

AGENDA ITEM 6

POLICY FINANCE AND ADMINISTRATION COMMITTEE

1ST DECEMBER 2015

REPORT OF HEAD OF COMMUNITIES & NEIGHBOURHOODS

DISCRETIONARY BUSINESS RATE GRANT SCHEME

1.0 PURPOSE OF THE REPORT

- 1.1. Recommendation from the Rural, Economic & Environmental committee asking members of PFA to approve a Discretionary Business Rates Grant Scheme to help support businesses who wish to grow their business or who wish to invest in new properties or bring empty properties back into use.

2.0 RECOMMENDATIONS-

- 2.1 It is recommended from the Rural, Economic & Environmental Committee that:-

- (a) The Discretionary Business Rates Grant Scheme as set out at Appendix A is adopted by Melton Borough Council for two years commencing on 1 January 2016.
- (b) Delegated Authority is given to the Head of Communities and Neighbourhoods in consultation with Head of Central Services to make any necessary changes to the Discretionary Business Rates Grant Scheme, that will improve the scheme to meet the purpose of providing targeted support to businesses.
- (c) That the Policy Finance and Administration Committee is requested to give approval to the scheme at a cost of £40,000 to the council, the funding for which will be identified from underspends elsewhere within the Council's budgets.
- (d) Delegated Authority is given to the Strategic Director (CAM) in consultation with the Head of Central Services and the Management Team to increase the overall funding of the scheme from £100,000 to £200,000 to satisfy and meet the needs and demands of businesses if the scheme is oversubscribed within the two year period commencing on 1 January 2016 and there are sufficient resources available to fund within existing budgets.

3.0 KEY ISSUES

Background

- 3.1 A major concern for new and existing businesses in planning for growth is the increase in business rates payable immediately in a period where the business is attempting to build its growth with evidence suggesting that this acts as an inhibitor to, particularly, Small and Medium Enterprises businesses, from taking this step.
- 3.2 A further concern to small businesses in growing their businesses, by moving to a larger premise or expanding their existing property is the loss of Small Business Rate Relief.(SBRR) For businesses with a rateable value of £6,000 or less, relief is available of 100%, resulting in the business not having to pay any rates. Although all businesses

under a rateable value of £12,000 may be entitled to some SBRR, the higher the rateable value the less relief that is awarded. This new expense on the business acts as a barrier to expansion or growth and leads to business concerns about committing themselves about whether they can receive a rate of return on their investment to make growth viable.

- 3.3 Although there are a number of business rate relief scheme available to businesses, the largest two; Small Business Rate Relief and Retail Rate Relief, are primarily designed to support existing businesses within their existing properties. Support can be applied through these schemes. The Council has been contacted by businesses that wish to grow or invest in building new properties or to bring empty properties back into use and have been restricted in the support that can be given within the existing rate relief schemes, it is expected that the introduction of this grant will be able to bridge this gap.
- 3.4 To meet this need, the Council can use their discretionary powers under the Localism Act as an amendment to Section 47 of the Local Government Finance Act 1988 to support businesses by providing business rate relief as a direct credit to their business rate account. The criteria for qualifying for the scheme is set out at Appendix A but looks at supporting businesses in key growth sectors both in Melton Mowbray and the rural areas, this also aligns with the Council's Food Enterprise Zone (FEZ) a borough wide initiative aimed at stimulating sustainable longer term growth within the food and farming economy.
- 3.5 The business rate relief would involve supporting businesses to move into larger premises or to expand/develop their existing property, and is aimed at SME which could result in relief of up to 100%. Supporting businesses looking to build new properties or to bring long-term empty properties back into use will give special preference to those businesses looking to move into the rural areas. Again relief of up to 100% is potentially available.
- 3.6 The benefits to the Council will be through encouraging businesses to remain within the Melton Borough area, encouraging businesses to invest in new properties or bring existing properties back into use, maintain and create new jobs within the Borough and with the recent announcements about Councils retaining 100% of business rates, help to grow the business rate base.

Administration of the Scheme

- 3.7 The duration of the scheme is initially for a period of two years. Applications will be on a prescribed online form and relevant supporting documentation will be required. A panel of Officers will review the applications and the panel will have regard to: Employment Impact, sustainability of the project, link to Corporate priorities of the Council, the need for relief and the benefit to the community.
- 3.8 Successful applicants will be notified and the grant will be in the form of a credit to the business rates account. The reason for the credit to the rate account as opposed to a cash grant directly to the business is by awarding relief, the Government will pick up 50% of the relief awarded, Melton Borough Council 40%; Leicestershire County Council 9% and the Fire Authority 1%; This will enable the Council to provide more support to businesses than through a direct grant prior to the abolition of uniform business rates.
- 3.9 Any appeals will be made to a panel independent of the original decision and will include Strategic Director, Head of Central Services and Economic Development Officer.
- 3.10 Applicants will be monitored on a regular basis against the delivery of their project, areas of focus and criteria of the scheme will be reviewed periodically.
- 3.11 The scheme is not open to all businesses and applications will not be considered from bookmakers, pay day lenders, gambling establishments, educational establishments, shops providing bluetooth services for advertising and marketing purposes. This is in line with existing exemptions for rate relief schemes such as retail rate relief.

4.0 POLICY AND CORPORATE IMPLICATIONS

4.1 There are clear links to some of the priorities in the Corporate Plan specifically:

- Promoting a vibrant and sustainable economy, focused on growth and prosperity
- Developing a thriving Melton Mowbray town centre that is the heart of the Borough.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

5.1 It is proposed that the value of the relief granted over the two years of the scheme is £100,000.

5.2 The cost of granting retail relief to businesses will be met in the following proportions

- 50% Central Government
- 40% Melton Borough Council
- 9% Leicestershire County Council
- 1% Fire Authority

5.3 The cost to Melton Borough Council will therefore be £40,000 and due to the current estimated year end position on the general fund it is proposed that this sum is met from existing resources.

5.4 The Council has the opportunity to maintain and grow business rate income, which will become more beneficial when Council's retain 100% of business rates before 2020.

5.5 The Government has advised that this type of relief is likely to amount to granting state aid. The Council therefore has to determine if granting the relief will lead to businesses receiving in excess of the €200,000 de minimis limit or whether a block exemption exists within the State Aid rules exempting businesses from having to declare under this scheme.

5.6 By granting relief there will be a reduction in any levy that the Council would contribute to either a business rates pool in Leicestershire or distributes to the Government. Although it is not known exactly when it is proposed that 100% business rates income is returned to Local Authorities, the Council will need to monitor the benefits of granting relief with the potential loss in income against maintaining and/or growing business rates to produce increased income in the medium to longer term.

6.0 LEGAL IMPLICATIONS

6.1 The retail relief scheme is administered through the Localism Act as an amendment to Section 47 of the Local Government Finance Act 1988.

6.2 State Aid law is the means by which the European Union regulates state funded support to businesses. Providing discretionary relief to ratepayers may amount to State Aid unless it can be determined by the Council that businesses are subject to a block exemption under existing legislation.

7.0 COMMUNITY SAFETY

7.1 There is no direct connection to community safety arising from this scheme.

8.0 EQUALITIES

8.1 It is considered that An Equalities Impact Assessment is not required as the scheme is open to all qualifying businesses.

9.0 RISKS

9.1 Probability

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Very High A				
High B				
Significant C				
Low D		1,3		
Very Low E		2		
Almost Impossible F				
	IV Neg- ligible	III Marg- inal	II Critical	I Catast- rophic

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Impact

Risk No.	Description
1	Administration of the scheme becomes resource intensive
2	Council will face a legal challenge from not awarding relief to an applicant
3	The scheme does not increase the overall rate yield in later years

10.0 CLIMATE CHANGE

10.1 No impact on climate change

11.0 CONSULTATION

11.1 Consultation has taken place with Leicestershire County Council and the Combined Fire Authority as there is a direct financial impact to them. The comments from Leicestershire County Council are shown below:

Thanks for the opportunity to share our views. Whilst we are extremely supportive of any initiative that supports the local economy and seeks to grow the tax base, the County Council is in a very difficult financial position where we are seeking to maximise income from all sources.

We do understand the scheme is based on an 'invest to save' principle with the aim to maximise business rates over the longer term. It is obviously difficult to prove this will be the outcome. It is also worth noting the Government in recent years has offered business rate discounts to small businesses, the business rates system is currently being reviewed by Government, the Government has announced that business rates will be localised and we are close to a spending review which could include announcements on business rates.

All this means that even though the cost is relatively small for your scheme we would find it difficult to support the proposal. In coming to this view we are conscious that if all districts followed your lead the cost could grow.

12.0 WARDS AFFECTED

12.1 All wards with a business will potentially be affected.

Contact Officer: Martyn Bowen

Date: 8 October 2015

Appendices: A- Melton Borough Council Business Rate – Discretionary Business Rate Grant Scheme.

Background Papers: None

Reference: X drive/Committee/REEA/04/11/15/CAM Discretionary Rate Relief Grant Scheme