

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

1 NOVEMBER 2012

REPORT OF CORPORATE MANAGEMENT TEAM

CABINET DECISION

Regeneration and Transport – Lead Cabinet Member – Cllr Smith
Corporate Management & Finance – Lead Cabinet Member - Cllr Harrington

LOCAL BUSINESS RATES DISCOUNT SCHEME FOR STOCKTON TOWN CENTRE

SUMMARY

The Localism Act came into effect in April 2012 and provided Local Authorities with the freedom to offer business rate discounts to attract new and expanding businesses and further investment, and create jobs for the local area. The introduction of a Local Business Rates Discount Scheme would encourage this by incentivising new and expanding businesses to occupy vacant units in Stockton Town Centre, which would add to the vibrancy and attractiveness for both shoppers and visitors.

RECOMMENDATIONS

1. It is recommended that Members authorise for the Local Business Rate Discount Scheme for Stockton Town Centre described in the report, to be introduced from April 2013 subject to funding being approved as part of the 2013/14 budget report.
2. That the Scheme recommended in this report, together with the existing Enterprise Zone Scheme, provide the only local business rate discounts awarded by the Council.

Reasons for the Recommendations/Decision(s)

Improving the economic performance of Stockton Town Centre is a key priority for the Council. A reduction in the vacant units would significantly contribute to improving the diverse shopping environment and supporting existing businesses as well as the year-round programme of events and specialist markets.

Members' Interests

Members (including co-opted Members) should consider whether they have a personal interest in any item, as defined in **paragraphs 9 and 11** of the Council's code of conduct and, if so, declare the existence and nature of that interest in accordance with and/or taking account of **paragraphs 12 - 17** of the code.

Where a Member regards him/herself as having a personal interest, as described in **paragraph 16** of the code, in any business of the Council he/she must then, **in accordance with paragraph 18** of the code, 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 and the business:-

- affects the members financial position or the financial position of a person or body described in **paragraph 17** of the code, or
- relates to the determining of any approval, consent, licence, permission or registration in relation to the member or any person or body described in **paragraph 17** of the code.

A Member with a personal interest, as described in **paragraph 18** of the code, may attend the meeting but must not take part in the consideration and voting upon the relevant item of business. However, a member with such an interest may make representations, answer questions or give evidence relating to that business before the business is considered or voted on, provided the public are also allowed to attend the meeting for the same purpose whether under a statutory right or otherwise (**paragraph 19** of the code).

Members may participate in any discussion and vote on a matter in which they have an interest, as described in **paragraph 18** of the code, where that interest relates to functions of the Council detailed in **paragraph 20** of the code.

Disclosable Pecuniary Interests

It is a criminal offence for a member to participate in any discussion or vote on a matter in which he/she has a disclosable pecuniary interest (and where an appropriate dispensation has not been granted) **paragraph 21** of the code.

Members are required to comply with any procedural rule adopted by the Council which requires a member to leave the meeting room whilst the meeting is discussing a matter in which that member has a disclosable pecuniary interest (**paragraph 22** of the code).

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BACKGROUND

1. Business rates are a significant cost, particularly for small businesses. Local business rates discounts enable Local Authorities to provide temporary financial assistance to support business growth and help start-up firms to encourage entrepreneurship and job creation.
2. Local Authorities should consider the new powers afforded to them by the Localism Act 2012 alongside the Portas Review, which recommended that the Council investigated business rate reductions in order to increase take up of vacant units, support new and expanding businesses, and help improve the shopping environment in our High Streets. This is particularly relevant given

Stockton's successful first round application to become one of only 12 Portas Pilot Towns selected nationally.

3. Consideration of the introduction of a Scheme was given to Billingham, Thornaby and Yarm Town Centres. However, all these centres currently have less than 5% vacancy rates, as opposed to the vacancy rate in Stockton Town Centre which remains above 15%. A recent survey of the 376 properties within the proposed Scheme area revealed 74 commercial units were vacant (19.6%).
4. An application selection criterion has been developed using categories such as business activity, size of unit, and location that would complement positively the aspirations and existing plans for the regeneration of the Town Centre.

DETAIL

5. The Scheme would include all vacant units within the primary and secondary shopping areas of the Town Centre, as well as the Cultural Quarter and The Yards (see **Appendix 1** for details of the Scheme area).
6. All new and expanding businesses investing in the Scheme area would be eligible to apply directly for support. Landlords and their commercial representatives would, however, not be eligible.
7. The Scheme is primarily aimed at Retail and other associated Town Centre business activities. Businesses should operate within the following business activities as defined by the Town and Country Planning (Use Classes) Order, except where they are specifically excluded:

Use Class	Included	Excluded
A1	All	None
A2	Professional services including credit unions	Financial services; Health or Medical services; Estate Agents and Employment Agencies, Betting Shops
A3	Restaurants and Cafes	None
B1	Offices – B1 (a) other than included in A2	B1 (b) – Research & Development B1 (c) – Light Industry
All other Use Classes are excluded from the Scheme		

8. The Scheme would be inclusive of all sizes of vacant units within the Scheme area; however it must include the ground floor as well as any other vacant floors to maximise the visual appearance of, and the economic impact to, the Town Centre.
9. A discount of 50% of the net rates payable per year (i.e. the rates charge remaining *after* deduction of other reliefs and entitlements such as small business

rate relief) would be offered to each new or expanding business for a maximum of 2 years if occupying and trading from a vacant unit in the Scheme area.

FINANCIAL AND LEGAL IMPLICATIONS

10. Based on current data, the total rates payable and the rate relief given, in 2012/13 for the 74 vacant properties is approximately £500,000. If all of these were to be let during the lifetime of the proposed discount scheme, then the maximum loss of income to the Authority would be £500,000. The spending profile of the income loss would depend on the timing of the lettings.
11. If all current vacant properties were occupied on 1st April 2013; then the spending profile would be £250,000 in 2013/14 and £250,000 in 2014/15. If the properties were let to businesses currently located in other parts of the Borough, then there would be an additional loss of income.
12. Full business rates are usually payable on empty commercial properties, however the legislation provides for certain exemptions from payment e.g. listed buildings; bankrupt leaseholder; or the unit is vacant less than three months. In the case of bankrupt leaseholders, letting the unit would actually generate additional income that would partly offset the loss of income for the scheme as a whole.
13. A more achievable and realistic aim of the Scheme would be to support an additional 30 to 35 businesses to move into the Scheme area over 2 years. This could lower the spending profile to around £250,000 resulting in a loss of income of £125,000 in 2013/14 and £125,000 in 2014/15.
14. Over the last two years there has been an annual turnover of approximately 15% of the properties in the Scheme area. So of the 376 commercial units in the proposed Scheme area, around 56 units are taken up by new owners or occupiers each year. If this was to continue then there could be an additional uptake of the Scheme and an additional loss of income.
15. Funding for the scheme will be considered as part of the 2013/14 budget report.

EVALUATION AND REVIEW

16. The current retail market is very unpredictable, the economic downturn and regeneration of the High Street will also affect this local market further over the next few years. With so many variables affecting the potential success of the Scheme, it will be necessary to closely monitor its effectiveness and cost. The Scheme will be evaluated and reviewed after 6 months in the first year, at the end of the first year and annually thereafter, to determine both its impact and sustainability. Depending upon uptake and interest, the Scheme could be continued on rolling annual basis. Each business that successfully applies for this support will be required to complete and return an Annual Evaluation Form which will include a report of progress made against the growth criteria for expanding businesses as described in the Business Rates Discount Scheme application form.

CONSULTATION AND MARKETING

17. Following internal consultation with related Council Services, an awareness raising exercise will take place with Stockton Town Centre business community, including landlords and commercial agents, once approval has been received. No formal consultation in advance of the decision being made has been undertaken as this may result in potential delays in investment by prospective businesses.

EQUALITIES IMPACT ASSESSMENT

18. This report has been subject to an Equality Impact Assessment and has been judged to have a positive impact. No remedial actions are required. The EIA has been placed in the Members' Library, and a summary version will be published on the Council's website following Cabinet.

CONSULTATION INCLUDING WARD/COUNCILLORS

Stockton Town Centre regeneration proposals are detailed in the Urban Design Guide and have been subject to consultation events with the general public, stakeholders and Members in March and November of 2011. The Urban Design Guide will be taken forward through the Local Development Framework process, which is subject to consultation as set out in the Local Development Scheme.

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Education related? No

Background Papers

- Reports to Cabinet on 08.11.11 (Stockton Town Centre Regeneration), 14.07.11 (Stockton Town Centre Progress Report), 17.03.11 (Stockton Town Centre Urban Design Guide), and 05.08.10 (Stockton Central Area Update), all available from <http://www.stockton.gov.uk/egenda>
- Stockton Town Centre Urban Design Guide, available in the Members' Library.
- The Portas Review, available in the Members' Library.

Ward(s) and Ward Councillors:

Stockton Town Centre Ward: - Councillors Coleman & Kirton

Property

Some of the projects covered in this report relate to Council-owned land and property, others relate to privately owned properties. The Urban Design Guide makes recommendations and provides guidance for private sector developments.