

REPORT TO: Executive Board

DATE: 19 July 2018

REPORTING OFFICER: Strategic Director – Enterprise, Community & Resources

PORTFOLIO: Resources

SUBJECT: Business Rates Action Areas

WARDS: Borough-wide

1.0 PURPOSE OF THE REPORT

1.1 The purpose of this report is to set out a scheme to offer discretionary business rate relief to businesses who are undertaking developments which complement the Mersey Gateway Regeneration Plan Plus.

2.0 RECOMMENDATION: That Executive Board

1) approve this scheme; and

2) receives a progress report once the scheme has been in operation for twelve months.

3.0 SUPPORTING INFORMATION

3.1 The Council currently considers requests for discretionary business rate relief against a set of agreed criteria that were approved by Executive Board in February 2015 (EXB133). Whilst this scheme is a useful ‘tool’ in practice it is seldom used.

3.2 A more focused scheme is now proposed for ‘Business Rate Action Areas’ that can be promoted and applied in specific areas to encourage private sector investment and create jobs for local people and facilitate the strategic development of the Mersey Gateway Regeneration Plan Plus Key Impact Areas. Each area would be designated for 5 years, and will principally seek to boost private sector investment in high quality commercial buildings.

3.3 Approving this geographically focused initiative will not affect or alter the previously agreed Borough-wide discretionary scheme previously approved by the Executive Board; the two can run in parallel.

3.4 The proposed ‘Business Rates Action Areas’ will use discretion over business rate relief to stimulate development. It is an ‘invest to save’ initiative, with the full

financial benefits being generated from NNDR revenue uplift being realised after the 5 year period.

- 3.5 The scheme would offer new and existing businesses who wish to build, expand or refurbish premises, business rates relief over and above that which is currently in the ratings system. A new business coming in to the Borough building on land which is not currently in the rating system could receive 100% rates relief in year 1, 75% rates relief in year 2 and 50% rates relief in year 3 (from year 4 they would pay full business rates). If the business is already on the ratings system and they wish to relocate, expand or refurbish they would pay the full business rates as per the current property, after which business rates relief could be offered. This approach would ensure that the Council's budgets are not impacted on as the policy will only apply to anything additional.
- 3.6 The 'Business Rate Action Areas' would be open to a particular Key Impact Area for 5 years. During that time business can apply. If a business applies in years 1, 2 or 3, they could obtain the maximum relief. If a business applies in year 4 or 5 they would only obtain relief for the years which are left.
- 3.7 The first 5 year pilot would commence on Astmoor in April 2019. Other locations would follow when local circumstances were considered to be favourable and when the Astmoor scheme is operational.
- 3.8 Astmoor has been selected because compared to the wider employment offer, Astmoor has underperformed for a number of years. This is largely due to a concentration of smaller, dated commercial premises, compounded by a poor quality public realm and layout. Astmoor struggles to meet modern business needs and rents are low compared to other locations.
- 3.9 There is also a specific opportunity at Astmoor, relating to the 17.4 acres of handback land that will be returned to Council ownership from the Mersey Gateway, towards the end of 2018. It is important that a scheme is agreed quickly, to allow sufficient time for it to be promoted.
- 3.10 As a guide, a building of 20,000 sqft sits on a one acre plot. This means that 350,000 sq ft of floor-space could be built on the land in Council ownership. Based upon similar property in the Borough, a new 20,000 sq ft B1 industrial building would have an rateable value of around £90,000 and generate rates payable of £44,000 per annum. On the 17.4 acres of land at Astmoor, this could create uplift in NNDR of over £765,000 per annum from the 'handback' land alone. This figure could be increased, if additional development is triggered by the business rates relief scheme on sites in private sector ownership.
- 3.11 A 20,000 sq ft B2 Industrial building, costs around £1.2 million (£60 per sq ft) to build. Business rates relief for 3 years where £44,000 would be payable per annum, on the tapering scale (Year 1 100%, Year 2 75%, Year 3 50% and Year

4 onwards 0%) would equate to £99,000 (over the 3 years) and could positively influence a decision to invest.

3.12 The business rates relief will only be available for 3 years to individual businesses and will only apply to developments in planning use classes B1, B2, B8 and business operating in the manufacturing and distribution sectors. It will exclude the retail, leisure and financial services sectors. Where the scheme falls within a Business Improvement District (BID) area such as Halebank or Astmoor the businesses will still be responsible for paying the BID levy in full.

3.13 Businesses will be considered eligible for business rates relief if they meet the following criteria:

- Be able to demonstrate that the relief is required to facilitate a specific project that would otherwise not proceed
- They are an end user companies/occupiers or owner occupiers
- Have incorporated the specific design guidelines
- Be able to demonstrate viability
- Be State Aid compliant
- Increase employment and recruit through the HEP

The maximum relief would be £26,000 per job or 20% of eligible capital expenditure; whichever is the lesser of the two and each application for relief will be considered on its merits and will be at the sole discretion of the Council.

3.14 At the end of the 3 year business rates relief period, it is proposed that 50% of the business rates from the businesses assisted would be ring-fenced for a further two years to the Key Impact Area to aid regeneration activities. After the 5 year period (from the start of the Business Rates Action Area) 100% of the business rates will go into the general rating account and that is when the Council will see uplift in business rates income.

4.0 POLICY IMPLICATIONS

4.1 The scheme will be reviewed annually to determine how effective it is and the impact on the sale of land, the quality of buildings constructed and the number of jobs created.

5.0 FINANCIAL IMPLICATIONS

5.1 The proposal to instigate 'Business Rates Action Areas' is at minimal cost to the Council. The scheme will mostly apply to sites that are currently vacant or low grade buildings, many of which are unoccupied. Consideration should be given to the granting of rate relief where there is growth to the rateable value of any site. Relief given on any current site will impact on the Council's base position

and would be an additional cost to the current year budget, which is why this scheme seeks to avoid that situation.

5.2 The scheme has potential to add considerably to NNDR revenues, albeit with the majority of the benefits deferred for a five year period. Although this would be dependent on future resetting of the business rate baseline position. Growth in business rates could increase the level of the business rate baseline for Halton with the potential for a corresponding reduction in grant (Top-Up Funding, Revenue Support Grant etc.).

5.3 There would be uplift in NNDR of over £765,000 per annum from the Astmoor 'handback' land, after the five year period. Given the tapered impact, the Council will potentially generate from an uplift of £191,000 in year 2 (25%) and £383,000 in years 3 and 4 (50%). In addition, the scheme has the potential to generate Planning fees to this Council in the region of £100,000.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 In the Astmoor area, up to 350,000 sq ft of high quality, eco-friendly business space could be constructed on 17.4 acres of development land. If jobs are created at a ratio of 1 job per 1,000 sq ft of new floor-space, 350 new jobs could be created for local people. If the scheme is rolled out to all the Mersey Gateway Regeneration Key Impact Areas, this would increase the numbers significantly.

7.0 RISK ANALYSIS

7.1 Potential adverse impact on sale of land elsewhere in the Borough.

7.2 Potential conflict with landowners and occupiers on other sites.

7.3 Criticism and adverse publicity if the scheme does not meet targets.

7.4 Distort competition in Liverpool City Region.

7.5 On balance, a scheme that allows the Council to test the opportunity is considered to be the correct approach.

8.0 EQUALITY AND DIVERSITY ISSUES

There are no Equality and Diversity implications arising as a result of the proposed actions.

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

None under the meaning of the Act.

