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**ENTERPRIZE ZONE BUSINESS RATES DISCOUNT SCHEME**

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**Responsible Cabinet Member - Councillor Stephen Harker  
Efficiency and Resources Portfolio**

**Responsible Director – Richard Alty, Director of Place**

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**SUMMARY REPORT**

**Purpose of the Report**

1. To seek Members' approval for the Enterprise Zone Business Rates Discount Scheme for Central Park.

**Summary**

2. The Localism Act 2011 contains clauses that give billing authorities powers to grant local Business Rate discounts. These are the powers that will be used to award discounts to businesses that locate on certain Enterprise Zone sites. The powers came into effect on 1<sup>st</sup> 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.
3. This report outlines the proposed arrangements for awarding Business Rate discounts to businesses that locate on the Darlington Enterprise Zone site at Central Park.

**Recommendations**

4. It is recommended that Members approve the Enterprise Zone Business Rate Discount Scheme at Appendix 1.

**Reasons**

5. The recommendation is supported by the following reasons:-
  - (a) The Local Authority is required to adopt a Business Rates discount scheme for Enterprise Zones in its area.
  - (b) The scheme will support the Tees Valley Enterprise Zone objective to move towards a high value, low carbon economy and to support emerging growth sectors.

**Richard Alty  
Director of Place**

## Background Papers

### The Tees Valley Enterprise Zone Implementation Plan

Anthony Sandys - Extension 2512

S17 Crime and Disorder	It is not considered that the contents of this report have any such effect.
Health and Well Being	There are no issues relating to health and well-being which this report needs to address
Carbon Impact	The development of the Enterprise Zone site will improve the environment of the Borough
Diversity	There are no diversity issues
Wards Affected	Bank Top, Central and Lingfield
Groups Affected	Not applicable
Budget and Policy Framework	The issues contained within this report do not represent change to Council budget or the Council's policy framework.
Key Decision	This is a key decision
Urgent Decision	For the purpose of the 'Call-in' procedure this does not represent an urgent decision.
One Darlington: Perfectly Placed	The Enterprise Zone arrangements impact positively on the Sustainable Community Strategy by helping to strengthen the local economy, supporting the creation of new businesses and enabling more people to find employment.
Efficiency	The arrangements for the Tees Valley Enterprise Zone are that the reimbursed income from the government funded sites will fund the costs of awarding discounts to businesses on the locally funded sites (including the site in Darlington)

## MAIN REPORT

### Information and Analysis

#### Background

6. In order to aid economic recovery and stimulate growth, the Government has introduced a programme of Enterprise Zones throughout the country. The Tees Valley Enterprise Zone was announced as part of the Budget in 2011, and its format was agreed between the Government and Tees Valley Unlimited (TVU) in August 2011. It includes 12 sites throughout the Tees Valley, with developers on these sites benefiting from a range of benefits, including financial incentives, simplified planning rules and high speed broadband. The financial incentives offered will take the form of either business rate discount, worth up to £275,000 over a 5 year period, or enhanced capital allowances to support the growth of existing firms and/or attract significant foreign investment.

#### Discount Schemes

7. The Localism Bill received Royal Assent on 15 November 2011. Section 69 of the Localism Act amends Section 47 Local Government Finance Act 1988 to allow Local Authorities to reduce the Business Rates of any local ratepayer, not just those that can currently be granted discretionary rate relief. The Non-Domestic Rating Contributions Regulations 2012, covering Enterprise Zone discounts were finally laid in parliament on 7<sup>th</sup> March 2012 and came into force on 31<sup>st</sup> March 2012.
8. Local Authorities are responsible for fully funding any discounts granted under these new powers, however in the case of certain defined Enterprise Zone sites, central Government will reimburse the costs of providing up to 100% discount for 5 years, up to state aid de minimis levels (currently stated as £55,000 per annum) for businesses that enter the sites by 31<sup>st</sup> March 2015. For example, if a business enters the site on 31<sup>st</sup> March 2015, it will receive the discount until 30<sup>th</sup> March 2020.
9. The Tees Valley Enterprise Zone implementation plan comprises a range of sites that offer complementary financial incentives. The larger sites will provide enhanced capital allowances to attract major industrial companies. The sites offering Business Rate relief will be attractive to SMEs (small or medium-sized enterprises)/micro businesses that will form the local supply chain servicing the major companies. For the purposes of Business Rate discount schemes, there will be two types of site – Government Funded Rate Relief sites and Locally Funded Rate Relief sites. The general principle is that the reimbursed income from the government funded sites will fund the costs of awarding discount to businesses on the locally funded sites. In Darlington's case there is one locally funded site at Central Park.
10. The strategy behind the choice of sites for inclusion within the Tees Valley Enterprise Zone was founded upon an economic policy to move towards a high value, low carbon economy and to support emerging growth sectors and the development of the SME base. A sectoral focus on sites provides a tight set of criteria to be met by incoming occupiers seeking to benefit from the financial incentives. The target sectors are:
  - (a) Advanced engineering / advanced manufacturing
  - (b) Chemicals
  - (c) Digital
  - (d) Renewables

Rate relief will not be awarded if the business does not meet the sector criteria. Central Park has been designated a digital site.

11. It is the billing authority's responsibility to set the discount scheme for its area and make the final decision about awards of relief. However, all the Tees Valley authorities are working closely with TVU to ensure that the schemes they set are consistent, fair, affordable and support the Enterprise Zone ambition. The discount scheme is a key element in the promotional package to attract new businesses to the Enterprise Zone.

### **Financial Implications**

12. A detailed financial modelling exercise has been undertaken as part of the scheme design, to ensure:
  - (a) Full understanding of the potential cost of locally funded rate relief
  - (b) How this might be funded by potential income from government funded rate relief
  - (c) Any growth in Business Rates income on Enterprise Zone sites that will be retained by the Local Enterprise Partnership, and that the costs and benefits of the approved scheme are shared fairly between the Tees Valley Councils.
13. As the cost of any discounts awarded for the Central Park Enterprise Zone site will be funded by the Local Enterprise Partnership, there will be no financial risk to Darlington Borough Council.

### **Outcome of Consultation**

14. The Enterprise Zone Business Rate Discount Scheme is a Tees Valley wide policy, developed in consultation with colleagues at TVU and, to ensure a consistent approach, in consultation with the other Tees Valley Councils.



## ENTERPRISE ZONE BUSINESS RATES DISCOUNT SCHEME

### Central Park Locally Funded Rate Relief Site

Applications will be assessed following completion and submission of the Tees Valley Enterprise Zone Business Rate Discount Form. If a business later wishes to re-locate within the Enterprise Zone, or move to an additional site within the Enterprise Zone, a new form will need to be completed.

#### To qualify for discount

- a) The whole or part of the property must be situated within the area shown on the map at **Appendix 3**; and
- b) The business occupying the property must satisfy the Digital sector definition defined at **Appendix 2**; and
- c) The business' liability for payment of Business Rates must commence before 1<sup>st</sup> April 2015; and
- d) In the case of a business that already exists within the Tees Valley, that business must *either* demonstrate acceptable growth *or*, where the business does not have plans to grow, the Enterprise Zone Eligibility Panel will reach a decision on whether the business is eligible for discount.
- e) State Aid de minimis limits must not be exceeded.

#### The amount of discount:

Subject to State Aid legislation, where the property is occupied or where empty rates are payable during any "setting-up" period prior to occupation, 100% discount will be awarded up to a maximum of €66,666 (around £55,000 depending on exchange rates) in any financial year (a financial year being 1<sup>st</sup> April to 31<sup>st</sup> March).

No discount will be awarded in respect of empty rate charges that become payable if the business vacates the property or ceases trading.

Enterprise Zone Business Rate discount is regarded as de minimis State Aid. If the business has received any other de minimis State Aid during the current and the preceding two financial years this will be taken into account in calculating the amount of Business Rate Discount that may be awarded, to ensure that State Aid de minimis levels (currently €200,000 over a rolling three year period), are not exceeded.

#### The period of discount:

Discount will be awarded for 5 calendar years subject to satisfactory annual review.

A business that located in an empty property before 1<sup>st</sup> April 2012 and that meets the discount qualification criteria will be awarded a discount for 5 calendar years minus the amount of time spent in the property before 1<sup>st</sup> April 2012, subject to annual review.

A business cannot benefit from Business Rates Discount for more than 5 years in respect of the same building.

### Annual Review

The business will be required to complete and return an Annual Evaluation Form, to be provided, which will include a report of progress made against the plans described in its Enterprise Zone Business Rate Discount application form. Ongoing discounts will not be unreasonably withheld, but where concerns are identified, other than where State Aid de minimis levels would be exceeded, businesses will be given 1 year's notice of intention to terminate the discount. Each case will be considered on its merits, however, reasons for terminating an award of discount could include:

- The business no longer satisfies one of the sector definitions;

If, during the 1 year notice period, the business takes satisfactory steps to rectify the issue that prompted the decision to end the discount, the termination notice will be withdrawn.

In cases where State Aid de minimis levels would be exceeded, discount will be terminated with immediate effect.

### **Decisions and Appeals**

Decisions on awards of Business Rates Discount under this scheme are delegated to the Head of Revenues and Benefits in consultation with the Tees Valley Enterprise Zone Eligibility Panel.

Appeals will be considered by The Enterprise Zone Appeals Panel, whose decision will be final.

## Sector Definition

### Digital

1. For the purposes of the Central Park Enterprise Zone site, the digital sector will include companies that utilise digital technology to develop, design or produce a digitally delivered, product or service – this excludes the normal application of administrative software.
2. Although it should be relatively straightforward to identify the majority of companies as being included or excluded by this definition, there are a number of factors that should also be considered in determining a final judgement where uncertainty exists. These include:
  - To what extent is the digital element the focus of the business?
    - i.e. a company might traditionally produce newspapers, but be moving increasingly towards a more web-based operation. It is suggested that digital output should comprise at least 50% of turnover so it can be classed as the primary focus of the business.
  - What elements of the company are going to be located within the Enterprise Zone?
    - i.e. if Amazon open a call centre to handle customer enquiries, this should not be considered a digital operation.

Central Park Enterprise Zone

