

CABINET – 19TH OCTOBER 2017
Report of the Strategic Director of Corporate Services
Lead Member: Councillor Barkley
Part A

ITEM 9 DISCRETIONARY BUSINESS RATES RELIEF IN CHARNWOOD

Purpose of Report

This report proposes new schemes of discretionary business rate relief in respect of Enterprise Zone areas within Charnwood and in respect of transitional relief funding provided by the Government for which a local scheme must be developed.

For context and completeness, the report also sets out other discretionary reliefs available to businesses within Charnwood.

Recommendations

1. That Cabinet approve the proposed scheme of discretionary business rate relief for the Enterprise Zone areas in Charnwood as set out at Appendix 1.
2. That Cabinet approve the proposed scheme of transitional business rate relief for certain businesses affected by the 2017 business rate revaluation, for the financial year 2017/18, as set out at Appendix 2.
3. That Cabinet give delegated authority to the Strategic Director of Corporate Services, in conjunction with the Cabinet Lead Member for Finance and Revenues and Benefits, to apply the scheme of transitional business rate relief for affected businesses for future financial years based on the resources available.

Reasons

1. To allow the Council to offer business rate relief for businesses relocating to the Enterprise Zone, thereby encouraging economic development within Charnwood in line with objectives set out within the Charnwood local plan.
2. To allow transitional business rate relief funded by the Government for 2017/18 to be distributed to identified businesses affected by the 2017 business rates revaluation exercise.
3. To allow transitional business rate relief funded by the Government for future financial years to be distributed to identified businesses affected by the 2017 business rates revaluation exercise in an efficient and timely manner.

Policy Justification and Previous Decisions

Discretionary business rate relief policies are principally designed to enable businesses to survive, grow and prosper. As such they can be seen to support the Corporate Plan objective of 'Creating a strong and lasting economy'.

Implementation Timetable including Future Decisions and Scrutiny

If approved, the new schemes of business rate reliefs will be implemented immediately, with reliefs back dated to 1 April 2017 where appropriate.

Report Implications

The following implications have been identified for this report.

Financial Implications

The Council will receive compensation for discretionary business rate reliefs offered in respect of the Enterprise Zone via grants paid in accordance with Section 31 of the Local Government Act 2003 ('s31 grants'), subject to compliance with the grant terms.

The Council will also receive s31 grant funding for the costs of the discretionary transitional relief scheme, up to the limit specified by the government.

There are therefore no significant financial implications of this report.

Risk Management

The risks associated with the decision Cabinet is asked to make and proposed actions to mitigate those risks are set out in the table below.

<i>Risk Identified</i>	<i>Likelihood</i>	<i>Impact</i>	<i>Risk Management Actions Planned</i>
The business rate relief policy in respect of the Enterprise Zone could be challenged by businesses not qualifying for this relief	2 (Unlikely)	3 (Moderate)	<ul style="list-style-type: none">Careful design of the policy with clear justification of policy basis
The cost to the Council of the transitional relief scheme could exceed funding provided by Government	2 (Unlikely)	2 (Minor)	<ul style="list-style-type: none">The core scheme is designed to cost less than funding provided; any rates relief not initially allocated will be made available to businesses via a discretionary hardship fund

Key Decision: Yes

Background Papers: DD012 17/18 – Delegated decision detailing the initiation of the Enterprise Zone

Map of Charnwood Campus Enterprise Zone area

Map of LUSEP Enterprise Zone area

Officer to contact: Simon Jackson
Strategic Director of Corporate Services
01509 634699
simon.jackson@charnwood.gov.uk

Part B

Introduction

1. This report covers three sets of discretionary relief:
 - I. Reliefs that the Council proposes to make available to businesses relocating to the Enterprise Zone areas within Charnwood which are the former Astra Zeneca site now known as Charnwood Campus, and the Loughborough University Science and Enterprise Park (LUSEP).
 - II. Additional transitional reliefs for businesses adversely affected by the 2017 business rates revaluation. This £300m package of relief was announced by the Government in March 2017 and is over and above the mandatory transitional reliefs announced within the 2016 autumn statement. This additional package of relief requires that a local scheme be developed for its allocation and administration.
 - III. Other discretionary reliefs that the Council is empowered to offer within pre-existing legislation. The report sets out what these reliefs are, and the Council's approach to awarding these reliefs. This element of the report is presented to provide context and for completeness of information.

Business rates relief in the Enterprise zone

2. The Leicester and Leicestershire Enterprise Zone (EZ) is comprised of three separate sites, being the Waterside area within Leicester City and the Charnwood Campus and Loughborough University Science and Enterprise Park, both of which are in Loughborough.
3. The EZ was initiated by Ministerial announcement on 13 February 2017 and came into effect from 1 April 2017.
4. Further detail of the Enterprise Zone itself can be found in the relevant Delegated Decision (DD012 17/18), and supporting maps which are included as background papers to this report.

Features of the proposed business rate reliefs within the Enterprise Zone

5. Generally, the draft policy has been developed with the objective of minimising bureaucracy for prospective occupiers of the EZ whilst ensuring compliance with Government conditions is achieved.
6. Businesses that occupy property in the Enterprise Zone before 31 March 2022 may be eligible for a discretionary relief of up to 100% of the business rates

payable, up to a limit of £55,000 per year, and a maximum of £275,000 in any five year period.

7. Any relief offered will be subject to State Aid limits.

8. In order to qualify for business rate relief, businesses will have to satisfy certain conditions. In summary these conditions are:

- Businesses will need to demonstrate how their business supports the Enterprise Zone aims – the ‘sector test’:
 - Charnwood Campus, the country’s first Life Sciences Opportunity Zone, will provide specialist high quality laboratory accommodation and serviced office facilities supporting bio-medical and pharmaceutical industries
 - LUSEP has been designated with the aim of specializing in advanced engineering and manufacturing, high value research and development, energy and low carbon industries
- If a business that relocates into the EZ sites after 1 April 2017 is an existing business located within the Leicester and Leicestershire Enterprise Partnership area it will need to satisfy a ‘growth test’ to demonstrate that there are economic benefits to the relocation rather than a simple displacement of economic activity; these tests require a business to have robust plans in place to:
 - increase employment by 20% over 5 years, or
 - increase turnover by 20% over 5 years, or
 - Increase gross internal floor area occupied
- For businesses that were already located within the EZ prior to 1 April 2017, a discount may be offered on any increase in rateable value providing that the ‘sector’ and ‘growth’ tests are satisfied
- The draft policy states that the Council reserves the right to operate with discretion on a case by case basis

9. Further details of the proposed business rate relief are set out in the draft EZ rate relief policy which is attached as Appendix 1.

Additional transitional business rate relief – Charnwood local scheme

10. In the Spring Budget of 2017 the Chancellor announced that the Government would provide a £300m package of funding for a rate relief scheme to provide support to those ratepayers facing significant increases in their business rate bills as a result of the national revaluation of non-domestic properties on 1 April 2017. This funding is to provide additional relief over and above the transitional reliefs set in the

2016 autumn statement. In contrast to these ‘usual’¹² transitional reliefs, the Government did not determine which ratepayers should benefit from the additional rates relief scheme but instead considered that each Council was best placed to determine how relief should be targeted, and invited Councils to introduce their own scheme.

11. The Council’s share of the total £300m is spread over four years as follows:

2017/18	2018/19	2019/20	2020/21
£471,000	£229,000	£94,000	£13,000

12. A national revaluation was carried out on 1st April to reflect changes to the non-domestic property market since the last revaluation in 2010. Transitional arrangements were introduced to place a cap on rate bills for those ratepayers facing significant increases to their valuations. The percentage caps are based on the size of the rateable value (RV), and limit increase to bills after inflation as follows:

Year	Small Property RV up to £20,000	Medium Property RV £20,001 - £100,000	Large Property RV over £100,000
2017/18	5%	12.5%	42%

13. Charnwood’s proposed local scheme would provide a more generous phasing by capping increases to small and medium properties to 2% plus inflation. It is considered appropriate to target relief to smaller and medium sized businesses as they are more likely to be local independent businesses and, being of lower scale, may have greater difficulties in paying the additional rates. This approach is consistent with Government policy where they have indicated their preference that relief is awarded to ratepayers or localities that face the most significant increases in bills, and for ratepayers occupying lower value properties.

14. The relief will be awarded after all other reductions, including exemptions and transitional arrangements, have been applied. State Aid rules will also apply in respect of this relief.

15. It is likely that after all awards to qualifying businesses have been made a small balance of funding will remain available. This will be used to create a hardship fund with applications from ratepayers facing an increase to their rates following the revaluation to be considered on a case by case basis.

16. The awards will be made for the 2017/18 year only. It is envisaged that the scheme will be implemented using the same principles in future years with adjustments to reflect the reducing level of funding. Delegated authority for the Strategic Director of Corporate Services, in conjunction with the Lead Member for

¹ Reliefs equivalent to those introduced in respect of the previous (2010) rates revaluation

² In theory these reliefs are classed as discretionary in that the Council could refuse to distribute available government relief; in practice however these reliefs are de facto mandatory

Finance, has been requested to facilitate these amendments for 2018/19 and subsequent financial years.

Financial impact

17. It is estimated that around 780 properties will benefit from the scheme as outlined above to the value of around £458,000, although a proportion of these would be ineligible due to State Aid restrictions. Any balancing amount (up to the grant funded amount of £471,000) will be used to create a hardship fund.

18. It is therefore planned that the whole of the available grant funding will be applied to additional transitional business rate relief in Charnwood but that no supplementary awards, which would be funded by the Council and major preceptors, will be made available.

19. Further details of the proposed (additional) transitional business rate relief are set out in the draft policy which is attached as Appendix 2.

Consultation requirements for the discretionary Enterprise Zone and transitional arte relief schemes

20. Consultation has taken place in respect of the above discretionary rate relief schemes with the major preceptors affected by their implementation. Both Leicestershire County Council and the Combined Fire Authority were accepting of the schemes as proposed.

21. Consultation has also taken place in respect of the transitional relief within the EZ with other billing authorities across Leicestershire.

State aid rules

22. The extant State aid rules (applicable to all types of discretionary business rate relief) are set out in Appendix 1 of this report. Broadly, relief is made available under the “de minimis” provisions, which enable governmental bodies such as the Council to provide support which does not exceed €200,000 over a three year period.

23. Generally, the Council’s compliance process will require a declaration from the business that receiving rate relief will not lead them to exceed the €200,000 threshold.

Other discretionary business rate reliefs

24. Various powers are available to billing authorities to grant discretionary relief from non-domestic rates. Typically these powers are exercised under the Council’s scheme of delegation.

25. Any application for discretionary rate relief must be considered on its own merits and so the Council should not adopt any policy which rejects certain

applications without looking into the merits of that application. Conversely, authorities are not prevented from creating guidance on the kind of business to which they will normally grant relief, so as to ensure a consistent approach. To provide context for this report and for completeness Appendix 3 sets out the Council's approach to awarding these various types of business rate relief. The reliefs covered by the Appendix are:

- Charitable relief - for properties occupied by a charity and used for charitable purposes
- Relief for organisations not established or conducted for profit (sports clubs and similar)
- Rural rate relief – open to businesses within a classified rural settlement
- Hardship relief
- Relief for properties partially unoccupied for a short time

26. In addition, the Council may (in theory) offer rate relief through powers within the Localism Act 2011 and is periodically offer specific rate relief schemes funded by Government. This is the case in respect of the extant £1,000 relief scheme for pubs and the additional transitional relief set out at Appendix 2.

Appendices

- | | |
|------------|---|
| APPENDIX 1 | - Enterprise Zone Business Rates Relief Policy |
| APPENDIX 2 | - 2017/18 Discretionary Transitional Rate Relief Scheme |
| APPENDIX 3 | - Other discretionary business rate reliefs |



APPENDIX 1

CABINET REPORT 19 OCTOBER 2017

Charnwood Borough Council
Enterprise Zone
Business Rates Relief Policy

Introduction

The Leicestershire Enterprise Zones encompass four sites within the Leicester and Leicestershire Enterprise Partnership (LLEP) area:

- MIRA Technology Park;
- Leicester Waterside and Space Park;
- Loughborough University Science and Enterprise Park (LUSEP); and,
- Charnwood Campus

MIRA Technology Park near Hinckley was granted Enterprise Zone status in August 2011.

The remaining three sites were granted Enterprise Zone status in April 2017 and together comprise the Loughborough and Leicester Science and Innovation Enterprise Zone.

LUSEP and Charnwood Campus are located within the Borough of Charnwood.

This policy identifies the circumstances in which Charnwood Borough Council will grant business rate relief to occupiers of non-domestic properties located within LUSEP and Charnwood Campus.

Businesses that occupy property in the Enterprise Zone before 31 March 2022 may be eligible for a discretionary relief of up to 100% of the business rates payable, up to a limit of £55,000 per year, and a maximum of £275,000 in any 5 year period subject to meeting the criteria set out within this policy. This will be subject to State Aid limits.

In applying for the relief, businesses will need to demonstrate how their business supports the Enterprise Zone aims:

- **LUSEP** has been designated with the aim of specializing in advanced engineering and manufacturing, high value research and development, energy and low carbon industries.
- **Charnwood Campus**, the country's first Life Sciences Opportunity Zone, will provide specialist high quality laboratory accommodation and serviced office facilities supporting bio-medical and pharmaceutical industries

Businesses will need to demonstrate their involvement in the sectors targeted by the relevant Enterprise Zone site and provide appropriate evidence.

Applications for business rate relief will be assessed following the completion and submission of the Charnwood Enterprise Zone Business Rate Relief Application Form. The business rate relief will be awarded where the business demonstrates that it will meet the policy criteria.

Applications will be assessed by The Enterprise Zone Team within Charnwood Borough Council (contact Team Leader- Regeneration and Economic Development; david.hankin@charnwood.gov.uk) and applications will normally be determined within one month of receipt. The outcome of the assessment will be notified to the applicant in writing.

Enterprise Zone Business Rate Relief Scheme Criteria

To qualify for relief:

- a) The whole or part of the property must be situated within the defined boundary of the LUSEP or Charnwood Campus Enterprise Zone as shown on the maps at Appendix A.
- b) The business occupying the property must satisfy the sector test defined in Appendix B.
- c) The business premises must be occupied in accordance with section 43 of the Local Government Finance Act 1988.
- d) State Aid de minimis limits must not be exceeded (See Appendix C for details of what classes as State Aid and the limits);
- e) If a business relocating into the LUSEP or Charnwood Campus Enterprise Zone after 1 April 2017 is an existing business located within the Leicester and Leicestershire Enterprise Partnership area (as defined in Appendix D) it will need to satisfy the growth test as defined in Appendix E.
- f) Businesses that were already located within the LUSEP or Charnwood Campus Enterprise Zone prior to 1 April 2017 that can satisfy the sector test (Appendix B) will need to demonstrate that they satisfy the growth test (Appendix E) to qualify for a discount. The discount will only apply to the consequent increase in rateable value.

The Borough Council retains the right to exercise discretion on a case by case basis.

Appeals

In circumstances where an application for business rate relief has been declined, the applicant may appeal for the decision to be reconsidered. A request for appeal should be made in writing to the Strategic Director of Corporate Services, no later than one month after the date of the determination. Appeals will be considered by the Strategic Director in consultation with the Head of Finance and Property Services and the decision will be final.

Appendix A

Loughborough and Leicester Enterprise Zone (LUSEP) Site Boundaries

- See background paper to this report (Cabinet report 19 October 2017)

Loughborough and Leicester Enterprise Zone (Charnwood Campus) Site Boundaries

- See background paper to this report (Cabinet report 19 October 2017)

Appendix B

Enterprise Zone Sector Test

In order to qualify for the Enterprise Zone Business Rate Relief all businesses must demonstrate that the primary focus of the business operating within the Enterprise Zone fits within the target sectors. Each site within the Enterprise Zone is targeted primarily towards a distinctive commercial sector or sectors.

In all cases it will be expected that at least 50% of the turnover of the business that is located, or proposed to be located, within the Enterprise Zone should be achieved from activities related to the target sector(s).

Details of the Enterprise Zones within Charnwood are set out below so as to emphasize the discrete specialist role expected of each site. However, both sites are considered suitable for the identified priority sectors of:

- Advanced Manufacturing
- ICT, and
- Life Sciences

LUSEP

LUSEP aims to accommodate the expansion of Loughborough University while capturing opportunities for commercialization and collaboration arising from the site's close association with the university, allied to its excellent locational advantages.

More details of the objectives of LUSEP can be found in the Charnwood Local Plan Core Strategy (November 2015) under policy CS23.

Within the "family" of Leicestershire Enterprise Zones LUSEP is expected to specialize in providing for advanced engineering and manufacturing, high value research and development, energy and low carbon industries.

Taking into consideration the objectives of the Local Plan and the Enterprise Zone LUSEP is expected to attract businesses primarily through the following target sectors:

- High and Medium Technology (Advanced) Manufacturing incorporating Research and Development, and,
- Information and Communications Technology (ICT)

Charnwood Campus Enterprise Zone

Charnwood Campus offers a legacy range of high quality laboratories, offices and pharmaceutical production facilities, as well as land for the development of purpose built accommodation to meet specific client requirements. Those assets offer an unrivalled opportunity within the Midlands for the provision of readily available facilities to accommodate businesses within a high quality campus setting earning

the site particular recognition as the country's first Life Sciences Enterprise Zone. Accordingly the priority sector for Charnwood Campus is:

- Life Sciences

Advanced Manufacturing Sector

Advanced Manufacturing refers to businesses that use innovative technology to improve products or processes and are likely to use a high level of design or scientific skills in this process.

Evidence will be required to demonstrate that the Advanced Manufacturing businesses proposed meets some or all of the following criteria:

- is intensive in the use of capital and knowledge;
- requires long term investment decisions to develop processes and buy equipment (that can take more than a year to manufacture);
- uses high levels of technology and R&D and intangible investments(training, improvements to business process) to support innovation;
- requires a flexible workforce with strong specialist skills in the areas of science, technology, engineering and mathematics and design;

Advanced Manufacturing businesses are likely to have a SIC code that falls within the 10*** to 33*** and 72*** groupings.

Examples of manufacturing businesses that are likely to fall with the Advanced Manufacturing sector include the following:

- chemicals/gases
- fuels/petroleum products
- electrical products including plastic / printed electronics
- machinery
- pharmaceutical products
- industrial biotechnology
- composites
- nanotechnology
- metal products
- aerospace products
- ICT products

ICT Sector

Information and Communication and Technologies (ICT) generally refers to technologies that focus on communication technologies, such as the internet, wireless, networks, cell phones and other communication media. In 1998, OECD member countries agreed to define the ICT sector as a combination of manufacturing and services industries that capture, transmit and display data and information electronically.

The ICT sector refers to both business that are involved in manufacturing ICT products or delivering ICT services as well as where the employees of a business primary job focus is connected with the operation of ICT systems no matter what sector they are employed in.

ICT businesses are likely to have one of the SIC codes highlighted in the table below.

SIC Code	Description
58210	Publishing of computer games
58290	Other software publishing
61100	Wired telecommunications activities
61200	Wireless telecommunications activities
61300	Satellite telecommunications activities
61900	Other telecommunications activities
62011	Ready-made interactive leisure and entertainment software development
62012	Business and domestic software development
62020	Information technology consultancy activities
62030	Computer facilities management activities
62090	Other information technology service activities
63110	Data processing, hosting and related activities
63120	Web portal

Life Science Sector

The Life Science sector includes both the manufacturing and research and development (R&D) activities often linked with pharmaceutical and Medical devices industries. It includes the following:

- **Life Science Manufacturing** – includes a range of manufacturing activities relating to life sciences including the manufacture of basic pharmaceutical products, the manufacture of pharmaceutical preparations, the manufacture of irradiation, electro-medical and electrotherapeutic equipment, the manufacture of optical precision instruments and the manufacture of medical and dental instruments and supplies.
- **Life Sciences R&D** – includes research and development activities relating to life sciences

It is likely that Life Science businesses will have a SIC code from the following:

SIC Code	Description
21100	Manufacture of basic pharmaceutical products
21200	Manufacture of pharmaceutical preparations
26600	Manufacture of irradiation, electromedical and electrotherapeutic equipment
26701	Manufacture of optical precision instruments
26702	Manufacture of photographic and cinematographic equipment

SIC Code	Description
26800	Manufacture of magnetic and optical media
32500	Manufacture of medical and dental instruments and supplies
72110	Research and experimental development on biotechnology
72190	Other research and experimental development on natural sciences and engineering
72200	Research and experimental development on social sciences and humanities

Other Acceptable Uses

The following uses will also qualify for Enterprise Zone Business Rate Relief as they are viewed as supporting the growth of the target sectors of the Enterprise Zone. To qualify for relief under these uses the business must clearly demonstrate that they support the target sectors or have a clear business plan to actively develop their business plans to move into supporting the target sectors.

- Companies providing products or services in the direct Supply Chain of companies within the Enterprise Zone target sectors,
- Companies whose primary purpose is to provide service sector support activities to businesses within the Enterprise Zone target sectors. This can include accommodation and food services, retail trades, financial and insurance services, legal, accountancy, management and consultancy activities, and,
- Education, training, research and development facilities where the primary purpose is to support learning, innovation, knowledge transfer and growth across the Enterprise Zone target sectors.

Evidence supporting applications will be closely scrutinized to inform negotiations of the appropriate level of business rate relief granted.

Appendix C

State Aid

Business rate relief under this policy is classed as “state aid.” The European Union regulates state support to businesses with the aim of ensuring fair competition and proper functioning of the single market. There is as yet no indication of how the UK’s withdrawal from the European Union will affect state aid rules.

Relief is made available under the “de minimis” provisions, which enable governmental bodies such as the Council to provide support which does not exceed €200,000 over a three year period.

The relief applies not only to business rate relief granted on a particular property but to **all** support granted by any governmental body to the entire business enterprise. It does not apply to support provided under an EU provision other than the de minimis rules (such as regional investment aid).

Some types of business are excluded from benefitting from the de minimis rules. These exclusions are unlikely to apply to businesses relocating or expanding within the Enterprise Zone sites but will nonetheless be taken into account by the Council when assessing eligibility to rate relief.

The rules regarding ineligible sectors can be found at:

http://ec.europa.eu/competition/state_aid/legislation/de_minimis_regulation_en.pdf.

With the application form is a state aid declaration. This asks for information on other awards of aid provided by (any body) under these provisions in the current and previous two financial years. The Council will require a declaration from the business that receiving rate relief will not lead them to exceed the €200,000 threshold. Where state aid has previously been provided under de minimis provisions a letter to this effect will usually have been provided by the body which provided the support.

The Council will not grant rates relief unless it is satisfied that the business will not exceed the de minimis limit.

If it transpires that relief provided did, in fact, cause the business to exceed the limit, the Council will be responsible for recovering the money from the business concerned (with compound interest).

Appendix D

Leicester and Leicestershire Enterprise Partnership (LLEP) - Boundaries

The LLEP boundaries are contiguous with that of the administrative boundaries of Leicestershire County Council (encompassing Leicester City). Further details are available at the following link:

<https://www.llep.org.uk/our-economy/>

Appendix E

Growth Test

Businesses that have demonstrated that they belong to one of the Enterprise Zone target sectors, but are already located within the LLEP area, will need to demonstrate how they intend to grow over the next five years. Businesses will need to outline why they are vacating their current premises and the reasons why their growth agenda cannot be satisfied within their current location. In particular it is important for businesses to demonstrate they intend to meet one or more of the following criteria:

- 20% increase in employment over 5 years, or
- 20% increase in turnover over 5 years, or
- Increase in gross internal floor area.

APPENDIX 2

CABINET 19 OCTOBER 2017

Business Rates – 2017/18 Discretionary Transitional Rate Relief Scheme for Charnwood

Background

In the Spring Budget the Chancellor announced that the Government would provide funding for a rate relief scheme to provide support to those ratepayers facing significant increases in their business rate bills as a result of the national revaluation of non-domestic properties on 1st April 2017. The Government have not determined which ratepayers should benefit from the rate relief scheme but instead consider that each Council is best placed to determine how relief should be targeted and invited Councils to introduce their own scheme.

A national revaluation was carried out on 1st April to reflect changes to the non-domestic property market since the last revaluation in 2010. Transitional arrangements were introduced to place a cap on rate bills for those ratepayers facing significant increases to their valuations. The percentage caps are based on the size of the rateable value (RV), and limit increase to bills after inflation as follows:

Year	Small Property RV up to £20,000	Medium Property RV £20,001 - £100,000	Large Property RV over £100,000
2017/18	5%	12.5%	42%

Charnwood's proposed local scheme would provide a more generous phasing by capping increases to small and medium properties to 2% plus inflation. It is considered appropriate to target relief to smaller and medium sized businesses as they are likely to have greater difficulties in paying the additional rates. The Government have indicated their preference that relief is awarded to ratepayers or localities that face the most significant increases in bills, and ratepayers occupying lower value properties.

The relief will be awarded after all other reductions, including exemptions and transitional arrangements, have been applied. The awards will be made for the 2017/18 year only and the scheme will be subject to a further review for 2018/19.

Charnwood's Discretionary Rate Relief Scheme 2017/18

It is proposed that:

- Relief be directed to those properties facing rate increases of more than 2%, after allowing for inflation, as a result of the national revaluation and where the rateable value is up to £100,000.
- Relief will not be awarded to those ratepayers benefitting from the Supporting Small Business Rate Relief Scheme, introduced following the revaluation to those ratepayers losing small business rate relief.

- Relief will not be awarded to public houses who will instead benefit from the Public House Rate Relief Scheme introduced following the revaluation.
- Relief will not be awarded to those ratepayers already in receipt of mandatory or discretionary rate relief.
- To encourage letting of properties, the relief will be awarded in respect of occupied properties only.
- Charnwood Borough Council, Leicestershire County Council, Parish Councils, Leicestershire Constabulary and Leicestershire Fire Service will not qualify as they are precepting authorities.
- Relief will not be awarded to quasi-government agencies (such as the H M Courts & Tribunal Service and the Leicestershire Partnership NHS Trust)
- Relief will not be awarded to betting shops.
- The amount of relief will be subject to a lower limit of £50.
- Any relief awarded is given under De Minimis Regulations applicable to State Aid.
- Relief will be calculated on a daily basis and will be adjusted if necessary to allow for a change in circumstances (for example, a change in occupation or a change to the rateable value).

It is estimated that around 780 properties will benefit from the scheme as outlined above to the value of around £458,000, although a proportion of these would be ineligible due to State Aid restrictions.

Hardship Fund

It is anticipated that the value of discretionary rate relief awarded, estimated at £458,000 before applying state aid restrictions, will be lower than the grant available to compensate the Council for loss of income. A Hardship Fund will be made available once the difference between the grant available and amount of relief to be awarded has been established. Applications will be considered from ratepayers facing an increase to their rates following the revaluation on a case by case basis. Applications are to be made to the Director for Corporate Services and should demonstrate hardship due to the revaluation and a sustainable long term business plan which benefits the Borough.

Funding

Authorities will be fully compensated for the loss of income through a grant payment under section 31 of the Local Government Act 2003. The Government have determined a maximum allocation for Charnwood of £471,000. Any discretionary relief paid by Charnwood in excess of this allocation will not attract section 31 grant.

Consultation

In line with Government conditions, the Leicestershire County Council and the Leicestershire Combined Fire Authority has been consulted on the scheme.

State Aid

State Aid law is the means by which the European Union regulates state funded support to businesses. Providing discretionary relief to ratepayers is likely to amount to State Aid. However the discretionary rate relief scheme will be State Aid compliant where it is provided in accordance with the De Minimis Regulations (1407/2013).

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). The Council will write to businesses which may qualify for relief under this scheme to advise that relief will be awarded in the absence of a declaration from them stating the business would not be state aid compliant if an award were to be made.

Appeals

Any ratepayer who feels that they are eligible for relief under this scheme and the Council has by error omitted to grant relief, or that the Council has awarded an incorrect amount, should write to the Head of Customer Experience to request a review.

If the ratepayer is not satisfied by any response from the Head of Customer Experience then the ratepayer can appeal to the Strategic Director for Corporate Services whose decision on entitlement to relief will be final.

APPENDIX 3

CABINET 19 OCTOBER 2017

OTHER DISCRETIONARY BUSINESS RATE RELIEFS

Introduction

Various powers are available to billing authorities to grant discretionary relief from non-domestic rates. The purpose of this Appendix is to summarise the Council's current approach to applications.

Any application for discretionary rate relief must be considered on its own merits and so the Council should not adopt any policy which rejects certain applications without looking into the merits of that application. Conversely, authorities are not prevented from creating guidance on the kind of business to which they will normally grant relief, so as to ensure a consistent approach.

The Council exercises these powers under its scheme of delegation. Principal responsibility for the exercise of these powers rests with the Head of Customer Experience.

Discretionary relief to charities

Background

Where a property is occupied by a charity and is used for charitable purposes, or occupied as a community amateur sports club, the billing authority must reduce the rate bill by 80%. Voluntary schools and some registered societies can be treated as charities for this purpose. Whilst the 80% relief is not subject to discretion Councils do have the discretion to 'top-up' this relief under Section 47 of the Local Government Finance Act 1988.

New Applications

More favourable consideration will be given to organisations operating solely within Charnwood area and to organisations primarily established to offer facilities to young people.

Less favourable consideration will be given to educational facilities, and to charity shops selling items other than donated goods.

Discretionary relief to organisations not established or conducted for profit

Background

Discretionary relief is available to organisations which, although not registered as a charity, are not conducted for profit and:

- whose objects are charitable or otherwise philanthropic or religious or concerned with education, social welfare, science, literature or the fine arts; or

- are occupied by a club for the purposes of recreation.

Criteria which will be considered when awarding relief include:

- Access – is membership open to all sections of the community?
- Does the organisation actively encourage membership from particular groups in the community (e.g. young people, or persons with a disability)?
- Are the facilities made available to people other than members (e.g. schools)?
- Does the organisation provide training or education for particular groups (e.g. the disabled, retired people) which the Council considered to be particularly deserving of support?
- Does the organisation provide facilities which indirectly relieve the Council of the need to do so, or enhance and supplement those which it does provide?
- Is the organisation affiliated to local or national organisations?
- Is the membership drawn from people mainly resident in the Borough

New Applications

Favourable consideration will be given to organisations operating solely within Charnwood area and to organisations primarily established to offer facilities to young people.

Rural Rate Relief

Discretionary Rural Rate Relief is open to any type of business within a classified rural settlement. The business must occupy a property with a rateable value of less than £16,500 which must be used for purposes which are of benefit to the local community. In addition, the Council must be satisfied that it is reasonable for the Council to grant relief, with regard to the interests of residents and Council Tax payers

New Applications

The above factors will be considered and, in particular, the benefit provided by the applicant organisation to the local community.

Hardship Relief

Background

Section 49 of the Local Government Finance Act 1988 gives a billing authority discretion to reduce or remit the payment of rates where it is satisfied that:

- the ratepayer would sustain hardship if it did not do so, and

- it is reasonable for the authority to do so having regard to the interests of its council tax payers.

General Government guidance suggests:

- i. although authorities may adopt rules for the consideration of hardship cases they should not adopt a blanket policy either to give or not to give relief - each case should be considered on its own merits;
- ii. reduction or remission of rates on the grounds of hardship should be the exception rather than the rule;
- iii. the test of 'hardship' need not be confined strictly to financial hardship; all relevant factors affecting the ability of a business to meet its liability for rates should be taken into account;
- iv. the 'interests' of Council taxpayers in an area may go wider than direct financial interests, for example, where the employment prospects in the area would be worsened by a company going out of business, or the amenities of an area might be reduced by, for instance, the loss of the only shop in a village; and
- v. where the granting of relief would have an adverse effect on the financial interests of taxpayers, the case for a reduction or remission of rates payable may still on balance outweigh the cost to taxpayers.

The above guidance suggests hardship should be the exception rather than the rule and the Council will normally need to be satisfied that the hardship is not due to normal market forces or general economic conditions affecting a number of local businesses.

Any judgement on whether hardship exists would normally be made after considering the trading accounts of the business. Defining the 'interests' of taxpayers is more difficult – it has been suggested that the business should be of significant value to the local community so that sub-post offices or village shops selling general goods and groceries would qualify but specialist shops (e.g. antique shops) would not.

New Applications

Favourable consideration will be given where the applicant organisation is facing temporary financial difficulties and where the community would be significantly disadvantaged if the business were to close due to these temporary financial constraints.

Favourable consideration might not be made where the hardship is due to general economic conditions and it is considered that relief would artificially sustain a failing business.

Relief to properties partially unoccupied for a short time

Background

Where a property is not fully occupied, but will remain so for a short period only, section 44A of the Local Government Finance Act 1988 enables billing authorities to award empty rate relief on the unused part of the property.

Applications for relief should be in writing, include a plan showing the unused area, and set out the future intentions for that unused part. The unused part must be clearly defined and reasonably segregated from the occupied part of the property.

New Applications

Favourable consideration will be given:

- a) where there is partial occupation of a property to facilitate relocation of the company,
- b) where because of a temporary downturn in trade, there is a part occupation of the premises, or
- c) where fire, flood or other natural disaster prevents full use of the premises.

Favourable consideration might not be made:

- a) where the company does not allow an inspection of the property to verify the occupation
- b) where the part occupation is likely to continue year on year
- c) where the application is retrospective and the company might have been expected to make the application in good time
- d) where the part occupation is due to normal day-to-day operation of the business (i.e a warehouse which has recently despatched a large order).

Localism Act

Through the Localism Act 2011 the Council is now able to grant business rate reductions entirely as it sees fit within the limits of the primary legislation and European rules on state aid. It was anticipated by the Government that these powers will generally be used as appropriate to support local shops or community services.

The Council can decide to award relief only where it is satisfied that it would be reasonable for it to do so, having regard to the interests of Council Taxpayers.

New Applications

More favourable consideration will be given to smaller organisations based locally.

(In practice, any decision to offer rates relief under this general power would probably be the subject of a Cabinet report since no existing precedents for this relief exist within the Council.)

Cost to the Authority

The cost of awarding discretionary rate relief is shared between the Council, Central Government, the County Council and the Leicestershire Fire Authority. The calculation is complex but typically the Council's contribution will be 20% of the relief given.

Funded Relief

From time to time the Government introduce new rate relief schemes which are provided using the Council's discretionary rate relief powers. These are usually awarded for a short time only and are fully funded by the Government and so Charnwood is not required to make a contribution.

Following the national revaluation on 1st April 2017 the Government introduced three new schemes to help businesses most affected by valuation changes:

- Supporting Small business – helping businesses who lost small business rate relief as a result of the revaluation;
- Public House Relief – a £1,000 rebate for public houses with a rateable value less than £100,000; and
- A local Discretionary Rate Relief Scheme to support those business facing significant increases – it is proposed to offer rate relief to businesses with a rateable value less than £100,000 so as to cap increases as a result of the revaluation to 2%.

Other examples of funded reliefs have been:

- Empty Rate Relief on new properties completed between 2013 and 2016;
- Retail Relief on retail properties (2014/15 and 2015/16);
- Relief on businesses moving into long-term empty properties between 2014 and 2016;
- Transitional Rate Relief (2015/16 and 2016/17);
- Rate Relief to local newspapers – an award of £1,500 for local newspapers (2017/18 and 2018/19);
- Rural Rate Relief – 100% rate relief to be applied in rural areas to the sole general store, post office or food shop with a rateable value less than £8,500, or the sole public house or petrol station with rateable value less than £12,500 (2017/18).

Enterprise Zones

Business rate relief available to businesses relocating within the Enterprise Zone areas within Charnwood are detailed at Appendix A of this report (Cabinet 19

October 2017).

State Aid

State Aid law is the means by which the European Union regulates state funded support to businesses. Providing discretionary relief to ratepayers is likely to amount to State Aid. However the discretionary rate relief scheme will be State Aid compliant where it is provided in accordance with the De Minimis Regulations (1407/2013).

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). The Council should be satisfied that any businesses which may qualify for discretionary relief would be state aid compliant if an award of relief were to be made.

Appeals

A ratepayer can write to the Council to request a review of any decision made in relation to an application for discretionary rate relief. This will be assessed by the Strategic Director of Corporate Services.

Further right of appeal would only be by way of judicial review to the High Court.