

Executive Decision Report

Leicester Enterprise Zone Rates Relief

Decision to be taken by: City Mayor

Decision to be taken on: 10 May 2018

Lead director: Andrew Smith



City Mayor

Useful information

- Ward(s) affected: Abbey/ Fosse
- Report author: David Beale
- Author contact details: 37 2904
- Report version number: V1

1. Summary

Leicester was successful in obtaining Enterprise Zone status for two sites in the City during 2017. Alongside other incentives, Enterprise Zone status allows businesses locating or expanding within the designated zones to apply for relief from Business Rates.

The purpose of this paper is to seek approval for the implementation of a business rates policy against which applications for relief may be assessed, as detailed in Appendices A and B.

2. Recommendations

To approve the implementation of this policy as detailed in Appendices A and B.

3. Supporting information including options considered:

The recently designated Enterprise Zone in Waterside and Pioneer Park allows the Council to grant discretionary rates relief to a business for up to five years.

Rates relief is not automatically granted for new businesses moving into the Zone; businesses must apply and the Council must consider applications against a policy. The policy should reflect the aims of the Zone.

The City Mayor's Economic Action Plan and the City's Core Strategy set out distinct aims for Pioneer Park and Waterside:

- Pioneer Park aims to support knowledge economy businesses in emerging innovation, technology space and space related businesses
- Waterside is intended to allow an expansion of the City Centre general office market, which is suffering from an acute shortage of office space supply. To support the mixed use regeneration of the area, retail, leisure, food & beverage, hotel and in selected areas advanced manufacturing are also encouraged.

The policy (Appendices A and B) seeks to support the Council's objectives for these areas by allowing relief from rates for businesses which fit the sectors above. To safeguard against displacement, (businesses relocating simply to take advantage of a tax break) relief will also be subject to a growth test which will require businesses to show an intention to expand as a result of a move to the Zone. Businesses already operating from within the zone which expand may be eligible for rates relief on the additional space occupied.

An appeals process will operate and be open to businesses that consider they meet

the eligibility criteria but have not been granted relief either due to error or because their use is not specifically identified in the policy but which the business feels it can demonstrate makes an equivalent contribution to the objectives of the zone.

4. Details of Scrutiny

Economic Development, Transportation and Tourism Scrutiny Committee considered the proposed Enterprise Zone in March 2017.

5. Financial, legal and other implications

5.1 Financial implications (Mark Noble)

Any relief granted under this policy will be met by the Government, by means of a deduction from the Council's normal payment in respect of the Government's 50% share of the city's business rates.

5.2 Legal implications

The Council is entitled to grant rates relief under section 47(1)(a) of the Local Government Finance Act, 1988.

In enterprise zones, the cost is reimbursed to the Council by the Government under Regulation 4 and Schedule 2 of the Non-Domestic Rating (Rates Retention) Regulations 2013. These regulations provide that to qualify:

(a) the ratepayer must become the ratepayer on or before the specified date

[at present this is the 31.3.2018 however the Non-Domestic Rating (Rates Retention and Levy and Safety Net) (Amendment) Regulations 2018 are pending enactment and will see this date amended to 31.3.22 for the purposes of this second wave of Enterprise Zones.]

(b) if the ratepayer is not a new occupier, they must not already have received relief, for more than 5 years.

Where an applicant is already in receipt of some discretionary relief, it is recommended that officers consult Legal Services before granting relief.

Emma Horton, Head of Law (Commercial, Property & Planning) ext 37 1426

5.3 Climate Change and Carbon Reduction implications

No climate change implications

5.4 Equality Impact Assessment

An EIA has not been undertaken as there is insufficient information available to identify if a group sharing protected characteristics will be affected by the proposal.

5.5 Other Implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

None

6. Background information and other papers:

7. Summary of appendices:

- Appendix A - Waterside Enterprise Zone Rate Relief Policy
- Appendix B - Pioneer Park Enterprise Zone Rate Relief Policy
- Appendix C – Plan of Enterprise Zone Boundary Areas

8. Is this a “key decision”?

Yes

9. If a key decision please explain reason

Financial implications exceeding one-million pounds.

Appendix A

Business Rates Relief – Waterside Enterprise Zone

1. Introduction

- 1.1 Enterprise zones were created by the Government in the 2011 budget. There are now a number of zones around the country. They exist to stimulate business growth in designated areas by providing financial incentives, and by simplifying planning arrangements. Their aim is to create jobs and drive local and national economic growth.
- 1.2 There are two enterprise zone sites in Leicester, which were created in April 2017:-
 - (a) Waterside, which stretches eastward from the River Soar at Frog Island and Blackfriars, towards the southern boundary of Abbey Park;
 - (b) Pioneer Park, which is a knowledge based business park, north of the city in the vicinity of the National Space Centre.
- 1.3 This policy covers the Waterside site only. A full map of Waterside is attached to this policy.
- 1.4 The policy in respect of Pioneer Park can be found at <https://www.leicester.gov.uk/business/business-rates/reliefs-and-exemptions/>

2. Business Rates Relief

- 2.1 From 1st April 2017, the Council is able to offer rates reductions to businesses which start to occupy premises at the Waterside, or which are already based in the zone and expand their operations.
- 2.2 Up to 100% of the rates payable can be awarded.
- 2.3 To be awarded relief, a business must satisfy the requirements of this policy, which is designed to incentivise property use which complements the objectives of the zone.

3. Legal Basis of Relief

- 3.1 Relief is awarded under the terms of Section 47(1)(a) of the Local Government Finance Act, 1988.
- 3.2 The cost to the Council of granting relief is reimbursed by the Government, under Regulation 4 and Schedule 2(1) of the Non Domestic Rating (Rates Retention) Regulations, 2013.

3.3 Relief is regarded as state aid under European Union treaties. State aid is generally prohibited, but can be granted under the de minimis provisions of Commission Regulation 1407/2013. Further information on state aid rules is provided below.

4. **Limitations on Relief**

4.1 Relief can only be granted in respect of properties which fall wholly or partly within the boundary of the zone.

4.2 Relief can be granted for a maximum of 5 years.

4.3 Relief is available only to businesses which relocate to properties in the zone on or before 31st March 2022 (or are already located in the zone at that date, and are expanding operations).

4.4 Businesses already on the zone may apply for relief in respect of an expansion of operations. Relief awarded will be restricted to the rates arising from the consequent increase in rateable value.

4.5 Businesses that are expanding operations will not be eligible if the business is already in receipt of discretionary rate relief for the premises, and has been for more than 5 years. Businesses who have been in receipt of discretionary relief for less than 5 years should contact the Council before submitting an application.

5. **Businesses which will be considered for Relief**

5.1 The Waterside Enterprise Zone aims to expand the city centre general office market, and creation of office space therefore contributes directly to the zone's objectives. Development of ancillary workspace, leisure, food and beverage, and hotel uses facilitate this objective and are also encouraged. Waterside may also have scope for advanced manufacturing businesses.

5.2 More detail about the objectives of the Waterside regeneration strategy can be found in the planning policy for the area, the city's core strategy and the Waterside supplementary planning document.

5.3 To support these objectives, rates relief will be considered for the following types of occupation:-

- (a) Companies predominantly occupying office accommodation (planning use class B1(a));
- (b) Premises that are wholly or mainly to be used as hotels (planning use class C1), shops (planning use class A1), restaurants (planning use class A3), cafes (planning use class A3) and drinking establishments (planning use class A4);
- (c) Companies operating primarily in workspace or studio space in the creative industry sector (planning use class B1(c));

- (d) Companies operating primarily in hi-tech manufacturing (planning use class B1(c)).
- 5.4 Businesses already located in Leicester or Leicestershire but outside of the zone must also demonstrate planned growth in the 5 years subsequent to occupation. This means a planned:-
 - (a) 20% increase in employment; or
 - (b) 20% increase in turnover.
- 5.5 Future entitlement to relief would be reviewed if it becomes apparent that plans are not being achieved.
- 5.6 Business rates relief will be considered for construction compounds and site offices associated with developments likely to be eligible for relief.

6. **Businesses which are not eligible for relief**

- 6.1 Relief will not be granted to:-
 - (a) Financial services with planning use class A2, other than bank or building society branches (e.g bureaux de change, payday lenders, betting shops, and pawnbrokers);
 - (b) Bookmakers and gambling establishments;
 - (c) Car parks;
 - (d) Shops or venues mainly offering material of an adult or sexual nature;
 - (e) Hot food and takeaway premises (planning use class A5);
 - (d) Sui generis uses not compatible with a high quality residential environment (e.g. taxi offices, nightclubs, and amusement centres).

7. **How does the process work?**

- 7.1 An application form and state aid declaration must be submitted to the Council. This can be found here: <https://www.leicester.gov.uk/business/business-rates/reliefs-and-exemptions/>
- 7.2 Successful applicants will receive a rates bill showing the reduced amount payable (which may be nil).
- 7.3 Relief will be calculated after applying any of the following reliefs to which an occupier may be or become entitled:-

- (a) Small business relief;
- (b) Relief granted for an initial period when the property is empty (i.e. before the business takes occupation);
- (c) Any other discretionary relief.

7.4 An applicant who is refused relief has the right to appeal under the process described below.

8. **State Aid**

8.1 Relief under this policy is classed as “state aid.” The European Union regulates state support to businesses, with the aim of ensuring fair competition and proper functioning of the single market. There is as yet no indication of how the UK’s withdrawal from the European Union will affect state aid rules.

8.2 Relief is made available under the “de minimis” provisions, which enable governmental bodies such as the Council to provide support which does not exceed 200,000 euros over a three year period. At the time of writing, this amounts to around £58,000 per year.

8.3 The limit applies not just to rates relief granted on a particular property. It applies to all support granted, by any governmental body, to the entire business enterprise. It does not apply to support provided under an EU provision other than the de minimis rules (such as regional investment aid).

8.4 Some types of business are excluded from benefitting from the de minimis rules. These exclusions are unlikely to apply to businesses relocating to, or expanding on, the zone but will nonetheless be taken into account by the Council when assessing eligibility to rate relief.

8.5 The rules regarding ineligible sectors can be found here: http://ec.europa.eu/competition/state_aid/legislation/de_minimis_regulation_en.pdf.

8.6 With the application form is a state aid declaration. This asks for information on other awards of aid provided (by any body) under these provisions in the current and previous two financial years. The Council will require a declaration from the business that receiving relief will not lead them to exceed the 200,000 euros threshold. Where state aid has previously been provided under de minimis provisions, a letter to this effect will usually have been provided by the body which provided the support.

8.7 The Council will not grant rates relief unless it is satisfied that the business will not exceed the de minimis limit.

8.8 If it transpires that relief provided did, in fact, cause the business to exceed the limit, the Council will be responsible for recovering the money from the business concerned (with compound interest).

9. **Appeals Process**

- 9.1 Businesses which feel that they meet the criteria of this policy but are not awarded relief may appeal.
- 9.2 There are two possible grounds for appeal:-
- (a) The business believes that the Council has incorrectly applied the policy, and has therefore erroneously failed to grant relief or has not granted the correct amount;
 - (b) The property is not eligible for relief, but the appellant can demonstrate that the proposed use makes a contribution to the objective of the zone, equivalent to the uses in paragraph 5.
- 9.3 All appeals must be made in writing to the business rates service, whose contact details can be found here: www.leicester.gov.uk/businessrates. Businesses must clearly state the reason why they believe they are eligible for relief.
- 9.4 Appeals will be considered within four weeks of submission of all necessary information.
- 9.5 Appeals will be considered in line with this policy, and the Director of City Development is the sole arbiter.
- 9.6 Decisions taken by the Director of City Development are final, and the outcome will be communicated to the business in writing. If an appeal is successful, rate relief will be backdated for the full year in which the appeal is received.

Appendix B

Business Rates Relief – Pioneer Park Enterprise Zone

1. Introduction

- 1.1 Enterprise zones were created by the Government in the 2011 budget. There are now a number of zones around the country. They exist to stimulate business growth in designated areas by providing financial incentives, and by simplifying planning arrangements. Their aim is to create jobs and drive local and national economic growth.
- 1.2 There are two enterprise zone sites in Leicester, which were created in April 2017:-
 - (a) Pioneer Park, which is a knowledge based business park, north of the city in the vicinity of the National Space Centre;
 - (b) Waterside, which stretches eastward from the River Soar at Frog Island and Blackfriars, towards the southern boundary of Abbey Park.
- 1.3 This policy covers Pioneer Park only. A full map is attached to this policy.
- 1.4 The policy in respect of Waterside can be found at <https://www.leicester.gov.uk/business/business-rates/reliefs-and-exemptions/>

2. Business Rates Relief

- 2.1 From 1st April 2017, the Council is able to offer rates reductions to businesses which start to occupy premises at Pioneer Park, or which are already based on the park and expand their operations.
- 2.2 Up to 100% of the rates payable can be awarded.
- 2.3 To be awarded relief, a business must satisfy the requirements of this policy, which is designed to incentivise property use which complements the objectives of the zone.

3. Legal Basis of Relief

- 3.1 Relief is awarded under the terms of Section 47(1)(a) of the Local Government Finance Act, 1988.
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- 3.3 Relief is regarded as state aid under European Union treaties. State aid is generally prohibited, but can be granted under the de minimis provisions of Commission Regulation 1407/2013. Further information on state aid rules is provided below.

4. **Limitations on Relief**

- 4.1 Relief can only be granted in respect of properties which fall wholly or partly within the boundary of the zone.
- 4.2 Relief can be granted for a maximum of 5 years.
- 4.3 Relief is available only to businesses which relocate to properties in the zone on or before 31st March 2022 (or are already located in the zone at that date, and are expanding operations).
- 4.4 Businesses already on the zone may apply for relief in respect of an expansion of operations. Relief awarded will be restricted to the rates arising from the consequent increase in rateable value.
- 4.5 Businesses that are expanding operations will not be eligible if the business is already in receipt of discretionary rate relief for the premises, and has been for more than 5 years. Businesses who have been in receipt of discretionary relief for less than 5 years should contact the Council before submitting an application.

5. **Businesses which will be considered for Relief**

- 5.1 Pioneer Park aims to support knowledge economy businesses in emerging innovation, technology, space, space related and science sectors.
- 5.2 To support these objectives, rates relief will be considered for the following types of occupation:-
 - (a) Companies operating primarily in one of the following knowledge economy areas:-
 - Responses to climate change: low carbon, environmental technologies, renewable energy, and/or resource efficiency;
 - 'Downstream' space sector: users of space technology, including the services enabled by the satellite network (such as mobile telephony, satellite photography and satellite television);
 - Information technology: development of new and innovative software, internet, mobile communications, cloud management, embedded systems and/or back office systems. Successful applicants will be able to show they own or will own the core IP of their work and are not just providing an outsourced service;
 - High tech manufacturing;
 - Knowledge intensive services;
 - Innovations arising from research and development activities.
 - (b) Companies that are an important part of the supply chain to the above sectors, where these sectors account for all or the majority of the client group. This includes:-

- Marketing or demonstrator facilities to raise the profile of innovative research;
- Business support services to companies of the type described in (a) above, whether or not supported companies are located in the zone. Legal support is only eligible if it exclusively supports IP;
- Training and consultancy to companies of the type described in (a) above, whether or not supported companies are located in the zone.

5.3 Businesses already located in Leicester or Leicestershire but outside of the zone must also demonstrate planned growth in the 5 years subsequent to occupation. This means a planned:-

- (a) 20% increase in employment; or
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Appendix C

Enterprise Zone Boundary Plan

