

REPORT TO: Executive Board

DATE: 19 January 2017

REPORTING OFFICER: Strategic Director, Enterprise, Community & Resources

PORTFOLIO: Resources

SUBJECT: Business Rates Relief Proposed Guiding Principles

WARD(S) All

1.0 PURPOSE OF THE REPORT

1.1 The purpose of this report is to propose some guiding principles for how the Council might consider and determine future requests for Business Rates Relief. These guiding principles are included in the Guidance Note in Appendix 1.

2.0 RECOMMENDATION: That the guiding principles contained in Appendix 1 be approved.

3.0 SUPPORTING INFORMATION

3.1 As previously reported, Members will be aware that in April 2013 the Government introduced a business rates retention scheme. This means that Councils are able to keep a proportion of the business rates revenue as well as growth on the revenue that is generated in their area.

3.2 The scheme seeks to offer Councils a strong financial incentive to promote economic growth.

3.3 Where Councils have greater needs than their business rates income, they will receive a top-up payment from Government.

3.4 Councils can increase their business rates revenue by incentivising businesses to either relocate to the area, or by encouraging them to expand their existing business.

3.5 The Council has considered a number of requests from businesses for a temporary reduction in business rates payable for a number of reasons.

3.6 Up until now the Council has considered those requests “on their own merits” without any general criteria to help guide those

decisions. However, given the increasing number of requests, it is now considered appropriate to provide some guidance in order to ensure fairness and equity to the existing businesses and businesses looking to relocate in the Borough. The Guiding Principles appended to this report set out the circumstances where business rates relief might be considered. Members are asked to consider those principles and if thought acceptable approve them. They would then be used when considering future requests.

4.0 POLICY IMPLICATIONS

4.1 If the Board approves the Guiding Principles these will provide the policy framework to help assess future applications.

5.0 FINANCIAL IMPLICATIONS

5.1 There are no financial implications relating to this report.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 The attraction and retention of business is becoming more and more crucial to funding all of the Council's priorities, given the Government's intention to phase out Rate Support Grant. The granting of rate relief should be the exception and not the rule as the funding of all services will depend heavily on such income in the future.

7.0 RISK ANALYSIS

7.1 There is always a risk that a development may not take place if relief is not granted, however, this has to be balanced against the overall financial strategy of the Council and fairness to all current and future businesses in the Borough.

7.2 It is felt that relief should only be granted were the appropriate principles in the "Guiding Principles" have been met.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 There are no equality and diversity issues arising from this report.

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

None under the meaning of the Act.

GUIDANCE NOTE BUSINESS RATES RETENTION AND BUSINESS RATES RELIEF

1.0 PURPOSE

- 1.1 The purpose of this note is to set out some potential guiding principles following announcements concerning the possible 100% retention of business rates by Local Authorities.

2.0 BACKGROUND AND GUIDING PRINCIPLES

- 2.1 In April 2013, the Government introduced a business rates retention scheme. This means that Councils are able to keep a proportion of the business rates revenue as well as growth on the revenue that is generated in the area. The scheme is being extended whereby currently Local Authorities retain 49% of business rates, this would lead to 100% retention.

- 2.2 There is still some uncertainty regarding how these proposals would work in practice. It is also unclear as to whether the Government would continue to provide top-up grant to Halton, and whether Halton would be negatively affected. There is also a discussion taking place at a City Region level concerning how any future business rates growth resulting from investment secured from the Single Investment Fund would be recycled.

- 2.3 It would be difficult to implement a formal policy until full details are available on how the 100% scheme will work and where costs will fall.

- 2.4 However, given the Council already has the powers to retain business rates and, given interest from the business community, it is prudent for the Council to consider possible options and scenarios relating to how business rate retention and business rate relief should be managed in the future.

- 2.5 An assessment of the options and scenarios outlined in this paper have been used to develop some 'guiding principles' for how any future business rates policy might operate.

3.0 DISCUSSION POINTS

- 3.1 At the moment, the Council considers requests for business rate relief on an exceptional and on a case by case basis.

3.2 Excluding the arrangements for third sector organisations, to date, the Council has only awarded business rate relief to new businesses that are proposing to relocate to the Borough, as an incentive to potential inward investors.

3.3 ***Providing Added Value?***

Any intervention from the Council would need to demonstrate added value, it is, therefore, proposed that any relief is **retrospective** and is based on evidence that the company will either, increase employment in the Borough, bring back into use vacant industrial/commercial space, and or, increase floor space.

The first guiding principle could be that, ***the number of Full Time Equivalent jobs being created should not be less than 50 and floor space to be created/refurbished as not less than 10,000 sq. ft.*** However, a case could be made for fewer jobs and floor space being created, if the proposals support high value, high growth sectors in accordance with the criteria highlighted in section 3.7 of this note.

3.4 ***Supporting new or existing businesses?***

The Council may wish to consider whether any future scheme should also apply to indigenous existing Halton businesses.

There are obviously positive and negative aspects to this. On the one hand, the Council would be seen to be taking a proactive approach to supporting indigenous businesses, on the other hand, it could be argued that, given the businesses are already in the Borough, they are essentially a “captive audience”.

Furthermore, once the Council has agreed to offer business rates relief to one business, this could lead to a plethora of requests which would be unsustainable.

For these reasons, the second guiding principle could be *“that Business Rates Relief will only be given to proposals which demonstrate they support the attraction of new and additional Inward Investment to the borough”*.

3.5 ***Focus on specific Geographic Locations?***

There is also a question to be raised as to whether the Council should focus on specific geographic locations.

Sometimes incentives can appear to be pepper-potted and, therefore, it is difficult to measure the impact of the investment in an area.

The Council could apply “Enterprise Zone” principles to encourage investment in and development of key regeneration sites. Therefore, the third guiding principle could be that proposals would need to demonstrate:

“a clear and demonstrable economic benefit across a broader geographic area, or be part of a key regeneration site/area of opportunity”.

3.6 **Focus on Town Centres?**

Town centres are important, and some Councils have introduced town centre discretionary pilot business rate schemes to encourage new investment and jobs, encourage new business start-ups/entrepreneurship and existing businesses.

However, the economic impact of such schemes has not been evaluated sufficiently. It is argued that the success or failure of a town centre is dependent upon a number of factors, for example, retail spend and the relative competency of the individual trader.

A modest relief scheme is unlikely to attract large, high profile end-users to the Borough’s town centres and might indeed have the unintended consequence of attracting more low value and/or unsustainable retail businesses to set up in the Borough.

Furthermore, a focus upon the town centre(s) would require a specific definition of town centre boundaries which would, inevitably, lead to dissatisfaction amongst those retailers who find themselves outside designated town centres.

For these reasons, guiding principle four would state that *a focus on town centre businesses would be seen as a lower priority.*

3.7 **The Incentive Effect**

Any financial incentives would need to link to the Council’s “Business Attractiveness Model”.

In summary, the model identifies a set of indicators which help us to determine which businesses are supported based on their ability to drive Halton’s economic growth.

Therefore guiding principle five could be: *“The Council will support proposals from businesses within sectors that will make a long-lasting impact on the economy of Halton”.*

3.8 **Existing Support to Business**

Another factor to consider is that businesses are already supported

by the Council and its partners in a number of ways, for example –

- Business Improvement Districts, Halebank and Astmoor
- Property and Business Grants in Runcorn and Widnes Town Centres
- Business Support Grants through ERDF and RGF
- The Halton Employment Partnership which provides a free service to business to support their recruitment and training needs.

Therefore, the Council should not feel obliged to offer incentives to businesses in the form of Business Rate Relief. There are other interventions that could offer a business and the Council added value.

Other Criteria

Requests for Rates Relief would only be actioned once the following had been confirmed:

- Be able to identify the ultimate end user of the facility;
- Have all planning consents and other permission in place;
- Be able to provide evidence that the applicant has liability for the property;
- Be State Aid compliant.

A project cannot :

- Be located in an existing Enterprise Zone or other area where a specific rate relief policy applies.
- Be submitted retrospectively.

4.0 CONCLUSIONS

4.1 It is suggested that the above guiding principles will give businesses a clear steer as to what the Council can or cannot provide to businesses.

4.2 Many businesses do not fully understand how the business rates retention scheme works and would work in practice. It would be worth preparing a frequently asked questions guide as and when further details relating to the Business Rates Retention scheme are available.

4.3 The Council might also take a view in the longer-term that rather than supporting individual businesses, through business rate relief, it

would prefer to support businesses in a different way which leads to a greater return on investment and higher economic impact for the borough.

- 4.4 The Council might wish to apply the principle of invest to save whereby relief will only be provided if it results in the long-term lead to an increase in revenue for the Council.
- 4.5 The Council could also apply the principles of Tax Increment Finance in order to improve or provide infrastructure to a broader range of businesses, rather than just in favour of one. This is more likely to accord with State Aid Guidance.
- 4.6 To emphasise this last point, there are a couple of case studies worthy of mention.
- 4.7 At Sci Tech Daresbury, potential uplift on business rates has been used to borrow resources to pay for much-needed infrastructure which is supporting over 50 businesses.
- 4.8 At Johnson's Lane, the Council borrowed in order to provide an access road to the site. This has led to end users now paying business rates leading to three companies being supported.