
Vat/Rate relief	39%	39%	39%	34%	43%	55%	42%	45%	38%	37%	33%	40%
Financial investments/grants/loans	15%	15%	16%	14%	16%	13%	15%	8%	21%	20%	14%	10%
More business support	14%	13%	20%	15%	11%	8%	12%	15%	7%	17%	11%	15%
Small business support	9%	10%	8%	9%	11%	5%	12%	8%	10%	9%	9%	10%
Cut red tape	8%	8%	8%	5%	11%	11%	8%	15%	7%	9%	3%	5%
Apprenticeships/employment schemes	6%	5%	8%	5%	5%	8%	4%	3%	10%	7%	7%	-
Promote NI businesses	6%	6%	6%	7%	5%	-	5%	5%	7%	9%	5%	5%
Staff training	0%	0%	-	0%	-	-	-	-	3%	-	-	-
Don't know	13%	14%	4%	18%	11%	5%	13%	19%	10%	12%	17%	10%
Nothing	11%	10%	14%	12%	5%	13%	9%	6%	7%	7%	16%	10%

Annex 4 – Equality and deprivation analysis

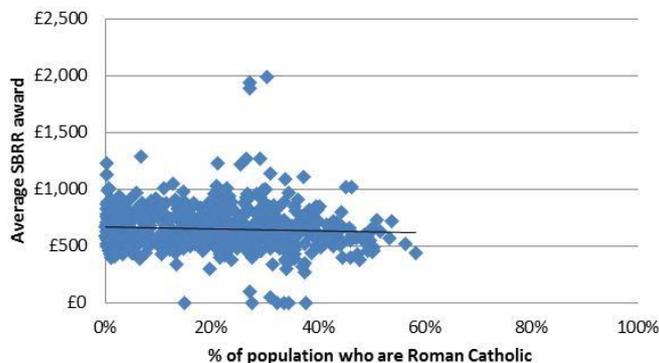
Religion

Figure A4.1 – % of properties receiving SBRR vs. % of population who are Roman Catholic



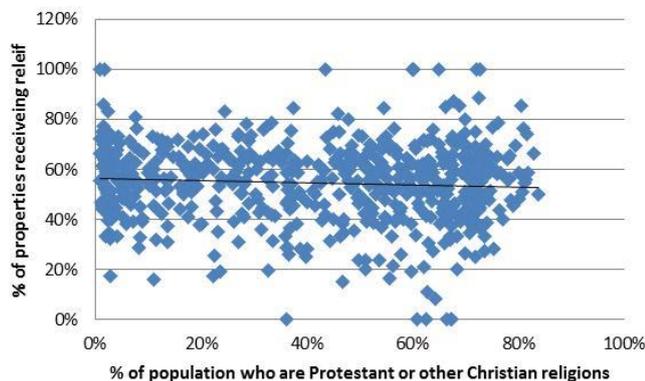
Source: NISRA, Census 2011, LPS & NICEP

Figure A4.2 – Average SBRR award vs. % of population who are Roman Catholic



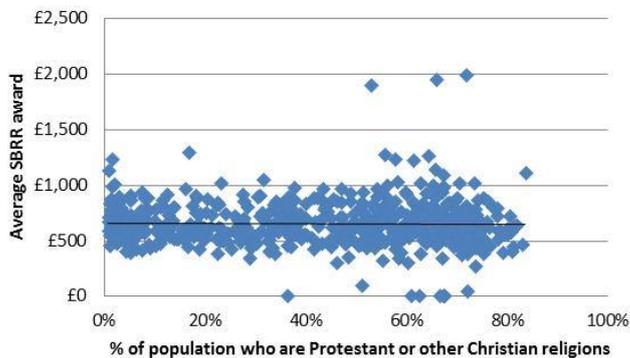
Source: NISRA, Census 2011, LPS & NICEP

Figure A4.3 – % of properties receiving SBRR vs. % of population who are Protestant or other Christian religions



Source: NISRA, Census 2011, LPS & NICEP

Figure A4.4 – Average SBRR award vs. % of population who are Protestant or other Christian religions



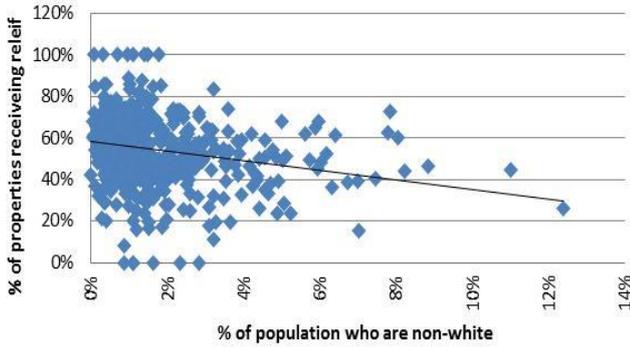
Source: NISRA, Census 2011, LPS & NICEP

Political opinion & sexual orientation

As stated earlier in the report, political opinion and sexual orientation are excluded from the equality analysis due to the lack of available statistical information.

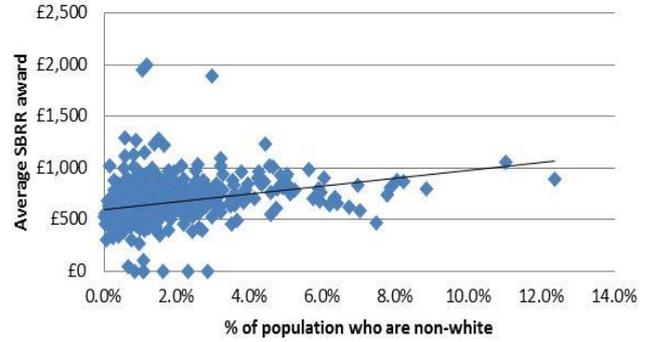
Race

Figure A4.5 – % of properties receiving SBRR vs. % of population who are non-white



Source: NISRA, Census 2011, LPS & NICEP

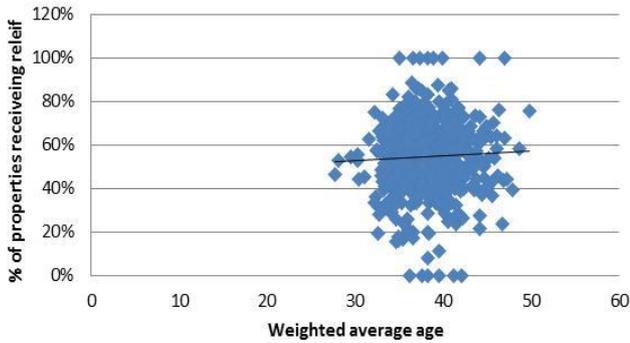
Figure A4.6 – Average SBRR award vs. % of population born who are non-white



Source: NISRA, Census 2011, LPS & NICEP

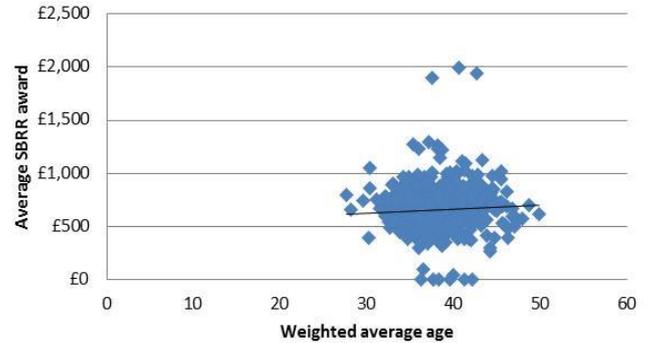
Age

Figure A4.7 – % of properties receiving SBRR vs. weighted average age



Source: NISRA, Census 2011, LPS & NICEP

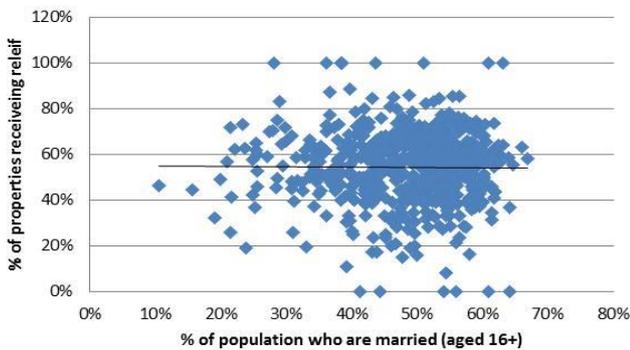
Figure A4.8 – Average SBRR award vs. weighted average age



Source: NISRA, Census 2011, LPS & NICEP

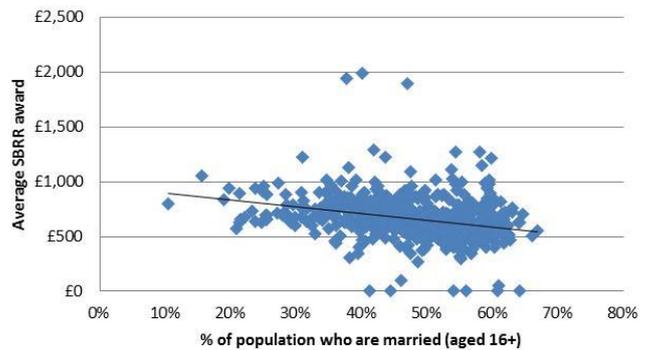
Marital status

Figure A4.9 – % of properties receiving SBRR vs. % of population who are married (aged 16+)



Source: NISRA, Census 2011, LPS & NICEP

Figure A4.10 – Average SBRR award vs. % of population who are married (aged 16+)

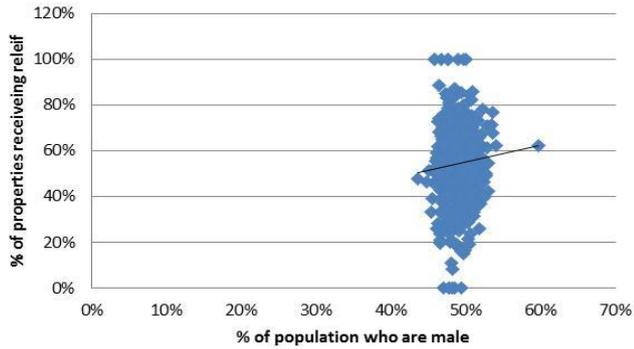


Source: NISRA, Census 2011, LPS & NICEP

Gender

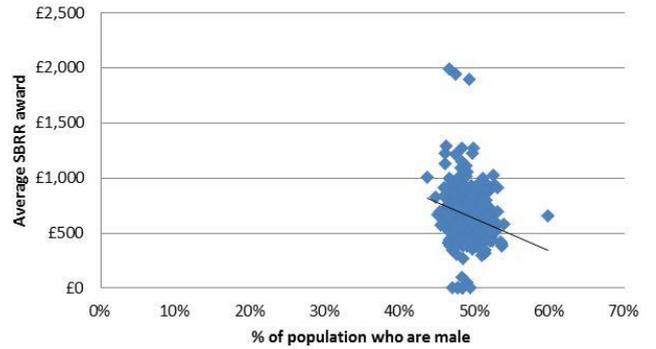


Figure A4.11 – % of properties receiving SBRR vs. % of population who are male



Source: NISRA, Census 2011, LPS & NICEP

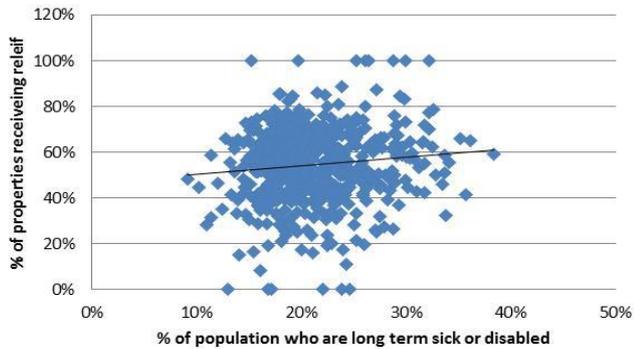
Figure A4.12 – Average SBRR award vs. % of population who are male



Source: NISRA, Census 2011, LPS & NICEP

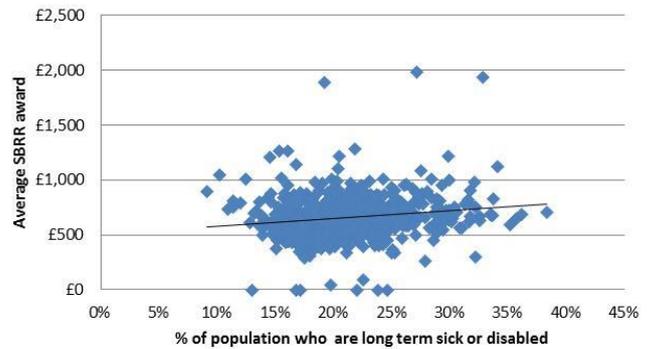
Disability

Figure A4.13 – % of properties receiving SBRR vs. % of population who have a long term health problem or disability



Source: NISRA, Census 2011, LPS & NICEP

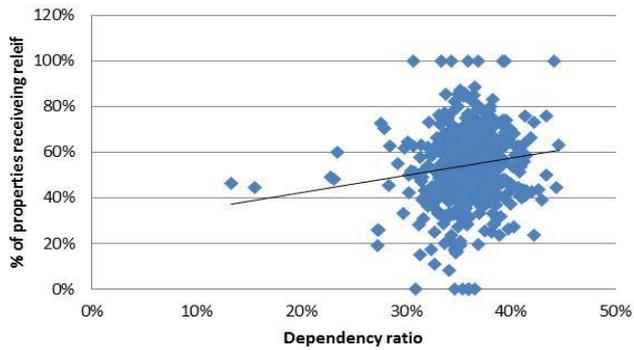
Figure A4.14 – Average SBRR award vs. % of population who have a long term health problem or disability



Source: NISRA, Census 2011, LPS & NICEP

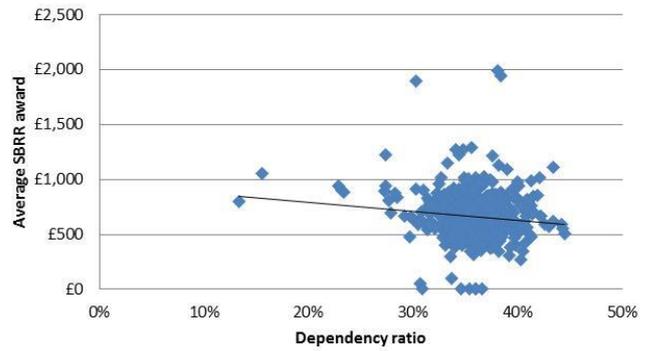
Dependants

Figure A4.15 – % of properties receiving SBRR vs. dependency ratio



Source: NISRA, Census 2011, LPS & NICEP

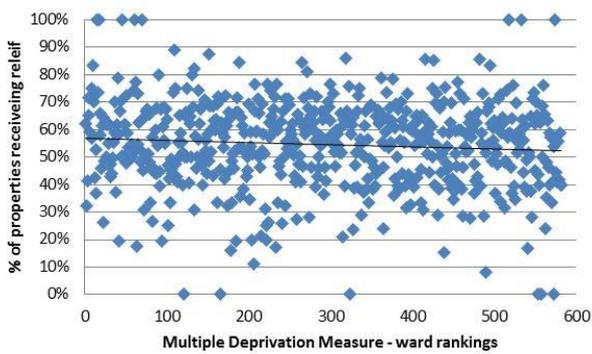
Figure A4.16 – Average SBRR award vs. dependency ratio



Source: NISRA, Census 2011, LPS & NICEP

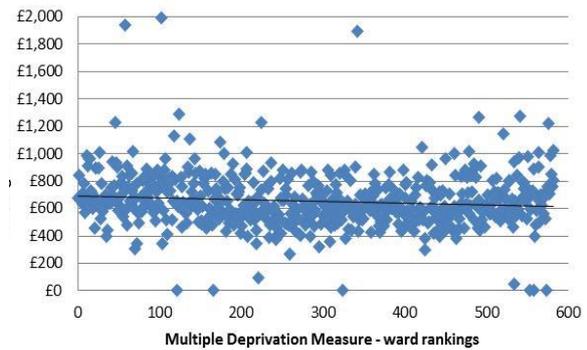
Deprivation

Figure A4.17 – % of properties receiving SBRR vs. Multiple Deprivation ranking by ward



Source: NISRA, LPS & NICEP

Figure A4.18 – Average SBRR award vs. Multiple Deprivation ranking by ward



Source: NISRA, LPS & NICEP