

This Report will be made public on 15 May 2016

Folkestone

Hythe & Romney Marsh
Shepway District Council



Report Number **C/17/05**

To: Cabinet
Date: 21 June 2017
Status: Key Decision
Head of service: Katharine Harvey – Head of Economic Development
Cabinet Members: Councillor John Collier, Cabinet Member for the District Economy and Councillor Malcolm Dearden, Cabinet Member for Finance
Subject: Investing Shepway's share of the Kent Business Rates Growth Pool

SUMMARY: This report seeks agreement for investing Shepway District Council's share of the Kent Business Rates Growth Pool in two key employment related projects in the district: (1) Biggins Wood; and (2) the refurbishment of floors 3 and 4 of the Civic Centre.

REASONS FOR RECOMMENDATIONS

Recent evidence indicates that there is a lack of high quality new business accommodation in Shepway which is inhibiting economic growth. It is therefore proposed to use Shepway District Council's share of the Kent's Business Rates Growth Pool to address this issue and deliver a corporate plan objective of delivering more jobs in the district.

RECOMMENDATIONS:

- 1. To receive and note report C/17/05.**
- 2. To agree to use Shepway District Council's share of the Kent Business Rates Growth Pool for the purposes set out in paragraph 2.9.**

1.0 BACKGROUND

- 1.1. In October 2014 Shepway District Council agreed to join the Kent Growth Pool (Leaders Decision 14/054). At that time the government was encouraging local authorities to work together in areas by enabling the pooling of business rates allowances. Local authorities in a pool were able to retain a higher proportion of the business rates growth locally rather than for this to be returned to central government.
- 1.2. Outside the current pool arrangements, Shepway District Council would be liable to pay a levy of 50% on retained business rates income to DCLG. The exact amount of such a levy will vary year to year in relation to the level of income, but in recent years has been calculated as near to £1m. As part of the pool however, the final levy liability for SDC has reduced to around 20%, with the exact proportion dependent on the effect of all other pool members' results. The residual pool benefit arising from the reduced central government levy commitment is allocated as follows: 30% SDC retained; 30% KCC retained; 30% Kent Growth Pool; 10% contingency/safety net.
- 1.3. In 2015/16, Growth Pool funds due to Shepway amounted to £251,000 and £248,000 in 2016/17. Current expectations are for similar levels of Growth Pool contributions for 2017/18.
- 1.4. The Memorandum of Understanding (MOU) that was signed between members of the Growth Pool and KCC stated that "pool members recognise that the fundamental objective of the pool is to generate increased resources for the district based pool area and will act according to that objective". It identified that growth pool funds would be used to:
 - enhance financial resilience for each of the pool members; and
 - promote future economic growth within the district based pool area.
- 1.5. In 2016/17 Dover withdrew from the Kent Growth Pool and at the same time Dartford BC joined. It is believed that this pool will cease once there is 100% local retention of business rates, which is expected in 2019/20 and is subject to confirmation of government policy post the General Election in June 2017.
- 1.6. A total of £491,000 has been received to date and is available. There are no details yet on the amount due to Shepway in 2017/18 for investment in 2018/19. However, it is hoped that a similar level of funding will be received.

2.0 INVESTING SHEPWAY'S GROWTH POOL FUNDS

- 1.7. A number of options have been considered for using Shepway's share of the Kent Growth Pool funds, including:
 - 1) **Developer Loans:** Providing loans at preferential interest rates to developers to bring forward new schemes or to renovate existing poor quality business space.
 - 2) **New DBRR scheme:** Supporting a new Discretionary Business Rate Relief (DBRR) scheme to give a grant to existing Shepway businesses or

those new to Shepway to move into new or additional premises and B class premises in the district.

- 3) **Business Loans:** Providing loans to support businesses moving into new or additional premises in Shepway to support their growth plans.
- 4) **Direct Investment:** Directly investing the funds into renovating business space that SDC currently owns or to bring forward the development of high quality business space on its own site(s).

1.8. Table 1 below sets out the advantages, disadvantages and conclusions arrived at for each of these options.

Table 1: Options for use of SDC's Kent Growth Pool funding

Options	Advantages	Disadvantages	Conclusion
1. Developer Loans:	<ul style="list-style-type: none"> • Funds could be recycled through loan pay-back. 	<ul style="list-style-type: none"> • Lack of available expertise to manage the programme. • Risk of default by Developers. 	<ul style="list-style-type: none"> • The administrative burden is too high for the relatively small size of the loan pot. A similar SELEP scheme may soon become available.
2. New DBRR scheme:	<ul style="list-style-type: none"> • Resource focused on supporting local businesses taking on new premises or on inward investors coming into the area. 	<ul style="list-style-type: none"> • This is a business grant scheme and funds would be spent relatively quickly. 	<ul style="list-style-type: none"> • The lack of good quality accommodation and/or sites is limiting local business growth and inward investment and this option would not address this issue.
3. Business Loans:	<ul style="list-style-type: none"> • Funds could be recycled through loan pay-back. 	<ul style="list-style-type: none"> • Lack of available expertise to manage the programme. • Risk of default by businesses. • KCC has recently introduced the Kent & Medway Business Fund which provides similar loans. 	<ul style="list-style-type: none"> • This would not necessarily result in more high quality business accommodation in the district.
4. Direct Investment	<ul style="list-style-type: none"> • Generate a potential rental income stream for SDC. • Result in increased business rate income through provision of additional business space. • SDC control of investment. • Key employment sites bought forward through investment. 	<ul style="list-style-type: none"> • Wider spread of projects not considered than those already in SDC's pipeline. 	<ul style="list-style-type: none"> • This is the best option as it will achieve the corporate plan objective of delivering more jobs. It will also directly deliver more quality business space, and provide an income to the council. • It is a lower risk option.

2.2 After detailed consideration of these options it is proposed that option 4, using the funds to bring forward direct employment related investments by the Council, would be the best choice.

- 2.3 The use of Shepway's share of the Kent Growth Pool funds for these purposes is supported by KCC's Director of Economic Development, David Smith.

Civic Centre

- 2.3 Following SDC's New Ways of Working initiative, floorspace on the 3rd, 4th and 5th floors at the Civic centre became available for rent to other occupiers. The 3rd floor has been let for a period of 6 months to Kent Probation until 31 May 2017 and part of the 5th floor has been let independent financial advisor for 5 years, with the remainder under negotiation. This leaves all of the 4th floor vacant and the 3rd floor vacant from 1 June 2017.
- 2.4 It is proposed to use some of Shepway's share of the Kent Growth Pool funds to renovate these two floors to create and manage a high quality business environment.
- 2.5 Evidence suggests that there is demand for high quality business space in Folkestone. The Workshop in Tontine Street which focuses on similar businesses is currently at 100% occupancy. Also, Sleeping Giant Media, who occupy the 7th and 8th floors, have indicated that they are aware of businesses that would be interested in taking available space at the Civic Centre.
- 2.6 One of the key selling points for the Civic Centre is the ultrafast 1 GB broadband link which provides excellent connectivity and potential data storage and security facilities which are added attractions.

Biggins Wood

- 2.7 In December 2016 Shepway District Council acquired the Biggins Wood site which has outline planning permission granted in 2014 for 77 houses and 5,802sqm business space comprising 660sqm, Commercial/office units (B1) and 5,142sqm Industrial/storage units (B8) together with associated car parking, open space and landscaping.
- 2.8 It is proposed to use some of the Kent Growth Pool funds to bring forward the employment component of this scheme. At this stage a number of options are being considered, including SDC investing in developing some of this space, such as for example one of the office buildings, or some of the workshop units. The availability of these funds will enable SDC to consider options that will provide it with a future income stream.

Summary

- 2.9 Officers recommend that Business Rates Growth Pool funds are used to contribute towards:
- Improving the 3rd and 4th floors at the Civic Centre to provide business accommodation; and
 - bringing forward employment space at Biggins Wood.

2.10 A more detailed budget split of the funds between these two projects will be prepared and reported back to Cabinet at an appropriate time.

3.0. RISK MANAGEMENT ISSUES

Perceived risk	Seriousness	Likelihood	Preventative action
The proposed investment to improve the Civic Centre business accommodation fails to attract businesses to take up the space	High	Medium	<p>Officers will liaise with local employers and property agents to ensure that specification meets market expectations.</p> <p>The proposed improvements will be well publicized to ensure awareness of the opportunities for local businesses and to spread the word.</p> <p>Close liaison with existing schemes, such as The Workshop and Folkestone Business Hub to exploit the potential for synergies.</p>
The employment space developed at Biggins Wood is not taken up by employers	High	Medium	<p>Officers will liaise with local employers and property agents to ensure that specification meets market demands.</p> <p>The scheme will be well publicized to ensure awareness of the opportunities for local businesses and to spread the word.</p>

3.0 LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

Legal (DK)

- 1) There are no legal implications arising directly out of this report. However before deciding on areas of funding, Cabinet must take into account the provisions of the MoU referred to in paragraph 1.4 above which confirm that “pool members recognise that the fundamental objective of the pool is

to generate increased resources for the district based pool area and will act according to that objective“ and that growth pool funds should be used to:

- enhance financial resilience for each of the pool members; and
- promote future economic growth within the district based pool area.

- 2) In addition under the Local Government Act 1999 the Council (as a best value authority) has a duty to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Finance (DC)

- 3) Kent Business Rates Pool Growth monies due to Shepway District Council (SDC) are currently retained within Earmarked Reserves and are anticipated to be of the level identified at Para 1.6, at the end of 2016/17. The recommended option identified will require ongoing monitoring of direct spend to ensure the appropriate identification and allocation of funding from Earmarked Reserves to the required capital or revenue budgets.

4.0. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting:

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