

Cabinet Report

Report of Strategic Director

Author: Anna Robinson

Telephone: 01235 540523

E-mail: anna.robinson@southandvale.gov.uk

Wards affected: All

Cabinet member responsible: Matthew Barber

Tel: 07816481452

E-mail: matthew.barber@whitehorsedc.gov.uk

To: CABINET

DATE: 7 December 2012

Science Vale UK Enterprise Zone Business Rates Scheme

Recommendations

Cabinet is asked to

1. approve the business rate discount scheme as attached at appendix one to this report,
and,
2. authorise the strategic director with responsibility for Science Vale to determine whether businesses are eligible for a business rate discount under the scheme

Purpose of report

1. The government has offered a package of incentives for Enterprise Zones (EZ), which includes a facility to give business rates discounts to firms locating within the zone. The Vale of White Horse District Council, as the administrative authority for business rates, has discretion to grant a 100% business rates discount for a five year period to businesses within the Enterprise Zone. Discounts will be to a maximum of £55,000 per year, up to £275,000 in total for businesses locating within the EZ before 31 March 2015. The discount is fully funded by Government.
2. In order to implement the business rates discount scheme cabinet needs to approve the scheme as attached to this report.

Corporate Objectives

3. Supporting a vibrant economy and delivering the benefits of the Science Vale Enterprise Zone are specific objectives within the Vale corporate plan. The business rate discount scheme is essential to help deliver the corporate objective.

Background

4. In August 2011, Government announced that the Science Vale Enterprise Zone bid had been successful. One of only 21 EZs nationally, their objective is to stimulate economic growth, through business tax breaks, a more permissive planning regime and introduction of "superfast" broadband for businesses locating within the EZ. The Science Vale EZ comprises 92 hectares of land on the Harwell Oxford and Milton Park business parks, shown in the map attached at appendix two.
5. EZs bring benefits to businesses locating within the designated area, and to Oxfordshire as a whole, through a scheme which allows the Oxfordshire Local Enterprise Partnership (LEP) to retain all uplift in business rates within the EZ for a 25 year period to help deliver the LEPs local priorities. The LEP is responsible for deciding how such uplift is used, however, it is expected that a significant proportion of the retained rates will be used to meet infrastructure needs within the Science Vale growth area. When the 92 hectares is fully occupied it could generate an increase in business rates of over £10 million a year, although we now expect it will take considerably longer to reach this point than was originally envisaged.

The scheme

6. The Localism Act 2011 gives billing authorities powers to grant local business rate discounts. The powers came into effect on 1st April 2012, allowing discounts to begin from that date. Billing authorities are required to design and set their discount schemes in accordance with Government regulations and guidance.
7. Local authorities are usually responsible for fully funding any discounts granted under these new powers, however in the case of Enterprise Zone sites, central Government will fully reimburse the costs of providing up to 100% discount for 5 years, up to state aid de minimis levels (currently £55,000 per annum). This is available to businesses that locate in the EZ area by 31 March 2015 and which meet the scheme criteria. The EZ scheme as proposed is in compliance with the regulations.
8. The objectives of the business rates discounts scheme are to incentivise new business to move into the EZ and to encourage business currently within the local area to grow. A condition of EZ funding is that the scheme should not encourage displacement, ie, businesses should not be able to relocate from within the local area simply to take advantage of the discount, and so some conditions apply. These are set out in appendix one to this report.
9. Partner organisations, namely, the Local Enterprise Chairman and all members of the Science Vale UK board, were consulted on the proposed scheme and a

number of minor amendments have been made to the criteria to reflect the feedback received.

Decision making

10. There is a two-stage decision making process for the award of an EZ business rate discount. The discount scheme deals only with the principle of whether a business complies with the scheme criteria. It is proposed that cabinet delegates authority to the strategic director with responsibility for Science Vale Enterprise Zone to take this decision. An informal procedure exists for appeal (which can be viewed on page three of the scheme) should an applicant disagree with the decision, however, there is no formal right of appeal and the decision as to whether a business complies with the criteria in the scheme is solely at the discretion of the Vale of White Horse council.
11. Applicants must then satisfy the council's section 151 officer that a discount will not breach the European Commission De Minimis Regulations. The council's scheme of delegation already authorises the section 151 officer, section 4.1, *'To grant discounts/ relief to non-domestic rate payers under sections 43, 45, 47 and 49 LGFA 1988'*, and so no additional delegations are required for the financial assessments. Applicants must provide proof and certifications to demonstrate that they qualify under the de minimis rules. Recovery of overpayments are the responsibility of the council.

State Aid

12. Business rate discounts are classed as state aid, for which the threshold for any business is €200,000 over any three-year period. Payments above this level require European Commission approval. The EZ discount scheme requires billing authorities to administer the scheme in accordance with the European Commission's De Minimis Regulations, which state that small amounts of state aid have a negligible impact on trade and competition and therefore are not subject to Commission notification and approval.
13. The billing authority is classed as the aid administrator under the De Minimis Regulations and so is responsible for ensuring the rules are met. The administrator is required to report to government on the total amount of aid provided each year through the De Minimis exemption.

Financial Implications

14. Any Enterprise Zone discounts given to new businesses entering the Enterprise Zone or meeting the growth criteria within the zone, between 1 April 2012 and 31 March 2015 will be funded by government for 5 years.
15. The Government is currently undertaking reform of local government finance, which includes the introduction of the local retention of business rates. The final details of this scheme have not yet been published, however, the Government has written to Chief Finance Officers to give an assurance that they will fund Enterprise Zone discretionary discounts for 5 years from 1 April 2012.

16. The assessment and administration of discounts within the zone will require additional funding both in terms of set up and ongoing management. Costs will be kept to a minimum and time accounted for. The council will deduct administration costs for the scheme from the uplift in business rates income received from the enterprise zone, before passing the money through to the Local Enterprise Partnership.

Legal implications

17. The proposals set out in this report comply with the legislation on business rates discounts within enterprise zones in the Local Government Finance Act 1988, as amended by the Localism Act 2011. Discounts will only be awarded if they comply with the European Commission state aid de minimis rules.

Risks

18. The risk is considered low, as government has confirmed that it will reimburse the council for the cost of all EZ business rates discounts. We will need to monitor this carefully towards the end of the EZ discount funding period to make sure that giving this discount does not leave us in a worse position than if we hadn't participated.

Conclusion

19. The council is asked to adopt a scheme to enable business rate discounts to be paid to businesses in the EZ providing they meet the scheme criteria. There is a two stage process before discounts are awarded. The first is an in principle decision which will be given quickly in order that the business parks can confidently offer the benefit to potential occupants. The second is a financial assessment as to whether a business complies with the state aid de minimis regulations. It is important we assess this thoroughly as the council as billing authority is responsible for collection of debt should discounts be erroneously awarded.

Attachments

1. The EZ business rate discount scheme
2. Map showing the extent of the EZ area