

NNDR Discount Rationale

The rationale for offering businesses incentives to grow and locate in North Kesteven is derived from the **Our Economy** priority published in the Council's *Corporate Plan 2017-2020*

Objective: Facilitating the delivery of new jobs, homes and infrastructure to support long term growth.

Priority: To promote the economic and employment growth of North Kesteven.

Ambitions: To support business growth and jobs in NK; Regenerate NK; Drive investment in NK including transport routes.

- Supporting Business Growth - Provide focused support for growth and entrepreneurial activity. Facilitate both the delivery of new jobs and the safeguarding of existing jobs across North Kesteven. Work with new and existing businesses to develop a more balanced and higher wage economy for the district that provides a wider range of attractive employment opportunities within the district
- Regenerate NK - Facilitate regeneration within the district to make North Kesteven an attractive location for residents, businesses, visitors and investors.
- Drive Investment in NK - Secure increasing levels of inward investment in NK to deliver regeneration and infrastructure improvements including transport routes. Invest Council funds as appropriate to overcome current market constraints

In line with government policy and the provisions of the Localism Act, the Council now has the flexibility to develop discretionary policy to encourage and stimulate economic growth. Discounting of business rates (NNDR) can be used by the council to un-lock private sector investment in North Kesteven.

The Council recognises that 'business rates' represent 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, capital equipment or premises.

According to the Bank of England and the British Chambers of Commerce, access to capital or business 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. Lending to SMEs has actually fallen in the first quarter of 2014. Given that evidence suggests that chronic ‘undercapitalisation’ of SMEs and micro businesses is a significant barrier to growth and investment in the local economy, businesses are financing growth out of cash-flow. NNDR ‘discounting’ will free up cash to invest in business growth.

The net result of the council’s interventions will be a positive impact in terms of creating and safeguarding jobs as well as securing medium term revenue increases for the council by developing additional employment floor space that would not otherwise be reasonably expected to come to market in the short term.

The policy is primarily designed to support local businesses wishing to grow and invest in North Kesteven. However, our economy does not operate in a vacuum. Competition for investment across the GLLEP, Central Lincolnshire, the East Midlands and the wider UK is fierce. 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. Some NK companies have already relocated some or all of their business to other districts, enterprise zones or parts of the UK where greater financial support is available. This is a fact of commercial life. However, this policy is not designed to encourage businesses to migrate from one area to another simply in order to take advantage of NNDR discounting, as we believe such a policy is at worst anti-competitive and at best unsustainable, but the policy is designed to enable North Kesteven to compete effectively and on an equal footing with other districts across the region (including those districts where discounting policies are already active) and in the wider UK economy where other factors may disadvantage North Kesteven.

In April 2013 NKDC published its *Economic Prospectus* which provides a snapshot of the local economy comparing its composition and historic performance against the regional and national economies. Using Experian data analysed by the University of Lincoln the prospectus then scopes potential strategic approaches to delivering economic growth. Since that Study the Eco Dev Team has been running a management programme with the identified TOP 50 NK companies by growth. This programme has provided further insight into key sectors and the barriers preventing growth. For the purposes of this scheme Growth Sectors have been updated accordingly.

Growth Sectors in North Kesteven 2013-32
Food & Farming
Manufacturing & Engineering
Construction
Defence & Security
Digital
Retail
Health Care

How the policy works

Discretionary discounts can be offered to a ‘growth business’ able to demonstrate to the satisfaction of the Council’s ‘Growth Board’ that the sum of the discount granted will facilitate or enable a reciprocal investment by that business in a sustainable growth project that will create or safeguard jobs or result in the development or occupation of additional employment floor space.

The growth board comprises:

- NKDC Finance Manager
- NKDC Revenues Manager
- NKDC Finance officers
- NKDC Economic Development Manager
- NKDC Economic Development Officers as appropriate

Criteria and how to apply

1. Application requirements and decision making process

In order for a growth business to qualify for a discount they must be invited to apply to the growth board by an economic development officer. The economic development officer is responsible for carrying out an initial ‘audit of suitability’ before any formal invitation to apply for relief is issued to the business.

Applications will be scored by the Council’s Growth Board which will sit quarterly. Applications to the Council’s ‘Growth 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 additional 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.

The policy is designed to help increase the proportion of SMEs in the local economy. Therefore the amount of discount available to smaller businesses is greater.

Size of business	% Discount Available
1-50 employees	Up to 100%
51-100 employees	Up to 75%
101-250 employees	Up to 50%
251+ employees	Up to 25%

2. Scoring applications

Applications will be scored on the following criteria:

Criteria	Score
Jobs safeguarded	10
Jobs created*	10
Future Jobs*	10
Skills/GVA Bonus	10
M ² of new employment floor-space constructed*	20
M ² of new employment floor-space occupied*	10
Market attractiveness *	10
Overall economic impact*	10
Risk*	10
Credit History/rating*	10
Payment History*	5

1. Number of jobs directly created by the investment in the first 2-3 years. The more jobs, the higher the score!
2. Quality of Jobs/GVA. Jobs with relatively high GVA score more. Lincolnshire GVA is lagging behind the rest of the UK. High Skilled jobs are what the economy needs. Low numbers of high value jobs are therefore arguably more important for the economy particularly when one considers that NK has full employment.
3. Future Jobs/indirect Jobs. This score takes into account growth potential if successful and the number of jobs that may be created in local supply chains.
4. Jobs Safeguarded. Existing jobs secured for the district as a direct result of the project or investment.

Jobs	1-10	11-50	50-100
Jobs saved	0	5	10
New Jobs (1 st 2yrs)	5	5	10
Future Jobs potential	5	5	5
GVA+	5	5	5
Skills	5	5	5

5. New business premises constructed as a result of the investment.

6. Additional business premises occupied by the business as a result of the investment. Where this is an inward investor (ie business not currently in the district) the new premises occupied counts as additional space.)

ft ²	score
200-500	2
500-1000	5
1000-3000	7
3000-5000	8
5000+	10

7. Market attractiveness – the council is keen to back growth businesses in growth markets. Key market sectors for the district are set out in the council’s *Economic Prospectus*. This does not mean businesses operating in other markets are excluded from applying for a discount. A business trading or proposing to enter other growth markets new to the business or the district will be required to submit some independent assessment or measure of attractiveness and sustainability.
8. Overall economic impact. A qualitative measure designed to assess the wider impact of the proposal rather than just its scale. For example skills, GVA and location are all qualitative factors the council may consider when scoring applications. The council is also committed to growing the number of SME businesses in order to improve the resilience and attractiveness of the local economy to skilled workers, professionals and graduates and to retain well-qualified school leavers by providing a greater range of and career development opportunities.
9. Risk: the Council will undertake an assessment of overall risk. The business must provide the council with a Business Plan which clearly demonstrates the impact of the proposed investment on the business and which includes a financial forecast and Balance Sheet.
10. Credit History: the Council must be convinced the business is sustainable and appropriately financed. Due diligence will include a review of audited accounts, a credit check. Applicants may be asked to provide a letter of support from their bank.
11. Payment History – the Council is unlikely to award discounts to businesses with a poor payment history. Where the applicant is a UK inward investor, the council may require evidence of rates paid in another district.

There is no maximum possible score. However an average score of less than 50 points across the board may result in the rejection of the application. There is no right of

Appendix 2 – Revenues and Benefits Joint Committee – 6 September 2019 – Business Rates Update

appeal, but subsequent applications will be considered after a cooling off period of 3 months to allow the business to revise their plans.