



**Committee: Prosperous
Communities**

Date: 1st May 2018

Subject: Business Rate Growth Policy

Report by:

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Purpose / Summary:

To seek approval for a Business Rate Relief Policy to attract new and expanding businesses to locate in West Lindsey and specifically, to locate on our Strategic Employment Sites (as defined within the Central Lincolnshire Local Plan); the Central Lincolnshire Food Enterprise Zone (Hemswell Cliff) and Somerby Park (Gainsborough).

RECOMMENDATION(S): To recommend to Corporate Policy and Resources Committee to approve the Business Rate Growth Policy for West Lindsey's Strategic Employment Areas as detailed in this report.

IMPLICATIONS

Legal:

All applications for National Non-Domestic Rates (NNDR) relief will be subject to state aid verification.

Businesses may be supported under the De Minimis State Aid Exemption, which can provide up to €200,000 of funding over a 3 year fiscal period, or an alternative State Aid Exemption.

Subject to democratic approval for this scheme, the Council will seek legal guidance on alternative State Aid exemptions which may be applicable.

Applicants will be expected to provide independent professional advice to verify how their proposal will meet the State Aid eligibility criteria and under which exemption as part of the assessment process.

Financial: FIN/8/19/TJB

In the context of the Financial Strategy maximisation of revenue generated from Business Rates is becoming increasingly important to support future sustainability of the Council.

The introduction of a Business Rate Relief scheme will incentivise economic growth and result in increased income from business rates as new business come into or expand their premises within the District. The awards of reliefs will reduce the financial burden of Business Rates upon these companies over a defined period

It is proposed that the scheme enables a maximum of £300,000 in reliefs to be awarded with a maximum award of 100% over a 3 year period.

From a financial perspective the scheme results in a reduction in business rates receivable (effectively deferring growth income) and will be contained within the Collection Fund, the financial benefit being realised in future years when full business rates are payable at the end of the defined relief period.

Consideration of State Aid implications will be undertaken as part of the process, to ensure compliance.

Staffing: None as a result of this report. The management, administration and monitoring of the funding scheme will be undertaken by existing staff in the Growth & Projects Team and Finance Team. Additional, professional support will be available to the Teams to assist with the assessment process where independent advice is required (e.g. to verify financial standing or state aid implications).

Equality and Diversity including Human Rights: 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. This scheme will be open to all businesses – new and existing – that can demonstrate growth through the creation of new commercial floor space or expansion into new premises within our Strategic Employment Areas.

Risk Assessment: Key risks and mitigation measures are outlined below.

Insufficient staffing resources to deliver scheme internally - Agreement on management structure and process from outset. Additional professional expertise co-opted to assist as required.

Insufficient skills to deliver the scheme in house – Council has previous experience of delivering financial support to businesses via the Gainsborough Growth Fund and existing discretionary rate relief schemes; capacity to operate the scheme as it is targeted to strategic sites/ the FEZ and therefore supported by GLLEP.

Insufficient interest in rate relief – ensure the scheme is not bureaucratic and time consuming. Scheme details will be clarified at the outset, together with Communications and Marketing Plan.

Growth outputs not realised - Funding subject to delivery of outputs so West Lindsey District Council (WLDC) has ability to withdraw support. Consider on case by case basis by Panel.

Climate Related Risks and Opportunities: This scheme is designed to support economic growth. Businesses in the ‘green’ sector can be supported through this scheme. Economic outputs will be balanced against the impact of any proposal on the environment with ‘sustainability’ being one of the key assessment criteria.

Title and Location of any Background Papers used in the preparation of this report:

NNDR Discount Rationale – NKDC – see attached Appendix 1

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

Yes No

Key Decision:

Yes No

Executive Summary

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.

Rate relief or discounting can be used by the Council to un-lock private sector investment in West Lindsey. The Council recognises that business rates are a significant cost to business and discounting is therefore a tool the Council can employ pro-actively in order to stimulate investment in land and premises.

Competition for investment across the UK is fierce. West Lindsey needs to position itself to compete effectively with other areas in order to secure business investment and support economic growth and job creation in the District to meet its targets.

It is therefore proposed to launch a time-limited rate relief scheme to incentivise new and expanding firms to locate within two of West Lindsey's Strategic Employment Sites:

- Food Enterprise Zone (Hemswell Cliff) – this site is new to the market with no previous support from government. In order to attract viable investment the site requires a fiscal incentive alongside simplified planning via the LDO. This has proved successful in traditional enterprise zones such as Sheffield and Hull.
- Somerby Park (Gainsborough) – this site has been on the market for some time. The limited enquiries suggests that only larger businesses are likely to build new premises and that cost appears to be a prohibitive factor for smaller businesses. A rate relief scheme in tandem with the housing growth programme in Gainsborough could accelerate development and be an attractive proposition for new businesses to choose Gainsborough over other areas.

The net result of this intervention will be a positive impact in terms of creating floor space and jobs as well as securing medium term revenue increases in Business Rates for the council (once the discount period comes to an end) by developing additional employment floor space that might never come to market.

1 Policy Context:

- 1.1 Sustainable economic growth is a major priority for WLDC, alongside the delivery of new housing. As a partner in the Central Lincolnshire Local Plan, the Council is now committed to delivering a minimum of 628 FTE jobs per year across the Central Lincolnshire area – 11,894 FTE jobs (15,071 gross jobs) by 2036 (Central Lincolnshire Economic Growth Delivery Plan, 2016).
- 1.2 The Economic Needs Assessment (June 2015) - commissioned to provide robust evidence for the level of economic growth to be delivered through the Local Plan - indicates a need for between 3,300-3,800 new jobs by 2030 in West Lindsey.
- 1.3 The Greater Lincolnshire Local Enterprise Partnership (GLLEP) identifies key growth sectors, which will play a significant role in the growth of the Central Lincolnshire economy as follows:
 - Manufacturing;
 - Agri-food;
 - Visitor Economy – being addressed through other initiatives.
- 1.4 Translating this into policy, the Local Plan identifies the following key objectives to delivering sustainable economic growth:
 - Make it easier for our key growth sectors and fastest growing companies to achieve their potential
 - Encourage new inward investment and expansion
 - Support the growth of small and micro businesses
 - Encourage business start-ups – support the growth of entrepreneurial culture
- 1.5 The Local Plan further identifies a number of Strategic Employment Sites (SES) to meet the needs for large-scale investment requiring significant land take. Two of these sites are strategically located in West Lindsey with proximity to the A15 Lincoln to Humber south bank corridor the subject of current “Growth Deal” discussions:
 - Hemswell Cliff Food Enterprise Zone – this site is new to the market with no previous support from government. In order to attract viable investment the site requires a fiscal incentive alongside simplified planning via the LDO. This has proved successful in traditional enterprise zones such as Sheffield and Hull.
 - Somerby Park, Gainsborough - this site has been on the market for some time. The limited enquiries suggests that only larger businesses are likely to build new premises and that cost appears to be a prohibitive factor for smaller

businesses. A rate relief scheme in tandem with the housing growth programme in Gainsborough could accelerate development and be an attractive proposition for new businesses to choose Gainsborough over other areas.

- 1.6 It is proposed to launch a rate relief scheme to incentivise new and expanding firms to locate within West Lindsey's Strategic Employment Sites. Priority will be given to those firms offering the greatest potential for growth and job creation in our District.

2 Rationale for Investment:

- 2.1 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 rules. Many Councils have already used these powers to grant relief, including most recently, North Kesteven District Council.
- 2.2 According to the Bank of England and the British Chambers of Commerce, access to bank finance for growth projects is still limited as a result of the economic downturn and recession (2008-12) and banks are requiring much greater levels of security in order to underwrite risk. New finance products are now available via Midlands Engine Investment Fund (MEIF) but rates are generally higher, adding to the cost for the business and rendering some projects unviable. A lack of affordable finance means that where possible, businesses are funding growth through cash flow.
- 2.3 Furthermore, the Social Mobility Commission suggests that whilst West Lindsey has strong social mobility for those born in the district, this tends to fade with age. Grant Thornton's Vibrant Economy Index ranks West Lindsey low overall, and sitting within an area of low vibrancy. At this moment it's unclear how Brexit will affect the district so the development of this policy is further driven by the need to address future uncertainty.
- 2.4 Rate relief or discounting can be used by the Council to un-lock private sector investment in West Lindsey. The Council recognises that business rates are a significant cost to business and discounting is therefore a tool the Council can employ pro-actively and where appropriate in order to stimulate sustainable investment in land and premises. The net result of these interventions will be a positive impact in terms of creating floor space and jobs as well as securing medium term revenue increases in Business Rates for the council (once the discount period comes to an end) by developing additional employment floor space that might never come to market.

3 Proposed Scheme:

- 3.1 The Council may use its discretion to offer discounted rate relief to a business, where that business has identified to the satisfaction of the Council, a growth project that requires capital investment and/or the release of cash flow in order to accelerate investment that would otherwise be delayed or not occur. Such projects are likely to maximise competitive advantage, create or safeguard significant jobs and result in the development or occupation of additional employment floor space that will deliver the Council revenue in the medium to long term.
- 3.2 To be considered for rate relief under this scheme any applicant must either be:
- A new business starting up;
 - A business relocating to the area from outside of West Lindsey District;
 - An existing business seeking to expand/develop new premises.
- 3.3 It is proposed that the scheme is used explicitly to attract and incentivise growth businesses to the Strategic Employment Sites of:
- Hemswell Cliff Food Enterprise Zone;
 - Gainsborough Somerby Park.
- 3.4 On an exceptions basis, proposals for business investment outside of these areas may also be considered, where floor space and job outputs are substantial and the investment is considered to be of strategic importance within West Lindsey. This will include projects identified within the key growth sectors outlined above. All proposals for development will be subject to planning consent.

4 Promotion and Assessment of Applications:

- 4.1 This scheme will be actively promoted to businesses who may be considering new investment in land and premises, with the potential to locate in West Lindsey. It will form part of the marketing strategy for the Food Enterprise Zone and Invest Gainsborough. Officers will work with agents, developers and intermediary networks to promote the scheme and identify prospective businesses.
- 4.2 Businesses will be invited to apply following a satisfactory eligibility check. A business plan/cash flow forecast will be required together with company accounts for 3 years and bank statements. This will enable a full financial appraisal to be completed.

- 4.3 The project will utilise the assessment process which has been established for the Gainsborough Growth Fund. This includes a 2-stage application process, with guidance and support from the Growth Team and independent advisors.
- 4.4 The panel will assess the application against the pre-determined criteria shown below and highlighted in the attached Assessment Criteria document (**Appendix 2**). The total maximum score is 25 and any project scoring below 15 will not be considered eligible for the scheme. Projects scoring below 3/5 in any of the categories below will also be rejected.

Criteria	Y/N	Score = 1	Score = 5	Points Awarded
Priority Employment Area		The project will not be delivered in a priority Employment Area (as defined in the CLLP and outlined within the Policy)	The project will be delivered in a priority Employment Area (as defined in the CLLP and outlined within the Policy)	
Priority Sector		The project will not deliver growth potential within a significant growth sector as outlined within the Economic Needs Assessment (June 2015)	The project will deliver growth potential within a significant growth sector as outlined within the Economic Needs Assessment (June 2015)	
Job Creation & Increased Floorspace		The project will lead to a low number of jobs created and/or jobs will be of low quality; will not hit priority sector identified within ES; jobs will be temporary and may not be sustained beyond 12 months. Project results in little/no development or occupation of additional floor space.	The project will lead to a large number of jobs created and/or jobs will be of high quality; will hit priority sector identified within ES; jobs will be sustained for at least 3 years. Project results in the development or occupation of significant additional employment floor space	
Deliverability		The business owner/s have limited experience of this type of project; project is highly complex and/or lengthy delivery timescales and no clear project plan for implementation of	The business has extensive experience of delivery/progress of this type of project; evidence of a well-planned project with clear timescales for delivery and strong likelihood of	

		results of feasibility.	successful outcome.	
Sustainability		The business has a poor credit score; issues are highlighted through the review of finances/company history; serious doubts as to the business' ability to remain trading in 12+ months.	The business has a good credit score and no issues with company finances/history; confidence that the business will remain trading – with the new jobs sustained – over a 3+ year horizon.	

4.5 Decisions to award rate relief will be authorised by the Director of Resources under delegated powers, following consultation with Officers and Members via a Funding Consultative Panel.

4.6 The Council will have the discretion to award up to 100% rate relief per year over a 3 year period which will be capped. The Growth Team will notify the business rate team of the total amount awarded and the period of the award to enable them to post the relief to the business rate account. A copy of the notification to the customer will be sent to the Business Rate Admin team to be held on the customers file and actioned. The technical assessment and award criteria will be finalised to meet the requirements of the Council's internal Revenues and Finance systems or similar.

4.7 WLDC will review the outcomes from the business each year to ensure that the business case is being met and to ensure good value for money for the taxpayer. The Policy will include clawback provision that will allow the Council to amend or withdraw funds if the outcomes are not being met.

5 Funding the Scheme:

5.1 The total funding 'pot' for this scheme will be £300,000. The scheme will be funded from the £0.5m of additional income generated by the Council being part of the Greater Lincolnshire Business Rates 100% Retention Pilot, held in the Investment for Growth Earmarked Reserve.

6 Conclusions:

6.1 Following a review of the scheme it has been determined that the capital element of the Gainsborough Growth Fund will be discontinued from January 2018. However it is proposed that the feasibility fund (up to £10k funding to support professional fees, technical work and feasibility for major growth projects) will be rolled out to the wider District, subject to funding. A Commercial Loan Policy has also been developed to support growth/development proposals across West Lindsey (this is the subject of a separate Committee Report).

- 6.2 It is proposed that the Business Rate Growth Policy will complement the Commercial Loan and Feasibility Fund, creating a stronger 'offer' for new businesses looking to locate in our area and for existing businesses considering their growth options. Discounting business rates for growth businesses (for a time-limited period) will create a low risk alternative to grant funding and in the long term will generate an uplift in NNDR once the discounting period comes to an end. The scheme will also support the delivery of economic growth and job creation within the District in parallel with its housing offer.
- 6.3 It is further proposed that this policy will complement wider feasibility funds such as the Midlands Engine Investment Fund. This funding is aimed at higher-value start-ups and rapidly growing businesses and seeks to address a number of barriers including a grant dependency culture, lack of awareness or understanding of different types of finance and low or cautious ambitions for some businesses.
- 6.4 In order to quantify the potential impact and outcomes of the scheme such as jobs created and increased floor space the Council will undertake an Economic Impact Assessment at the outset.