



**Cabinet**

**Tuesday, 9 July 2024**

**Freeport Business Rates Relief Policy**

## **Report of the Director – Finance and Corporate Services**

**Cabinet Portfolio Holder for Finance, Transformation and Governance,  
Councillor D Virdi**

### **1. Purpose of report**

- 1.1. One of the benefits of the East Midlands Freeport (EMF) is that businesses may be awarded Business Rates Relief. This report outlines the East Midlands Freeport Business Rates Relief Policy upon which decisions will be made, to be approved by Cabinet.
- 1.2. To ensure consistency of application across the three Councils who administer Business Rates on behalf of the Freeport, the Policy is also being agreed by both South Derbyshire and North West Leicestershire district councils.

### **2. Recommendation**

It is RECOMMENDED that Cabinet:

- a) approves the Council's East Midlands Freeport Business Rates Relief Policy (Appendix A); and
- b) delegates authority to the Director of Finance and Corporate Services to either finalise any changes or make future amendments to the Policy (particularly if there are changes in legislation) in consultation with the Finance Portfolio Holder.

### **3. Reasons for Recommendation**

As part of the formal creation of the East Midlands Freeport (EMF) 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.

### **4. Supporting Information**

- 4.1 Previous information regarding EMF Business Rates Relief highlighted that relief will be available to eligible business for the EMF Tax Sites once they are designated. Originally relief would 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.

- 4.2 For the billing authorities (Rushcliffe Borough Council, North West Leicestershire District Council and South Derbyshire District Council) to approve the final Business Rates Relief Policy, the existence of a viable subsidy control scheme (previously State Aid) was a prerequisite, followed by the subsequent agreement on the Business Rates Relief Policy.
- 4.3 There was a necessity for a comprehensive review and enhancement of the existing subsidy control framework, working with Government, 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 paras 4.4 to 4.8 below.

### *Subsidy Control*

- 4.4 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.
- 4.5 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.
- 4.6 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.
- 4.7 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 challenge is minimal.
- 4.8 Based upon this development the billing authorities are now in a position to consider the EMF 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.

## *Eligibility Principles*

- 4.9 Freeport 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.
- 4.10 Freeport Business Rates Relief is available for five years from the date it is first claimed. At the time of approving the EMF 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.
- 4.11 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 EMF Business Rates Relief Policy.
- 4.12 Enclosed at Appendix A is the updated version of the EMF Business Rates Relief Policy.

## **5. Alternative options considered and reasons for rejection**

There are no alternative options. To allocate the Business Rates Relief in relation to the EMF a policy framework must be in place.

## **6. Risks and Uncertainties**

- 6.1. Risks associated with the approval of the EMF Rates Relief Policy are minimal. The Policy is closely aligned to national guidance and compliant with Government parameters and policy.
- 6.2. The Policy applies once the Council has joined the EMF Company and thereafter businesses locate to the Ratcliffe on Soar Power Station site and apply for Business Rates Relief.

## **7. Implications**

### **7.1. Financial Implications**

There are no direct financial implications. Council officers will be administering Business Rates on behalf of the EMF.

### **7.2. Legal Implications**

- 7.2.1 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 EMF.

7.2.2 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 etc.

**7.3. Equalities Implications**

None.

**7.4. Section 17 of the Crime and Disorder Act 1998 Implications**

None.

**7.5. Biodiversity Net Gain Implications**

None.

**8. Link to Corporate Priorities**

The Environment	Environmental and climate impact will need to be assessed as part of the wider Freeport operation and expansion and mitigated through appropriate measures.
Quality of Life	The Freeport will deliver economic growth resulting in more employment and a more prosperous local economy.
Efficient Services	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.
Sustainable Growth	

**9. Recommendation**

It is RECOMMENDED that Cabinet:

- a) approves the Council’s East Midlands Freeport Business Rates Relief Policy (Appendix A); and
- b) delegates authority to the Director of Finance and Corporate Services to either finalise any changes or make future amendments to the Policy (particularly if there are changes in legislation) in consultation with the Finance Portfolio Holder.

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<b>Background papers available for Inspection:</b>	None
<b>List of appendices:</b>	Appendix A - Freeport Business Rate Relief Policy