

Draft framework/ operating procedure for Discretionary Business Growth Incentive Scheme

1. Overall context and benefits:

1.1 The council wants to encourage economic growth in the district, as outlined in the first two themes of the Economic Development Vision which was agreed by Executive in 2016:

- *A business friendly council: We will ensure we are supporting businesses as 'customers' of council services as well as listening to the needs of the business community*
- *Enabling entrepreneurs and business start ups: We will encourage wealth creation in the district and ensure businesses can access a wide range of locally sourced services*

1.2 East Herts largely relies upon on small and micro-sized businesses for its prosperity. Over 90% of business registered in the district have 0-9 employees (around 6,800 businesses in total). This compares to just 0.3% which have over 250 employees (25 businesses in total). We therefore recognise that micro-businesses are the engine house of the East Herts economy and where council support and intervention should be directed. It is therefore proposed we offer a discretionary scheme to small businesses to incentivise growth and inward investment. The expected benefits are as follows:

- To encourage businesses from outside the district to locate in East Herts
- To incentivise small businesses within the district to grow
- To improve the district council offer to businesses and strengthen the relationship with the business community as a whole
- To provide some evidence of what levels of business rate support are needed to encourage growth in the district ahead of 2019/20 when local authorities are able to set their own rates

2. Powers and legal issues:

2.1 The Council has the power to award business rate discounts/ business rate reliefs under section 69 of the Localism Act 2011 (an amendment to section 47 of the Local Government Finance Act 1988) to help attract investment and jobs.

2.2 The scheme will operate in accordance with the European Commission's rules on 'De Minimis Aid' (currently set at no more than 200,000 euros of public money over a 3 year period).

3. Criteria for award:

3.1 In order to be considered any applications would need to meet one of the following criteria:

- A business not registered in the district is planning to relocate/ open up a new property in the district
- A business is already registered in the district but looking to enlarge premises through an extension or relocation
- A business is already registered in the district but is forced to relocate as the landlord no longer wishes to use the premises for commercial use and has not renewed the lease

- A business is already registered in the district, with one or more properties and plans to open up another
- Must have a rateable value of less than £40000

3.2 The duration of the award will be for one year only and the individual amounts awarded will depend upon the rateable value of the business and other statutory reliefs available. From 1 April 2017 the threshold at which small business rate relief is provided will be rising: any business with a rateable value of below £12,000 will automatically be entitled to full business rate relief (up from £6,000). Any businesses with a rateable value of between £12,000 -15,000 will be entitled to tapered relief (ie. diminishes from 100% relief to 0% relief in proportion to the rising rateable value). Statutory small business rate relief does not apply where a business has a rateable value of over £15,000. There are therefore 3 categories of grant available:

3.3 Businesses with rateable values of £15000 – 40000:

A business with a rateable value of over £15,000 who successfully applies for the East Herts Discretionary Business Growth Incentive scheme will be entitled to a 50% discount from their rates' payable for their first year. The proposal is that this is capped at businesses with a rateable value of £40,000 in order to keep the maximum contributions from East Herts for one grant at under £10,000.

3.4 Businesses with rateable values of £12000 – 15000:

Where a business with a rateable value of between £12,000 – 15,000 successfully applies, the proposal is that the East Herts grant makes up the difference from the small business rates relief scheme. In this instance the business effectively pays no business rates for the first year. The value of the grant given by East Herts to the business will therefore vary between 1% - 100% depending on the rateable value.

The following table provides more details on the likely amounts that would be awarded for (3.3) and (3.4) above:

Rateable Value	Rates' payable	Statutory relief %	Government relief £	EHC relief %	EHC Relief £
12000	£ 5,592.00	100.00%	£ 5,592.00	0.00%	0
13000	£ 6,058.00	66.67%	£ 4,038.87	33.33%	£ 2,019.13
14000	£ 6,524.00	33.33%	£ 2,174.45	66.67%	£ 4,349.55
15000	£ 6,990.00	0.00%	0	100.00%	£ 6,990.00
20000	£ 9,320.00	0.00%	0	50.00%	£ 4,660.00
25000	£ 11,650.00	0.00%	0	50.00%	£ 5,825.00
30000	£ 13,980.00	0.00%	0	50.00%	£ 6,990.00
35000	£ 16,310.00	0.00%	0	50.00%	£ 8,155.00
40000	£ 18,640.00	0.00%	0	50.00%	£ 9,320.00

3.5 Businesses with a rateable value of between £0 and £40000 opening up another property:

Where a business that is entitled to small business rate relief opens up a second property, the relief is retained for one year on the first property and then is lost. The second property is not eligible for

small business rate relief (indeed any business that has more than one property is not eligible). In order to incentivise those businesses that are considering expansion (by opening up another property be it the second, third, fourth etc), it is proposed that the scheme mirrors the small business rate relief scheme on the new property. In this instance the business will receive the same amount of relief on the new property as they would ordinarily receive as if it were their only property (for the first year of trading). The following table provides more details on the likely amounts that would be awarded:

Rateable Value	Rates payable	Statutory relief %	Government relief £	EHC relief %	EHC Relief £
3000	£ 1,398.00	0.00%	£ -	100.00%	£ 1,398.00
6000	£ 2,796.00	0.00%	£ -	100.00%	£ 2,796.00
12000	£ 5,592.00	0.00%	£ -	100.00%	£ 5,592.00
13000	£ 6,058.00	0.00%	0	66.67%	£ 4,038.87
14000	£ 6,524.00	0.00%	0	33.33%	£ 2,174.45
15000	£ 6,990.00	0.00%	0	0.00%	0

4. Exclusions and controls:

4.1 Any business can apply for this including sole traders, limited companies, partnerships and co-operatives. Certain organisations that are eligible for different types of relief will not be eligible (eg. registered charities that are eligible for charitable rate relief).

4.2 Payments will be awarded/ business rate bills adjusted one month after the move or expansion has taken place. As part of the application the business will be expected to submit evidence that there is at least a two year lease on the property. No payments will be backdated.

4.3 The business will be expected to notify the council if any circumstances change (eg. changes to rateable value). Eligibility will be reassessed on that basis and support will cease from the time at which the change was made.