

Decision Session - Executive Leader
(Incorporating Finance & Performance)

11th December 2017

Report of the Deputy Chief Executive & Director of Customer & Corporate Services.

Change to Spring Budget DRR Allocation Policy

Summary

1. The purpose of this paper is to provide the Executive Leader with an amendment for approval to the Spring Budget discretionary rate relief (DRR) policy introduced in May 2017.

Recommendations

2. The Executive Leader is asked to consider and approve changes to the May 2017 DRR policy that will see all qualifying local businesses and charities see no increase from the recent business rate revaluation exercise and put over £700K of support into the local economy.

Reason: To help support local businesses, charities and employment by providing rate relief in respect of the recent business rate revaluation exercise.

Background - Discretionary Business Rate Scheme

3. The Government's Spring Budget 2017 introduced a new temporary discretionary rate relief grant to help mitigate the effect on businesses of the increased rateable values arising from the business rates revaluation exercise undertaken by Central Government (Valuation Office Agency - VOA). Each council was required to develop its own scheme to administer the grant funding and York's was launched in May 2017.

4. The scheme was intended to support those local businesses that faced the steepest increases in their business rates bills as a result of the revaluation. The Government provided some further guidance in terms of businesses that should be supported; they have not been prescriptive and have issued no more than general guidance that mirrors how the grant was calculated. It assumed that, by and large, more support would be provided to:

- local ratepayers or localities that face the most significant increases in bills;
- ratepayers occupying lower value properties;
- 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).

5. State Aid rules apply to all payments. The De Minimis Regulations allow an undertaking to receive up to €200,000 of De Minimis aid in a rolling three year period (consisting of the current financial year and the two previous financial years).

6. The council introduced its scheme in May 2017 promoting it across local businesses in York using:

- the council's website
- Make it York
- York Press
- direct mailing to local businesses meeting the criteria to qualify.

7. The funding provided by Central Government for 4 years is:

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

8. The promotion of the scheme, including direct mail shots to all local business with a rateable value below £200K, has not seen a significant number of businesses apply (98). Those that have

account for very little of the £788K of support available and the number of small local businesses within the city (less than 10%).

Discretionary Business Rate Scheme Amendment

9. In consultation with other local authorities in the Yorkshire region the council now believes that the best approach to distributing the funding, supporting our local business and the economy in the city is to automatically provide the discount. This will mean that each affected business is equally relieved of the increase. Locally East Riding and Hull Councils have both applied a percentage decrease to those businesses who meet their criteria without an application process. These authorities excluded council buildings and national chains.
10. This approach has also been promoted more recently by the Government:
“We are aware that many councils are running application based processes. If you are undertaking this approach and are seeing a lower than expected uptake or are forecasting an underspend on your allocation, we encourage you to take all necessary steps to publicise the scheme and ensure all available relief is distributed as soon as possible. For example, exploring options around automatically applying discounts to eligible businesses.”
11. In calculating the value of the grant the Government applied the following as the base for their calculation:
“Distribution based on the bill increases of properties given the following criteria: their business rates bill is increasing by more than 12.5% following revaluation, and their 2017 rateable value is less than £200k. Bill changes were calculated using a multiplier after inflation and with adjustment for appeals (0.466). Central list properties are excluded from this analysis. Based on the VOA's draft 2017 rating list (September 2016).”
12. This calculation was applied nationally but took no account of the make up of businesses in each local authority area. The impact in York is that when national businesses are removed along with any local government buildings there is adequate grant funding to support both local businesses and charities with their full 2017/18

business rate increase leaving a residual balance of approximately £80K.

13. To ensure all businesses receive this support as quickly as possible in line with Government guidance this paper recommends that the council adopts the approach of automatically awarding the business rate support to local businesses and charities. This will see no local business or charity with a rateable value below £200K having to pay an increase in their business rates in 2017/18 and will put over £700K of Central Government money back into the local economy.
14. It is recommended that the residual grant funding should be held as a contingency in case any further business rate hardship cases are identified before the end of the financial year. Also as any grant under spend has to be repaid to the Government and in the ethos of the grant to support local business consideration should be given to supporting any local businesses who are already in recovery for business rates arrears.

Consultation

15. Central Government did consult briefly on their scheme for fund distribution following the Spring Budget. It was clear at this point that the approach been taken was not efficient and would lead to complications and costs for local authorities trying to administer the scheme. They have since issued further guidance around automatically making the awards as set out at paragraph 10 above.
16. City of York Council has consulted with neighbouring unitary authorities (Hull, East Riding, North Lincolnshire, North East Lincolnshire), in bringing this scheme amendment forward.

Options

17. The Executive Leader can choose to approve the revisions to the council's scheme as set out at paragraph 9 – 14 above or reject the revisions.

Analysis

18. 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.
19. The Government's response to consultation on the DRR scheme at the point of publication was brief and limited due to Purdah and the then imminent General Election. The speed at which the Government wanted the support rolled out also meant there was very little time to discuss consistent schemes with neighbouring local authorities in May 2017. When the original policy report was approved, it was acknowledged that once rolled out, and following consultation with other local authorities, there may be a requirement to implement further minor changes initially and possibly greater changes in the future. The report stated that any amendments (that do not substantially change the purpose of the Policy) be delegated to the Director of Customer & Corporate Services in consultation with the Executive Member Finance & Performance. The recommendation of this report, whilst not substantially changing the purpose of the scheme, is considered to be outside of the scope of this delegation in terms of how the grant will be distributed.

Council Plan 2015 - 19

20. The recommendations of this report will help support a prosperous city for all. The financial support will help small companies to both sustain their business and maintain a thriving economy in the city providing sustainable employment opportunities.

Implications

21.
 - a. **Financial** – The cost of any support for the discretionary scheme is met by Central Government.
 - b. **Human Resources (HR)** - There are no implications.
 - c. **Equalities** – There are no direct implications.

- d. **Legal** – The powers for the scheme are set out in Statute. The key 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

- 22. The key risk associated with 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.

Contact details:

Author:	Executive Member and Chief Officer responsible for the report:		
David Walker Head of Customer & Exchequer Services Phone No. 01904 552261	Cllr David Carr Leader & Executive Member for Finance & Performance		
	Ian Floyd Deputy Chief Executive and Director of Customer & Corporate Services Telephone 01904 552909		
	Pauline Stuchfield Assistant Director Customer & Digital Services Telephone: 01904 551706		
	Report Approved	√	Date 27th November 2017
Specialist Implications Officer(s) None			
Wards Affected: All			√
For further information please contact the authors of the report			

Background Papers

Budget 2017 Discretionary Rate Relief Policy& Enterprise Zone Policy which can be found at this link:

<http://modgov.york.gov.uk/ieListDocuments.aspx?CId=733&MId=9313&Ver=4>

Annexes

None

Glossary

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:

DRR	Discretionary Rate Relief
K	Thousand
VOA	Valuation Office Agency