

**SUBJECT: BUSINESS RATES GROWTH POLICY**

**DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK**

**REPORT AUTHOR: CLAIRE MOSES, REVENUES AND BENEFITS MANAGER**

## **1. Purpose of Report**

- 1.1 To seek Executive's approval of a City of Lincoln Business Rates Growth Policy which aims to provide a time limited rate relief discount to new and extended business premises within the City, in the interest of building the Business Rates base, supporting economic growth and job creation.

## **2. Executive Summary**

- 2.1 Provisions under Section 69 of the Localism Act 2011 (amendment to Section 47 of the Local Government Finance Act 1988) allow all authorities to grant discretionary relief in any circumstances where the Council feels fit having regards to the effect on the Council Tax payers of its area. It is proposed that in line with the Act, the Council adopts a Policy for the discounting of business rates where economic benefit to the District can be evidenced.
- 2.2 A draft Business Rates Growth policy, outlining further details of the proposed relief, including eligibility criteria, is included in the appendices to this report.
- 2.3 The draft City of Lincoln Council's Business Rates Growth Policy aims to provide a time-limited rate relief discount to new and extended business premises within the City, in the interest of building the Business Rates base, supporting economic growth and job creation. This policy supports the Council's open and partnership focussed approach to delivering growth as set out in the Vision 2020 Strategic Plan, particularly the objectives and ambitions relating to economic growth and reducing inequality.
- 2.4 Eligibility for this proposed scheme will be dependent on the extent of the business premises creation or extension, location and the impact of the new business or expansions plans has on the local economy. Further details on the eligibility criteria and application process in Section 4 of this report, and in the appendices.
- 2.5 Any award made as a Local Growth Discount will fall as a loss on the Council's Business Rates Collection Fund. Normally 40% of the loss is allocated to the Council, however for 2018/19 because Lincoln is in a pilot for 100% Business Rates retention, the loss will be 60%. In addition, due to the announcements regarding the Government's intention to make significant reforms to the way in which local government is funded, the 40% figure could change in future years.

- 2.6 A factor open to the Council to ensure financial control, is to place a cap on the total amount that can be awarded in any given year. To this end, the proposed cap is £150,000 per annum – as the Council will be effected to the extent of 40% (£60,000) (60% (£90,000) in 2018/19) for any loss in Business Rates, if the scheme is approved.
- 2.7 The timeline with this policy to be considered/approved, is:
- Policy Scrutiny Committee – 19<sup>th</sup> June 2018;
  - Executive – 23<sup>rd</sup> July 2018;
  - Policy effective – August 2018.

The Draft Minute from Policy Scrutiny Committee is included at Appendix 2 to this report.

### **3. Background**

- 3.1 The Central Lincolnshire Local Plan sets out a spatial strategy for supporting strong and sustainable economic growth, where entrepreneurship, innovation and inward investment are actively encouraged and identifies growth targets for housing and job creation. The City Council's support for these growth objectives are set out in Vision 2020, particularly with regard to the economic growth and inequality reduction priorities and aspirations.
- 3.2 Supporting new or expanding businesses through the provision of time-limited Business Rate relief supports the Central Lincolnshire Local Plan and City of Lincoln Vision 2020 objectives. The net result of such intervention aims to result in positive impacts in creating and safeguarding jobs, as well as securing medium term revenue increases for the Council by supporting Business development and expansion.
- 3.3 This draft Policy has been developed between the Revenues, Finance and Major Developments teams of the City of Lincoln Council. The opportunity to use the discretionary growth policy as a mechanism to support new and expanding businesses for the city has been identified. Similar financial incentives are being successfully used within other local authorities to support growth objectives.
- 3.4 Business investments or the location or relocation of any business are decisions taken after balancing a wide range of factors, including availability of land and premises, skills, access to markets, transport, infrastructure and broadband as well as operational cost and scale economies. The City Council is working closely with neighbouring districts to accommodate businesses needs within the wider area. The Central Lincolnshire Local Plan has identified a jobs led growth target.
- 3.5 In 2017, the Central Lincolnshire Local Plan was adopted, which sets out the objectives for economic growth, prosperity and jobs for the area, and provides details of Strategic Employment sites within the Central Lincolnshire area. For Lincoln this includes the identification of Strategic Employment Sites (for example, Lincoln Science and Innovation Park)

and employment provision within Sustainable Extension employment sites (North East Quadrant and Western Growth Corridor).

3.6 City of Lincoln Council recognises the importance of visitor footfall to the City. By providing relief to incentivise new and expanding visitor attractions, it is anticipated the net result of this intervention will be a positive impact in terms of supporting growth of a visitor centre in the Bailgate Quarter, as well as consideration given to projects in and around the Cathedral that improve visitor footfall.

3.7 There are two neighbouring authorities who have also approved a Business Rates Growth Policy; North Kesteven District Council and West Lindsey District Council.

North Kesteven's policy was approved in February 2015 with a start date of 1 April 2015. The policy provides for a maximum relief of £300,000 (£100,000 over 3 years).

West Lindsey's policy was approved on 10 May 2018 with a start date of 1 May 2018 provides for a maximum of £300,000 in reliefs to be awarded with a maximum award of 100% over a 3 year period.

Both policies identify key growth sectors identified within the Great Lincolnshire Local Enterprise Partnership (GLLEP) as well as in each of the Local Plans, with West Lindsey identifying a number of Strategic Employment Sites which meet the need for large-scale investment.

#### **4. How the Policy works**

4.1 The Business Rates Growth Policy aims to support businesses by providing time-limited rate relief to enable or advance the development of new or extended premises, and where existing rate relief is not available. Eligibility and aspects of the scheme are summarised as follows;

- a. The ratepayer must be able to evidence that new employment floor space will be provided, and by association additional Rateable Value, either through new development or extension by the end of the discounted period (3 years).
- b. The ratepayer must be able to demonstrate that their business is of value to the City with reference to employment, economy, and/or growth sector as set out in local evidence (see Appendix B).
- c. The ratepayer must not be entitled to mandatory rate relief (Charity or Rural Rate Relief) or relief as a non-profit making organisation or as a sports club or similar.
- d. Discretionary rate relief will not ordinarily be granted on unoccupied premises. Consideration for this relief may however be given for businesses within identified priority employment areas i.e. the Employment allocations associated with sustainable urban

extensions and Strategic employment Sites as identified within the Central Lincolnshire Local Plan, (see Appendix B). Any such award would support an approved long term Business or Management plan for growth.

- e. The ratepayer must demonstrate that assistance (provided by the Local Discount) will only be required for a maximum period of three years and that their business/ operation is financially viable in the medium and long term.

4.2 In order for a growth business to qualify for a discount they must apply to the Council's Major Developments Directorate. An initial 'audit of suitability' will be undertaken by officers before any formal invitation to apply for relief is issued to the business.

4.3 **For all suitable businesses outside priority employment areas**, the discount may only apply to the additional rateable value which would be applied on an expansion of business premises or a new building.

4.4 As well as additional rateable value applied due to expansion, **for businesses located within the priority employment areas – the Sustainable Urban Extensions and Strategic Employment sites as identified in the Central Lincolnshire Local Plan**, the discount may also apply to new build or vacant premises where it can be demonstrated that the business supports the targets of a wider Business case and/or Masterplan in line with the Council's Strategic Plan.

4.5 Applications will be scored by an Officer Board which will aim to meet at least quarterly. Applications to the Council's Officer Board will be judged on individual merit and on a case-by-case basis. Applicants will need to clearly demonstrate how the discount will be used to grow the business and create jobs. As discounting will be time-limited, the applicant will also need to demonstrate how at the end of the award period the business will fund the rates then due. A detailed financial and business plan must be provided in all cases. The Council reserves the right to refuse relief to any applicant.

4.6 Five scoring criteria are proposed based on the following:

- The impact the proposed business investment will have on the City's future Business Rate base;
- The value of the proposed business investment will have for the City's Economic Growth Strategy and Priorities (as outlined in Appendix B);
- Expected growth in jobs;
- Credit History/rating, Payment History, Risk;
- Evidence of corporate social responsibility.

A further criteria is also included in the policy relating to visitor footfall, and the Bailgate Quarter.

- 4.7 The highest possible score is 100. A score of less than 50 will result in the rejection of the application. There is no right of appeal, although a case may be reviewed if further information/ clarification is made available. Subsequent applications will be considered after a 'cooling off period' of 3 months, to allow the business to revise their plans.

## **5. Strategic Priorities**

- 5.1 The aspirations of this proposed policy are underpinned through the following strategic priorities: -

- Let's drive economic growth
  - Let's build a strong, viable and prosperous future for Lincoln;
  - Let's help businesses prosper;
  - Let's create a culture of innovation;
  - Let's attract investment; and
  - Let's make things happen.
  
- Let's reduce inequality
  - Let's help people succeed;
  - Let's provide help to the most vulnerable in our City;
  - Let's help people feel safe and welcome in their communities; and
  - Let's empower people.

## **6. Organisational Impacts**

### **6.1 Finance**

It is proposed that an annual cap of £150,000 be allocated for this scheme, for a period of 3 years maximum, commencing 1<sup>st</sup> April 2018. Under current business rates retention, the net cost would be 40% i.e. £60,000 per year. However during the 100% Business Rates Retention Pilot year of 2018/19 this will be 60% i.e. £90,000 per year. This amount may be reviewed in-year dependant on demands and emerging priorities.

The actual cost of the scheme will be borne and distributed through the Council's Collection Fund when a surplus or deficit is declared each year.

Promotion of new businesses and new jobs within the district will also have financial benefit for the Council that will help elevate the significant loss in grant income from central government.

### **6.2 Legal Implications including Procurement Rules**

The Policy is based on the provisions of the Local Government Finance Act 1988 and the Localism Act 2011.

6.3 Land, property and accommodation

This policy may assist in building of new business units / expansion of current units.

6.4 Human Resources

There are no implications as a result of this policy

6.5 Equality, Diversity & Human Rights (including the outcome of the EA attached, if required)

This policy relates to businesses and not individuals. Any consideration regarding business rate relief relates to the increase in floor area required for business growth. Therefore should any additional floor area be required to accommodate the needs of a protected characteristic as part of the growth of the business this would be considered as part of the individual application for relief.

**7. Risk Implications**

7.1 (i) Options Explored

The major budgetary risks that the Council now faces is around Business Rates income and the assumptions over future growth in business rates income to the Council. This policy on Local Discounts may help to mitigate some of these risks.

**8. Recommendations**

8.1 That Executive:

- 1) Considers/accepts the proposal for a different level of discount being available depending on whether or not a business is located, or is to be located, within a Strategic Employment site as identified within the Central Lincolnshire Local Plan;
- 2) Delegates changes to scheme parameters to the Chief Finance Officer, providing these do not fundamentally alter the principles behind this policy and continue to link into aspirations relating to the Council's Strategic Plan.
- 3) Approves the proposed Business Rates Growth policy.

**Is this a key decision?**

Yes

**Do the exempt information categories apply?**

No

**Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?**

No

**How many appendices does the report contain?**

Appendix 1 (also incorporating Appendix A and Appendix B)  
Appendix 2 – Draft Policy Scrutiny Committee Minute  
19<sup>th</sup> June 2018

**List of Background Papers:**

None

**Lead Officer:**

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