

 Executive Committee 31 October 2018		Agenda Item No. 9
Title	Discretionary business rates relief as a tool for business growth and inward investment	
For further information about this report please contact	Suzee Laxton – Strategic Economic Development Officer 01926 456015 Suzee.laxton@warwickdc.gov.uk	
Wards of the District directly affected	All	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	N/A	
Background Papers	None	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	Yes – Ref 929
Equality Impact Assessment Undertaken	Yes – see Appendix 2

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	02/10/2018	Chris Elliott/Bill Hunt
Head of Service	02/10/2018	Dave Barber
CMT	02/10/2018	Bill Hunt
Section 151 Officer	02/10/2018	Mike Snow
Monitoring Officer	02/10/2018	Andrew Jones
Finance	02/10/2018	Mike Snow
Portfolio Holder(s)	02/10/2018	Cllr Noel Butler
Consultation & Community Engagement		
External consultation has not yet taken place as the plan is to consult once the Executive approve a draft version of the policy. Feedback from the consultation & community engagement will then be used to revise the proposed final policy. Internal consultation has taken place between WDC Finance, Development Services along with the WCC legal team and finance team in respect of the draft policy.		
Final Decision?	Yes	
Suggested next steps (if not final decision please set out below)		

1. **Summary**

1.1 To agree a draft policy for incentivising the District’s inward investment activities through discretionary business rates relief to be shared for external consultation and business community engagement.

2. **Recommendation**

2.1 That Executive approves the draft policy (attached as Appendix 1) to be shared for a 3-month period of external consultation and business community engagement (as detailed in Appendix 3).

2.2 That Executive agrees that the final proposed policy along with a summary of the consultation feedback will be brought back to Executive Committee in March 2019.

3. **Reasons for the Recommendation**

3.1 This policy is being proposed in response to the growing demand from businesses to provide them with support in moving into the District or in growing their business here.

3.2 Consideration has also been given to the fact that, as a District, we are a more expensive location to be based within and, in offering this policy, we seek to ensure that we remain competitive and clearly appear to be ‘business-friendly’ and ‘welcoming’.

3.3 It is proposed to take the draft policy out to consultation before making the final decision. The reason for this is to ensure that the policy is needed by business and will be the most appropriate mechanism to offer that support to business.

3.4 In addition, feedback will also be gathered from colleagues within the other local Districts and Boroughs to validate the comments from business and to ensure that the Policy seeks the most beneficial commitments in return from the businesses.

4. **Policy Framework**

4.1 **Fit for the Future (FFF)**

The Council’s FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects.

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council’s FFF Strategy.

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise,

		Employment
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/productivity of local economy Increased employment and income levels
Impacts of Proposal		
Given the reciprocal nature of the intended policy, benefits for the wider community should be felt. Here, the increase in the overall business rates pool would provide additional funds to go back into the core statutory services, such as housing.	These additional funds could also be directed back into maintaining and enhancing the public realm and our open spaces. More specifically, where we suggest offering a scheme to employ ex-offenders, this would have a significant impact on reoffending levels. Ex-offenders with a job are much less likely to continue committing crime if they have a job ¹ .	Successful implementation of this proposed policy would directly contribute to these outcomes by incentivising and supporting business to increase their performance and their headcount. In particular, it seeks to support a more diverse workforce and tackle long-term unemployment issues.
Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money
Impacts of Proposal		
N/A	N/A	N/A

4.2 Supporting Strategies

The proposed Policy would directly support Fit for the Future rather than a supporting strategy.

4.3 Impact Assessments

¹ MOJ Education and Employment Strategy, May 2018.

Please see Appendix 2. The Impact Assessment will be updated, in light of the consultation feedback where relevant, and re-submitted with the final Policy.

5. **Budgetary Framework**

- 5.1 The proposed discretionary relief of 50% will be funded from the Business Rate Retention Volatility Reserve.
- 5.2 Through the Business Rate Retention Scheme, the Council benefits by 20% of increase in business rates received (and conversely bears 20% of cost of any reduction. In offering this a discount in accordance with the proposed policy (Appendix 1), WDC's actual financial contribution is only 20% of the total amount awarded. Therefore, if we take the State Aid de Minimis of €200,000 (£179,524.14 based on an exchange rate of 0.9), the maximum financial contribution is £36,000.
- 5.3 The Business Rate Volatility Reserve was created in 2013/14 with the start of the Business Rate Retention Scheme. This reserve was created to "smooth" the level of business rates supporting the General Fund each year. The level of business rates credited to the General Fund can vary significantly annually. Consequently, when more rates are received in the year than allowed for in the original estimate, a contribution will be made to the reserve, and should there be a shortfall in the level of business rates received, a contribution will be made from the reserve to the General Fund.
- 5.4 As at 31 March 2018 the Business Rate Retention Reserve had a balance of £889,000. During 2018/19 it is projected that this balance will increase to £4.8m. This significant increase is primarily due to prior year adjustments, notably in respect of a reduction in the level of appeals provision.
- 5.5 The Projected balance on the Business Rate Volatility is shown below.

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£,000						
Balance brought forward	445	889	4,810	5,546	4,963	4,111	3,469
Movement in Reserve in year	445	3,921	736	-583	-852	-642	-230
Balance carried forward	889	4,810	5,546	4,963	4,111	3,469	3,238

It will be noted that the balance on the reserve is forecast to peak in 2019/20. From 2020/21, with the outcome of the current Fair Funding Review and changes to the Business Rate Retentions scheme due to come in from 2020/21, it is expected that the Council will receive a lower amount of business rates. The Council's Medium Term Financial Strategy (MTFS) allows for annual contributions from the reserve. As with contributions from any reserve, recurring contributions are not sustainable. The MTFS also assumes that further savings need to be sought so as to be able to stop the need for allocations from the Business Rate Retention Volatility Reserve.

- 5.6 Whilst the Business Rate Retention Volatility Reserve was set up to support the General Fund as outlined in paragraph 5.4, the Council does have flexibility to vary the use of this reserve. Consequently, it is proposed for £125k to be allocated from the Reserve to support the Inward Investment Discretionary Rate Relief Scheme. The £125k will be an initial cap on the Council's share of the cost of any relief awarded. With the Council bearing 20% of the cost of any relief, the balance will be shared through the Collection Fund, with the County

Council and Central Government having their share of business rate income being reduced. The value of the total amount of relief that may be awarded, based on the Council's £125k is £500k.

- 5.7 Based on annual statistics from Warwickshire County Council Inward Investment, there would have only been three businesses eligible for discretionary rate relief so, even when allowing for an uplift in assistance sought, there is scope to support numerous businesses before the financial cap is reached.
- 5.8 With the Business Rate Retention Scheme due to be changed from 2020/21, it will be necessary for the Discretionary business rates relief business growth and inward investment scheme to be reviewed once details of the changes to the business Rate Relief Scheme are known. As part of this review during 2019/20 it will be possible to report back to members on the success of the scheme.

6. Risks

- 6.1 Four key risks have been identified and assessed within this policy.
- 6.2 Building an open-ended financial liability for WDC: In order to mitigate this risk, a total cap of funding of £500,000 has been written into the policy and, at that time, the trial implementation of the policy will automatically cease therefore meaning that no further monies are spent.
- 6.3 Insufficient benefit shown to the District tax payers: A core principal of the policy is that it is not sufficient for a business to just move into the District or expand to qualify. They also need to provide additionality to the District in the form of support to certain initiatives (as detailed within Appendix 1). In doing so, successful implementation of the policy is intended to bring wider socioeconomic benefit. Annual reviews by the Executive Committee (following engagement with stakeholders) will take place to ensure this benefit is realised. By also introducing the policy as a trial, WDC would not be committing to an open-ended endeavour that wasn't realising sufficient benefit.
- 6.4 Failure of the businesses to comply with their statement of intent: To prevent this from occurring, businesses will be obliged to supply periodic updates (at 6 months, 1 year, 3 years and 5 years) to demonstrate their compliance. Should there be a failure to do so; WDC will reserve the right to clawback the relief offered to the business.
- 6.5 Insufficient financial Return on Investment for WDC: Whereas discretionary relief will only be offered for one 12-month period, businesses must commit to a minimum occupancy period of five years. This will provide WDC with a sufficient time period to recoup its initial discount.

7. Alternative Option(s) considered

- 7.1 To implement a policy without consultation. It is decided not to proceed with this approach because it is important to ensure that the support WDC offers to its local businesses is in keeping with its actual, rather than perceived, needs.
- 7.2 To implement a policy without a trial period. Given that this is a new approach for WDC to take, it was decided that a trial implementation period would

provide the most suitable level of control over the Policy until the true effectiveness could be determined.

- 7.3 To not put forward a policy for discussion by the Executive Committee. Following discussions between Officers it was felt that a definite position be agreed on the granting of discretionary business rate relief (or not). To be able to agree this position, it was felt that the bringing forward of an actual policy that sought to maximise the benefits for the District while minimising the risk would be the most appropriate mechanism to determine this position.

8. **Background**

- 8.1 Business Rates (also known as National Non-Domestic Rates or NNDR) are a tax on business properties. The tax is set by the government and business rates collected by local authorities are the way that those who occupy non-domestic properties contribute towards the cost of local services.
- 8.2 Business Rates are collected locally by WDC. A rates demand will be issued for a year from 1st April to 31st March the following year. The total amount payable will be split into 10 monthly instalments, although this amount can be paid in a number of ways ranging from 1 annual payment up to 12 monthly instalments.
- 8.3 Warwick District Council currently sends rating demands for 5,192 'properties' in the District producing a total revenue of £72,780,672.16.
- 8.4 Many local authorities have implemented similar financial support schemes in relation to reductions in business rates in order to help support local businesses to invest and be retained in the local area.
- 8.5 After longstanding discussions around some of the perceived barriers to new and existing businesses locating to, and remaining in, the District, it is considered a good time to consult on, and if approved to pilot, a local scheme of Discretionary Rates Relief.
- 8.6 The policy had originally been targeted at new businesses locating to the area, but following consultation with colleagues from our legal services team, it has been amended to include existing businesses in the District.