

The New Discretionary Business Rate Relief Scheme

Date: 22 June 2022

Report of: Director of Resources / City Development

Report to: Executive Board

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

What is this report about?

Including how it contributes to the city's and council's ambitions

- The Council has reviewed its Discretionary Business Rates Relief policy and proposes that a new scheme is implemented in this financial year.
- This report outlines the proposed criteria for the new Discretionary Business Rate Relief Scheme. The total scheme value is capped at £1.75m. We will review this policy after three years to maintain its relevance and suitability.
- The current Discretionary Business Rate Relief Schemes were approved by Executive Board in 2013 and 2016 respectively.
- A significant operational decision was taken by the Director of City Development in April 2020 to suspend new applications to the Discretionary Business Rate Relief Scheme until further notice (ref: 50859) - this included any request to extend existing relief. The decision was taken as the Covid-19 business support schemes launched in response to national restrictions introduced to control the spread of Covid-19. These schemes which were given priority and the grants provided significantly more support than the Discretionary Rate Relief Scheme.
- The Covid-19 business support schemes have now ended, with the exception of the Covid Additional Relief Fund (CARF) scheme and we now want to return to delivery of a Discretionary Business Rate Relief Scheme that supports eligible businesses over the next three years.
- The purpose of the new scheme is to support the creation, retention and improvement in employment delivering inclusive growth. Additionally, ensuring that the scheme returns good value for the taxpayer through supporting businesses that can demonstrate financial sustainability and a focus on social value is essential. This aligns with the Leeds Inclusive Growth Strategy 2018-23, where supporting growth and investment that helps everyone benefit from the economy is a desirable outcome.
- The new scheme has been designed to be fair and transparent and to ensure a wide reach of businesses. It will provide businesses with fiscal support which will allow them to afford their business rates bill and focus other resource into business matters such as innovation, research and development'. This supports our ambition to support innovation from SMEs, stated in the Leeds Economic Recovery Framework 2020, and also promotes building resilience into Leeds businesses and the future workforce, as proposed in the Leeds Inclusive Growth Strategy 2018-2023.

- The Executive Board approved the previous '[Extension of Discretionary Business Rate Relief Scheme](#)' in April 2013 that allocated resource of £1m to cover relief for civic enterprises, young businesses and inward investment. Executive Board also approved the '[Review of Discretionary Business Rate Relief Scheme](#)' in June 2016 which added relief for job retention, shared workspace and strategic relocation to the scheme that raised the allocated resource to £1.75m.
- The proposed scheme value remains capped at a total of £1.75m of local discounts to businesses against their non-domestic rates bills – which is at a cost of £875K to Leeds City Council based at the 50% retention of rates. This value is demonstrated as sufficient from previous years relief awarded and expectations of relief sought under this scheme.
- The criteria for successful application and the conditions for awarding relief have changed significantly with this proposal, with a greater focus on supporting businesses that provide social value and provide good value to the tax-payer. The sector-focussed approach from the previous scheme has been refocussed on providing support for social enterprises, young businesses and those businesses with a social and civic purpose that aligns with delivering inclusive growth.
- Relief will be capped at 50% of the annual non-domestic rates bill up to a maximum relief of £15K per annum for up to three years unless in exceptional circumstances. This ensures that the proposed £1.75m budget is sufficient to meet anticipated demand and enables the Council to design a scheme which will not place any significant burdens on potential applicants. Inward Investment relief will be processed and awarded as exceptional relief as it has been since April 2020.
- The new Discretionary Business Rates Relief scheme will be open for applications from September 2022 with applications being received via an online application process. The scheme will be promoted through appropriate channels to potential applicants.

Recommendations

- a) Executive Board is recommended to approve the policy for the new Discretionary Business Rate Relief Scheme.
- b) Executive Board is recommended to delegate the decision to award discretionary business rate relief to the Director of City Development and any minor alterations to the approved scheme.

Why is the proposal being put forward?

- 1 The lasting effects of the Covid-19 pandemic, leaving the EU and more recently the war in Ukraine are changing the needs of business and creating uncertain economic conditions for businesses. With the exception of the Covid Additional Relief Fund (CARF) scheme, the Covid-19 business support schemes have ended and so it is now the right time to review and renew the Discretionary Business Rate Relief Scheme so that it is fit for purpose in the current climate.
- 2 The previous scheme and how it was processed is no longer sufficient to cater for the current needs of businesses and are out of date. Research of other local authority discretionary schemes has highlighted a need to renew not only the criteria, but how we process applications for relief on this scheme.
- 3 Discretionary business rates relief provides a mechanism by which we can financially support our businesses in a transparent way in line with national government guidelines. Rates relief should not be seen as a cost but rather as an opportunity for investment in our business stock. By supporting firms to scale-up, or to grow or maintain their investment in Leeds we are helping to sustain and expand the business rates base of the city, and thus the future income of the Council. Rates relief is an important part of the Council's offer in seeking to back innovators and

entrepreneurs as outlined in the Leeds Inclusive Growth Strategy and the Leeds Economic Recovery Framework.

- 4 Additionally, it is a policy to aid in securing inward investment and to intervene and assist firms to stay in Leeds when they face the risk of job redundancies, closure or relocation elsewhere. Financial support in the form of Business Rates Relief is the support most often requested by external partners. It provides us with a cost-effective mechanism to support businesses and offers good value with 50% of the relief costs met by central government. By providing support linked to the occupation of business premises the Council is providing a mechanism to support future business growth, help to support occupancy rates in Leeds and help to grow the Business Rates tax base by supporting in the longer term the financing of local government services.
- 5 Although the relief is discretionary there is a statutory obligation to ensure that decisions are made in a consistent manner and failure to do so could result in a legal challenge. This proposal offers a framework to administer the scheme in a fair, transparent and consistent manner that is in line with our strategic decision-making process.
- 6 In [April 2013](#) Executive Board approved the recommendation to allow a discretionary local discount rates relief scheme that incorporated support for civic enterprises, young businesses in our economic growth sectors, commercial listed buildings not in use and significant business relocations to Leeds. This scheme was then reviewed in [June 2016](#) and Executive Board approved the extension of this scheme to include employment safeguarding, strategic relocations and shared workspace. These additions were based on the changes in the business operating environment and demographic make-up, with the city having experienced severe floods that left many businesses with a need to relocate and a need for affordable and flexible working spaces.
- 7 The purpose of the new scheme is to support Business retention and growth to help to grow our economy in line with the inclusive growth strategy. With private sector employment in Leeds dropping from 391K to 379K between 2019 and pre-pandemic 2020 (BRES 2021) and unemployment in Leeds rising from 4.1% to 5.5% between January 2021 and December 2021 (APS, 2022) there is a clear need to safeguard employment when jobs are at risk. Productivity in the city has flatlined at around £55K GVA per filled job (2018-2019, ONS) which calls for a need to retain good jobs in the city.
- 8 In this new scheme we will focus our support on young businesses, social enterprises and businesses with a social or civic purpose.
- 9 In reviewing the scheme criteria as outlined from paragraph 10 below, consideration has been given to the current and future business needs based in the current environment of recovery from the Covid-19 pandemic, the changes brought about by withdrawal from the EU and the war in Ukraine. We are going through a major economic reset and there is now a need more than ever to align the new criteria with the objectives of the Leeds Inclusive Growth Strategy, the Leeds Economic Recovery Framework and our Zero Carbon ambitions too.
- 10 This proposed scheme will provide businesses with fiscal support which will allow them to not only afford their business rates bill, but also focus other resource into business matters such as innovation, research and development and ancillary services.
- 11 Additionally, we are ensuring that this proposed scheme returns good value for the taxpayer through supporting businesses that can demonstrate future sustainability and a focus on creating benefits for society and civic purposes.
- 12 We aim to make the process transparent and easier to navigate with clear, uncomplicated criteria with a streamlined process for application and appraisal.

13 We will develop an online application process which will allow access for all businesses so they can apply with greater ease.

CRITERIA

14 This section outlines the proposed new criteria for the scheme. Justification for each of these is provided, and where necessary explanation is provided against the change from the previous scheme. A summary of the new criteria is provided before the explanatory descriptions further below:

- a. Inward Investment relief will be given through Exceptional Circumstances (option to split the funding stream creating a separate fund.)
- b. National chains and multi-national companies already present in Leeds will not be supported on this scheme.
- c. For 2022/23 there will not be any local discount relief for businesses in the Retail, Hospitality and Leisure (RHL) sectors as they are supported by national government schemes. For 2023/24 onwards, RHL sector relief will be possible in accordance with main criteria.
- d. We will prioritise applications from businesses occupying premises with a rateable value (RV) between £15K and £51K. Given the maximum proposed relief available it is our experience that this will have the greatest impact on premises which are just above the statutory Small Business Rate Relief threshold of £15K.
- e. We will focus our support on young business, social enterprises and businesses with a social / civic purpose. Charities are already supported by a statutory relief scheme.
- f. Applicants from businesses with a social /civic purpose will need to demonstrate that their work creates wider benefits for society and civic matters.
- g. Applicants must demonstrate that they are moving towards a position of financial sustainability for the years following their application.

a) Inward Investment relief will be given through Exceptional Circumstances (option to split the funding stream creating a separate fund.)

- i. Providing Business Rate relief is a common tool used to support inward investment.
- ii. Over the past few years we have welcomed many major organisations to the city, including Channel 4, Utterberry and Labcorp (was Covance), who have all enquired about business rate relief in their enquiries into locating in the city.
- iii. The average value of annual support per organisation for inward investment was circa £42K. The cumulative value of a multiple of these awards would diminish the available relief of £1.75m very quickly and in an unbalanced way that would not represent fairness.
- iv. Following the discretionary business rates scheme being suspended in April 2020, approval for relief for inward investment cases has been actioned in exceptional circumstances and through the appropriate delegated decision framework to the Chief Officer Financial Services. This has proved to be efficient and successful in administration.
- v. Where timescale and confidentiality allow, Inward Investment rate relief requests will be steered to the online application portal where they can provide sufficient information that can be used for compiling the necessary Delegated Decision Notice or Report.
- vi. This method is both actionable efficiently and reportable quickly. Cases and justification for support can be transparent and published accordingly – and as such highlighted where a case study is required.

- vii. It is noted that whilst discretionary business rate relief should not be used as a tool to deliver or negotiate inward investment, its position in business support remains valid in inward investment enquiries, as does the rest of the criteria and can be applied as such.
- viii. This pathway includes major businesses that are looking to set up in the city as retailers who previously have not had a presence here.

b) National chains and multi-national companies already present in Leeds will not be supported on this scheme.

- i. National chains and multi-national companies that are seeking to add additional units into Leeds are likely to be in quite a strong financial position and able to maintain payment of their business rates bills, which would have been considered as part of their investment. If they would be new to the region then the inward investment exceptional circumstance relief could be considered as a route for support on a bespoke basis.
- ii. Where there is significant risk of substantial job losses from a national chain / multi-national company that are already present in the city, then this can be dealt with in a similar method to inward investment as exceptional relief on a case-by-case basis.

c) For 2022/23 there will not be any local discount relief for businesses in the Retail, Hospitality and Leisure (RHL) sectors as they are supported by national government schemes. For 2023/24 onwards, RHL sector relief will be possible in accordance with main criteria.

- i. The Retail, Hospitality and Leisure (RHL) Business Rate Relief Scheme has been set by the Department for Levelling Up, Housing and Communities for 2022/23 and guidance to local authorities on the administration of this scheme was released on 20th December 2021. This provides eligible, occupied, Retail, Hospitality and Leisure properties with a 50% relief, up to a cash cap limit of £110,000 per business.
- ii. The eligibility for the RHL relief scheme is broad – with many types of business supported in the scheme and applies to 3060 properties in Leeds to the total value of £16m. No additional relief should be offered to these organisations unless they are in hardship.
- iii. On the assumption that the government may well withdraw RHL relief beyond the current financial year then the Council will enable RHL businesses in 2023/24 to apply for the discretionary rate relief scheme in line with other applicants.

d) If the applicant has other local discount business rates relief or are in receipt of other relief from a national government scheme they will not be eligible for this scheme. In exceptional circumstances further relief may be applied up to the maximum limit.

- i. The below national business rate relief schemes administered by Leeds City Council will still be offered by the Council in their current form. However, receipt of one or more of these types of relief excludes an applicant from accessing this discretionary relief scheme.
 - a) small business rate relief
 - b) rural rate relief
 - c) charitable rate relief
 - d) enterprise zone relief
 - e) hardship relief
 - f) retail discount
 - g) local newspaper relief
 - h) exempted buildings and empty buildings relief

- i) transitional relief if your rates change by more than a certain amount at revaluation
- ii. In the previous scheme, it was common to layer up awards (e.g. shared workspace awarded at 80% and Civic enterprise top up of 20%) to achieve a maximum relief. Whilst this was not necessarily in the scheme criteria it was quite often in place to use a combination of reliefs to support businesses in need. To simplify this, it is proposed to have a single point of relief in this new scheme.
- iii. If any national business rate relief schemes emerge or are removed in the future, or if there are any national business grant schemes that have a significant impact on businesses potentially supported on this scheme, then appropriate changes to this scheme is delegated to the Director of City Development.

e) We will prioritise applications from businesses with a rateable value (RV) of between £15K and £51K – on the basis of young business not receiving small business rate relief (SBRR).

- i. Supporting SMEs is desirable and a stated outcome in the Leeds Inclusive Growth Strategy and the Leeds Economic Recovery Framework. Those businesses with a RV under £15K are supported with small business rate relief, as per national government guidelines, with businesses up to RV £12K achieving 100% relief and relief gradually dissipating to 0% at RV £15K.
- ii. Those businesses with an RV just over the £15K threshold which are typically micro and small in size are not provided relief unless qualified under another scheme. There are 5145 non-domestic rates (NDR) properties that have an RV between £15K and £51K with an average RV of £27K. Many of these premises tend to be occupied by young businesses in their early years of trading and we are keen to support these businesses. Business survival is a key performance metric in the Leeds Best City Ambition, with one year, three year and five year survival rates currently at 88.3% ,56% and 40.8% respectively in Leeds. Providing support to young businesses in their early years of trading will help to improve survival rates and business growth at a critical point in the business growth cycle.
- iii. Where a business has multiple units, national government guidelines will prevail for SBRR – and the upper limit of RV £51K will still apply for the total value of all units.
- iv. A focus on premises with a RV of up to £51K is in line with the Covid-19 Additional Relief Fund and Covid discretionary grant funds and hence will help to ensure consistency with previous assistance schemes.

f) We will focus our support on young business, social enterprises and businesses with a social / civic purpose. Charities are supported by a national relief scheme.

- i. The previous sector-based categories in the older scheme (Healthcare, Creative & Digital, Professional & Business Services, Retail, Low Carbon Manufacturing ,Construction, Social Enterprise/Third Sector) were adopted by Executive Board in November 2011 as the key growth sectors of the then Economic Growth Strategy.
- ii. This sector-based approach for a period of three years is no longer appropriate and it is arguable the focus on these no longer relevant due to the success of previous economic growth – particularly in the Creative & Digital and Professional & Business services sectors which are thriving and need less support.
- iii. If a specific sector focus is needed because of economic circumstances, this will be delegated to the Director of City Development to make any minor alterations to the scheme.
- iv. Defining support for:

- **Social Enterprise / Third Sector** – For the purposes of policy, the following definition of Social Enterprise should be used. A social enterprise is a trading organisation which:
 - is enterprising in its approach
 - has clear social objectives set out in a constitution
 - has a structure which ensures social ownership and accountability
 - does not distribute profit to private shareholders (unless as a Community Interest Company)

Social enterprises are businesses driven by social or environmental objectives whose surpluses are reinvested for that purpose in the business or in the community. Social Enterprises can range from small-scale community enterprises, such as cafes and shops, through to national companies operating in the open market.

Social enterprises are more likely than other businesses to be based in more disadvantaged areas, to reinvest their profits into those local areas and to employ those furthest from the labour market. They work to improve communities, people's life chances and the environment by combining business practices with social purpose by using innovative approaches to tackle social problems. Many social enterprises have particular knowledge of, sensitivity to, and expertise about the communities in which they work. As a result, they may be much better placed than competitors to engage with people from disadvantaged or excluded communities.

Leeds City Council should retain an element of local discretionary rate relief support for social enterprises delivering social or economic value, provided that they are in line with the Council's strategic objectives.

- **Young Businesses** – Taken here to be businesses within the first three years of trading, these are in particular need of financial support during the early years as there is a tendency for reduced cash flow. To qualify they must be independent (not a subsidiary or local branch of an existing business – as per 'linked enterprise' EU definition), be able to demonstrate viability over the next financial year and demonstrate the potential to create new jobs.
- **Businesses with a social / civic purpose** – We will focus our support on businesses that have a large share of their work that is geared towards a social or civic purpose. This means that their products or services are aimed at helping people or society or engaged in delivering a common purpose with civic objectives in mind. This can be from many fields, such as health and wellbeing, finance, manufacturing, digital and creative.

g) Applicants will need to demonstrate that a significant amount of their work is related to creating benefits for society and civic matters.

- i. Leeds City Council's Best City Ambition, which is framed around the ambitions of the three strategic pillars (Inclusive Growth, Health and Wellbeing and Zero Carbon) is a desirable approach that is hoped businesses we support will align with. Successful applicants will need to demonstrate a serious interest in civic matters and describe how they benefit general society within their application.
- ii. In order to demonstrate this, applicants will need to provide case studies supported by factual narrative about what they have attempted to achieve for consideration in appraisal. Whilst there is no general percentage of work requirement or measure of success for this – it should be clear from their application that the business is creating benefits for society.

h) Applicants must demonstrate that they are moving towards a position of financial sustainability for the years following application.

- i. Applicants are required to upload management account and forecasts that demonstrate that they are moving towards sustainability without business rate support - and be viable as a business without the ongoing need for relief.
- ii. Commercial businesses need to demonstrate they will achieve long term financial self-sustainability
- iii. We have seen in recent years that some businesses have costed business rate relief into their forecasted management accounts as part of their fiscal planning and this is something that we should discourage.
- iv. The Council's Economic Development team has extensive experience of managing business grant programmes in Leeds/the wider City Region and assessing requests made to the Council for financial assistance.

CONDITIONS

15 This section of the report outlines the scope and conditions of the proposed scheme, including the value, level of support provided to successful applicants and requirements that they must adhere to if successful. A summary list of the new scheme conditions is provided before the explanatory descriptions further below:

- a) Scheme value remains at £1.75m of local discounts - £875K at cost to the Council at 50% retention of rates.
- b) Successful applicants will receive a maximum relief of 50% off their annual bill – up to the maximum relief capped at £15K per annum.
- c) Support will be for up to three years with officer's using discretion to determine the length of relief on a case by case basis. Monitoring will be put in place to ensure that relief is reviewed on an annual basis.
- d) Successful applicants must pledge to participate in / deliver a bespoke set of Corporate Social Responsibility components aligned with the Council's ambitions and three pillars (as mentioned above) – similar to the Local Enterprise Partnership's (LEP) toolbox for bespoke measures
- e) Successful applicants must agree to providing management and audit information when required to do so by LCC officers.
- f) Successful applicants will be required to quantify and sign a subsidy control declaration

i) The Scheme budget remains capped at £1.75m with 50% met by central government through the Rates system.

- i. In the 2018/19 financial year £588K of local discount relief was provided to 39 businesses. This reduced to £450K for 34 businesses in 2019/20. In 2020/21 a total of £422K was provided to 11 businesses – although it should be noted that two businesses accounted for £300K of this allocation. In 2021/22 the cost of relief was £332K covering support for five businesses with a further 14 businesses offered relief of a total of £228K. These figures include cumulative costs where the costs of individual applications have rolled over into the following financial years. The proposed budget capped at £1.75m is therefore felt to be sufficient to meet existing demands. To put this into context in the 2022/23 financial year £374m in Business Rates is currently being collected, so the proposed budget is less than 0.5% of Rates collected in Leeds. See Appendix 3 for breakdown of Discretionary Rate Relief since 2013/14

j) Successful applicants will receive a maximum relief of 50% off their annual bill – up to the maximum relief capped at £15K

As a typical large industrial building has a rates bill of £50k per annum, the proposed budget of £1.75m would not support many applicants. It is therefore proposed that relief is limited to 50% of Rates payable up to a maximum relief of £15K per annum per business. This maximum relief may be extended under exceptional circumstances. The average relief payment awarded recent years has been £5.3K for civic enterprise relief; £4.9K for social enterprise; £15.8K for employment support; £6.4K for shared workspace and £14.9 for young business relief. This demonstrates that a cap of £15K per annum is in line with previous reliefs awarded and will enable the Council to support more businesses within the proposed £1.75m budget. The £15K maximum limit on relief will be reviewed on an annual basis with the ability to make any minor changes to this limit delegated to the Director of City Development. If there is significant underspend on the scheme in any annual period, then additional payments may be made to successful applicants under the delegated authority of the Director of City Development.

i.

k) Support will be for up to three years. Decisions on length of support will be at the discretion of Officers in the Economic Development Service.

i. The previous schemes provided support between one and three years depending on the scheme focus. This approach was difficult to administer and also raised the expectations of ongoing support for businesses. It is proposed that the time period for relief will be decided by Officers on a case-by-case basis. Long term support beyond three years is not a position which the Council would support other than in exceptional circumstances. As part of the application process there will be an expectation that discretionary rate relief is short term to help businesses to move towards sustainability and to support growth at a critical point in the growth cycle. Given the proposed annual budget is capped at £1.75m it is not proposed that discretionary rate relief will be used to subsidise businesses on a long-term basis and that the intention over the next three years is to help a larger volume of businesses than the previous rate relief schemes.

l) Successful applicants must pledge to participate in / deliver a bespoke set of Corporate Social Responsibility components aligned with the Council's ambitions and three strategic pillars – similar to Local Enterprise Partnership's (LEP) toolbox for bespoke measures.

i. To ensure good use and return on resource this scheme proposes that successful applicants be required to sign up to one pledge that is proportionate to the relief provided. They will be asked to sign up to one pledge on corporate social responsibility and civic purpose. Many local authorities have this as part of all their grants and funding schemes, as do the LEP.

m) Successful applicants must agree to providing management and audit information when required by LCC officers.

i. Applicants will be required to provide up to date financial information (such as their management accounts) This information will help us to monitor, evaluate and improve the scheme over the longer term.

ii. It is proposed that wherever possible this consists of information in the public domain for limited companies but given the focus of the scheme on young businesses and social enterprises up-to-date management information will be required as part of the appraisal process.

n) Successful applicants will be required to quantify and sign a subsidy control declaration

- i. There is a statutory obligation for awarding subsidy to businesses in line with the Subsidy Control Bill (June 2021) – these are explained in the legal section below at para 24. Relief will be provided in accordance with the new Subsidy Control Bill framework.
- ii. No monies can be paid until this has been successfully completed and returned by the successful applicant and they meet the Subsidy Control Bill framework.

o) If economic circumstances mean that in any year a particular sector needs more support, then this is delegated to the Director of City Development.

- i. In recent years Leeds has suffered from the Covid -19 pandemic and the Storm Eva Floods. A fast response was required to rapidly changing economic circumstances, rates relief forms an important tool to help businesses and the Council may be in a position in the future where a rapid response is required to the next economic crisis. It is therefore proposed that any need to refocus the Rate Relief Scheme to respond to changing economic circumstances is delegated to the Director of City Development.

What impact will this proposal have?

Wards affected: ALL

Have ward members been consulted?

Yes

No

- 16 The proposed new Discretionary Business Rate Relief Scheme will provide businesses with fiscal support which will allow them to afford their business rates bill and also focus other resource into business matters such as innovation, research and development and ancillary services.
- 17 The provision of relief has the ultimate outcome of retain and provide more jobs and better jobs. Businesses will be required to provide information relevant to this in their application and audit.
- 18 This proposal supports the ambitions set out in the Leeds Inclusive Growth Strategy. The proposed relief of business rates contributes to Big Idea 5: Supporting Places and Communities to Respond to Economic Change; Big Idea 10: Backing Innovators and Entrepreneurs in Business; and Social Enterprise and Big Idea 12: Maximising the Economic Benefits of Culture.
- 19 The proposal also supports objectives set out in the Best City Ambition where our focus is to support our businesses and social enterprises to be innovative, creative, ambitious and connected to the local community they are in, with access to the skills they need to boost productivity and succeed.
- 20 Aligning to the Leeds Economic Recovery Framework, this scheme will aid us in responding and building resilience within the SME community. We value the need for entrepreneurs and innovators to generate programmes leading to a stronger eco-system and creating more businesses and jobs and by safeguarding these we show visible support for this.
- 21 An equality, diversity and cohesion impact screening has been completed (Appendix 4). It concluded that this proposal supports new and early stage businesses and social enterprises to survive and grow. As such, it was deemed to be positive in improving equality and diversity within the city

What consultation and engagement has taken place?

- 22 Internal consultation has been undertaken with the Economic Development Team, Business Support Team and finance colleagues responsible for business rates. This informed the development of this proposed approach.
- 23 The views of the Executive Member for Economy, Culture and Education has been sought, and he is supportive of this proposal. The views of the Executive Member for Resource have also been sought.
- 24 The view of the West & North Yorkshire Chamber of Commerce and the view of the Federation of Small Businesses has been sought.

What are the resource implications?

- 25 The cost of this scheme to Leeds City Council is £875K per annum. Resource for this scheme is allocated from the Resources Directorate as part of the Business Rates budget. This represents less than 0.50% of the net rates payable across 2022/23.
- 26 Staff resources to administer the proposed scheme will be drawn as necessary from the Economic Development Service.

What are the legal implications?

- 27 Section 69 of The Localism Act 2011 introduced the provision for local authorities to allow relief, or a discount, from business rates from 1st April 2012 to any organisation it deemed appropriate, provided that it was in the interests of local council taxpayers to do so. Prior to this Act the provision extended only to not-for-profit organisations.
- 28 From 1st April 2013 business rates are subject to the Rates Retention Scheme, which allows local authorities to retain part of any growth in their business rates yield (or requires them to make up part of the shortfall if there is a reduction). As a result of this scheme the funding of any increase in the level of reliefs awarded, whether mandatory or discretionary, will effectively be funded 50/50 by the local authority and central Government.
- 29 Although the relief is discretionary there is a statutory obligation to ensure that decisions are made in a consistent manner. Failure to do so could result in a legal challenge ultimately by way of judicial review. The new guidelines are intended to provide this consistency.
- 30 Any relief provided by local authorities under this scheme will need to comply with the UK's domestic and international subsidy control obligations (see the BEIS guidance for public authorities which explains the subsidies chapter of the UK-EU Trade and Cooperation Agreement (TCA), World Trade Organisation rules on subsidies, and other international subsidy control commitments). To the extent that a local authority is seeking to provide relief that falls within the Small Amounts of Financial Assistance Allowance, Article 364 of the TCA allows an economic actor (e.g. a holding company and its subsidiaries) to receive up to 325,000 Special Drawing Rights (£343,000 as at 9th December 2021) in a three-year period (consisting of the 2022/23 year and the two previous financial years). Expanded Retail Discount granted in either 2020/21 or 2021/22 does not count towards the £343,000 allowance but BEIS business grants (throughout the three years) and any other subsidies claimed under the Small Amounts of Financial Assistance limit should be counted.

- 31 The Subsidy Control Bill was introduced to Parliament on 30th June 2021, effectively replacing the traditional State Aid rules now that the UK is no longer within the EU. It sets out the Government's legislative proposal for a new UK subsidy control regime.
- 32 The Bill provides a legal framework for public authorities to award subsidies in line with subsidy control principles. There is a statutory duty for public authorities to consider these principles and only award a subsidy if the subsidy is consistent with these principles. Historically, the award of 100% business rates relief was considered likely to amount to State Aid and this is still the case for the Subsidy Control.
- 33 This allowance is cumulated with any subsidy from any source of public funding. Therefore, utilising this allowance may preclude a business accessing further support under this threshold over the next three years if they reach the limit. Small Amounts of Financial Assistance Allowance businesses will need to consider all subsidies previously granted as De Minimis aid or as Small Amounts of Financial Assistance from any subsidy-awarding body during the current and two previous fiscal years.
- 34 Ensuring the successful applicants declare and sign a subsidy control declaration before payment is processed, we are adhering to the necessary obligation of the Subsidy Control Bill.

What are the key risks and how are they being managed?

- 35 The proposals would allow the Council to exercise their discretion to award discretionary rate relief under the Localism Act 2011 within limited, clearly defined framework, thereby limiting the potential cost of any overspend.
- 36 The main risk in these proposals is that demand exceeds the costs budgeted above. This can be mitigated by ensuring the balanced quarterly spend of the relief is managed effectively.
- 37 Reputational risk – Businesses in hardship and genuine need for support of discretionary business rates relief often contact the Council and have been informed the current scheme is on hold since April 2020. The re-opening of a discretionary scheme gives visibility to our compassion and provides an opportunity to visibly support our local businesses.

Does this proposal support the council's three Key Pillars?

Inclusive Growth

Health and Wellbeing

Climate Emergency

- 38 This proposal supports the ambitions set out in the Leeds Inclusive Growth Strategy. The proposed relief of business rates contributes to Big Idea 5: Supporting Places and Communities to Respond to Economic Change; Big Idea 10: Backing Innovators and Entrepreneurs in Business; and Social Enterprise and Big Idea 12: Maximising the Economic Benefits of Culture.
- 39 The proposal also supports objectives set out in the Best City Ambition where our focus is to support our businesses and social enterprises to be innovative, creative, ambitious and

connected to the local community they are in, with access to the skills they need to boost productivity and succeed.

40 Aligning to the Leeds Economic Recovery Framework, this project will aid us in responding and building resilience within the SME community. In the Framework we outlined our continued immediate support for businesses and workers, and this would be very much in line with that.

41 Additionally, in the Leeds Economic Recovery Framework we value the need for entrepreneurs and innovators to generate programmes leading to a stronger eco-system and creating more businesses and jobs. This project will support the progress of entrepreneurs and SMEs by providing them with a quality workspace and services they need.

Options, timescales and measuring success

What other options were considered?

42 Option 1 – Continue with the holding position with businesses not able to access local discount discretionary rate relief unless through an exemptions process. This is not recommended owing to continued uncertainty for businesses and reputational risk associated with not running a local discount scheme when other neighbouring local authorities are doing so.

43 Opening the on-hold scheme back up with its criteria and conditions remaining the same. This will likely lead to an excessive burden on officer resource if the volume of applications increases from previous levels. It may also mean that businesses could be eligible for support in areas that no longer need additional help.

How will success be measured?

44 Success will be determined by ongoing business survival of the recipients, employment retention. Quarterly reporting with audit information from businesses will determine if this scheme has made a difference in retaining employment and avoiding liquidation of businesses.

45 Additionally, through the enhanced business engagement with the Corporate Social Responsibility pledges, we expect to see additional benefits to the tax-payer other than economic and employment benefits. Whilst these are secondary in purpose, they will be evidenced in a portfolio for further narrative and audit.

What is the timetable for implementation?

46 The new scheme should be operational to offer discretionary rates relief from September 2022.

Appendices

47 Appendix 1- Corporate and Social Responsibility pledges.

48 Appendix 2 – Summary of previous scheme criteria.

49 Appendix 3 - Breakdown of Discretionary Rate Relief since 2013/14

50 Appendix 4 – EDCI Screening

Background papers

51 None.