

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

9 FEBRUARY 2012

**REPORT OF CORPORATE
MANAGEMENT TEAM**

COUNCIL / CABINET DECISION

**Corporate Management & Finance – Lead Cabinet Member – Councillor Harrington
Regeneration & Transport – Lead Cabinet Member – Councillor Smith**

ENTERPRISE ZONE BUSINESS RATES DISCOUNT SCHEME

1. Summary

The Localism Act 2011 contains clauses that give billing authorities powers to grant local business rate discounts. These are the powers that will be used to award discounts to businesses that locate on certain Enterprise Zone sites. The powers are expected to come into force on 1 April 2012, allowing discounts to begin from that date. Billing authorities will have to design and set their discount schemes in accordance with Government regulations and guidance, which have not yet been received.

It is important that the discount schemes are in place as soon as possible as they will be a key element in the promotional package to attract new businesses to the Enterprise Zone.

The report outlines the proposed arrangements for awarding business rate discounts to businesses that locate on certain Enterprise Zone sites. It seeks approval for the detailed discount scheme design to be delegated to the Corporate Director Resources in consultation with Cabinet Members for Corporate Management & Finance and Regeneration & Transport.

2. Recommendations

1. That the proposed arrangements for the Enterprise Zone business rate discount scheme be noted.
2. That the detailed design of the scheme, and its accompanying administrative processes, be delegated to the Corporate Director Resources in consultation with the Cabinet Members for Corporate Management & Finance and Regeneration & Transport.

3. Reasons for the Recommendations/Decision(s)

To inform Members about the proposed arrangements for awarding business rate discounts to businesses that locate on certain Enterprise Zone sites and to allow

the finer detail of the scheme to be quickly defined, following publication of the relevant regulations and guidance.

4. Members' Interests

Members (including co-opted Members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (**paragraph 8**) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;
- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc; whether or not they are a Member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.

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SUMMARY

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RECOMMENDATIONS

1. That the proposed arrangements for the Enterprise Zone business rate discount scheme be noted.
2. That the detailed design of the scheme, and its accompanying administrative processes, be delegated to the Corporate Director Resources in consultation with the Cabinet Members for Corporate Management & Finance and Regeneration & Transport.

DETAIL

1. The Localism Bill received Royal Assent on 15 November 2011. Section 69 of the Localism Act amends Section 47 Local Government Finance Act 1988 to allow local authorities to reduce the business rates of any local ratepayer, not just those that can currently be granted discretionary rate relief. The detailed regulations and guidance relating to these new powers have not yet been published, but it is anticipated that they will be in place to allow discounts to begin from 1 April 2012.

2. Local authorities will be responsible for fully funding any discounts granted under these new powers, however in the case of certain defined Enterprise Zone sites, central Government will reimburse the costs of providing up to 100% discount for 5 years, up to state aid de minimis levels (currently stated as £55,000 per annum) for businesses that enter the sites by 31 March 2015 e.g. if a business enters the site on 31 March 2015, it will receive the discount until 30 March 2020.
3. The Tees Valley Enterprise Zone implementation plan comprises a range of sites that offer complementary financial incentives. The larger sites (such as the New Energy Technology Park at Reclamation Pond) will provide enhanced capital allowances to attract major industrial companies. The sites offering business rate relief will be attractive to SMEs/micro businesses that will form the local supply chain servicing the major companies. For the purposes of business rate discount schemes, there will be two types of site – Government Funded Rate Relief sites and Locally Funded Rate Relief sites. The general principle is that the reimbursed income from the government funded sites, will fund the costs of awarding discount to businesses on the locally funded sites. In Stockton's case there is one proposed government funded site – Belasis; and one proposed locally funded site – Northshore.
4. The strategy behind the choice of sites for inclusion within the Tees Valley Enterprise Zone was founded upon an economic policy to move towards a high value, low carbon economy and to support emerging growth sectors and the development of the SME base. A sectoral focus on sites provides a tight set of criteria to be met by incoming occupiers seeking to benefit from the financial incentives. The target sectors are:
 - Advanced engineering / advanced manufacturing
 - Chemicals
 - Digital
 - Renewables

Rate relief will not be awarded if the business does not meet the sector criteria.

5. It is the billing authority's responsibility to set the discount scheme for its area and make the final decision about awards of relief, however all the Tees Valley authorities are working closely with TVU to ensure that the schemes they set are consistent, fair, affordable and support the Enterprise Zone ambition.
6. Whilst the Localism Act provides the powers to grant relief, and the Enterprise Zone proposals have defined how the scheme will work in principle, the details cannot be finalised and promoted until Government regulations and guidance have been published as these will influence the finer points.
7. The discount scheme will be a key element in the promotional package to attract new businesses to the Enterprise Zone and it is important that the scheme is finalised and approved as soon as possible, following receipt of the regulations, which are expected in the next few weeks. To avoid any delays, Members are asked to delegate authority for developing the Enterprise Zone business rate discount scheme and the accompanying administrative/appeals processes to the Corporate Director Resources in consultation with Cabinet Members for Corporate Management & Finance and Regeneration & Transport.

FINANCIAL IMPLICATIONS

8. A detailed financial modelling exercise will be undertaken as part of the scheme design, to ensure full understanding of the potential cost of locally funded rate relief, how this might be funded by potential income from government funded rate relief and any growth in business rates income on Enterprise Zone sites that will be retained by the LEP, and that the costs and benefits of the approved scheme are shared fairly between the Tees Valley Councils.

LEGAL IMPLICATIONS

9. Under the Council's Scheme of Delegation, decisions on the award of rate relief under S47 of the Local Government Finance Act 1988 are delegated to the Corporate Director Resources, in consultation with the appropriate Cabinet Member(s), with applications being assessed against a policy framework agreed by Council. This policy framework needs to be extended to enable rate relief to be awarded to businesses occupying properties in Enterprise Zone areas.
10. Powers to extend Section 47 rate relief schemes to allow local authorities to reduce the rates of any local ratepayer were included in Section 69 of the Localism Act 2011. The Government intends to issue regulations so that the changes can take effect in time for the 2012/2013 financial year. In order for the necessary changes to the Council's rate relief policy framework to be made and implemented as quickly as possible, this report is seeking approval for the detail of the new Enterprise Zone rate relief scheme to be delegated to the Corporate Director Resources in consultation with the Cabinet Members for Corporate Management & Finance and Regeneration & Transport.

RISK ASSESSMENT

11. The development and administration of the Enterprise Zone Business Rates Discount Scheme is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS

12. The Enterprise Zone arrangements impact positively on the key policy platforms of the Sustainable Community Strategy in the following ways:-

Economic Regeneration & Transport – attracting businesses into Enterprise Zone sites will help strengthen the local economy, support the creation of new businesses and enable more people to find employment.

Children and Young People - the Enterprise Zone will create future employment opportunities for children and young people

Safer Communities – more employment opportunities are likely to contribute to a reduction in the propensity of people to commit crime.

Health and Wellbeing – enabling more people to find employment will improve people's wellbeing.

Environment and Housing – the development of Enterprise Zone sites will improve the environment of the Borough

EQUALITIES IMPACT ASSESSMENT

13. This report is not subject to an Equality Impact Assessment. The Council's existing rate relief policy has been subject to an Equality Impact Assessment, which will be reviewed when the proposals for Enterprise Zone rate relief are added.

CONSULTATION INCLUDING WARD/COUNCILLORS

14. The Enterprise Zone rate relief policy will be a Tees Valley wide policy, developed in consultation with colleagues at Tees Valley Unlimited and, to ensure a consistent approach, in consultation with the other Tees Valley Councils.
15. The policy will be developed in consultation with the appropriate Cabinet Members. It is not necessary to consult with Ward Members, as the Enterprise Zone rate relief policy will be a Tees Valley wide policy.

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Education related? No

Background Papers The Tees Valley Enterprise Zone Implementation Plan 2011 (TVU)

Ward(s) and Ward Councillors:

The proposed rate relief Enterprise Zone sites are in:

- Billingham East (Councillor Cunningham & Councillor Stoker) for Belasis (Government Funded Rate Relief site)
- Stockton Town Centre (Councillor Coleman & Councillor Kirton) for Northshore (Locally Funded Rate Relief site)

Property

The report has no implications in relation to the Council's property.