

Report to Executive

**Agenda
Item:**

A.2

Meeting Date: 11th March 2019
Portfolio: Finance, Governance and Resources
Key Decision: Yes (KD.06/19)
Within Policy and Budget Framework: Yes
Public / Private: Public

Title: GLOBAL HOUSE, DISCRETIONARY RATE RELIEF
Report of: Town Clerk and Chief Executive
Report Number: CE 02/19

Purpose / Summary:

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

Recommendations:

Approve the application for 100% discretionary business rate relief for two years for Global House, a large empty hard to let premises and in doing so be satisfied that the award is in the interests of Carlisle City Council Tax Payers;

- a) Note that the total cost of awarding such relief is £255,757 over two years with the direct cost to Carlisle City Council being £102,303 over two years. The balance being shared between the Cumbria Pooling authorities.

Tracking

Executive:	11th March 2019
Scrutiny Panel:	N/A
Council:	N/A

1. 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 Global House, 5/11 Castle Street, Carlisle, CA3 8TF for the purposes of the business group's headquarters. The application is shown at Appendix 1 of the report.
- 2.2 Edinburgh Woollen Mill Limited (EWM) submitted an application relating to the same premises (previously known as Rufus House) under the 'Large Empty Hard to Let Business Premises' concession in the Council's Discretionary Rate Relief Policy in November 2016, at which point the company were considering a number of potential locations for their new headquarters. The Executive considered and approved the application, but shortly afterwards the building was taken out of rating by the Valuation Office whilst it was subject to significant redevelopment works. The previous application therefore lapsed as a consequence of this process, with a new application invited at the point at which the building was brought back into rating i.e. at the point at which the redevelopment works were complete and it was in a condition where it could be occupied.
- 2.3 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 a large, empty commercial property and the rateable value of £255,000 exceeds the policy threshold level. It is noted that the property is let following the completion of extensive refurbishment.
- 2.4 In terms of a commitment to long term occupation the applicant has confirmed that they have now occupied the building following a significant, bespoke and multimillion pound investment by the building owners to facilitate EWMs occupation of the building as their headquarters. This provides significant assurances, and the applicant has confirmed their commitment to remain in Global House for the long

term, significantly in excess of the required five years. Any relief is to be considered from the date of occupation 16th October 2018.

- 2.5 The proposal is considered to give rise to significant wider economic benefits. Whilst EWM already has a presence in Carlisle (existing retail premises on English Street and warehouse at Kingmoor Park), occupation of Global House relates to the relocation of their head office functions and therefore acts to significantly upsize and diversify their interests within the District.
- 2.6 The head office operations have approximately 300 staff working from Global House which includes a number of new jobs. This reflects that the move to a new headquarters was required to ensure that the function could be expanded to keep pace with the positive growth of the wider business.
- 2.7 In acting to bring Global House back into occupation, a direct and significant multi million pounds investment has already occurred acting to create new jobs and safeguard existing ones within the fashion sector and the associated supply chain. Whilst indirect benefits are always difficult to precisely quantify, it is likely that the scale of the headquarters operation will benefit a number of smaller and medium based enterprises within the City via service and supply chain opportunities.
- 2.8 Global House's City Centre location is also clearly material. The large workforce now present within the building will undoubtedly 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 Global 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 the Executive approved (at their meeting of the 25th June 2018) discounted car parking provision for a fixed period as part of the wider package of assistance to attract EWM to relocate to the City, in the full knowledge that an application for rate relief on the grounds applied for would be forthcoming. Paragraph 3.2 of that report stated that:

"Following the extent of refurbishment and redevelopment of Rufus House, the premises were brought out of rating by the Valuation Office reflecting that as a construction site, the premises were not subject to a rateable value. The previously approved relief was not therefore ultimately granted. Now that works are almost

complete, the premises is in the process of being brought back into rating. Given the time that has elapsed it is necessary from a procedural perspective to invite a fresh application for relief, as the rateable value needs to be notified by the Valuation Office albeit that it is anticipated that the policy requirements upon which the decision was based have not changed. This application will be brought to the Executive for a decision once rating liability has recommenced and at the point that liability rests with EWM”.

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. However, under the Cumbria Business Rates Pooling arrangements, the 50% central government share of business rate gains as well as any costs, are now shared between the Pooling authorities and will form part of the year end NNDR3 return, when any net gains are calculated and re-allocated. For profit making organisations the Council must be satisfied that it is reasonable to fund the 40% direct cost of relief before granting discretionary relief, having regard to the interests of council taxpayers.
- 3.2 The current year charge for the premises since EWM became liable is £57,518.92 for the period from 16th October 2018 to 31st March 2019, using the assessed rateable value of £255,000.
- 3.3 Granting 100% relief for a period of 2 years equates to £255,757, a rating liability of £128,520 per annum, therefore 40% of the estimated cost to the Council in respect of the discretionary relief period for the premises at Global House amounts to £102,303.

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 automatically be State Aid compliant where it is provided in accordance with the De Minimis Regulations. 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 £176,000.

4.2 In considering relief above these thresholds' consideration will need to be afforded to whether the undertaking definitely amounts to State Aid by way of reference to a number of prescribed questions as set out below (a yes answer to all four is deemed to constitute State Aid):

- Is the assistance granted by the state or through state resources?
- Does the assistance give an advantage to one or more undertakings over others?
- Does the assistance distort or have the potential to distort competition?
- Does the assistance affect trade between Member States?

4.3 In the circumstances, and by way of reference to these tests, it is arguable that the relief will not amount to State Aid as it is unlikely to unfairly distort competition. If a body is found to have received non-compliant State Aid, the Council can be required to recover the aid from that body but ultimately the risk lies with the body, in this case Edinburgh Woollen Mill Limited as the applicant.

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 £385,560. 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. CONCLUSION AND REASONS FOR RECOMMENDATIONS

5.1 It is considered that the application by Edinburgh Woollen Mill Limited, relating specifically to the reoccupation of Global 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 gives 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 years period.

6. 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, to have a direct and positive impact on the following Carlisle Plan priorities:

“Support business growth and skills development to improve opportunities and economic prospects for the people of Carlisle” – through bringing additional jobs and business activity, and therefore growth, to Carlisle; and

“Promote Carlisle regionally, nationally and internationally as a place with much to offer - full of opportunities and potential” – through further reinforcing recognition of the City as a place from which to do business and operate a head office function.

Contact Officer: Reg Bascombe

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Appendices Application for Discretionary Rate Relief (Large Empty Hard to attached to report: Let Premises) by Edinburgh Woollen Mill

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:

- **None**

CORPORATE IMPLICATIONS:

LEGAL – Discretionary Rate Relief powers are contained within Section 47 of the Local Government Finance Act 1988 as amended. Awards such as rate relief are required to comply with the EU law on State Aid. As detailed in the Report it will be necessary for each ratepayer who is awarded relief to complete a declaration to the Council if they have received any other De Minimis State Aid, including any other Retail Rate Relief they may have received on other property(s). The declaration will include confirmation that the award of Reoccupation Rate Relief does not exceed the 200,000 euros an undertaking can receive under the De Minimis Regulations EC 1407/2013. Alternatively, it may be that the award of rate relief is not such that it would distort the market, again this is detailed in the report.

FINANCE – 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 Cumbria Pooling authorities. 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 the following years should the new business stay in situ.

EQUALITY – None

INFORMATION GOVERNANCE – No information governance implications.



Resources Directorate

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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**


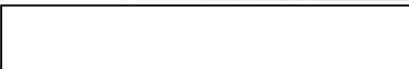
The Applicant	
Business / organisation name	The Edinburgh Woollen Mill Limited
Full address of property	Global House, 5/11 Castle Street CARLISLE and Car Park Fisher Street Carlisle
Post Code	CA3 8TF

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="" type="checkbox"/></p> <p>No <input type="checkbox"/></p> <p>If yes, what are the reasons for your relocation?</p> <p>To enable expansion of the head office function to keep pace with growth.</p>
<p>Have you traded in Carlisle before?</p>	<p>Yes <input checked="" type="checkbox"/></p> <p>No <input type="checkbox"/></p>
<p>Where is your business currently located?</p>	<p>Global House but formerly Langholm in Dumfries and Galloway.</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="" 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>The building has undergone a multimillion pound investment programme to redevelop it as a modern and fit for purpose long term office headquarters. The building, which is already occupied, will eventually accommodate in excess of 300 people, including a number of wholly new jobs. The expansion of the head office function within Carlisle will have positive impacts on wider businesses in terms of supply chain opportunities. The additional footfall in this area of the City Centre will also very positively impact on the vitality of the City centre and bring much needed increased expenditure into the City.</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="" 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 checked="" type="checkbox"/></p> <p>No <input 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>	<p>The building owners have invested significantly in the premises now known as Global House (formerly known as Rufus House) and tailored these to facilitate EWM's occupation. This acts to provide significant assurances regarding EWMs long term commitment to Carlisle, with the relocation of staff having already occurred.</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, Garry Legg</p> <p>Details of pre-application advice received as well as ongoing advice on the process relating to implementation of the previously awarded business rate relief under this scheme, as well as parking provision as part of the incentive package leading to the investment in Global House.</p>
Have you answered all of the questions? If not, consideration of your application may be delayed	
Your Name	Steve Simpson
Signature	
Capacity in which signed (i.e., Secretary, Treasurer, etc.)	Director
Correspondence Address	CAPITAL LINK WINDSOR B CARDIFF
Date	20/2/15
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