



City of Westminster Cabinet Member Report

Decision Maker:	Cabinet Member for Finance and Council Reform
Date:	12 June 2024
Classification:	General release
Title:	NNDR Localism Relief for Meanwhile On Activations Fit-out periods
Wards Affected:	All
Policy Context:	Fairer Westminster Fairer Economy Plan (2023-26) Westminster Cultural Strategy (2021-25)
Key Decision:	No
Financial Summary:	These recommendations will have financial implications for the City Council, as the cost of applying the current NNDR Localism Relief to cover the fit-out period for Meanwhile On activations will cost the Council up to £150,000 in both 2024/25 and 2025/26. The costs associated with any additional application of NNDR, beyond the fit-out period, will be cost neutral and continue to be offset by a project partnership fee contributed by the tenants or property owner.
Report of:	Debbie Jackson, Executive Director, Regeneration, Economy and Planning

1. Executive Summary

- 1.1 To ensure the council can quickly respond to market needs and unlock space opportunities, this report seeks approval to expand the application of NNDR Localism Relief for the Meanwhile On programme to include the fit-out period/s for stores.

2. Recommendations

- 2.1 To approve the extension of the application of NNDR “Localism” allowance to include the fit-out periods of activations as part of Meanwhile On, including periods between tenants, if applicable, in 2024/25 and 2025/26, in consultation with the Cabinet Member for Planning and Economic

Development.

- 2.2 To approve an allowance of £150,000 per financial year in 2024/25 and 2025/26, for the cost of applying the NNDR Localism Relief to cover the fit-out periods for activations to be funded from Economy/Inflation reserves, in consultation with the Cabinet Member for Planning and Economic Development.

3. Context

- 3.1 The Meanwhile On programme, (previously called Voids Activation & Pop-up project), was originally envisaged as a pilot scheme to enliven vacant premises and address the negative impact that these had on visitors' perception of the West End.
- 3.2 Phase 1 sought to enliven vacant premises and test innovative concepts through a curated programme of cultural activations delivered by UK emerging artists and local organisations. A total of six activations were delivered as part of this phase. To ensure that Phase 1 was financially viable, a NNDR Localism Relief of 100% of the net NNDR liability was awarded to pop-up ventures in the borough during a fixed period of four months, comprised between 1 July and 31 October 2021.
- 3.3 Phase 2 focused on experiential retail and supporting up-and-coming UK businesses. This phase delivered six activations and supported a total of thirty-two small brands who would not have had the capital to be able to operate from the West End. To ensure viability during this second phase, the previous NNDR Localism Relief of 100% of the net NNDR liability was extended for a period of five months comprised between 1 November 2021 and 31 March 2022. A further one-year extension was granted for two premises as longer leases were secured.
- 3.4 Phase 3 has aims to deliver two clear objectives; the first one being to tackle the proliferation of low-quality shops and unlock vacant stores in the West End and other key high streets; the second is to incubate more established brands that have the potential of becoming long-term occupiers to diversity the occupier mix and bring new interesting concepts, products and experiential services to key high streets.
- 3.5 In July 2023, the council announced a call-out for applications for brands to be part of Meanwhile On. Receiving over 830 applications and shortlisting circa 60 high quality proposals from innovative and up-and-coming brands. Negotiations with property owners to secure units for activation are on-going, however the recommendation outlined in this report will seek to provide the flexibility needed to respond to opportunities arising.
- 3.6 This report builds on the existing approved recommendations to apply Business Rate NNDR "Localism" allowance of a 100% of the net business rate liability under section 47 of the Local Government Finance Act 1988, as amended by the Localism Act 2011, for activations as part of the City Council's Meanwhile On programme.

4. Proposals

- 4.1 NNDR Localism relief has enabled us to deliver twelve activations to date. In September 2022 a [Cabinet Member Decision](#) approved the extension of the ability to provide NNDR Localism Relief for the next phase of the programme, however this does not cover the fit-out period for stores; presenting challenges in who will have to absorb these costs. It is important to note that these costs only apply if the unit was previously empty and has therefore used up the 3-month rates-free period or if it was previously occupied and the space unlocking process and fit-out period exceeds the 3 months. Listed buildings and recently occupied units will not trigger rates charges during the fitout period.
- 4.2 Throughout phases 1 and 2, property owners contributed towards the business rates during the fit-out period, however, to negotiate units for phase 3 it has become apparent that a model is required whereby no costs will be applicable to the property owner.
- 4.3 The nature of previous phases as well as the speed at which we needed to deliver activations enabled us to offer a light touch express fit-out service. However, the scale, prominence and duration of leases associated with the units targeted for this phase requires significant investment in fit-out. WCC has appointed an experienced design agency, [FormRoom | Retail & Hospitality Interior Design Agency London](#) to ensure the design and fit-out process runs as smoothly as possible. Yet, to deliver a high-quality activation, a fit-out period prior to tenant occupation will be necessary and will depend on the depending on the current condition, complexity, and size of each space. The length of fit-out period, in which the NNDR costs are covered by the City Council, will be limited to two months.
- 4.4 In exceptional circumstances, brands may wish to elevate the fit-out of the stores and contribute investment in such (particularly where the likelihood of long-term occupation is higher). In this case the tenant would pay their rates for the time over and beyond the two-month fit out period for NNDR rates relief, in the form of the project partnership fee (as outlined in 5.1 below).

5. Financial Implications

- 5.1 Applying this legislation has financial implications as the City Council will be liable for paying 30p in the pound of any relief granted. The GLA will pick up 37p and Central Government the remaining 33p. However, a cost neutral position with exclusion of the fit-out period will continue to be realised whereby the City Council's costs of granting the proposed NNDR Localism Relief to vacant units designated for meanwhile uses as part of WCC's Meanwhile On Project will be met from a project partnership fee contributed by the tenants. The project partnership fee will be equivalent to 30% of the net business rates liability for each unit.
- 5.2 The cost to Westminster City Council of applying the current NNDR Localism Relief to cover the fit-out period for activations taking part of WCC's Meanwhile On Programme, will come from the Council's Economy/Inflation reserves (up to

£150,000 total across all properties per financial year, 2024/25 and 2025/26). Therefore, there will be financial implications for the City Council.

- 5.3 The Meanwhile On Programme contemplates the reinstatement of premises to its original condition following activation. Costs during the reinstatement works period will be mitigated as property owners of the activated premises will be eligible for a 3-month rates-free period straight after the premises has been vacated. Therefore, no rates will be triggered post occupation.
- 5.4 As part of phase 3 the aim is to activate 9 premises, but this number may be higher. The following table uses 7 examples of stores that are either currently or have recently been considered for activation. These provide indicative figures on what the cost implications for the council could be. Calculations of WCC's share of costs during the fitout period have been listed below:

Example Stores	Status	WCC's share of cost per day during fit-out period after NNDR (£)	Rates liability 61 day fit-out after NNDR (£)
Example Store 1	Recently vacated	210.51	12,841
Example Store 2	Vacant since 2023. 3 month rates-free period expired	84.67	5,165
Example Store 3	Vacant since 2022. 3 month rates-free period expired	38.84	2,369
Example Store 4	Vacant. 3 month rates-free period expired	11.73	716
Example Store 5	Recently vacated	271.10	16,537
Example Store 6	Vacant. 3 month rates-free period expired	154.68	9,435
Example Store 7	Vacant. 3 month rates-free period expired	781.55	47,674
		TOTAL	94,737

**White box and fit-out works calculations are based on a two-month period.

** Expanded retail relief will not be applied during the fit-out period and this is reflected in the calculations listed above**

6. Legal Implications

- 6.1 The proposed relief will be granted under Section 47 of the Local Government Finance Act 1988, as amended by Section 69 of the Localism Act 2011.
- 6.2 Units designated for meanwhile uses as part of WCC's Meanwhile On Programme will receive the proposed relief extensions during fit out periods in 2024/25 and 2025/26 within the budget allowance sought.
- 6.3 Protocols and processes are in place to adhere to subsidy control regulations. All businesses must submit a subsidy control declaration form ahead of the start of the activation.

- 6.4 The Council will continue to deliver the scheme under the current operational framework whereby either the occupier director with the property owner, or the space operator enters into a lease agreement directly with the property owner and licenses each premise to one or various end occupiers.
- 6.5 In instances whereby the occupier holds the lease directly with the property owner, WCC Revenues and Benefits team will bill the brands for 100% of the project partnership fee. Award letters for NNDR relief will state that overdue payments of the project partnership fee will result in the relief being withdrawn. Rates liability associated to the 2-month fitout period will not be paid by the tenant.
- 6.6 In instances whereby the space operator holds the lease, a back-to-back agreement between the City Council and the space operator will ensure the space operator confirms the commitment of the tenant to the partnership project fee and the tenant will directly pay the space operator 100% of the project partnership fee. The space operator will then pay the City Council 100% of the project partnership fee. Rates liability associated to the fitout period will not be paid by the tenant.
- 6.7 The Cabinet Member Terms of Reference delegate the powers of this decision to the Cabinet Member. Paragraph 1.12 of the Access to Information Procedure Rules of the Council's Constitution requires that all Cabinet Member decisions must be published on the Council's website for five clear days before the decision is taken. Any representations received during this period must be considered by the decision-maker before the decision is taken.

7. Consultation

- 7.1 This report relates to all Wards and there is therefore no requirement for separate Ward Member consultation.
- 7.2 The Cabinet Member for Planning and Economic Development has been consulted on this decision, as Meanwhile On is within his portfolio.

8. Outstanding Issues

- 8.1 There are no outstanding issues.

If you have any queries about this report, please contact either:

Nathan Vasey, Strategic Manager – Sectors, Enterprise and Investment

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Martin Hinckley, Director of Revenues and Benefits

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For completion by the **Cabinet Member for Finance and Council Reform**

Declaration of Interest

I have no interest to declare in respect of this report.

Signed: **Councillor David Boothroyd** Date: 12 June 2024

NAME: **Councillor David Boothroyd**

State nature of interest if any

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(N.B: If you have an interest you should seek advice as to whether it is appropriate to make a decision in relation to this matter)

For the reasons set out above, I agree the recommendation(s) in the report entitled

NNDR Localism Relief for Meanwhile On Activations Fit Out Periods

and reject any alternative options which are referred to but not recommended.

Signed: **Councillor David Boothroyd**

Cabinet Member for Finance and Council Reform

Date: 12 June 2024

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment:
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If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Head of Legal & Democratic Services, Chief Operating Officer and, if there are resources implications, the Director of Human Resources (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.