

**MAIDSTONE BOROUGH COUNCIL**

**CABINET**

**24 FEBRUARY 2014**

**URGENT REPORT OF HEAD OF FINANCE & RESOURCES**

**Report prepared by Paul Riley**

**1. FLOOD SUPPORT SCHEMES**

1.1 Issue for Decision

- 1.1.1 To consider adopting a series of schemes announced by the government proposals to support flood affected business and residential properties.

1.2 Reasons for Urgency

- 1.2.1 The Government has announced a series of schemes to support homeowners and businesses affected by the severe weather flooding since December 2013. The government has requested urgent action by local authorities to ensure schemes are in place as quickly as possible to support those in urgent need. This report will approve in principle the provision of the schemes and delegate other actions to the Director of Regeneration and Communities and the Cabinet Member for Corporate Services in order to act quickly and identify those residential and business properties eligible for rate relief and government funding.

1.3 Recommendation of Head of Finance & Resources

1.3.1 It is recommended that Cabinet:

- a) Agree to participate in each of the schemes set out in the report, in line with the criteria set by government
- b) Delegate authority to set up the administration for each scheme and set the local criteria for each scheme to the Director of Regeneration and Communities, in consultation with the Cabinet Member for Corporate Services.

#### 1.4 Reasons for Recommendation

- 1.4.1 On 17 February 2014 the Prime Minister announced a series of measures aimed at assisting homeowners and businesses to recover from the adverse weather since 1 December 2013. Attached as **Appendix A** to this report is the government's guidance on this matter, published on 20 February 2014.
- 1.4.2 The support proposed by the Prime Minister is for the impacts of flooding between 1 December 2013 and 31 March 2014 and not, for instance, from the failure of a water main, internal water systems or the failure of a sewerage system (unless the failure was itself caused by the adverse weather conditions). A full definition of flooding to be used in relation to these schemes is set out in Annex A to the guidance attached as Appendix A to this report.
- 1.4.3 This support is in addition to other support schemes already announced by the government including the Bellwin Scheme, the Severe Weather Recovery Scheme and the Farming Recovery Fund. The support is not mandatory as the government has chosen not to legislate for these schemes but has confirmed that they will reimburse local authorities for any payments made or discounts allowed under the schemes through s31 of the Local Government Act 2003.
- 1.4.4 The four schemes proposed by the Government are:
- a) The repair and renewal grant
  - b) Business rates flooding relief
  - c) Council tax discounts
  - d) Business support scheme
- 1.4.5 Full details of the government's principles for each scheme are set out in the guidance attached as Appendix A. The detail of how the schemes will operate locally will need to be in accordance with the principles set out by government and the council will be required to have robust administrative processes in place. A summary of the principles of each of the schemes is set out below.

#### 1.5 The Repair and Renewal Grant

- 1.5.1 The key principles of the scheme are as follows:-
- a) Scheme is for businesses and homeowners alike;

- b) Maximum grant £5,000;
- c) To provide additional flood resilience and resistance measures;
- d) Must not replace existing legislation or other schemes to provide support;
- e) Must not replace insurance;
- f) Businesses and Homeowners must apply to the local authority;

1.5.2 Local authority schemes are required to comply with the following:

- a) Validate the fact that homeowners and businesses suffered from flooding during the period;
- b) Ensure properties are not already eligible to benefit from planned community level schemes;
- c) Not claim for insurable costs;
- d) Develop criteria at a local level and decide on each individual case whether a grant is payable or not;
- e) Identify the package of works to be completed following a survey by a competent professional (further details expected but will apply the "standard property level protection template").

## 1.6 Business Rates Flooding Relief

1.6.1 The key principles of the scheme are as follows:-

- a) The Government will reimburse local authorities that use their discretionary relief powers (under section 47 of the Local Government Finance Act 1988 (as amended by the Localism Act)) to grant relief in line with the eligibility criteria;
- b) 100% rate relief for 3 months subject to:-
  - the hereditament has been flooded in whole or in part as a result of adverse weather conditions; and

- on that day, as a result of the flooding at the hereditament, the business activity undertaken at the hereditament was adversely affected; and
  - the rateable value of the hereditament on that day was less than £10 million.
- c) Full impact of flooding must be considered, very small or insignificant impacts should be ignored;
- d) Flooding must be as defined in Annex A to Appendix A attached to this report;
- e) The scheme does not apply to premises occupied by the billing authority or to empty property.

1.6.2 In order for this scheme to operate local authorities must agree a local discretion under section 47 of the Local Government Finance Act 1988 (as amended by the Localism Act) and comply with the following:-

- a) Agree any additional period of discretionary exemption above the three month period prescribed in the guidance. At this time it is not recommended that additional discretionary periods should be granted as the impact and cost of the currently proposed discretion is not clear;
- b) Apply all other available reliefs before applying this discretion.
- c) Set up processes for administration of the scheme including evidence of flooding and application process.

## 1.7 Council Tax Discount

1.7.1 The key principles of the scheme are as follows:-

- a) While discounts should be locally funded, the Council can reclaim costs on this occasion from a £4m provision set aside by the Department for Communities and Local Government;
- b) Similar arrangements to those for businesses, to allow 100% discount for a period of 3 months, are proposed for eligible properties.

1.7.2 In order for this scheme to operate local authorities must agree a local discretion under section 13A of the Local Government Finance Act 1992 comply with the following:-

- a) Agree any additional period of discretionary discount above the three month period prescribed in the guidance. At this time it is not recommended that additional discretionary periods should be granted as the impact and cost of the currently proposed discretion is not certain;
- b) Apply all other available discounts before applying this discount.
- c) Set up processes for the administration of the scheme including evidence of flooding and application process.

## 1.8 Business Support Scheme

1.8.1 The key principles of the scheme are as follows:

- a) The Government will reimburse local authorities under s31 of the Local Government Act 2003 and has made a provisional allocation as part of the announcement. The fund is £10m and around £5m was allocated at this initial stage with a £290,000 allocation being made to Maidstone Borough Council;
- b) Support will be to small and medium sized enterprises (SMEs) to develop and implement business recovery plans. Such costs as clear up and temporary accommodation will be eligible;
- c) Only businesses affected by coastal and inland flooding since 1st December 2013 will be eligible for funding;
- d) Eligible businesses are those that have sustained hardship and significant loss of trade as a result of the floods;
- e) Costs recoverable elsewhere are not eligible;
- f) Can be used to support businesses which have been indirectly impacted by the floods;
- g) In considering whether the business activity has been adversely affected, local authorities should consider the impact of the flooding in the full context of all business activities undertaken at the hereditament. Very small or insignificant impacts should be ignored;

- h) The scheme applies to all types (other than those occupied by the Billing Authority) and uses of non-domestic hereditaments.

1.8.2 In order for this scheme to operate local authorities must agree a local discretion under section 47 of the Local Government Finance Act 1988 (as amended by the Localism Act) and comply with the following:

- a) Agree a system to identify qualifying businesses within the parameters of the guidelines at Appendix A. Schemes can include:
  - Non-recoverable business insurance excesses;
  - Extra staff costs;
  - Replacement of stock lost or damaged;
- b) Work with LEPs and BIS Local to ensure that existing business support schemes are targeted at businesses in most need;
- c) Keep a list of businesses assisted through the fund;
- f) Validate the fact that businesses suffered as a consequence of flooding during the period;
- g) Ensure properties are not already eligible to benefit from planned community level schemes;
- h) Ensure businesses are not claiming for insurable costs;
- d) Develop criteria at a local level and decide on each individual case whether a grant is payable or not;
- e) Ignore very small or insignificant flooding impacts.

## 1.9 Alternative Action and why not Recommended

1.9.1 Cabinet could choose not to approve the recommendations set out in this report in part or in whole as the proposals remain at the discretion of the local authority and have not been legislated by central government. Funding for the proposals is provided by special grant from central government and a decision not to provide the support available from these schemes would disadvantage local businesses and homeowners.

- 1.9.2 Cabinet could choose not to delegate authority to set up the administration and local scheme criteria. This action would delay the process and delay payments to eligible homeowners and businesses.

1.10 Impact on Corporate Objectives

- 1.10.1 The Council's corporate priorities will all be affected by these issues. A growing economy is harmed by the failure of businesses and this support may ensure reduced levels of failure. A decent place to live is assisted by the possible improvements to homes and businesses from the repair and renewal grants. Corporate and customer excellence is improved by a speedy and efficient response to the proposals.

1.11 Risk Management

- 1.11.1 The Government has limited the amount of funds available for each scheme at this time. The guidance states that the government believes resources are sufficient to cover demand but that monitoring will be carried out to ensure this is the case. The Council will need to set criteria and maintain strict controls and accurate records to ensure resources are used in the most effective way and that the support provided is eligible for the funding received.

- 1.11.2 The Council may receive claims in relation to properties that were not recorded as flooded and there is a risk that fraudulent claims may be made so claims will have to be carefully assessed before payment is made.

1.12 Other Implications

1.12.1

1. Financial
2. Staffing
3. Legal
4. Equality Impact Needs Assessment
5. Environmental/Sustainable Development
6. Community Safety
7. Human Rights Act

X
X
X

- 8. Procurement
- 9. Asset Management



1.12.2 **Financial** – a substantial number of properties within the borough could be eligible to claim under one or more of these schemes. The most significant one in terms of cost would be claims for council tax discount. The total sum could exceed £1.7m and the Council would expect reimbursement from central government for its share of the council tax foregone. Sums claimed under the other schemes are likely to be smaller but equivalent reimbursement will need to be recovered from central government.

1.12.3 The government has announced a partial allocation of funding for the business support scheme and the Council has received an allocation of £290,000.

1.12.4 **Staffing** – the administrative burden of these schemes will fall upon the Council and will require resourcing. The Government is discussing this issue with the Local Government Association and has not yet announced whether any new burdens funding will be available.

1.12.5 **Legal** – The government has chosen not to legislate or change regulations to bring these schemes into force relying entirely on local discretions available to local authorities.

### 1.13 Relevant Documents

#### 1.13.1 Appendices

Appendix A – Flood Support Schemes Guidance Note



**IS THIS A KEY DECISION REPORT?**

Yes

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No

X

If yes, when did it first appear in the Forward Plan?

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This is a Key Decision because: .....

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Wards/Parishes affected: .....

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