

BRISTOL CITY COUNCIL

RESOURCES SCRUTINY COMMISSION

25 JANUARY 2013

Report of: Rick Palmer, Strategic Director Neighbourhoods and City Development

Title: Business Rate Discounts in the Temple Quarter Enterprise Zone (TQEZ)

Ward: All Wards

Officer Presenting Report: Alun Owen, Service Director Major Projects

Contact Telephone Number: (0117) 9037481

RECOMMENDATION

To note the contents of the report and make recommendations for changes if appropriate to the Temple Quarter Enterprise Zone Board.

Summary

The report sets out the Business Rate Discount Scheme agreed by the Temple Quarter Enterprise Zone.

The significant issues in the report are:

- The legislative changes that allow business rate discounts to be given.
- The Temple Quarter Enterprise Zone approved Business Rate Discount scheme.

Policy

1. There are no specific policy issues relating to this report.

Consultation

Internal

2. – Temple Quarter Enterprise Zone Board.
- Members of Bristol City Council Cabinet.

External

3. Department of Communities and Local Government.

Context

4. In October 2011 Government agreed to the establishment of an Enterprise Zone centred around the Temple Quarter area of Bristol.

Enterprise Zones seek to stimulate economic growth through a variety of measures including;-

- Business Rate discounts for 5 years
- Simplified Planning
- Adoption of Superfast Broadband
- Tax breaks (not available for all EZs).
- Inward Investment through business rate retention for 25 years.
- A strong focus on marketing.

The TQEZ is managed on behalf of the Local Enterprise Partnership (LEP) through the Temple Quarter Enterprise Zone Board. Ultimately it is the LEP who are responsible for investment decisions and managing the growth of the TQEZ.

Authorities are able to provide discounts on business rates using the local discount powers contained in section 47 of the Local Government Finance Act 1988 as amended by Section 69 of the Localism Act 2011.

As the local billing authority, Bristol City Council collects the business rate growth and administers the approved rate discount scheme on behalf of the LEP.

Funding Arrangements

Discounts can be granted from 1st April 2012 or the day the business enters the zone if this is after 1st April 2012 and before 1st April 2015. The Government will fund this discount for a maximum of 5 years.

The level of discount equates to a maximum of €200,000 over a 3 year period. This equates to approximately a maximum of £55,000 per annum.

There is also a further restriction relating to state aid, which limits the total state aid given to organisations a maximum of €200,000 in any 3 year period.

The Temple Quarter Enterprise Zone Scheme

All Enterprise Zones are developing their own Business Rate Discount Schemes. There is no prescribed scheme recommended by Government. All Enterprise Zones are looking to develop a business rate scheme that will have maximum impact in achieving the objectives of their particular EZ.

The actual schemes being implemented appear to be dependent upon;

- The numbers of existing businesses within the EZ
- The need to keep existing businesses within the EZ
- The need to identify and create real growth
- The desire to identify real growth in a particular category, eg. creative/media, etc.

In the case of the TQEZ there are over 300 businesses ranging from very significant international organisations to government departments through to sole traders.

There is not a significant level of turnover of businesses. The businesses also represent a wide range of business sectors.

The TQEZ Board is encouraging creative digital and media companies to move into the EZ. There is a particular emphasis being put on small and start up companies with potential for significant growth.

Taking into account all of the foregoing, the agreed scheme for the TQEZ is set out in the letter sent to all existing businesses within the EZ (Appendix A). This information is also available on the web site.

Other Options Considered

5. The scheme is designed to encourage growth and to establish new businesses within the EZ. Other options that were considered include:-
- Allowing no discount at all – would not be in line with Government intentions in respect of encouraging growth through business rate discounts in the EZ.
 - Only allowing discounts for certain businesses – would encourage sector growth, but in overall terms may not encourage all businesses to consider the EZ.
 - Varying the level of growth % - this has been compared with other EZs and the percentages used are the lower end of those being implemented by other Enterprise Zone areas.
 - Allowing full discount to everyone – would provide no incentive for growth and would favour existing businesses.

The overall scheme can be varied on an annual basis.

Risk Assessment

6. The main risk is that the Business Rate Discount incentives do not encourage new businesses to relocate to the EZ and do not encourage existing businesses to expand.

This risk can be mitigated by changing the scheme. However, the Business Rate Discount scheme is only one of many factors a business would consider before it makes a decision to invest in the TQEZ or elsewhere.

Appendices: Appendix A - Letter sent to existing business within the TQEZ.

ACCESS TO INFORMATION

Background Papers:

None.

APPENDIX A

Reply to: Local Taxation Officer
Telephone: 0117 922 3300
Textphone: 0117 357 4444
E-mail: business.rates@bristol.gov.uk
Fax: 0117 975 5805
Account No:
Your ref:
Date:

Dear Sir or Madam

Discretionary Business Rates Discounts for Properties in the Bristol Temple Quarter Enterprise Zone

Stage 1 – Local Enterprise Partnership Criteria

Property address:

Ratepayer:

My records show that the above property is located within the Bristol Temple Quarter Enterprise Zone (Enterprise Zone). Accordingly, you may apply for a discount on your business rates under the Local Enterprise Partnership (LEP) criteria (Discount) on a yearly basis for a period not exceeding five fiscal years, and up to a maximum of £275,000, subject to State Aid limits. Please note the Discount is discretionary. Furthermore, any Discount granted will take the form of a monetary discount to be deducted from your business rate bill.

The application for the Discount is a two-stage process. In the first stage, applicants will be assessed under the LEP's criteria. In the second stage, the applicants that are eligible for the Discount under the LEP's criteria will be assessed to ensure any Discount is permissible under the European Union State Aid rules. Further details on these stages is set out below.

The LEP intends to grant the following Discounts in the following circumstances:

- New ratepayers that establish and occupy premises (as determined under the Local Government Finance Act 1988) within the Enterprise Zone will receive 100% Discount if there is at least one full time equivalent employee working at the property.

This information is available in large print, in Braille, in another language, on audio tape or on computer disk

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- Existing local ratepayers that relocate to the Enterprise Zone (relocating ratepayers) will receive a 50% Discount if they can demonstrate growth (in full time equivalent employee numbers between the dates detailed in the attached statement of facts). This will rise to 100% if relocating ratepayers can achieve 30% or more growth (in full time equivalent employee numbers between the dates detailed in the attached statement of facts).
- Existing ratepayers within the Enterprise Zone will receive a 50% Discount if they can demonstrate 20% growth in full time equivalent employee numbers between the dates detailed in the attached statement of facts. This will rise to 100% Discount if such ratepayers can achieve 30% or more growth in full time equivalent employee numbers between the dates detailed in the attached statement of facts.

Definitions:

- A new ratepayer is defined as a ratepayer that moved from outside Bristol City Council's administrative boundary to a property within the Enterprise Zone on or after 1 April 2012.
- A relocated ratepayer is defined as a ratepayer that was previously located at a property within Bristol City Council's administrative boundary but outside the Enterprise Zone, and relocated to a property within the Enterprise Zone, or takes on an additional property that is located within the Enterprise Zone, on or after 1 April 2012.
- An existing ratepayer is defined as a ratepayer of a property that was located within the Enterprise Zone prior to 1 April 2012.

To determine eligibility under the LEP criteria we need some information about the ratepayer including whether the ratepayer is new to the Enterprise Zone, has relocated there or was already existing when the Enterprise Zone was created. We also need to know the number of employees (full time equivalents) on the dates detailed in the attached statement of facts.

If you would like to apply for the Discount, please provide the information requested in the enclosed statement of facts and return the form to me without delay. The statement of facts must be signed by your company secretary, a director, your accountant or your financial advisor and must be accurate.

With regard to the second stage, the Discount constitutes State Aid. Under EU competition law, State Aid can only be granted in certain limited circumstances. These circumstances include where the State Aid received by an organisation is less than €200,000 over any period of three consecutive fiscal years (referred to as the De Minimis

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Exemption detailed in Commission Regulation EC/1998/2006). If you are eligible to receive the Discount under the LEP criteria, we will then assess whether the Discount can be granted to you under the De Minimis Exemption.

Please note that we will review your entitlement on a yearly basis to determine whether you are eligible to receive the Discount under the both the LEP criteria and the De Minimis Exemption.

Yours faithfully

Local Taxation Officer

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STATEMENT OF FACTS – 2012

Please answer the questions below using the definitions set out in the attached letter by ticking the appropriate box:

This ratepayer is a new ratepayer (the ratepayer moved from outside of Bristol City Council's administrative boundary to a property within the Enterprise Zone on or after 1 April 2012)

OR

This ratepayer is a relocated ratepayer (the ratepayer was previously located at a property within the Bristol City Council's administrative boundary but outside the Enterprise Zone, and relocated to the Enterprise Zone on or after 1 April 2012)

OR

This is an existing ratepayer of a property within the Enterprise Zone (The ratepayer moved to the Enterprise Zone before 1 April 2012)

How many employees (full time equivalents) did the ratepayer employ at the address stated in the heading to the letter attached to this statement of facts as at 31st December 2011?

.....

How many employees (full time equivalents) did the ratepayer employ at the address stated in the heading to the letter attached to this statement of facts as at 1st April 2012?

.....

If you are claiming a discount on the basis of an increase in full time equivalent employee numbers (i.e. are an existing or relocating ratepayer you must supply evidence of full time equivalent employee numbers on 31 December 2011 and 1 April 2012.

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I acknowledge that I am authorised to sign on behalf of:

I declare that the information given above is true and accurate to the best of my knowledge and belief. Please note that it is a criminal offence to claim the Discount when not entitled, and the Council will take action against anyone it discovers falsely claiming.

SIGNATURE:.....

NAME (Please print):.....

BUSINESS (Please print):.....

POSITION (Please print):.....

DATE:.....

N-EZQ

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