

**BUSINESS RATES – DISCRETIONARY GROWTH INCENTIVE RELIEF
APPLICATION**

SUMMARY AND RECOMMENDATIONS:

SUMMARY

This report sets out one new application for Discretionary Rate Relief under the Council's new Discretionary Growth Incentive Relief Policy.

The application is from Farnborough International Limited who built and occupy the new exhibition and conference centre on the Farnborough Airfield.

RECOMMENDATIONS

Cabinet are recommended to approve the award of Discretionary Rate Relief to Farnborough International Limited for £60,000 a year for the next three years.

1. INTRODUCTION

1.1 The purpose of this report is to:

- Outline the background and financial implications of Discretionary Growth Incentive Relief; and
- Consider one new application for Discretionary Growth Incentive Relief.

2. BACKGROUND

2.1 The Local Government Finance Act 1988, as amended provides local authorities with discretionary powers to grant relief from non-domestic rates on properties occupied by charities and other non-profit making organisations.

2.2 A local authority has discretion to grant "top up" relief of up to 20% to charities that had received 80% mandatory relief

2.3 In addition, an authority can grant relief of up to 100% to non-profit making organisations.

- 2.4 The Localism Act 2011 introduced a new power for local authorities to award a local discretionary relief, in any circumstances, where it is in the Council Taxpayers interest to do so.
- 2.5 In April 2017, cabinet agreed a new policy to award temporary Discretionary Relief to support its growth aims, which is a key item under the council purpose around sustaining a thriving economy and boosting local businesses.
- 2.6 This new policy is known as “Growth Incentive Relief”. Full details of this policy can be found in Appendix 1.
- 2.7 The main aims of this policy is to:-
- Bring long term empty commercial properties back into use.
 - Create new job opportunities, and
 - To attract inward investment and economic growth, by building new commercial property or extending existing commercial property.
- 2.8 With Growth Incentive Relief we can promote sustainable occupation in areas where the level of unoccupied units is high and to attract new businesses to the borough to increase employment and to boost the local economy.
- 2.9 Growth Incentive Relief can also encourage existing businesses to expand their current operations and to create and extend their existing property, thus bringing economic benefit to the borough.

3. APPLICATION FOR RELIEF

- 3.1 This application is from Farnborough International Limited.
- 3.2 Farnborough International Limited are the organisers of the biennial Farnborough International Air show.
- 3.3 Until recently, Farnborough International had been using temporary structures to host exhibits at the air show but recently completed a permanent structure, which is known as Hall 1, Farnborough International Exhibition and Conference Centre.
- 3.4 The new exhibition and conference centre is 12,500sqm with nine flexible function rooms to accommodate up to 900 people for conferences and 600 for banqueting.
- 3.5 Farnborough International Limited have another exhibit hall, known as Hall 5. The business rates payable for that exhibition hall is £531,995.31 per annum.

- 3.6 The new Exhibition and Conference Centre has recently been valued for Business Rates with annual rates payable of £882,000. This means for both centres, the annual rates payable is £1,413,995.
- 3.7 Farnborough International Limited feel that the new rates assessment is excessive and are currently appealing against the rateable value on these premises. However, appeals can take some time to resolve, especially with valuations of exhibition centres as a more complex methodology is used to arrive at the Rateable Value, as opposed to the traditional method of rental value.
- 3.8 Farnborough International Response to their application is laid out in Appendix 2.
- 3.9 Farnborough International Limited have 51 employees of which, 17 are resident locally.
- 3.10 In addition to offering employment locally, the exhibition and conference centre adds to the local economy as additional events can be held at the conference centre that would otherwise be held at Excel (London) or NEC (Birmingham).

4 IMPLICATIONS

Financial Implications

- 4.1 Since 1st April 2013, the Business Rates Retention Scheme has introduced a fundamentally new set of arrangements for dealing with the cost of business rates. The cost to the Council of granting any Discretionary Relief is most reliably estimated at being 40% of the value of the relief granted, although the total cost is ultimately determined by a range of factors, such as the Council's total rate receipts measured against its estimated threshold for growth and taking into account whether any payment levies or safety net contributions are payable or receivable.
- 4.2 The remaining 60% of the costs will be met by Central Government (50%), Hampshire County Council (9%) and Hampshire Fire and Rescue Authority (1%), under the Business Rates Retention Scheme.
- 4.3 Any award of discretionary rate relief is subject to state aid limits. The De Minimis regulations allow an undertaking to receive up to €200,000 (£180,000) in any three-year period.
- 4.4 Therefore, if Rushmoor BC were to award the maximum amount of £180,000 (£60,000 a year for three years), the financial effect on RBC over these three years would be a total of £72,000, £24,000 a year.
- 4.5 However, any award of Growth Incentive Relief is offset by an additional income of approximately £882,000 per annum. However, this figure may reduce if Farnborough International are successful with their appeal.

- 4.6 It is important to note, that Rushmoor Borough Council has a financial interest in Farnborough International Limited as the Council has provided a loan of £5.6m to date, to help with the development of the Exhibition Hall and Conference Centre.

Legal Implications

- 4.5 Section 47 of the Local Government Finance Act 1988, as amended, enables Councils to grant discretionary rate relief to any ratepayer.
- 4.6 This new policy to award Discretionary Growth Incentive Relief, follows guidance and advice provided by the Department of Communities and Local Government following the introduction of The Localism Act 2011.
- 4.7 Full details of this guidance can be found at the following web link: <https://assets.publishing.service.gov.uk/government/uploads/system/.../1896534.pdf>

To summarise, page 6 reads:-

“Greater local control over business rates

One of the most important things that councils can do to improve local life is to support the local economy. The Localism Act gives councils more freedom to offer business rate discounts - to help attract firms, investment and jobs. Whilst councils would need to meet the cost of any discount from local resources, they may decide that the immediate cost of the discount is outweighed by the long-term benefit of attracting growth and jobs to their area”.

5. CONCLUSIONS

- 5.1 In conclusion, cabinet are asked to approve the award of Growth Incentive Relief of £60,000 a year for the next three years.
- 5.2 The Portfolio Holder for Corporate Services is supportive of the application to the level set out in this report.
- 5.3 The case was reviewed in its own merit and the decision was made using the Growth Incentive Relief Policy, which was approved following guidance provided by the Department of Communities and Local Government.
- 5.4 Farnborough International benefits the local economy by:-
- Creating employment opportunities, and
 - Boosting the local economy by attracting visitors and other businesses to the borough.

BACKGROUND DOCUMENTS:

S47 Local Government Act 1988, as amended
Full applicant case file in respect of the applicant
Rushmoor Policy on Growth Incentive Relief

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Business Rates Growth Incentive Relief

**Policy Guidelines for the granting
of Discretionary Rate Relief**



Introduction

If Rushmoor is to continue to grow and prosper the council needs to take away barriers that might stifle business growth so our communities can all share the benefits of sustainable economic growth.

We recognise that a period of growth in a business can cause uncertainty and many businesses are naturally concerned that they do not over stretch themselves.

To help businesses achieve their growth potential the council has introduced a new scheme to give discretionary rate relief to help businesses with high potential to grow, bring empty buildings with significant economic value back into use and to attract inward investment and economic growth.

This new policy allows the council to use its discretionary powers to award temporary discretionary rate relief to support its growth aims. This supports one of the council's aims, which is to support local business and to help sustain a thriving economy in Rushmoor.

The aim of these guidelines is to set out the policy for awarding this relief to certain types of business rates payers within Rushmoor.

Localism Act 2011

Prior to the Localism Act 2011, Section 47 of the Local Government Finance Act 1988 (LGFA 1988), Councils were able to grant discretionary rate relief only in certain specified circumstances. They could top up the 80% mandatory relief available on premises occupied by charities and Community Amateur Sports Clubs and they could award up to 100% relief to non-profit making bodies.

Section 69 of the Localism Act 2011 amended Section 47 of the LGFA 1988, and came into effect on 1 April 2012. The purposes of that Act allowed for an extension of the existing provisions in that discretionary rate relief may be granted in any circumstances where a local authority sees fit, having regard to the effect on Council Tax payers in the area.

The amendments also require billing authorities to have regard to any relevant guidance issued by the secretary of state when deciding whether to grant relief under S47 of the LGFA 1988.

Government has not issued any further guidance in respect of how this power might be used.

The English Guide to the Act addresses this as follows:-

“The Localism Act gives councils more freedom to offer business rates discounts – to help attract firms, investment and jobs. Whilst the local authority would need to meet the cost of any discount from local resources, it may be decided that the immediate cost of the discount is outweighed by the long-term benefit of attracting growth and jobs to their area”.

Rushmoor Borough Council's Growth Incentive Policy

Any ratepayer applying for relief under these provisions and who does not meet the criteria for existing relief (charities, CASC's and not for profit making organisations), must meet all of the following criteria and the amount of relief granted will be dependent on the following key factors:

- The ratepayer must not be entitled to mandatory or 100% small business rate relief;
- The ratepayer must not be an organisation that could receive relief as a non-profit making organisation or as a sports club or similar;
- The premises and organisation must be of significant benefit to the residents of the borough;

The ratepayer must also demonstrate that they satisfy as much of the following criteria as possible:

- The award relates to business rates payable in respect of a new hereditament or an increase in rateable value of an existing hereditament and as a result of the new or extended hereditament the following benefits will be derived:
 - New employment opportunities will be created;
 - The organisation must bring social, environmental or economic benefit to the community; or
 - Contribute to the sustainable development of the borough;

- The applicant must prove economic value of bringing empty commercial properties back into use and the following benefits derived (The property must have been vacant for a minimum of 12 months):
 - New employment opportunities will be created;
 - The organisation must bring social, environmental or economic benefit to the community; or
 - Contribute to the sustainable development of the borough;
- Provide the resident of the borough with such services, opportunities or facilities that cannot be obtained locally or are not provided locally by another organisation;
- The ratepayer must demonstrate that assistance (provided by the discretionary rate relief) will be for a short time only and that any business/operation is financially viable in the medium and long term;
- The ratepayer must show that the activities of the organisation are consistent with the Council plan.

Where a ratepayer can demonstrate that the criteria is met, the period and value of relief granted will be solely at the discretion of the Council.

A formal application from the ratepayer will be required in each case and any relief granted, will be in line with State Aid requirements.

Excepted organisations

Relief cannot be granted to excepted properties, i.e. one where all or part of the property is occupied by any of the following:

- A billing authority, such as Rushmoor Borough Council, or
- A precepting authority such as Hampshire County Council, Police and Crime Commissioner and Hampshire Fire and Rescue Authority.

Cost of awarding relief

The cost of awarding all forms of rate relief is split between central government, billing authorities and major preceptors on a fixed percentage basis.

Central Government bears 50% of the cost, the county 9%, the fire authority 1% and billing authorities the remaining 40%.

In regard to discretionary rate relief, if the relevant conditions are satisfied, the local authority has the discretion to award or refuse the application. When making their decision the local authority must consider the guidelines and appendices in this document and take into account the impact that such awards might have on local authority tax payers in the area, as 40% of the cost is borne by the local authority.

State aid

The issue of some rating reliefs being considered as qualifying as state aid is now of some significance and is briefly explained in the “Rate Relief for Charities and other Non-Profit Making Organisations” guidance note issued by the Office of the Deputy Prime Minister in December 2002.

Broadly, any award of discretionary rate relief is subject to State Aid De Minimis limits. The De Minimis regulations allow an undertaking to receive up to €200,000 of De Minimis Aid in a three-year period (consisting of the current financial year and the two previous financial years).

APPENDIX 2

Application for Discretionary Growth Incentive Rate Relief

Farnborough International Limited

Hall1, Farnborough International Exhibition Centre

ETPS Road, Farnborough, GU14 6FD



Farnborough International Limited are the organisers of the biennial Farnborough International Air show.

They also provide consultancy service to other aviation organisations wishing to host similar events.

More information about Farnborough International Limited and the Exhibition and Conference Centre can be found at <https://www.farnboroughinternational.org>.

In their application, Farnborough International Advise of the following:-

Please describe the nature of your business?

Farnborough International Limited (FIL) is an exhibition business with a focus on Aerospace. Born out of the Farnborough International Airshow, the business is expanding in to a wider range of exhibitions and events, providing facilities for businesses in all sectors to stage major trade exhibitions in Farnborough, with the air show continuing to be staged every other year.

For what purposes does the organisation use the premises?

The premises will be primarily used for corporate conferences and trade exhibitions, including the Farnborough International Airshow. From time to time, the building may be used for other commercial activity such as filming for TV productions or adverts.

Employment opportunities?

No of employees = 51
Resident Locally = 17

Of the current staff of 60, 7 of these permanent positions have been created in the business covering exhibition management, sales and security, since the exhibition hall was built. In addition, for each event stages, temporary staff are now required to assist with catering, organisation and security and this could create as many as 30 positions depending on the size of the event. One study estimated that over £64m would be brought in to the area over the next 10 years, supporting 100 full time positions in external industries, many of which would be in the local area.

This does not include the opportunities created within the area as part of the actual construction of the building.

Please give the reason for your application, including how the business brings social environmental or economic benefit to the borough and contributes towards the sustainable development of the borough?

There are two reasons for the application for rates relief.

Firstly, the overall FIL business is not profitable over a 2-year Air show cycle (so 2017 and 2018) and whilst new management are keen for that to change in the future, adding over £900k in overheads as what is essentially a start-up phase of the business at risk before it even gets off the ground. With the inward investment that this is likely to bring in to the area, it would be self-defeating for the council not to support this application.

Secondly, it was estimated that in 2013, FIL brought over 57,000 people to the area through holding events in the similar Hall 5 and temporary structure, Hall 4. The building of a permanent structure should see this number increase substantially which will not only create local jobs but will bring money in to the area that would otherwise be spent in areas such as London (for events held at Excel) or Birmingham (for events at NEC).

Creating jobs and bringing visitors in to the borough will bring economic benefit as money is spent and this in turn will be able to support sustainable development of the borough and provide economic support for local regeneration plans.

Please explain why you consider your business benefits local taxpayers?

FIL will benefit local taxpayers by providing increased employment opportunities, particularly during events and this will benefit local taxpayers either directly (in that the employment opportunity is taken by local residents) or indirectly, in that more money is brought in to the area creating incremental value through job creation or spend, ultimately resulting in the council being able to invest more in the local community.

Bringing so many people into the borough can only be a benefit to the council and local community and will support the council's current regeneration plans as hotels, restaurants and bars will be frequented during the week, as well as just weekends.