

City of York Council

Discretionary Business Rate Discount Policy

OVERVIEW

This policy provides the Council's guidance in relation to discretionary business rate discounts. It provides the principles upon which the council will deal with any application that may be received.

Discretionary Business Rates Discount Policy

Background

1. The power for local authorities to grant business rate discounts is provided through the Localism Bill and came into effect on 1st April 2012. The purpose of this change is to empower local authorities that until now had very little latitude to reduce the tax burden on non-domestic rate payers. Until the bill was passed local authorities were only able to provide discretionary rate relief in respect of:
 - a) topping up the 80% mandatory relief given to charities and Community Amateur Sports Clubs to 100%;
 - b) topping up the mandatory relief available to rural village shops;
 - c) providing up to 100% relief to other non-profit making bodies;
 - d) hardship relief to certain businesses that are finding it difficult to pay;
 - e) discretionary relief to other small rural businesses.
2. The Governments objective for this change is to provide greater opportunity for local authorities to use innovative approaches in delivering a wide range of policy objectives through use of this new power.
3. The change in powers provides local authorities complete discretion allowing them to give no discounts at all through to the extreme of providing a 100% to all businesses. From 1st April 2013 the amount of discount provided is funded on a 50/50 basis with Central Government.
4. This policy has been developed in light of our membership of the Leeds City Region business rate pool. It is intended to provide a consistent approach to business rate discounts within the pool taking into account the approach used by Leeds City Council but reflecting the aspirations and challenges facing York.

Business Rate Policy

5. The policy is one of discretion and is based upon the three ambitions set out in the following paragraphs. The extent to which any discount can be provided in any one year outside of the qualifying criteria is the budget available and the European State Aid Rules.

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6. It is important that any decision to provide a discount is based upon the set criteria and is rigorously controlled. This will avoid external criticism from both the business community and local tax payer. It also ensures that a formal process to consider the financial implications has been undertaken and that the decision is both democratic and transparent.
7. The localisation of business rates with effect from 1st April 2013 and this policy may through stimulating economic growth help to generate greater retained income helping to provide sustainable funding against which applications can be considered.

Ambition 1 – Supporting Young Business in our Economic Growth Sectors

8. The York growth sectors are defined in the draft Inward Investment Strategy. The growth sectors are:
 - a) Bio-medical/sciences
 - b) Agritech
 - c) Insurance & Professional Services
 - d) Rail & related industries
 - e) Business software innovation
 - f) Creative medicine
9. Level of Relief: Young businesses (first five years of trading) in target sectors can receive up to 2 years of rate relief 50% in first year, 20% in second year, up to a maximum of £5K in any one year. The qualifying criteria are:
 - a) Young – must have been founded less than 2 years from date of application;
 - b) Must be independent – not a subsidiary or local branch of an existing business;
 - c) Must not be eligible for small business rates relief;
 - d) York-based – must be paying rates on a property in the City of York Council area;
 - e) Target sectors – must be working in one of the six growth sectors;
 - f) Must be able to demonstrate need for rate relief;
 - g) Must be able to demonstrate the business will be viable after two years relief;
 - h) Must demonstrate the potential to create new jobs.

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Ambition 2 – Bringing Empty Listed Buildings back into Use

10. Empty Listed Buildings receive mandatory 100% rate relief with no time limit. As an incentive to bring such premises back into use, relief is proposed on a sliding scale – 80%/50%/20% over three years – to the landlords or occupiers of the building up to a maximum of £10K (taking into account any Government incentives) in any one year. The qualifying criteria are:
- a) The building must be Listed and have been vacant for a minimum of 12 months;
 - b) Some renovation must be required to bring the premises back into use;
 - c) Application must gain Listed Building consent for the proposed work (and planning permission, if required);

Ambition 3 – Significant business relocations to York

11. This category is intended to allow the possibility of relief being awarded to organisations seeking to relocate or invest in new operations in York, as opposed to another area outside of the City region, which would have a significant impact on employment. Relief would be offered at 1% relief for every new job up to a maximum of 50% or funding available in financial year of application and within the State Aid Rules in the first year of relocation/inward investment only. The qualifying criteria are:
- a) Inward investment must create new jobs (not just relocation of existing employees to York);
 - b) Available to companies or organisations in target growth sectors as set out in paragraph 8 above, with the exception of retail;
 - c) Jobs created must not have a significant risk of displacing similar employment from existing York businesses.

Managing the Process

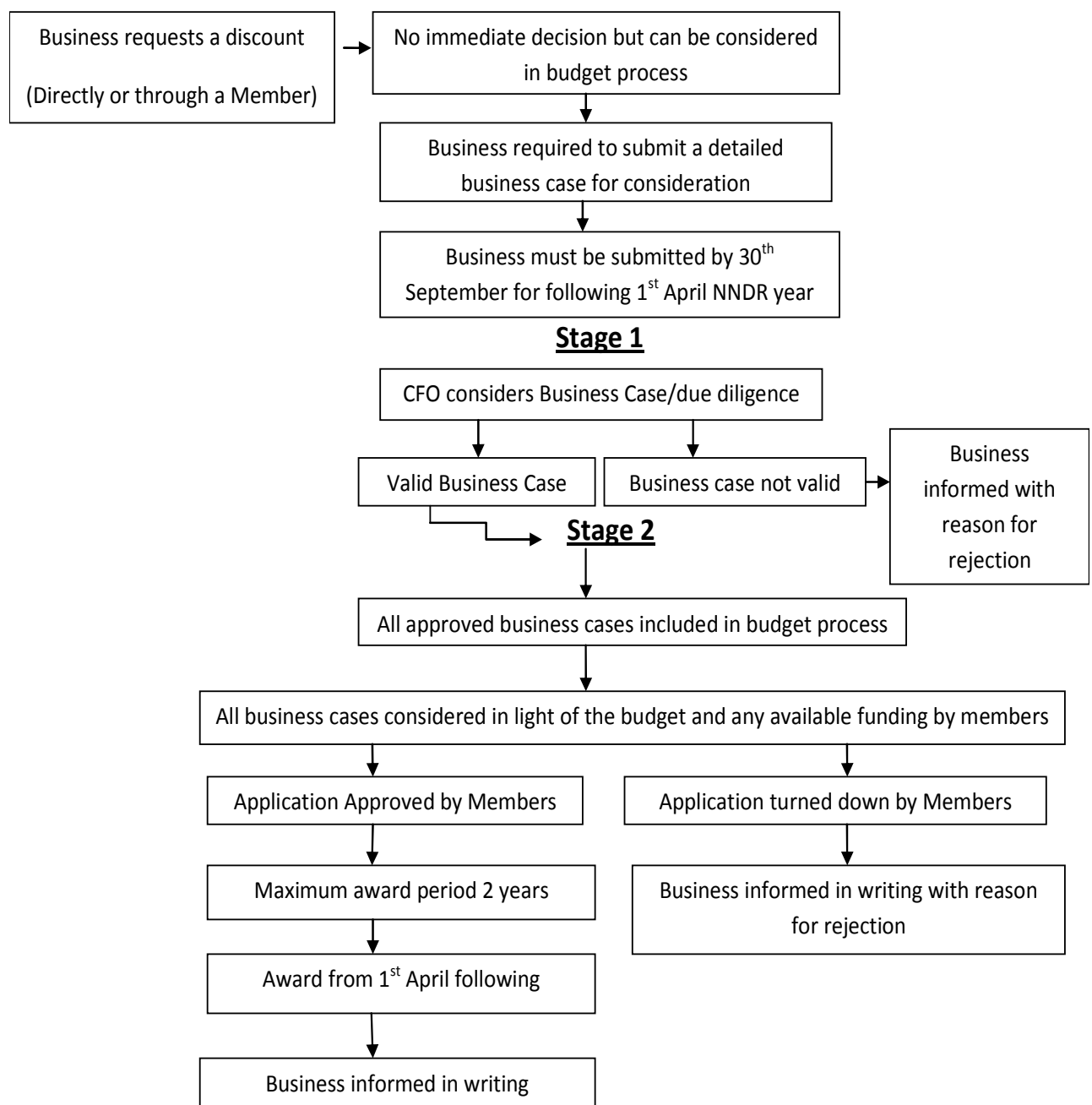
12. To ensure transparency and fairness any consideration to award a business rate discount must have a clear and measurable link to the three ambitions set out above. In addition the business must provide a clear business case setting out the benefits to the council and its tax payers of providing any such discount.
13. All applications must use the standard application form with additional supporting information been attached. Submissions can be made in both a paper and electronic format.

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14. The business case considered must contain the full financial impact on the council along with measurable medium and longer term benefits.
15. Where the council chooses to consider requests for discounts it will do so through its current budget process. The process will occur only once each year and has specific timelines and cut off points to ensure clarity for the applying business as well as officers and Members.

Table 1 below sets out the process:

Table 1



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16. Applications at Stage 1 as set out above (Table 1) must be signed off by the Chief Financial Officer (CFO) for all business cases including due diligence with regards to the applying organisations financial accounts. This will ensure that only business cases that are assessed as been financially sound move to Stage 2. Stage 2 is the democratic decision to approve or reject a discount based upon the presented business case and any available funding. This will require as a minimum Cabinet approval. No discount can move to stage two without the approval of the CFO. There is no right of appeal to either the stage 1 or 2 decision applicants can however make new applications in the following year.
17. There may be exceptional circumstances where it is in the interest of the council to consider an application outside of the standard process and timeline set out at Table 1. Where this arises it will still require the Section 151 officer to sign off the business case and in addition agree that the required funding is available. The final decision will still require Cabinet approval at the first available session.

PRINCIPLES

18. The basic principles underpinning this policy are as follows: -
 - I. The council wishes to operate in a fair and transparent way ensuring its powers are used sensibly and coherently to benefit the community as a whole;
 - II. The council wants to use where appropriate its powers to help stimulate and develop the local economy to the benefit of it's residents and service users ;
 - III. The council wants to deliver its services through a sound and well maintained corporate governance framework that provides clarity and certainty to both Officers and Members
 - IV. The council wants to help develop a consistent approach to business rate discounts across the Leeds City Region

EVALUATION AND REVIEW

19. This policy will be reviewed annually to ensure its continued relevance and to assess its performance against the four ambitions.