

Somerset West and Taunton Council

Special Council – 25 August 2020

Discretionary Rate Relief Policy

Local Discretionary Rate Relief - Addendum 2020/21

This matter is the responsibility of Executive Councillor Member for Corporate Resources, Cllr Ross Henley and Executive Councillor Member for Asset Management and Economic Development, Cllr Marcus Kravis.

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1. Executive Summary / Purpose of the Report

- 1.1 Section 69 of the Localism Act 2011 provides a discretionary power for billing authorities in England and Wales to reduce the business rates of any local ratepayer. The Government has not issued guidance in respect of how this power might be used, though Councils must ensure that the reliefs they allow do not transgress state aid.
- 1.2 The cost of awarding discretionary rate relief is shared. SWT's share is 40%. The best interests of the local council taxpayer must be considered when considering awarding discretionary rate relief. This interest is not restricted to just financial interests.
- 1.3 This report seeks to use this discretionary power as a tool for providing assistance to support the recovery/survival of major employers in the local place that have to re-pivot and/or consider downsizing directly as a consequence on Covid19 impacting upon its business.
- 1.4 It is intended to support those businesses that are viable and not failing, but which may require some radical re-positioning due to the impact that Covid19 has had on its market and customer base and/or supply chain to enable it to stabilise its operations and to continue trading under the 'new normal', albeit requiring some immediate remedial action by the owners and senior management of the company. It will apply to both established companies as well as new companies formed from established companies (through management buy-outs for example) where there is a demonstrable need to ease cash flow and working capital requirements in order to safeguard the business.
- 1.5 It is targeted on businesses which:

- have rateable values above £100,000 RV and;
- have their HQ or main operational site located within the Somerset West and Taunton District Council area and;
- have 50+ employees and;
- occupy factories, offices or warehouses and;
- are major employers within its locality and, where loss of jobs would have a significant detrimental knock-on effect on the spend in the local economy.

- 1.6 It should be stressed that we are not proposing a blanket award of relief, for example as if it were a grant. Instead, any relief will be targeted on eligible businesses that approach the Council for temporary support, that meet the criteria and are in the circumstances set out in the accompanying policy Addendum.
- 1.7 On 4/2/2019 the Shadow Council for Somerset West and Taunton approved a Discretionary Rate Relief Policy. The policy was last amended on 26/02/2020 by a portfolio holder decision, to reflect changes made by central Government which would have no direct cost the Council.
- 1.8 This report seeks to introduce a temporary Addendum to the approved policy, which will relate to the 2020/21 financial year only.
- 1.9 The Addendum is attached at Appendix A.

2. Recommendations

- 2.1 It is recommended that Full Council approve this temporary Addendum to the Council's existing Discretionary Rate Relief Policy.
- 2.2. That Council notes the costs of additional discretionary business rates relief will need to be allocated as a cost to the 2021/22 General Fund Budget to repay the resulting Collection Fund Deficit, and to support in principle the allocation of business rates pooling gain to meet the costs of the scheme, underwritten by General Reserves.

3. Risk Assessment (if appropriate)

- 3.1 There is an increased risk of some larger businesses, employing 50 or more employees within the SWT area, having to re-pivot and/or consider downsizing directly as a consequence on Covid19 impacting upon its business, with the potential loss of jobs in their local area.
- 3.2 This Addendum provides the Council with an additional tool to help with the economic recovery within the District and help protect local jobs.

4. Background and Full details of the Report

- 4.1 Section 69 of The Localism Act 2011 amends Section 47 of the Local Government Finance Act 1988 and allows the Council to grant locally determined Business Rate relief.
- 4.2 On 4/2/2019 the Shadow Council for Somerset West and Taunton approved a Discretionary Rate Relief Policy which contains provision for Local Business Rates Discretionary Relief. This was subsequently amended on 26/02/2020 by a decision by the portfolio holder for Corporate Resources to reflect certain changes introduced by the Government which the Government would fully fund.
- 4.3 This report seeks to introduce a temporary Addendum to that policy, which will relate to the 2020/21 financial year only, and will provide greater flexibility than the current policy provision. For example to allow officers to award rate relief to businesses with a rateable value greater than the current policy cap of £200,000 RV.
- 4.4 The Addendum does not look to provide support to every business within the District. It is intended to support those companies which are major employers in the local place and that the indirect multiplier effect of the loss of jobs would have a knock on effect on the spend in the local economy and also that supporting the recovery/survival of a major business is in the wider public interest and key to place wellbeing.
- 4.5 The types of business which this Addendum may help are those with premises described for rating purposes as an office, factory or warehouse. We are not proposing to include retail, leisure or hospitality businesses within the scope of this policy Addendum as these businesses have already been granted a 'rates holiday' for 2020/21 by the Government and consequently have no rates for us to potentially relieve.
- 4.6 We are proposing to apply a maximum cap of £180,000 (EUR 200,000) to any local business rate relief awarded under this Addendum, for a current trading business only, subject to State Aid compliance. In most cases this would be sufficient to clear the full amount of rate due for the 2020/21 year, in others it would be sufficient to clear a significant portion.
- 4.7 If we were to award relief under the Addendum, the cost will be met by SWT 40%, Central Government 50%, Somerset County Council 9% and Devon and Somerset Fire and Rescue Authority 1%.
- 4.8 If SWT did not provide any relief and a company ceased to trade with business rates still owing, then ultimately that could result in the arrears being written off after all recovery avenues have been explored. If for example £250k was outstanding when the business failed, and that amount was written off, then the cost to SWT would be £100k. This would be additional to the loss of jobs.

5. Economic Development Context

- 5.1 In February 2020, the Council approved an economic development strategy, following a lengthy period of consultation and engagement during 2019 which identified the key issues and challenges faced across a range of areas including education, skills and training, innovation, business support and infrastructure and

proposed a programme of future support over the next few years, but this was all pre-Covid19.

- 5.2 In addition, the economic development team has been responding to the more immediate pressing needs of business and individuals in a crisis around survival and change, helping businesses re-orientate themselves to start again under operate under totally different market and operating circumstances,
- 5.3 By working with partners and evidencing and understanding how Covid19 has impacted all of our businesses and employees, we are now in the process of jointly developing a Somerset wide and SWT recovery strategy.
- 5.4 This involves, prioritising those activities in the short term that meet support businesses, employees and individuals survive the new normal and bounce back better, albeit there will be a settling down period in the next 12 months or so of consolidation, re-start, re-vitalisation as business re-establishing their existing markets as well as in the medium to longer term identifying new opportunities for innovation and diversification aiming for growth.
- 5.5 SWT has already made a positive start by prioritising and tailoring support to these new and emerging market conditions, meaning we have to be fleet of foot and use all the levers and measures at our disposal as a Local Authority in addition to pump priming and working in partnership to leverage more funding in support of the local economic needs and conditions Covid19 leaves us in.
- 5.6 To illustrate some of this, the economic development team with other cross Council colleagues has:
 - delivered two successive rounds of grants to provide businesses with that vital cash flow to see them through lock down
 - investing in the future of our High Streets and their immediate and medium-longer term transformational needs
 - leveraging business rates pilot funding to support:
 - the unlocking of the commercial areas of key employment sites such as Firepool
 - opportunities for our important business sectors, clusters and networks to receive capacity funding
 - identified gaps in business and innovation support to pilot new services specifically within Somerset
 - established a response to redundancy service, brokering solutions in response to specific business needs including a one stop shop for employment, training and jobs matching service for employees and individuals
 - supporting businesses that are operating in growth market and emerging sectors to provide new knowledge based jobs, including a Digital Innovation Centre on Firepool and exploring future opportunities to capitalise on our sub-regional innovation assets and R&D businesses in areas of cleantech low carbon growth, digital, AI and Big Data as well as health tech and advanced engineering
- 5.7 The policy Addendum, will further widen the range of potential help that the Council is able to offer in these challenging economic times.

6. Links to Corporate Strategy

- 6.1 This Addendum supports objective 3 of Our Environment and Economy theme.
Encourage wealth creation and economic growth throughout the District by attracting inward investment, enabling research and innovation, improving the skills of the local workforce and seeking to ensure the provision of adequate and affordable employment land to meet different business needs

7. Finance / Resource Implications

- 7.1 The cost of granting a local business rate relief is shared in the following ratios: SWT 40%, Central Government 50%, Somerset County Council 9% and Devon and Somerset Fire and Rescue Authority 1%.
- 7.2 There are 16 large private-sector businesses within the SWT area which operate from offices, warehouses or factories with a rateable value above £100,000 RV which potentially fall within the scope of this Addendum (subject to meeting the other criteria).
- 7.3 The table below provide an indication of the maximum range of total costs of relief should this be awarded to all businesses identified as potentially in scope for 2020/21. The tables also indicate SWT's indicative share of the relief cost. These figures are estimated based on a cap of £180,000 total discount per entity to reflect state aid limitations. This also assumes we are providing relief of the full year rates on all accounts.

RV 100000 and over					
100% Eligibility		75% Eligibility (based on average RV)		50% Eligibility (based on average RV)	
Total Discount	SWT Share	Total Discount	SWT Share	Total Discount	SWT Share
£1.813m	£0.725m	£1.332m	£0.533m	£0.888m	£0.355m

- 7.4 In practice there may be accounts where relief only covers part of the year, and would therefore reduce pro-rata. Whilst the outcome of the policy cannot be set with certainty, it is probable the overall level of discount will be below the maximum, and perhaps in the range £500k - £1m in total – so £200k-£400k as a 40% cost-share to SWT.
- 7.5 In terms of funding, the actual costs will be incorporated within an overall deficit on the Collection Fund, which will be added as a cost to the General Fund Budget in 2021/22 financial year. This cost will need to be underwritten by reserves due to the projected budget gap next year within the Medium Term Financial Plan, however there is an option to commit to the principle of using any uncommitted from the Business Rates Retention funds, for example if there is a business rates pooling gain in the current year.
- 7.6 There will be a cost of undertaking independent financial assessments on any eligible applications we may receive, the cost of which is unknown and will be subject to a procurement exercise. It is proposed to approve a commensurate budget using delegated officer powers in line with Financial Procedure Rules, and to fund this cost using uncommitted funds from the 75% Business Rates Pilot.
- 7.7 **It should be stressed that we are not proposing a blanket award of relief to all of these businesses, for example as if it were a grant. Instead, any relief will be**

targeted on businesses that meet the criteria and are in the circumstances set out in the accompanying policy Addendum.

- 7.8 The principles for this policy have been shared with the other Somerset councils (county plus 3 other districts) within the Business Rates Pool as minority stakeholders, and is awaiting their comments.

8. Legal Implications (if any)

- 8.1 Advice received from SHAPE legal is that State Aid will apply to any local rate relief we award under this Addendum as it is targeted and not sector wide. Therefore, we cannot award rate relief which exceeds the de minimis limit of £180,000 (€200,000), rolling 3 year maximum total benefit received per current trading enterprise. The usual State Aid eligibility/restriction conditions will therefore apply to each application.

9. Partnership Implications

- 9.1 The costs of the Discretionary Rate Relief Policy have an impact on the overall financial performance and benefits of the Business Rates Pool, therefore although the financial impact is predominantly met by central government and SWT, there is a cost impact for Somerset County Council and a potential impact on relative shares of gains between the authorities in the Pool.

10. Equality and Diversity Implications

- 10.1 Equality impact has been considered but a full EIA has not been undertaken for the following reasons:

There is no indication or evidence that any part of the proposed policy could discriminate, directly or indirectly. This policy is targeted on major employers and not on individuals. Whilst each employer within the scope of this policy is likely to have a differing workforce make-up, the personal characteristics of the workforce does not influence the award of relief under this policy.

There is no indication that there is potential for, or evidence that, this policy may adversely affect equality of opportunity for all and may harm good relations between different groups. One of the core purposes of this policy is to safeguard employment. Helping protect jobs within the District should help secure employment opportunities for all, regardless of personal characteristic. Redundancies however, often impact older and younger workers disproportionately. By seeking to protect jobs this policy may indirectly be of greater benefit (in terms of numbers) to those with protected characteristic of 'Age' in these circumstances.

11. Health and Wellbeing Implications

- 11.1 The importance of having a job extends far beyond the salary attached to it. A large stream of research has shown that the non-monetary aspects of employment are also

key drivers of people's wellbeing. Social status, social relations, daily structure, and goals all exert a strong influence on people's happiness and general wellbeing.

11.2 At its heart this Addendum is a tool within the Council's armoury to help safeguard jobs and thereby protect the physical and mental wellbeing of those impacted by help that we can provide.

12. Scrutiny/Executive Comments / Recommendation(s) (if any)

12.1 This Addendum has not been before the Scrutiny Committee although the Discretionary Rate Relief Policy itself was considered on 04/02/2019 by the Shadow Scrutiny Committee for Somerset West and Taunton.

Democratic Path:

- **Scrutiny / Corporate Governance or Audit Committees – No**
- **Cabinet/Executive – No**
- **Full Council – Yes**

Reporting Frequency: ☐ **Once only**

List of Appendices (delete if not applicable)

Appendix A	Local Business Rate Relief Policy Addendum 2020/21
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