

**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

**CABINET – TUESDAY, 25 JUNE 2024**



<b>Title of Report</b>	<b>FREEPORT BUSINESS RATES RELIEF</b>	
<b>Presented by</b>	Councillor Nick Rushton Corporate Portfolio Holder  PH Briefed <input data-bbox="1254 622 1374 685" type="checkbox"/> Yes	
<b>Background Papers</b>	<a href="#">East Midlands Freeport Update - Cabinet 26 April 2022</a>  <a href="#">East Midlands Freeport Business Rates Relief Policy - Cabinet 26 April 2022</a>  <a href="#">East Midlands Freeport Update - Council 18 June 2024</a>	<b>Public Report:</b> Yes  <b>Key Decision:</b> No
<b>Financial Implications</b>	The East Midlands Freeport Business Rates Relief Policy is largely technical in terms of operation and application. The Policy closely follows Government Guidance, which has gone through appropriate due diligence, and provides for five years of relief from businesses moving into or expanding (under strict criteria) within the Freeport designated areas  <b>Signed off by the Section 151 Officer:</b> Yes	
<b>Legal Implications</b>	The Government has confirmed that it will not introduce legislation in relation to the administration of rate reliefs for freeports and expects local authorities to rely on their discretionary powers under section 47 of the Local Government Finance Act 1988. A policy is necessary to demonstrate how the Council will exercise those discretionary powers in relation to the East Midlands Freeport.  External legal advice has been provided to the Council (and the other Billing Authorities) by DWF in relation to the establishment of the EMF company and associated governance documents, subsidy control and reports to Council and Cabinet.  <b>Signed off by the Monitoring Officer:</b> Yes	

<b>Staffing and Corporate Implications</b>	There are no staffing and corporate implications arising from this report.
	<b>Signed off by the Head of Paid Service:</b> Yes
<b>Purpose of Report</b>	For Cabinet to agree the East Midlands Freeport Business Rates Relief Policy.
<b>Reason for Decision</b>	As part of the formal creation of the East Midlands Freeport the Council is required to have in place a Business Rates Relief Policy for eligible organisations outlining the eligibility criteria, operation and delivery of Business Rates Relief for East Midlands Freeport Tax Sites.
<b>Recommendations</b>	<b>THAT SUBJECT TO COUNCIL APPROVING JOINING THE EMF COMPANY, CABINET APPROVES THE COUNCIL'S EAST MIDLANDS FREEPORT BUSINESS RATES RELIEF POLICY AND DELEGATES AUTHORITY TO THE STRATEGIC DIRECTOR OF RESOURCES/S151 OFFICER TO FINALISE THE DOCUMENT.</b>

## 1.0 BACKGROUND

- 1.1 On 26 April 2022, Cabinet considered a report in respect of an East Midlands Freeport Business Rates Relief Policy highlighting that relief will be available to eligible business for the East Midlands Freeport Tax Sites once they were designated. At that time, the report stated that relief will be available to all new businesses, and certain existing businesses where they expand, until 30 September 2026. Relief will apply for five years from the point at which each beneficiary first receives relief.
- 1.2 The Policy outlined the eligibility criteria, operation and delivery of business rates relief. However, since that time significant progress has been made with key milestones achieved in governance, infrastructure planning, and strategic partnerships in respect of the Freeport. Details of this were reported to Council on 18 June 2024.
- 1.3 For the billing authorities (North West Leicestershire District Council, South Derbyshire District Council and Rushcliffe Borough Council) to approve the final Business Rates Relief Policy, the approval of a subsidy control scheme was a prerequisite, followed by the subsequent agreement on the business rates relief policy. The Policy considered by Cabinet on 26 April 2022, referenced subsidy control, however, since that period, it has become clear that additional efforts were required concerning the establishment of a subsidy control scheme for the Freeport. There was a necessity for a comprehensive review and enhancement of the existing framework to ensure its effectiveness and alignment with the overarching objectives of the Freeport initiative. The development and implementation of such a scheme is crucial for maintaining the integrity and competitiveness of the Freeport, necessitating a meticulous approach to its design and governance. This is further outlined in section 2.0 below.

## 2.0 SUBSIDY CONTROL

- 2.1 One of the key elements of the Business Rates Relief Policy is the consideration of subsidy control. Freeport Business Rates Relief is subject to the UK's domestic and international subsidy control obligations. Businesses located in the Tax Site will need to fulfil any requirements in place to ensure compliance with those obligations in advance of, during, and after claiming relief
- 2.2 There has been a delay relating to Subsidy Control which can be attributed to the Government announcing that it would publish guidance which sets out the conditions which apply to the award of Freeport business rates relief. This was published in late April 2024 in the form of government guidance.
- 2.3 This guidance states that billing authorities, when awarding relief, will need to meet the conditions of the stated legacy subsidy scheme. This operates in a similar manner to other council business rates relief schemes, with Government reimbursing the billing authority for the amount of relief awarded.
- 2.4 The issue of a subsidy scheme has been the subject of legal advice from DWF, which confirms that any legal risk around the establishment process has in theory passed (as the challenge window has now expired, even if that is dated back to April 2024). The Subsidy Control Act 2022, introduces new legal considerations, including legacy subsidy schemes. It is improbable that the Freeport scheme, endorsed by central government as the preferred exemption method, would face legal challenges. If the Council adheres to the scheme's conditions and maintains proper records, the risk of further challenges is minimal.
- 2.5 Based upon this development, the billing authorities are now in a position to consider the East Midlands Freeport Business Rates Relief Policy which involves assessing whether this aligns with the broader subsidy control regime including that it meets the legal obligations set out in the Subsidy Control Act 2022.

### **3.0 ELIGIBILITY PRINCIPLES**

- 3.1 Freeports business rates relief is available to new businesses moving into the freeport after the date on which the relevant freeport tax site has been formally designated and occupying both existing and new hereditaments on the rating list.
- 3.2 Freeports business rates relief is available for five years from the date it is first claimed. At the time of approving the East Midlands Freeport Business Rates Relief Policy on 26 April 2022, the policy included the criteria for granting the relief from the establishment of the Freeport area until 30 September 2026. However, at the Autumn Statement on 30 November 2023, the Government announced that the window to claim Freeport tax relief would be extended from five to ten years, until 30 September 2031 for English Freeports.
- 3.3 This means that if a business first received relief on 30 September 2026, the relief may be applied up to 29 September 2031. Where a business first receives relief on 30 September 2031, the relief may be applied up to 29 September 2036. This has been reflected in the revised East Midlands Freeport Business Rates Relief Policy.
- 3.4 Enclosed at Appendix One is the updated version of the East Midland Freeport Business Rates Relief Policy. This document includes amendments made since the Policy was approved on 26 April 2022. The Policy operates in a similar manner to the Council's business rates relief schemes, with the decision on award of the relief resting with the Council.

<b>Policies and other considerations, as appropriate</b>	
Council Priorities:	<ul style="list-style-type: none"> <li>- Planning and regeneration</li> <li>- A well-run council</li> </ul>
Policy Considerations:	None.
Safeguarding:	None.
Equalities/Diversity:	None.
Customer Impact:	None.
Economic and Social Impact:	The East Midlands Freeport Business Rates Relief Policy although largely technical in terms of operation and application forms a key element in the Freeport offer, incentivising businesses to relocate into the Freeport or existing businesses to expand.
Environment, Climate Change and Zero Carbon:	Environmental and climate impact will need to be assessed as part of the wider Freeport operation and expansion and if appropriate mitigated through appropriate measures.
Consultation/Community/Tenant Engagement:	None.
Risks:	Risks associated with the approval of the East Midlands Freeport Rates Relief Policy are minimal. The policy is closely aligned to national guidance and compliant with Government parameters.
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