

Report of: Economic Development Manager

Report to: Chief Officer Economy and Regeneration

Date: 26th September 2016

Subject: Discretionary Rates Relief (Employment Safeguarding and Retention) for Steeper

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Summary of main issues

1. Executive Board approved the current discretionary rates relief policies, including one for *'Employment safeguarding and retention: Any business where a premises move is forced due to unforeseen circumstances such as flooding or fire and the business intends to retain employment at existing levels'*, in June 2016. This supports the Council's priority to promote sustainable and inclusive economic growth.
2. Steeper are a large company with 492 employees in the UK, of which 250 are based from their headquarters in Leeds. They are a global leading manufacturer of upper extremity prosthetic products including the world's most advanced prosthetic hand. They operate from 4 separate units in Hunslet, Leeds of which 3 suffered severe flooding on Boxing Day 2015. The business is operating at a significantly reduced capacity, risk losing key customers and can no longer get insurance cover at these sites. This may require them to downsize, closing entirely or relocate to premises outside of Leeds thereby putting 250 local jobs in jeopardy.
3. The company propose to locate to Unit 3, Stourton Link, Intermezzo Drive, Hunslet, Leeds, LS10 1DF and refurbish it to make it fit for purpose. To offset the company's significant cost of doing this in Leeds, as opposed to elsewhere, the company secured a Business Growth Programme (BGP) grant of £167,000 (€196,078.43) from the LEP in September 2016. This was subject to 50% being repayable if their shares are sold in the first two years of this offer being made.
4. In addition to this grant, the company also require 100% rates relief to commence in years 4 and 5 of their occupation at the Intermezzo Drive or the EU state aid limit of €200k, whichever is smaller. In this case, the EU state aid limit applies, and the maximum aid is thus £170,340 at the current exchange rate. In addition, the company require a further 50% rates relief in the 3rd year of their occupation but only if the above BGP grant condition is met.

5. Providing the company with this rates relief package will retain a world leading advanced healthcare manufacturer in Leeds and safeguard 250 skilled local jobs.
6. As the government splits the cost of rate relief with us on what is essentially a 50/50 basis, the actual maximum cost to the authority is approximately £127,755 (€150k) assuming the BGP grant condition be met. If the condition is not met then the total cost to the Council will be £85,170 (€100k). As the cost is more than £100k but less than £250k to the Council this is a significant operational decision, which sits under the key decision taken by Executive Board on 22nd June 2016.

Recommendations

7. The Chief Officer Economy and Regeneration is recommended to approve the request from Steeper for rates relief and to offer the maximum available relief of €200k (£170,340) in years 4 and 5 of the company's occupation at Intermezzo Drive and up to a further £85,170 (€100k) in year 3 but only if the BGP grant condition be met. As the government splits the cost of rate relief with the Council on what is essentially a 50/50 basis, this equates to a maximum cost of £127,755 (€150k) to the Council.

1 Purpose of this report

- 1.1 To appraise the Chief Officer Economy and Regeneration of an application from Steeper for discretionary rates relief under the '*Employment safeguarding and retention policy: Any business where a premises move is forced due to unforeseen circumstances such as flooding or fire and the business intends to retain employment at existing levels*', approved by Executive Board in June 2016.
- 1.2 To advise the Chief Officer Economy and Regeneration with regard to the relief that could be offered to Steeper.

2 Background information

- 2.1 The Council's discretionary rates relief policy was approved June 2016. It includes a category of relief for, '*Employment safeguarding and retention: Any business where a premises move is forced due to unforeseen circumstances such as flooding or fire and the business intends to retain employment at existing levels*', which enables the authority to offer up to 100% relief up to the state aid de minimis threshold of €200,000. The relief is targeted at businesses in our priority growth sectors, including manufacturing.
- 2.2 Steeper are a large company with 492 employees in the UK, of which 250 are based from their headquarters in Leeds. They are a global leading manufacturer of upper extremity prosthetic products including the world's most advanced prosthetic hand. They operate from 4 separate units in Hunslet, Leeds of which 3 suffered severe flooding on Boxing Day 2015. The business is operating at a significantly reduced capacity, risks losing key customers and can no longer get insurance at these sites. This may require them to downsize, closing entirely or relocate to premises outside of Leeds thereby putting 250 local jobs in jeopardy.
- 2.3 Steeper secured a Business Growth Programme (BGP) grant of £167,000 (€196,078.43) from the LEP in September 2016 to relocate to Unit 3, Stourton Link, Intermezzo Drive, Hunslet, Leeds, LS10 1DF and are seeking at least a further £170,340 (€200k) in rates relief from the Council to enable them to proceed with this project.

3 Main issues

- 3.1 Steeper were established in 1921, are owned by a private equity company (Dunedin), and are a leading manufacturer of upper extremity prosthetic products including the world's most advanced prosthetic hand. They operate from 50,000sq.ft. across 4 separate units in Hunslet, 3 of which were badly affected by the Boxing Day floods in December 2015. They can no longer operate from these sites as their existing premiums have increased by 460% and their revised policy no longer provides them with adequate security. They are now under significant pressure financially and from their private equity owners to relocate to a new site outside the flood risk area.
- 3.2 The company have considered several property options in Leeds, Normanton and elsewhere but deemed them unsuitable for several reasons including cost, risk to workforce retention and inability to occupy soon enough. The company have now identified a suitable site and propose to locate to Unit 3, Stourton Link, Intermezzo Drive, Hunslet, Leeds, LS10 1DF and refurbish it to make it fit for purpose. This comes at significant cost to the company (£1.7m) and at a time when the business has suffered reduced income through lost production.

- 3.3 To offset the company's cost of doing this in Leeds, as opposed to elsewhere, the company secured a Business Growth Programme (BGP) grant of £167,000 (€196,078.43) from the LEP in September 2016. This was subject to 50% being repayable if their shares are sold in the first two years of this offer being made.
- 3.4 However, to enable this project to proceed the company also require 100% rates relief to commence in years 4 and 5 of their occupation at the Intermezzo Drive or the EU state aid limit of €200k, whichever is smaller. In this case, the EU state aid limit applies, and the maximum aid is thus £170,340 at the current exchange rate. In addition, the company require a further 50% rates relief in the 3rd year of their occupation but only if the above BGP grant condition is met.
- 3.5 By providing the company with this rates relief package Leeds will retain a world leading manufacturer of advanced healthcare products and safeguard 250 skilled local jobs.
- 3.6 As the government splits the cost of rate relief with us on what is essentially a 50/50 basis, the actual maximum cost to the Council is approximately £127,755 (€150k) assuming the BGP grant condition be met. If the condition is not met then the total cost to the Council will be £85,170 (€100k). As the total cost is more than £100,000 but less than £250,000 to the Council this is a significant operational decision, which sits under the key decision taken by Executive Board on 22nd June 2016.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 The original policy was subject to extensive consultation and engagement.
- 4.1.2 The leader of the Council has been consulted on the detail of this implementation and has approved the recommendation.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 The policy was screened for Equality and Diversity/Cohesion and Integration issues and deemed to have no impact. This report relates to the implementation of that policy and thus also has no impact and does not need re-screening.

4.3 Council policies and City Priorities

- 4.3.2 The proposed rates relief supports the Council's priority to promote sustainable and inclusive economic growth.

4.4 Resources and value for money

- 4.4.1 The maximum cost to the Council is £127,755 and will result in net additional rates of £944,660 in the first five years of the company's occupation of Unit 3, Stourton Link, Intermezzo Drive, Hunslet, Leeds, LS10 1DF.
- 4.4.2 Rates relief is therefore good value for money as it will cement a deal with Steeper that will safeguard 250 local jobs and provide the Council with an additional rate take of approx. £944,660 over the next 5 years.

4.5 Legal Implications, Access to Information and Call In

4.5.1 Localism Act powers underpin the new discretionary rates relief schemes, and our use of them is enabled by the June 2016 Executive Board approval for the policy.

4.6 Risk Management

4.6.1 If relief is not offered, there is a risk that Steeper will downsize, closing entirely or relocate to premises outside of Leeds thereby putting 250 local jobs in jeopardy.

5 Conclusions

5.1 The cost of providing rates relief to Steeper will be a maximum of £127,755 but secure £944,660 in net additional rates for the Council over the next 5 years.

5.2 Providing rates relief to Steeper will retain a world leading advanced healthcare manufacturer in Leeds and safeguard 250 skilled local jobs

5.3 It is a good use of our discretionary powers and offers good value for money.

6 Recommendations

6.1 The Chief Officer Economy and Regeneration is recommended to approved the request from Steeper for rates relief and to offer the maximum available relief of €200k (£170,340) in years 4 and 5 of the company's occupation at Intermezzo Drive and up to a further £85,170 (€100k) in year 3 but only if the BGP grant condition be met. As the government splits the cost of rate relief with the Council on what is essentially a 50/50 basis, this equates to a maximum cost of £127,755 (€150k) to the Council.

7 Background documents¹

7.1 None

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.