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**Executive**

**18 May 2017**

**Report of the Deputy Chief Executive /Director of Customer & Corporate Services**

**Portfolio of the Leader & Executive Member for Finance & Performance**

**Budget 2017 Discretionary Rate Relief Policy & Enterprise Zone Policy**

**Summary**

1. The purpose of this paper is to provide Executive with details of the new policy for discretionary rate relief (DRR) arising from the Spring Budget 2017 for approval. It also provides a further policy for approval in respect of business rate relief for the new Enterprise Zone (York Central) from 1<sup>st</sup> April 2017.

**Recommendations**

2. Executive Members are asked to:
  - a) consider and approve the new policy at Annex A for discretionary rate relief for those businesses hardest hit by the business rate revaluation as set out in the Government Spring Budget 2017;  
*Reason: To provide a transparent process for awarding discretionary rate relief and supporting local businesses.*
  - b) consider and approve the new policy at Annex B for business rate relief in respect of the York Central Enterprise Zone;  
*Reason: To provide a transparent process to encourage businesses to relocate to the Enterprise Zone and grow the York economy.*
  - c) approve that minor changes can be made (Paragraph 22) to either policy (Annex A & B) by the Director of Customer &

Corporate Services in consultation with the Executive Member for Finance & Performance.

*Reason: This provides flexibility to amend either scheme quickly if required without fundamentally altering the purpose of the policies.*

### **Background - Discretionary Business Rate Scheme**

3. At the Budget held on 8 March 2017, the Chancellor announced that the Government would make available a discretionary fund of £300 million over four years from 2017/18 to support those businesses that face the steepest increases in their business rates bills as a result of the revaluation. They stated that “Local government is best placed to determine how this fund should be targeted and administered to support those businesses and locations within their area that are in the greatest need”.
4. The Government believes that local authorities are best placed to judge the particular circumstances of local ratepayers and direct the funding where it is most needed to support local economies. The Government has allocated the available funding to each billing authority area based on assumptions about how authorities will target their relief scheme. The Government wants local authorities to implement a scheme as quickly as possible following consultation to provide financial support to those companies and businesses requiring it:

*“We expect billing authorities to have in place clear and swift arrangements for communicating with ratepayers both on the confirmed and likely terms of the new schemes for relief covered by this BRIL, as well as on the anticipated timescale for billing or re-billing, where applicable. This should include but not be limited to having sufficient capacity in place to deal with enquiries from ratepayers in a timely fashion, and well as directing ratepayers to appropriate online resources in any communications.”*

5. There were two further reliefs for business introduced in the Spring budget:

**Small Business Transitional Relief** – The Chancellor announced that a scheme of relief would be made available to those ratepayers facing large increases as a result of the loss of small business or rural rate relief. The existing transitional relief scheme

does not provide support in respect of changes in reliefs. Therefore, those ratepayers who are losing some or all of their small business or rural rate relief may be facing very large percentage increases in bills from 1 April 2017. The supporting small businesses relief will help those ratepayers who as a result of the change in their rateable value at the revaluation are losing some or all of their small business or rural rate relief and, as a result, are facing large increases in their bills. To support these ratepayers, the supporting small businesses relief will ensure that the increase per year in the bills of these ratepayers is limited to the greater of:

- a cash value of £600 per year (£50 per month). This cash minimum increase ensures that those ratepayers currently paying nothing or very small amounts are brought into paying something, or
- the matching cap on increases for small properties in the transitional relief scheme.

**Support for Pubs** – The Government has also announced a new relief scheme for pubs that have a rateable value of below £100,000. Under the scheme, eligible pubs will receive a £1000 discount on their bill. DCLG plans to publish a consultation on the operation of the relief scheme for pubs shortly (still awaited). The relief will have effect for 2017/18. Both this scheme and the Small Business Transitional scheme are prescribed by Central Government and will be applied automatically to qualifying businesses.

## **Background – Enterprise Zone**

6. The York Central Enterprise Zone has been designated by Central Government in order to promote and facilitate economic growth in the area. The City Council's vision for the site is for the creation of a high quality new office led development, incorporating ancillary leisure and retail uses, as well as potentially residential uses, complementing the wider Housing Zone. The Enterprise Zone (EZ) offers two financial incentives – a 5 year government backed discount on the business rates payable by occupiers (to be offered at the discretion of the local authority with local costs reimbursed by government), and a 25 year retention by the local authority of any uplift in business rates payable in the area. The business rates discount (or relief) is an important tool in incentivising early

development and occupation at the site, particularly amongst Small & Medium-sized Enterprises (SMEs), for whom the incentive (at the state aid compliant levels permitted) is more significant, representing a greater proportion of overall operating costs.

### **Discretionary Business Rate Scheme**

7. The purpose of the scheme is: “The Government has assumed that authorities will provide support only to those ratepayers who are facing an increase in their bills following revaluation”. As a discretionary scheme rules cannot be introduced that fetter the council’s decision with each case been judged on its own merits and within the State Aid rules.
8. The Government provides further guidance in terms of businesses that should be supported. It assumes that, by and large, more support will be provided to:
  - ratepayers or localities that face the most significant increases in bills; and
  - ratepayers occupying lower value properties.
9. There is also an additional steer around what is deemed as a substantial increase in the way that each authorities funding has been calculated:
  - the rateable property has a rateable value for 2017/18 that is less than £200,000;
  - the increase in the rateable property’s 2017/18 bill is more than 12.5% compared to its 2016/17 bill (before reliefs).
10. The funding provided for the scheme through to 2020/21 is set out at Table 1 below:

Table 1

<b>Year</b>	<b>Value</b>
2017/18	£788K
2018/19	£383K
2019/20	£158K
2020/21	£23K

11. In terms of making an award the Government has stated within the guidance that “The Non-Domestic Rating (Discretionary Relief) Regulations 1989 (S.I. 1989/1059)<sup>1</sup> require authorities to provide ratepayers with at least one year’s notice in writing before any decision to revoke or vary a decision so as to increase the amount the ratepayer has to pay takes effect. Such a revocation or variation of a decision can only take effect at the end of a financial year. But within these regulations, local authorities may still make decisions which are conditional upon eligibility criteria or rules for calculating relief which allow the amount of relief to be amended within the year to reflect changing circumstances”. The proposed policy for administering this scheme at York is set out at Annex A of this paper.

## **Enterprise Zone Rate Relief Policy**

12. The scheme will operate over a five year qualifying period from 1st April 2017, and eligible businesses located at the Enterprise Zone Business Rate Discount Site before 1st April 2022 will qualify for 5 years of business rates relief. The scheme is discretionary, with City of York Council acting as accountable body on behalf of the York, North Yorkshire & East Riding LEP, who, as EZ scheme sponsor, are embedded in the wider governance and reporting of the EZ. It is for the council to establish the detailed criteria for rate relief eligibility, which best meet the Enterprise Zone objectives and deliver value for money to the public purse. The criteria should allow for the scheme to operate in a mechanistic manner, with clarity around eligibility and all businesses meeting the detailed criteria being granted the relief. Recommended criteria for establishing the eligibility of businesses located within the zone are set out at Annex B; if Members agree this scheme, it will be publicised on the council website.
13. Eligible businesses will qualify for up to a 100% exemption on business rate liability (to state aid *de minimis* levels) for a period of five years from their date of first occupation. The scheme relates solely to businesses contributing to the Local Ratings List, and not those who contribute to the National Ratings List (such as rail and utility infrastructure providers).
14. Early indicative assessment of the likely benefits of the business rates relief scheme to the types of business occupancy anticipated at the site reveals that the scheme could range from a 100%

discount on business rates over a 5 year period for a ‘micro’ occupier with around 10 employees, through around 43% of the 5 year bill for a small office occupier, to just around 4% of the 5 year bill for large commercial occupiers. These savings would be reduced by any prior grant assistance that organisations have received under state aid *de minimis* regulations.

15. State aid *de minimis* levels are currently set in regulation for most organisations at up to €200,000 over 3 rolling years (c£172,000 at current EC exchange rates). This is a cumulative allowance, meaning that previous assistance granted to an organisation may reduce the availability of business rates discount under this scheme. Receipt of business rates discount may also preclude the availability of further assistance to businesses where state aid *de minimis* levels would subsequently be exceeded.
16. Both new and existing businesses in the zone will potentially be eligible for the discount, subject to the detailed criteria set out in this scheme (Annex B). Where eligibility is established, the council will discount relevant sums from annual business rates bills, discounts will be profiled evenly over a five year period with the costs of providing the relief reimbursed by Central Government.

## **Consultation**

17. The two schemes that are the focus of this paper are both discretionary but the rules and funding are set by Central Government and in respect of State Aid European law. In regards to the Spring Budget Discretionary Rate Relief Scheme Central Government had undertaken some discussions with business in advance of the Budget. Post budget through to 7<sup>th</sup> April 2017 the Government opened up consultation to ‘everyone’ and specifically “We particularly seek the views of all English local authorities and the Local Government Association and of businesses and their representative bodies”.
18. The Spring Budget Scheme at Annex A takes into account any limited known outcomes of this consultation in which City of York Council participated, which has been affected by rules of Purdah related to the General Election (see Paragraph 22 below).

## **Options**

19. The Executive can approve or reject either or both policies at Annex A and Annex B, or request consideration of amendments.

## **Analysis**

20. The new discretionary rate relief scheme established in the Spring Budget 2017 is designed to provide financial support to local business. The local economy is the bedrock of the city providing income to the council through business rates as well as employment opportunities for citizens. The policy attached at Annex A provides the opportunity for the council to consider applications for support from those businesses encountering hardship following the 2016 business rate revaluation with the costs been met by Central Government up to the limits set out at Table 1 of this paper.
21. The Enterprise Zone policy (Annex B) is designed to encourage new business or extension of existing businesses within the Enterprise Zone. The growth of business within this area of the city brings many benefits including financial, reinvigoration, inward investment and employment opportunity. The council retains 100% of the business rates growth from 31.3.2017 baseline levels for a 25 year period, and is compensated by Central Government for any business rate relief granted.
22. The Government's response to consultation on the DRR scheme has been brief and limited due to Purdah and the imminent General Election. The speed at which the Government wants the support rolled out has also meant there has been little time to discuss consistent schemes with neighbouring local authorities. As this may lead to further minor changes initially and possibly changes in the future, this report recommends that any amendments (that do not substantial change the purpose of either Policy at Annex A or B) be delegated to the Director of Customer & Corporate Services in consultation with the Executive Member Finance & Performance.

## **Council Plan 2015 - 19**

23. The two policies in this report will help support a prosperous city for all. The financial support will help both small and larger companies to sustain their business and maintain a thriving

economy in the city providing sustainable employment opportunities.

## Implications

24. (a) **Financial** – The cost of any support for both discretionary schemes is met by Central Government. New business rate growth within the enterprise zone will be retained 100% within the city.
- (b) **Human Resources (HR)** - There are no implications.
- (c) **Equalities** – There are no direct implications.
- (d) **Legal** – The powers for both schemes are set out in Statute. The only legal implication is ensuring the application process ensures businesses benefiting declare they have received no other State Aid and that the council does not provide more support than the State Aid limit on an annual basis.
- (e) **Crime and Disorder** - There are no implications.
- (f) **Information Technology (IT)** - There are no implications.
- (g) **Property** - There are no implications.

## Risk Management

25. The key risk associated with these discretionary reliefs is a financial one relating to state aid rules. The risk is Low and is in the control of the authority through the implementation of proper policies and procedures.

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	<b>Report Approved</b> <input checked="" type="checkbox"/> <b>Date</b> 4th May 2017
<b>Specialist Implications Officer(s)</b>	None
<b>Wards Affected:</b> All	<input checked="" type="checkbox"/>

For further information please contact the authors of the report

## **Background Papers**

### **Annexes**

Annex A – Discretionary Rate Relief Policy – Spring Budget 2017  
Annex B – Enterprise Zone Rate Relief Policy

### **Glossary**

**Enterprise Zone** - Established in 2012, Enterprise Zones are at the heart of the Government's long-term economic plan, supporting businesses to grow through provision of tax breaks for business.

**State Aid** - State aid is any advantage granted by public authorities through state resources on a selective basis to any organisations that could potentially distort competition and trade in the European Union (EU).

### **Abbreviations:**

EU	European Union
K	Thousand
SMEs	Small & Medium Enterprises
EZ	Enterprise Zone
DRR	Discretionary Rate Relief