

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

CABINET

30TH OCTOBER, 2014

REPORT OF THE GROUP DIRECTOR CORPORATE SERVICES

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NON-DOMESTIC RATES RELIEF - LOCAL NEEDS SCHEME

1. Purpose Of The Report

- 1.1. This report provides Members with an update on the “Local Needs Scheme” which is a Welsh Government (WG) initiative that provides £3.5 million funding across Wales and allows local authorities discretion to provide additional, targeted rate relief to those businesses that may have been negatively affected by the postponement of the non domestic rate (NDR) revaluation that was scheduled for 2015.
- 1.2. At a meeting of the Cabinet on 23rd June 2014, Members agreed to receive a further report on the Local Needs Scheme design once options and financial modelling had been completed by Officers.

2. Recommendations

2.1. It is recommended that Members:

- a) Note the contents of the report, and
- b) Agree to adopt Option 4 set out in paragraph 4.1.5 below as the Council's “Local Needs Scheme” for 2014/15 (within the provisions of Section 47, Local Government Finance Act 1988).

3. Wales “Local Needs Scheme”

3.1. Background

- 3.1.1. Earlier this year WG provided £3.5m funding for local authorities to provide targeted rates relief under what was termed a 'Local Needs Scheme'. This policy decision gave councils the flexibility to use their local knowledge to provide rates relief support to businesses that may have been negatively affected by the postponement of revaluation of business premises by WG.
- 3.1.2. Rhondda Cynon Taf has been awarded £198,739 by WG to support any expenditure incurred by it for the purposes of providing support under the Scheme.
- 3.1.3. WG have indicated that this rate relief scheme is a temporary measure and will only be applied for the 2014/15 financial year only. The relief will be provided by using existing discretionary rate relief powers (under Section 47 of the Local Government Finance Act 1988), but as this is a ‘national policy’, local rate relief policies adopted by councils do not need to be amended.
- 3.1.4. It will be for individual councils to decide how to grant relief under section 47 but WG will reimburse councils for the relief that is provided in line with guidance (using a grant under Section 30 of the Local Government Act 2003).

3.2. What types of businesses may benefit from Relief?

- 3.2.1. WG did not provide any guidance or details of the type of business that may qualify for support under this Scheme, but they did provide some illustrative scheme examples of the type of scheme or schemes that a local authority may choose to implement in targeting businesses that may have been negatively impacted by the postponed revaluation or to meet local economic development priorities.
- 3.2.2. The examples provided by WG were not an exhaustive list of the options available to local authorities, but WG advised that in every case, councils should seek their own legal advice on the propriety of the criteria it intends to adopt within the context of Section 47, Local Government Finance Act 1988.
- 3.2.3. The examples provided by WG are set out in Appendix 1 to this report.
- 3.2.4. At the Cabinet meeting on 23rd June it was indicated that the Council's finance officers would explore whether there was scope to design a Local Needs Scheme with officers at other South East Wales councils in an attempt to develop a consistent approach across the region. Despite this Council facilitating a number of meetings, it has recently become clear that this approach is not achievable as it was unlikely that a consistent approach could be agreed upon and delays in reaching a consensus would impact on the timeliness of adopting a suitable scheme for ratepayers in this area. It was therefore decided by the 4 LAs last month to discontinue this approach.
- 3.2.5. In considering which businesses to support with this additional funding, officers from the Operational Finance Unit have worked closely with colleagues from the Council's Regeneration and Planning Division and together have identified four options for a Local Needs Scheme which fits in with the WG objectives of supporting businesses who have created jobs and employment, through working with the Council's own economic development policy e.g. example 3 in Appendix 1.

4. The Local Needs "Scheme" Options

- 4.1.1. The proposed Local Needs Scheme targets relief at those business rate payers who have applied for and been awarded business grant funding by the Council's Regeneration & Planning Division.
- 4.1.2. The Council operates a number of flexible grant schemes for businesses and social enterprises including:
 - SEWales Local Investment Fund (SEWLIF)
 - SEWales Community Economic Development Fund (SEWCED)
 - Rhondda Cynon Taf CBC Business Support Grant
 - Aberdare Townscape Heritage Initiative
 - Aberdare Townscape Enhancement Programme
 - Pontypridd Townscape Enhancement Programme
- 4.1.3. The programmes assist Small and Medium Size Enterprises (SMEs) to grow and support both 'business to business' and business to consumer activity. Successful applicants will have demonstrated that they have the ability to 'add value' or offer net benefits to the local economy (e.g. investment in growth and/or the creation of new jobs).

4.1.4. Officers in the Regeneration and Planning Division have identified 258 individuals, businesses and social enterprises where they have provided support and therefore could potentially qualify for the Local Needs Scheme relief. This list has been reviewed and of these cases only 102 currently have a business rates liability and a bill to pay (net of reliefs).

4.1.5. A number of scheme options were considered in the design process, but the 4 most suitable options for this Council's Local Needs Scheme are set out below:

Option 1 - Support all Businesses and Social Enterprises receiving grants through the Council's Business Support Grant Programmes

Relief under the Local Needs Scheme would be awarded to all businesses identified, with a maximum award of £2,230 or where the net rates liability of the business is less than this, the award would be the equivalent of the net liability (estimated spend of £198,307).

Option 2 - Support Businesses and Social Enterprises receiving grants through the Council's Business Support Grant Programmes but that are not already receiving some form of rate relief

There are a wide range of reliefs already in place to support businesses with their non domestic rates liability e.g. retail relief, small business rates relief, and charitable relief. Under this option, relief under the Local Needs Scheme would only be awarded to businesses who do not receive any other form of relief, with a maximum award of £3,865 or where the net rates liability of the business is less than this, the award would be the equivalent of the net liability (estimated spend of £198,535).

Option 3 - Support Businesses and Social Enterprises receiving grants through the Council's Business Support Grant Programmes that have a Rateable Value of £50,000 or below

In line with one of the qualifying rules of the WG Retail Relief Scheme, any business with an RV of over £50,000 would be excluded from the Local Needs Scheme relief. Under this option, relief under the Local Needs Scheme would be awarded to businesses with a maximum award of £2,630 or where the net rates liability of the business is less than this, the award would be the equivalent of the net liability (estimated spend of £198,405)

Option 4 - Support those Businesses and Social Enterprises receiving grants through the Council's Business Support Grant Programmes that have clearly demonstrated that they are benefiting the wider local economy

Relief under the Local Needs Scheme may be awarded to an estimated 68 businesses who would potentially qualify for a maximum award of £3,650 or where the net rates liability of the business is less than this, the award would be the equivalent of the net liability (estimated spend of £198,573).

Qualification for relief would be subject to the ratepayer satisfying the following criteria:-

- The Rateable Value of the property is less than £50,000 (in line with the Retail Relief Scheme)
- is not licensed to sell alcohol
- is not providing sporting activities/facilities
- is not operating on an international/national basis or operating under a franchise or subsidiary of, or to such an organisation

4.1.6. The table below summarises the 4 different options that are set out in paragraph 4.1.5 above, and the level of maximum award per property that could be made to qualifying ratepayers.

Table 1

Option	No. of Potential Qualifiers	Max. Award per Property	Est. Amount of Grant Awarded	WG Grant Funding	Unused Funding
1	102	£2,230	£198,307	£198,739	-£432
2	52	£3,865	£198,535	£198,739	-£204
3	90	£2,630	£198,405	£198,739	-£334
4	68	£3,650	£198,582	£198,739	-£157

4.1.7. It is proposed that Members agree to adopt Option 4 as Rhondda Cynon Taf's Local Needs Scheme, as this will meet the objective of effectively targeting support, as it:-

- has restricted qualifying conditions
- provides a meaningful level of rate relief
- maximises the amount of grant provided to the Council and
- closely matches one of the examples provided in WG guidance (see Example 3 in Appendix 1).

5. Qualifying Criteria for the Local Needs Scheme

5.1.1. The following qualifying criteria will be followed when considering applications for the Local Needs Scheme :-

- a) Local Needs Scheme rate relief can be provided in addition to other rate reliefs e.g. Small Business Rates Relief and relief provided under the Open for Business Scheme as well as any hardship or discretionary relief awarded by the Council. The relief will be applied against the net bill after the other reliefs have been applied.
- b) Ratepayers that occupy more than one property can be entitled to relief for all of their eligible properties, subject to State Aid de minimis limits.
- c) Relief can only be granted via an application form and therefore those businesses identified as potentially qualifying for the relief will be contacted and assisted in making formal applications.

Welsh Government Examples of the types of business that may benefit from Local Needs Rate Relief

▪ **Example 1- By geographical areas**

Ratepayers will be entitled to up to £**** discount on the Rates Bills where:

- They occupy premises located in *** (high street, shopping area, rural location, or industrial area - as specified in the s47 decision).
- The rateable value of the hereditament is less than £**RV**
- The relevant State Aid criteria are met

▪ **Example 2 – By business sector or sub-sector**

Ratepayers in the **** sector are entitled to a maximum discount of £***, where:

- The business occupying the hereditament is a new business, startup or has plans to grow its business during 2014/5.
- The rateable value of the hereditament occupied by the ratepayer is less than £**RV**
- The relevant State Aid criteria are met

The local authority may ask for evidence of the business plan in order to judge whether awarding the relief will meet it's locally identified economic development priorities.

▪ **Example 3 – Businesses employing or creating jobs, in line with its economic development policy.**

Ratepayers are entitled to up to **% relief on the non-domestic rates where:

- The occupied hereditament is located in *** (location based on postcode, street name or other reference).
- The hereditament has a rateable value of less than £**RV**
- The business has plans in place to recruit new employees.
- The relevant State Aid criteria are met.

The authority may ask for evidence of the plans to recruit or grow and/or may ask for further evidence of how granting a discount will benefit the local authority area.

▪ **Example 4 – Targeted relief to business entitled to other reliefs**

Ratepayers are entitled to additional relief of up to £*** on the NDR Bill where:

- The business is entitled to Wales Retail Relief
- The business is located in **** (location based on postcode, street name or other reference).

