

Report to Executive

Agenda
Item:
A.4

Meeting Date: 21st November 2016
Portfolio: Economy, Enterprise and Housing,
Governance and Resources
Key Decision: YES
Within Policy and Budget Framework YES
Public / Private PUBLIC

Title: Application for Discretionary Business Rate Relief – Rufus House
Report of: Jane Meek – Corporate Director of Economic Development
Jason Gooding – Chief Executive and Town Clerk
Report Number: ED 40/16

Purpose / Summary:

To seek approval from the Executive on an application for discretionary rate relief for a large empty hard to let premises – Rufus House, Castle Street, Carlisle.

Recommendations:

The Executive is asked to:

1. Approve the application for 100% discretionary business rate relief for two years for Rufus House, a large empty hard to let premises [as listed in Appendix 1 of the relevant Discretionary Rate Relief Policy], and in doing so be satisfied that the award is in the interests of Carlisle City Council Tax Payers;
 - a. Note the value of such relief will be £168,980.00 over two years.

Tracking

Executive:	21 st November 2016
------------	--------------------------------

1.0 BACKGROUND

- 1.1 In July 2016 the Council's Discretionary Rate Relief Policy was expanded to include Large Empty 'Hard to Let' Business Premises. The amendment to the Policy was designed to encourage the occupation of large 'hard to let' empty business premises and therefore support the Council's economic development objectives as set out in the Carlisle Plan.
- 1.2 The policy acts to significantly bolster efforts to secure inward investment through providing a direct incentive and therefore enhanced offer. It was also designed to help the Council compete with other Local Authorities/cities across the North offering similar schemes in an attempt to attract new businesses to Carlisle. Furthermore it acts to counterbalance any unintended negative consequences of Kingmoor Park Enterprise Zone through ensuring existing employment locations can reasonably compete with it in terms of available incentives, and in doing so maintain their diversity and vibrancy.
- 1.3 The main beneficiaries would be businesses bringing employment opportunities to Carlisle, and as such, this policy allows the Council to actively support businesses looking to relocate to Carlisle with a package of assistance. If however a local business wished to expand, and it was of clear benefit to local council tax payers, i.e. that it would be a significant upsizing of the operation, then the business would also be able to apply for rate relief.
- 1.4 Conditions of the relief include that the business has to commit to Carlisle for a minimum of 5 years and create job opportunities and other benefits for the Carlisle economy. Wider economic growth considerations include that further business rate benefits may be gained by increasing capacity in areas through increased employment and footfall. This in turn may lead to additional businesses paying rates in the longer term.
- 1.5 A decision on whether or not to grant relief under the policy rests with the Executive.
- 1.6 All applications for relief will be considered by the Executive on an individual basis and, where the ratepayer does not meet the scheme criteria, submit sufficient supporting information or where the proposed benefits and financial viability do not support an anticipated commitment for at least 5 years, will be refused. Applicants will be notified of the outcome accordingly.

2.0 CURRENT APPLICATION

- 2.1 The current application for consideration by the Executive has been made by The Edinburgh Woollen Mill Limited and concerns the occupation of Rufus House 5/11

Castle Street, Carlisle, CA3 8TF for the purposes of the business group's headquarters.

2.2 For an organisation to apply to be considered for 100% discretionary business rate relief for two years, the following conditions must be met:

- i. Propose to occupy a difficult to let large commercial property rateable value £51,000 or over;*
- ii. Commit to occupying for the long term i.e. more than 5 years minimum; and*
- iii. Satisfy the Council's Executive that in granting 100% discretionary rate relief that it is in the interests of Carlisle City council Tax Payers, factors to be considered include number of new local jobs likely to be created, other benefits to the District of locating in Carlisle.*

2.3 The property satisfies the first criteria as it is on the list of empty commercial properties (which was appended to the Policy) having a rateable value of £170,000.

2.4 In terms of a commitment to long term occupation the applicant has stressed that their intention is to remain in Rufus House for the long term, significantly in excess of the required five years. As part of their relocation Edinburgh Woollen Mill are proposing significant alterations at a considerable expense to the premises (subject to a current planning application) which would also imply that this is a significant and long-term relocation underpinned by considerable investment. A financial audit of the financial status of the company supports that it is in a strong position and well placed to trade across the long term.

2.5 In terms of the economic and wider benefits which would follow from the proposal, these are considered to be significant. Whilst The Edinburgh Woollen Mill already has a presence in Carlisle (existing retail premises on English Street and warehouse at Kingmoor Park), occupation of Rufus House relates to the relocation of their head office functions and would therefore act to significantly upsize and diversify their interests within the District.

2.6 The head office operations will see approximately 300 staff work from Rufus House and whilst not all of these will be new, reflecting some existing staff working at their present site in the Scottish Borders will be able to commute to Carlisle, a number of new jobs will potentially be created.

2.7 In acting to bring Rufus House back into occupation, a direct and significant multi million pound investment in terms of the acquisition and refurbishment costs will occur. Whilst indirect benefits are always difficult to precisely quantify, it is likely that an operation of the scale proposed that a number of smaller and medium based enterprises within the City will benefit from interactions with Edinburgh Woollen Mill in

terms of providing support services. This in turn will help to safeguard and potentially drive indirect job growth.

- 2.8 The location of Rufus House within the City Centre is also clearly material. It is likely that up to 300 city centre based staff would frequent the City Centre including for example at lunch, in so doing expending money to the benefit of City Centre based retail and food and drink operators. Bringing Rufus House back into occupation could also have a catalytic effect on adjacent and nearby premises within the Historic Quarter through increased footfall, in doing so helping to generate additional business rates growth as well as acting to boost the vitality and viability of the immediate area.
- 2.9 Aside from business rate relief it should be noted that discussions are ongoing with Edinburgh Woollen Mill regarding access to potentially discounted car parking provision as part of the wider package of assistance to attract their relocation. This is an entirely separate matter however to the application for business rate relief which is the focus of this report.

3.0 FINANCIAL CONSIDERATIONS

- 3.1 Under the existing 50:40:10 business rates retention scheme, the cost of any additional award of discretionary relief which was not included in the current year baseline estimate, set annually in February, will be shared between central government, county and district Councils. For profit making organisations the Council must be satisfied that it is reasonable to fund the 40% cost of relief before granting discretionary relief, having regard to the interests of council taxpayers.
- 3.2 The current charge for the premises since Edinburgh Woollen Mill became liable is £56,943.95 for the period from 29th July 2016 to 31st March 2017 using the assessed rateable value of £170,000.
- 3.3 Granting 100% relief for a period of 2 years equates to £168,980, a rating liability of £84,490 per annum, therefore 40% of the estimated cost to the Council in respect of the discretionary relief period for the premises at Rufus House amounts to £67,592.

4.0 RISKS

- 4.1 Awards such as rate relief are required to comply with the EU law on State Aid. State Aid is the means by which the European Union regulates state funded support to businesses. Discretionary rate relief will be State Aid compliant where it is provided in accordance with the De Minimis Regulations.

- 4.2 Under the De Minimis Regulations EC 1407/2013 any business cannot benefit from a cumulative value of grant or relief totalling more than €200,000 over 3 rolling years. At the time of writing this report, this equates to £178,000. Other forms of aid will need to be included in the calculation when establishing whether the limit has been breached.
- 4.3 If a body is found to have received non-compliant State Aid, the Council can be required to recover the aid from that body. Each ratepayer seeking relief is therefore required to complete a declaration stating whether they have received any other De Minimis Aid in the current or two previous financial years, including any other Rate Relief they may have received on other property(ies). The declaration includes confirmation that the award does not exceed the amount an undertaking can receive. The declaration regarding De Minimis Aid has been signed by the applicant. If it is subsequently found that a false declaration has been made, the Council will commence recovery proceedings against the recipient.
- 4.4 Based on the current rateable value and annual charge, the rates due for a period of 3 years, assuming that Edinburgh Woollen Mill remains in occupation, is £253,470.00. Whilst it is envisaged that liability will continue for a long term of at least 5 years as stated in the relief application, should the ratepayer cease to be liable there is a potential risk of this revenue not being received in subsequent years.

5.0 CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 5.1 It is considered that the application by Edinburgh Woollen Mill Limited, relating specifically to the reoccupation of Rufus House, fulfils all of the requirements of the discretionary business rate relief policy for hard to let empty business premises. Based on this and the belief that the reoccupation would give rise to significant economic benefits, and in doing so would therefore be in the interests of Carlisle City Council Tax payers, it is recommended that the maximum relief permitted by the policy be granted i.e. 100% relief across the two year period.

6.0 CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 6.1 The proposal can be seen, based on the economic benefits it will give rise to which are detailed in the preceding sections, a direct and positive impact on the following Carlisle Plan priority:
- *“supporting the growth of more high quality and sustainable business and employment opportunities”* – through bringing additional jobs and business activity, and therefore growth, to Carlisle.

Contact Officer: **Angela McDougall**
 Julie Ross

Ext: **7172**
 7202

Appendices **Appendix One – Completed Application Form**
attached to report: **Appendix Two – DISCRETIONARY RATE RELIEF POLICY –**
 Large Empty ‘Hard to Let’ Business Premises

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- **RD 60/15 Discretionary Rate Relief Policy – Large Empty ‘Hard to Let’ Business Premises**

CORPORATE IMPLICATIONS/RISKS:

Chief Executive’s – see body of report.

Economic Development – see body of report.

Governance – As explained within the body of the report, awards such as rate relief are required to comply with the EU law on State Aid. State Aid is financial support which is provided by the State to business organisations and is generally prohibited and unlawful. There are, however, a number of exemptions and the relevant exemption in circumstances such as the one described is De Minimis Aid.

It will, therefore, be necessary for the recipient to complete a declaration stating whether they have received any other De Minimis Aid in the current or two previous financial years, including any other Rate Relief they may have received on other property(s). The declaration will include confirmation that the award does not exceed the amount an undertaking can receive under the De Minimis Regulations EC 1407/2013.

It is also important to keep records of aid granted and follow all the rules of the de minimis regulation.

Local Environment – No comments.

Resources – The cost of any Discretionary Rate Relief awarded under this policy will be a cost to the Collection Fund as opposed to being a charge on the Council’s General Fund,

and will be distributed under the relevant proportions between the City Council, County Council and Central Government. Although the cost in the period where a rating relief is awarded will be a cost to the Collection Fund, this will be recouped in following years should the new business stay in situ.



Discretionary Rate Relief – Large Empty Hard to Let Premises

For an organisation to be considered for 100% discretionary business rate relief for two years, the following conditions must be met:

- Propose to occupy a difficult to let large commercial property with a rateable value of £51,000 or over
- Commitment to occupying for the long term i.e. more than a minimum of 5 years

Applications will be considered by the Councils' Executive, in the interests of Council Tax payers, to determine the implications of the organisation occupying a property on the economy and prosperity of Carlisle District. For example decisions may be linked to the number of new local jobs likely to be created and any other benefits.

A list of difficult to let properties is available on request for inspection at the Civic Centre.

Please complete in **BLOCK CAPITALS** and **BLACK INK**

The Applicant

Business / organisation name	The Edinburgh Woollen Mill Limited
Full address of property	Rufus House 5/11 Castle Street CARLISLE and Car Park Fisher Street Carlisle
Post Code	CA3 8TF

Please answer ALL questions as fully as possible

Does the property have a Rateable Value (RV) of £51,000 or more?	Yes	<input checked="" type="checkbox"/>
	No	<input type="checkbox"/>
Are you intending to occupy the property for the long term? (i.e. More than 5 years Minimum)	Yes	<input checked="" type="checkbox"/>
	No	<input type="checkbox"/>
Is your business venture entirely new?	Yes	<input type="checkbox"/>
	No	<input checked="" type="checkbox"/>

<p>Are you relocating your business to Carlisle from outside Carlisle District?</p>	<p>Yes <input checked="checked" type="checkbox"/></p> <p>No <input type="checkbox"/></p> <p>If yes, what are the reasons for your relocation?</p>
<p>Have you traded in Carlisle before?</p>	<p>Yes <input checked="checked" type="checkbox"/></p> <p>No <input type="checkbox"/></p>
<p>Where is your business currently located?</p>	<p>Scottish Borders</p>
<p>If your business is currently located in Carlisle District, does the relocation represent a significant upsizing of the business and/or its activities?</p>	<p>Yes <input checked="checked" type="checkbox"/></p> <p>No <input type="checkbox"/></p>
<p>Please provide brief details of your proposals and what you will offer to benefit the local area</p>	
<p>It is proposed to transfer our head office functions to the building. Our current head office employs 300 staff</p> <p>Relevant supporting information should be provided to support your application and will allow for a more timely decision to be reached. Details of the type of information required are given in the guidance note accompanying this application form.</p>	
<p>Do you/have you received State Aid within the last three years?</p>	<p>Yes <input type="checkbox"/></p> <p>No <input checked="checked" type="checkbox"/></p> <p>If yes, a declaration may be required due to the De Minimis aid threshold of €200,000</p> <p>Please provide details of the value of state aid awarded within the preceding three year period</p>

<p>Are you likely to be in receipt of State Aid in the future?</p>	<p>Yes <input type="checkbox"/></p> <p>No <input checked="" type="checkbox"/></p> <p>Please provide details of the value of state aid you are anticipating</p>
<p>Is your organisation a registered charity?</p>	<p>Yes <input type="checkbox"/></p> <p>No <input checked="" type="checkbox"/></p> <p>If yes, please give your registered charity number</p>
<p>Are the premises rented?</p>	<p>Yes <input type="checkbox"/></p> <p>No <input checked="" type="checkbox"/></p>
<p>If not, from where was the construction or purchase finance obtained?</p>	
<p>Is your organisation affiliated to local or national organisations?</p>	<p>Yes <input type="checkbox"/></p> <p>No <input checked="" type="checkbox"/></p> <p>If so, please give details</p>
<p>If your organisation is a sports club, are you registered with the Inland Revenue as a Community Amateur Sports Club (CASC)?</p>	<p>Yes <input type="checkbox"/></p> <p>No <input checked="" type="checkbox"/></p>
<p>If there are any other factors you would like the Council to consider as part of your application please give details.</p>	

Has assistance or prior advice been sought from the local authority about this application?	Yes <input checked="checked" type="checkbox"/>
	No <input type="checkbox"/>
	<p>If yes, please complete the following information about the advice you were given.</p> <p>Officer name: Jane Meek</p> <p>Details of pre-application advice received</p>
Have you answered all of the questions? If not, consideration of your application may be delayed	
Your Name	Kristian Lee
Signature	
Capacity in which signed (i.e., Secretary, Treasurer, etc.)	Finance Director
Correspondence Address	F.A.O Mr Roger Williams Peacocks Stores Limited, Capital Link, Windsor Road, Cardiff, CF24 5NG
Date	15/09/2016
Telephone Number	

Please return to:

Julie Ross, Business Rates, Revenues Section, Civic Centre, Carlisle, CA3 8QG.

FOR OFFICE USE: Account Number: Ref No

Authority for granting relief: Signed

Approved: Signed: Date

Committee: Approved/Refused Date Notified

CARLISLE CITY COUNCIL

APPENDIX 2: POLICY STATEMENT ON DISCRETIONARY RATE RELIEF

1. The Policy

From the financial year commencing 1 April 2012 and each subsequent financial year it is the Policy of the Council of the City of Carlisle to award 100% rate relief to all eligible local charities and non-profit making enterprises, such eligibility being specified in section 2 of this Policy. The Policy updated in 1 August 2016 to include eligible large empty commercial premises 1st April 2012 scheme.

2. Eligibility – Charity/Community

For an organisation to apply to be considered for discretionary business rate relief the following conditions must be met:

1. The ratepayer is a charity or trustees for a charity and the property is wholly or mainly used for charitable purposes
2. All or part of the property is occupied by not for profit making enterprises concerned with education, social welfare, science, literature, religion or the fine arts or recreation.
3. The organisation is a Community Amateur Sports Club (or similar) or Community Interest Company.
4. The property portfolio held by the organisation is below £18,000 rateable value and eligible organisations have their Head Office or Registered Office in Carlisle and District, as evidenced by records published on the Charities Commission or Companies House website. Where there is no information on the website the billing address will be deemed to be their Head Office or Regional Office.
5. Organisations with a Rateable Value above £18,000 will be restricted to 80% mandatory or discretionary relief as set out in the original policy.

3. Rationale

The policy is designed to target financial resources at those small, local organisations that provide opportunities for people living in Carlisle and District's communities in a transparent and consistent manner.

The £18,000 rateable value limit is the ceiling applied by central government for small Business rate relief and as such acts as an appropriate delineation point.

While registered charities are entitled to 80% mandatory relief this policy gives charities and not for profit enterprises which meet the eligibility criteria, top up to 100% relief.

4. Eligibility - Large eligible empty properties under Section 69(5) of the Localism Act 2011.

For an organisation to apply to be considered for 100% discretionary business rate relief for two years, the following conditions must be met:

- a) Propose to occupy a difficult to let large commercial property rateable value £51,000 or over (new Government criteria for large commercial properties). List of difficult to let properties will be available for inspection
- b) Commit to occupying for the long term i.e. more than 5 years minimum
- c) Satisfy the Council's Executive that in granting 100% discretionary rate relief that it is in the interests of Carlisle Council Tax Payers, factors to be considered include number of new local jobs likely to be created, other benefits to the District of locating in Carlisle.

5. General

The Council reserves the right to seek additional information as necessary. All organisations subject to National Non-Domestic Rate Charges have a statutory right of Appeal to the billing authority (Carlisle City Council).

APPENDIX 1: Empty commercial property with a Rateable Value of £51,000 and above as at 17.03.2016

Reference	Address1	Address2	Address3	Postcode	Rateable Value	Empty from date	Comments
105612140060	93 ENGLISH STREET	CARLISLE		CA3 8LU	51500	04/10/2013	
103800820073	KINGMOOR PARK PROPERTIES	PART UNIT G(VACANT)	HARKER ESTATE	CA6 4RF	51500	OCC	Maximising empty relief
105602560460	UNIT 10 ENGLISH GATE PLAZA	BOTCHERGATE	CARLISLE	CA1 1RP	57500	11/03/2015	Maximising empty relief
105623340002	SHELL CARLISLE HARDWICK CIRCUS	LOWTHER STREET	CARLISLE	CA1 1JE	58500	05/12/2015	
105635160042	CENTRAL PLAZA HOTEL	VICTORIA VIADUCT	CARLISLE	CA3 8AL	59000	09/10/2004	
105614000022	8 GLOBE LANE	CARLISLE		CA3 8NX	59000	28/12/2015	Maximising empty relief
105612140040	65 ENGLISH STREET	CARLISLE		CA3 8JU	65000	11/02/2012	
105614560004	2 GRAPES LANE	CARLISLE		CA3 8NH	66000	15/09/2014	occ
105628160002	1-5 PORTLAND SQUARE	CARLISLE		CA1 1PY	67500	30/07/2015	
105623100065	81-85 LOWTHER STREET	CARLISLE		CA3 8EF	68500	OCC	Maximising empty relief
105628160041	15-19 PORTLAND SQUARE	CARLISLE		CA1 1PY	71000	20/04/2015	
105632080094	T GRAHAM & SONS LTD	SHADDONGATE		CA2 5TS	72000	08/09/2014	
101802561008	VALLEY COURT, BARRAS LANE	DALSTON	CARLISLE	CA5 7NY	74000	30/01/2015	To be split
105620740008	MAGNET LTD	LANCASTER STREET	CARLISLE	CA1 1TF	74500	11/07/2014	Maximising empty relief
105635340005	HARPER & HEBSON LTD, VIADUCT ESTATE	ROAD, CARLISLE	CARLISLE	CA2 5BN	76000	21/07/2015	Maximising empty relief
105614560040	3 GRAPES LANE	CARLISLE		CA3 8NH	80500	14/01/2016	Maximising empty relief
105607840005	KEY SAFETY SYSTEMS UK LTD	CONSTABLE STREET	CARLISLE	CA2 6AB	84000	21/12/2015	To be domestic
105612140012	21 ENGLISH STREET	CARLISLE		CA3 8JW	84500	30/12/2015	
105614560019	9 GRAPES LANE	CARLISLE		CA3 8NH	85000	31/01/2016	Maximising empty relief
105626020023	VACANT BPC, CAXTON ROAD	NEWTOWN INDUSTRIAL ESTATE	CARLISLE	CA2 7NR	94000	20/10/2010	On verge of TOR -demolished
105636780053	CLUB XS WEST WALLS	CARLISLE		CA3 8UB	102000	23/05/2008	
105636320001	DEFRA HADRIAN HOUSE	WAVELL DRIVE	ROSEHILL ESTATE	CA1 2TB	103000	27/11/2015	
105635340004	CONWAY (CARLISLE) LTD	VIADUCT ESTATE ROAD	CARLISLE	CA2 5BN	108000	21/07/2015	Maximising empty relief
105602560201	70 BOTCHERGATE	CARLISLE		CA1 1SW	120000	22/06/2015	Maximising empty relief
105614560026	10 GRAPES LANE	CARLISLE		CA3 8NH	127000	OCC	Maximising empty relief
105614561311	UNIT 2 GRAPES LANE	CARLISLE		CA3 8NH	132000	11/01/2016	Maximising empty relief
105625900040	5-7 NEW LANE	CARLISLE		CA3 8NX	148000	28/01/2016	Maximising empty relief
105605380204	RUFUS HOUSE	5 CASTLE STREET	CARLISLE	CA3 8TF	170000	OCC	Maximising empty relief
105605380049	41-51 CASTLE STREET	CARLISLE		CA3 8SR	185000	26/01/2016	Maximising empty relief
105637100940	CO-OP, WIGTON ROAD	CARLISLE		CA3 9DB	190000	20/02/2016	
105627480102	UNIT 1B KINGSTOWN RETAIL PARK	PARKHOUSE ROAD	CARLISLE	CA3 0JR	280000	11/12/2012	
105612140002	BRITISH HOME STORES	ENGLISH STREET	CARLISLE	CA3 8JW	535000	09/01/2016	