



# Doncaster Council

## Report

---

Date: 16 March 2021

To Cllr Bill Mordue, Portfolio Holder for Business, Skills and Economic Development

**Business Investment Incentive Scheme –Criteria Amendment.**

| Relevant Member(s) | Cabinet | Wards Affected | Key Decision |
|--------------------|---------|----------------|--------------|
| Cllr Bill Mordue   |         | All            | Yes          |

### EXECUTIVE SUMMARY

1. This report seeks approval to amend the Business Investment Incentive Scheme to ensure that it remains a relevant and an effective tool to support businesses in the Borough and reflect the changing landscape introduced by Brexit and Covid19.
2. These amendments will not alter the fundamental elements of the scheme that was originally approved by Council in October 2014 to support projects that either attracted:
  - a) A speculative build grant. If an investment includes a new rateable liability of £40,000 or above, a grant equivalent to 1 year's business rates is available.
  - b) A job creation grant. A grant is available based on each new job created subject to sufficient new jobs to attract an award of £3,000 (£400 per living wage position taken up by a Doncaster resident and £500 per position for posts paying over £23,000 (the new job grant is capped at £50,000). A £100 grant for an apprenticeship job was removed from the original scheme and the threshold levels were changed for the £500 grants from £23,000 to £29,000 at Executive Board in August 2019 as the focus at the time was on skilled, well paid roles.
  - c) As long as one of the above trigger points was achieved then a further £15,000 contribution to the company's costs of renovation/set up costs associated with the move could also come into effect.

3. Payments under this scheme are spread out over a period of years and paid out in tranches:

- a) Set up /Renovation costs can be paid out as soon as we have evidence of them being carried out and paid for
- b) New jobs are paid out when the post (held by person(s) resident in Doncaster) has lasted for 1yr
- c) Business Rates element is paid out in two annual instalments with the first one falling due on the anniversary of the company's first business rates bill.

4. The Council allocated £2.5m of funding for the scheme, to encourage investment and generate job creation for local residents - delivered through a package of flexible, tailored incentives. This report is not seeking any additional funds as there is currently £0.76m remaining from this allocation.

## **EXEMPT REPORT**

5. None

## **RECOMMENDATIONS**

6. Looking forward, the scheme requires a basis for future decisions. It is recommended that Council:

7. Re-iterate that the scheme is to be used principally for targeting business investment but also allows for flexibility in applying the criteria if an investment or application is judged to be of significant importance to the development and safeguarding of the local economy.

8. Update the delegation of approval for individual Business Investment Incentive awards to the Director of Economy & Environment or, in their absence, the Assistant Director of Development; in consultation with the Chief Financial Officer or, in their absence, their Deputy.

9. Agree to the following proposed changes to the scheme:

## **PROPOSED CHANGES**

10. Change: This scheme will no longer be used to incentivise companies to relocate to Doncaster from other parts of the Sheffield City Region.

Reason: There is a long-standing agreement with our Counterparts from across the region that no Authority will actively displace jobs across the region or incentivise such moves.

11. Change: Reduce the £3,000 threshold element of the job grant criteria to £1,500 and apply to posts created over 2 years as opposed to the one year originally allowed however payment criteria will remain.

Reason: The previous scheme had required the creation of at least 6 positions in the first year of the investment. This does not match the reality of many business investments where new jobs often follow more slowly and over a longer period.

12. Change: To support the safeguarding of jobs in a similar manner to the way the scheme supports the creation of new jobs but at half of the grant level per post.

Reason: This will allow us to support our Key Companies in difficult times. There are examples of businesses that have experienced trading viability problems due to Brexit and Covid, making difficult decisions about downsizing or closing their Doncaster facilities whilst potentially being wooed by competitor local authorities. The scheme would follow European guidelines and evidence as to what constitutes a safeguarded position. The maximum award for such safeguarding support to be set at £25,000 which is 50% of the maximum job creation grant under this scheme.

13. Change: Open the scheme to independent retailers looking to invest in key regeneration sites i.e. Unity Town, Waterfront, and Town Centre. Creating jobs and bringing forward sustainable investment. For this purpose “independent retailer” is taken to mean a private company with fewer than 10 outlets trading at the time of our offer.

Reason: To support the growth of independent retailers and help achieve success for Doncaster’s major regeneration schemes.

14. Change: Offer greater flexibility around the drawdown of grants to those companies who have suffered as a result of Covid-19 and Brexit i.e. pay speculative build grant after 1 year rather than the current 2 years; Job creation grant to be paid after the employee has been in post for 6 months instead of 1 year.

Reason: This scheme is intended not only to attract a company and show our commitment to supporting their plans but help them bring forward their investment decisions. Reducing the period of time before paying out elements of this grant could significantly improve company cash flows and potential bring forward other investment decisions. Recent experience has indicated that even large firms have found this to be expedient.

15. Change: Rename the ‘Speculative Build’ element of the scheme to “First Time Occupier” grant.

Reason: Speculative build has been found to be confusing to applicants and has not always assisted the letting of properties that had been finished and not let/sold before attracting its first business rates payment. This “First Time Occupier” encompasses changes made by Executive Board in August 2019.

16. Change: Combine the £5,000 Set Up and £10,000 Renovation elements of the grant into one element called Set Up with a limit of £15,000 with the same 50% intervention rate as previously used.

Reason: There is a wide variety of costs incurred in business relocations and a lot of overlap between the costs of making the building fit for purpose and equipped

for business activity. This minor change tidies up and slightly simplifies the application and claims process.

## 17. Carbon Reduction Target

An approach to building carbon reduction targets into this scheme will be agreed. Most firms will have an environmental policy in place but the question remains of how this translates into action and to what extent this grant is used to encourage the implementation of; “stretch targets”, green energy supply, minimum EPC property rating etc.

## **WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?**

18. As of 1<sup>st</sup> February 2021, 35 schemes have been approved to Legal agreement and contracting; £1.33m of the funds have been committed with a further 10 schemes already approved at ODR and waiting for legal documentation to be completed requiring a further commitment of £0.4m, for £1.73m in total. If all the outcomes of the contracted projects are achieved, investment made by the Council will realise:

- a) Increase of c.£1.9m in business rate liability per annum;
- b) 1,376 newly created jobs [442 attracting a salary of £23k plus];
- c) Over £84.3m worth of initial investment into the borough.
- d) Increased revenue through business rates;
- e) Job creation centred on quality, skilled jobs to local residents;
- f) Increased economic growth within the borough.

19. Team Doncaster continues to deliver ambitious plans for Doncaster. This includes a balanced combination of actions to deliver infrastructure, connectivity, major investment projects and targeted support to raise the productivity of our key growth industries.

20. The Business Incentive Investment Scheme is about building on our successes and scaling them up but also about safeguarding some of our Key Companies that have felt the impacts of COVID and Brexit. Our headline ask in the Doncaster Growing Together plan is to attract growth industries that will create a more sustainable business platform for Doncaster, in particular where it will do most to bring higher wages and increase job opportunities for local people. This will mean we will be able to provide a compelling offer to business through appropriate incentives - where none currently exist.

## **BACKGROUND**

21. All jobs, businesses and industries are important to Doncaster's economy and our goal is to help create the conditions for every business and sector to flourish. This discretionary scheme has been running since November 2014. It is delivered through a robust framework which determines the Council's offer to developers, investors and businesses as a financial incentive to invest and grow in Doncaster.

22. The scheme is not looking to incentivise displacement or movement of business within Doncaster unless this would either result in an expansion in the business rate base (increased revenue through business rates) and create new jobs for local residents, especially those of a skilled nature or safeguard skilled jobs and prevent a significant company needing to downsize as a result of COVID 19 or Brexit, leaving the Borough.

23. The scheme has proved instrumental for investors considering Doncaster as a place to invest and they have welcomed the support that Doncaster Council has offered. The scheme, along with the collaborative work across teams, has helped bring major investment opportunities to Doncaster – maximising redevelopment opportunities as well as job creation and improving our existing stock of business premises.

24. Recognising that businesses have different incentive needs, the scheme has already supported companies across a range of sectors including manufacturing and world class services.

## **OPTIONS CONSIDERED**

25. The aim of the scheme up to now has been to provide a balanced contribution to driving growth where the margins are deterring investment or funding can secure investment.

26. Although the scheme has worked well, the landscape has now changed significantly and threats such as COVID and Brexit have increased pressure on our economic base and that of the rest of the country meaning that the competition to secure new business investment has greatly increased too. Without the suggested changes to the scheme it could become less relevant and attractive to businesses, potentially resulting in Doncaster missing the opportunity to secure the new jobs, new investment and additional business rates income that it needs.

27. In relation to the amendments to the current criteria the following options were considered:

- a) **Option 1** Do nothing and continue the scheme as it currently operates. This option would not allow the Council to implement lessons learnt since its approval at Cabinet in 2014 or from the impacts of COVID and Brexit. Moving forward this would weaken the Council's role in driving growth and supporting the local economy.
- b) **Option 2** Adopt all of the criteria changes in relation to business rates and job grants designed to confirm the schemes continued value to the local economy and assist those key businesses that have been affected by COVID and Brexit ensuring that skilled jobs are safeguarded..

## **REASONS FOR RECOMMENDED OPTION**

28. We need to expand and safeguard our economy, increase productivity and

improve the quality of jobs on offer. Doncaster tends to have relatively few jobs in those sectors that show the highest productivity in the UK as a whole, but has more jobs in sectors which show the lowest productivity in the UK as a whole.

29. This is an uncertain time, with COVID and Brexit impacts still to be realised but we have already seen a handful of Key Companies seeking support to downsize and safeguard skilled jobs but have been unable to support them as this scheme, although a discretionary one, doesn't offer this flexibility.

30. It is felt that this would allow us to support more investors and key account companies, offer the best return on investment for the Council and produce the best outcomes for the Working strand of the Doncaster Growing Together strategy.

## IMPACT ON THE COUNCIL'S KEY OUTCOMES

31.

|  | Outcomes  | Implications   |
|--|---|--|
|  | <p><b>Doncaster Working:</b> Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future;</p> <ul style="list-style-type: none"> <li>• Better access to good fulfilling work</li> <li>• Doncaster businesses are supported to flourish</li> <li>• Inward Investment</li> </ul>   | <p>The scheme is designed to influence investment type by targeting good employers.</p> <p>It will help safeguard key companies and skilled jobs</p> <p>Working with the private sector, the Council now has the ability to help companies realise their potential.</p> <p>An attractive inward investment package not only provides an incentive to locate in Doncaster, but also presents Doncaster as a place that welcomes business.</p> |
|  | <p><b>Doncaster Living:</b> Our vision is for Doncaster's people to live in a borough that is vibrant and full of opportunity, where people enjoy spending time;</p> <ul style="list-style-type: none"> <li>• The town centres are the beating heart of Doncaster</li> <li>• More people can live in a good quality, affordable home</li> <li>• Healthy and Vibrant Communities through Physical Activity and Sport</li> <li>• Everyone takes responsibility for keeping Doncaster Clean</li> <li>• Building on our cultural, artistic and sporting heritage</li> </ul> |  |

|  |  |  |
|--|--|--|
|  |  |  |
|  | <p><b>Doncaster Learning:</b> Our vision is for learning that prepares all children, young people and adults for a life that is fulfilling;</p> <ul style="list-style-type: none"> <li>• Every child has life-changing learning experiences within and beyond school</li> <li>• Many more great teachers work in Doncaster Schools that are good or better</li> <li>• Learning in Doncaster prepares young people for the world of work</li> </ul>   |  |
|  | <p><b>Doncaster Caring:</b> Our vision is for a borough that cares together for its most vulnerable residents;</p> <ul style="list-style-type: none"> <li>• Children have the best start in life</li> <li>• Vulnerable families and individuals have support from someone they trust</li> <li>• Older people can live well and independently in their own homes</li> </ul>   | <p>Incentivising skilled and better paid jobs for Doncaster residents means that Children will be brought up in homes where parents can earn a decent wage.</p>  |
|  | <p><b>Connected Council:</b></p> <ul style="list-style-type: none"> <li>• A modern, efficient and flexible workforce</li> <li>• Modern, accessible customer interactions</li> <li>• Operating within our resources and delivering value for money</li> <li>• A co-ordinated, whole person, whole life focus on the needs and aspirations of residents</li> <li>• Building community resilience and self-reliance by connecting community assets and strengths</li> <li>• Working with our partners and residents to provide effective leadership and governance</li> </ul> | <p>Year on year business rate receipts, reimbursing the cost of the assistance and generating perpetual income.</p> <p>Actively pursuing firms that attract higher paid jobs.</p> <p>Supporting key companies and safeguarding skilled jobs occupied by local residents.</p> |

## RISKS AND ASSUMPTIONS

32. It should be noted that the commitment of the funds is subject to a verification process and the figures that we have used are maximum costs, dependent on evidence produced by the investor to verify expenditure, which could be reduced if the appropriate evidence is not produced by the investor.

33. For new builds and expansions this will not be known until the build is in the rating list and there is a business rate liability attributed to the premises; and for the job creation until the jobs have been filled for 12 months by a resident of Doncaster.

34. There is difficulty in estimating actual business rates that will be payable in the future when developers apply and so it is difficult to accurately forecast what the commitment to the investor should be. Any changes in Business Rates (through government policy) will also affect the grant committed.

35. The scheme will not be enough to support Key Companies experiencing difficulties due to COVID or Brexit but by being able to support to downsize and safeguard jobs, we will demonstrate our commitment particularly to foreign owned businesses that Doncaster values their continued investment even if it is on a smaller scale until it builds resilience and hopefully bounces back.

36. The scheme is no longer administered under the laws and regulations which govern State Aid. The law on public sector financial assistance changed on December 31st 2020 whilst the Government is currently undertaking a consultation on the new subsidy framework for the UK the provisions of the UK EU Trade and Cooperation Agreement will apply.

### **37. LEGAL IMPLICATIONS [Nichola Varty 17h February 2021]**

The Localism Act 2011 provides the Council with the so called general power of competence which allows a Local authority to do anything which an individual may generally do.

The incentives on offer are discretionary in nature and the Council has no obligation to provide them.

The State Aid (Revocations and Amendments) (EU Exit) Regulations 2020) has revoked EU State aid rules in the UK.

From 1 January 2021 public authorities will need to determine the following:

- If a proposed subsidy carries any appreciable risk of triggering a dispute with a trade partner under the terms of the World Trade Organisation rules or the UK's Free Trade Agreements; and/or
- Assess whether the proposed subsidy falls within scope of the obligations relevant to subsidy control contained in Chapter three of the UK-EU Trade and Cooperation Agreement

An *in principle* analysis of the grants as a whole, proposed in this cabinet report, has been undertaken by the legal team and the Government guidance applied.

The grants (which are not considered prohibited pursuant to the UK-EU Trade and Cooperation Agreement) are in the **exempt** category provided that such grants are not considered material and therefore will fall outside of Chapter three.

Chapter three UK-EU Trade and Cooperation Agreement does not apply to subsidies given by public bodies to UK organisations where the total amount granted to a single economic actor is below 325,000 Special Drawing Rights (SDR)

over any period of three fiscal years. SDR's are supplementary international reserve assets defined and maintained by the International Monetary Fund (IMF). This means that the new de minimis is approximately £345,000 but this may change.

Following the consultation period that the UK is now in the Government are expected to produce further guidance and probably will develop certain schemes based on the UK EU Trade and Cooperation Agreement which may affect the proposed grants. Legal will advise accordingly, keeping the scheme and how it fits in with the law under review until the law becomes settled.

Legal should be consulted in the preparation of a formal legally binding grant agreement on each occasion the grant is made to ensure that the Council's interests are protected. The Recipient must complete and return a de minimis declaration to ensure that the new de minimis is understood by the Recipient and recorded. It is important to inform Recipients of the need to seek their own legal advice on subsidies if they need it.

Grants to foreign companies should be advised upon separately by the Legal Team including grants and subsidies affecting Northern Ireland.

### **38. FINANCIAL IMPLICATIONS [BC 18/02/2021]**

Cabinet have previously approved £2.50m of resources for the Business Investment Incentive Scheme. These approvals included: -

- the principles of the scheme
- the criteria for awarding grants
- flexibility in applying the criteria if an investment or application is judged to be of significant importance to the development of the local economy
- the main financial implications of operating the scheme
- Business Doncaster's responsibilities in relation to: -
  - State aid
  - administration of the grant in line with Financial Procedure Rules
  - review of the scheme on an annual basis.

Delegation of authority to approve individual awards was undertaken by a further Executive Decision N807 implemented 29<sup>th</sup> July 2015.

Following a review of the scheme, some amendments to the criteria of the awards were approved by the Executive Board on 14<sup>th</sup> August, 2019, including changes to the structuring and threshold levels of the job creation grants as outlined at 2b in the body of this report, and updating the delegation for approval of individual awards.

The current financial position of the scheme is: -

|                                       | £m          |
|---------------------------------------|-------------|
| Approved Funds                        | 2.50        |
| Less: -                               |             |
| Awards Approved & Contracted          | 1.33        |
| Awards Approved & Subject to Contract | 0.41        |
| Uncommitted Funds                     | <u>0.76</u> |

Outputs achieved from the investment so far are outlined in the body of the report.

The main principles of the original report remain the same but this report seeks to amend the criteria under which it will operate and individual awards will be made.

Financial Procedure Rule E.15 currently states that Directors are authorised to approve grants and annual assistance to external bodies, subject to key decision rules and other requirements of the FPR and related guidance and this approval being formally recorded. The scheme already includes a delegation to allow officers to approve awards of any value within the scope of the existing scheme criteria and any flexibilities associated with them. It is possible that a single award could be in excess of £0.25m, with one being made under the old scheme. If approved by Cabinet, this report would represent the key decision required to allow officers to continue to award grants of any value, provided they are within the new criteria and any new flexibilities. The current delegation refers to historic posts so this report also recommends refreshing the delegation under current roles and responsibilities, as well as within the new criteria.

The proposed revisions to the awards have been determined by the service and Executive Board, based on their assessment of value for money in relation to outputs. Whatever the value of individual awards the total must be contained within the available funding. One of the key financial principles of the scheme is that business rates uplift ultimately compensates the Council for the value of the grants awarded within a 2-year period from the date that actual business rates are determined. Future awards under the new criteria must ensure that this principle continues to be met, keeping in mind that not all awards necessarily lead to uplift in business rates and so must be compensated for across the board.

Clause 14 above recommends greater flexibility around the drawdown of grants to companies who have suffered as a result of Covid-19 and Brexit. It is understood that this will be offered in exceptional circumstances and Financial Management would expect this to be as a last resort supported by evidence that all other options have been considered, for example that signposting to other Covid support has been declined. As the area stabilises and reaches economic recovery we would expect this option to be reviewed.

References to changes to the EU State Aid rules as detailed in the report and the Legal implications should be noted.

In light of the above proposed changes, for the scheme to operate as robustly as possible and to ensure that remaining resources are directed to the most appropriate applications, it is essential that processes allow for all relevant information helping to set out the applicant's financial position is provided well ahead of steering group meetings so that informed decisions can be made.

### **39. HUMAN RESOURCES IMPLICATIONS [AA]**

There are no direct HR Implications in relation to this report.

### **40. TECHNOLOGY IMPLICATIONS [Officer Initials PW Date 17/02/21]**

There are no anticipated technology implications in relation to this report.

### **41. HEALTH IMPLICATIONS [Officer Initials: MB Date: 17/2/2021]**

The amendments in this report should help not only mitigate some of the direct and indirect impacts from COVID-19 but should also support businesses recover and renew with one eye on a zero carbon future.

### **42. EQUALITY IMPLICATIONS [Officer: SH;]**

Decision makers must consider the Council's duties under the Public Sector Equality Duty at s149 of the Equality Act 2010. The duty requires the Council, when exercising its functions, to have 'due regard' to the need to eliminate discrimination, harassment and victimisation and other conduct prohibited under the act, and to advance equality of opportunity and foster good relations between those who share a 'protected characteristic' and those who do not share that protected characteristic.

There are no specific equality implications arising from the process.

### **43. CONSULTATION**

Input into the report has been sought from:

- Director and Assistant Director of Regeneration and Environment,
- Chief Financial Officer and Assistant Director of Finance,
- Cllr Bill Mordue, Portfolio Holder for Business, Skills and Economic Development,
- Directors,

The Business Investment Incentive Steering Group made up from internal colleagues from Finance, Business Doncaster, Legal, Business Rates and Strategy and Performance have contributed and been consulted.

### **44. BACKGROUND PAPERS**

None.

## 45. REPORT AUTHOR & CONTRIBUTORS

Sue Harrison, Investment Team Manager

T: 01302 862474; E: [sue.harrison@doncaster.gov.uk](mailto:sue.harrison@doncaster.gov.uk)

Tim Hazeltine, Cultural and Creative Growth Sector Manager – Business Doncaster

T: 01302 862465; E: [tim.hazeltine@doncaster.gov.uk](mailto:tim.hazeltine@doncaster.gov.uk)

Chris Dungworth, Head of Service – Business Doncaster

T: 01302 737857; E: [chris.dungworth@doncaster.gov.uk](mailto:chris.dungworth@doncaster.gov.uk)

Olivia Brown, Finance Manager

T: 01302 736661; E: [Olivia.Brown@doncaster.gov.uk](mailto:Olivia.Brown@doncaster.gov.uk)

Alan Stoves, Revenues Manager

T: 01302 735585; E: [alan.stoves@doncaster.gov.uk](mailto:alan.stoves@doncaster.gov.uk)

Carole Fox, Senior Strategy and Performance Manager

T: 01302 737455; E: [carole.fox@doncaster.gov.uk](mailto:carole.fox@doncaster.gov.uk)

Nichola Varty, Senior Legal Officer

T:-01302737661; E: [Nichola.varty@doncaster.gov.uk](mailto:Nichola.varty@doncaster.gov.uk)

### **Name & Title of Lead Officer i.e. Chief Executive/Service Director**

Dan Swaine Director of Regeneration and Environment

T: 01302 862503; E: [Dan.Swaine@doncaster.gov.uk](mailto:Dan.Swaine@doncaster.gov.uk)