

For publication

Business Rates policy for Markham Vale Enterprise Zone

Meeting: Council

Date: 18 December 2019

Cabinet portfolio: Deputy Leader and Cabinet Member for Economic Growth

Report by: Executive Director;
Assistant Director – Economic Growth

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Purpose of report

- 1.1 To revise the Council's policy with regards to Business Rates income from the Markham Vale Enterprise Zone (MVEZ).
- 1.2 To propose that the retained Business Rates income be re-invested locally to support the delivery of local economic priorities in and around Chesterfield.
- 1.3 This report was considered at the Cabinet meeting on 3 December, 2019, where it was resolved to recommend to full Council that the recommendations at paragraphs 2.1 – 2.4 below be approved.

2.0 Recommendations

- 2.1 That the Business Rates income from the Markham Vale Enterprise Zone (MVEZ) be retained by the Council from 1 April 2020 and re-invested locally to support the delivery of local economic priorities.
- 2.2 That the change in Business Rates policy for MVEZ be applied annually for the remaining 17 years of allowable business rates retention up to 2036/37.
- 2.3 That approval is given to the proposal for three key programme areas for investment: key projects delivery, economic growth activities and skills activities; and that the funding should be particularly targeted at unlocking and accelerating key developments and sites and delivering better outcomes for local communities.
- 2.4 That detailed programmes of investment are developed, with a particular emphasis on the key growth projects being progressed through the Joint Growth Board, with Derbyshire County Council (DCC); and recommendations made to Cabinet and Council as appropriate to ensure the programmes and associated spending are approved in line with the Council's constitution.

3.0 Report details

Retained Business Rates Policy

- 3.1 At its meeting on 17 December 2014, Council agreed for the retained business rates from MVEZ to be paid to the Sheffield City Region (SCR) Local Enterprise Partnership (LEP), in line with Government policy at that time. It also agreed that this arrangement would be reviewed in the future should there be a change in Government policy or a change to the Council's membership of the SCR LEP.

- 3.2 Since its designation in 2014, MVEZ has proved to be an attractive location for business and the site is today nearing full capacity. Over time, the business rates generated on site have increased and for 2019/20 are projected to be circa £1.9 million.
- 3.3 Due to a change in Government policy the Council has had to review its membership of the SCR LEP. In July 2019 Council received a report from the Leader of the Council advising members that the Council would not be able to retain membership of both the SCR and D2N2 LEPs, and for a range of reasons recommending that the Council align itself from 1 April 2020 with the D2N2 LEP. As such it is now appropriate to review the Council's policy relating to the retained business rates income from MVEZ.
- 3.4 The Council has sought and received advice from the Government's Cities and Local Growth Unit on what should happen with the business rates that are currently pass-ported to SCR LEP. The advice confirms that Markham Vale's standing as an EZ endures, as primary legislation would be required to change its designation, and therefore as billing authority the Council ultimately has the right to determine how the retained business rates income from MVEZ is allocated post 1 April 2020 through 31 March 2037.
- 3.5 The Council, however, must have regard to the Government's original EZ policy, which states that ... *"all Enterprise Zone business rates growth should be retained by the local area, to support local economic priorities and ensure that Enterprise Zone growth is reinvested locally"*.
- 3.6 On the basis of this advice it is recommended to Cabinet and Council that the Council now retains the business rates income associated with the MVEZ, but that the retained

funding be exclusively targeted at projects, initiatives and activities that support the delivery of local economic priorities.

- 3.7 The Council remains committed to working in partnership with DCC and the D2N2 LEP in determining appropriate programmes for investment to support the delivery of local economic priorities and improved outcomes for local communities and businesses.

Proposals to support the delivery of local economic priorities

- 3.8 As set out in the Council's Growth Strategy (2019-23) approved by Council in December 2018, there are currently a number of significant growth and regeneration projects underway in the borough. Collectively, these projects provide an opportunity to put Chesterfield on a higher growth trajectory and redress the deficit in local job creation that arose from economic restructuring during the 1980s and 1990s.
- 3.9 The retention of the business rates income arising from MVEZ provides the Council and its partners with the opportunity to accelerate the delivery of these significant growth and regenerations projects and, in particular, ensure that the Council achieves the desired outputs and outcomes to time and budget.
- 3.10 The Council's Growth Strategy sets out a strategic framework for the delivery of a range of programmes that are grouped under three thematic headings and seven key objectives, as set out in Table 1.

Table 1 Economic Growth Strategy - Strategic Framework

Themes	Objectives
Supporting business growth and investment	1. Work to increase business start-ups and support the expansion of the existing business base.

	<p>2. Undertake a range of marketing activities to raise the profile of the borough as a business location and attract new business investment.</p>
A great place to live, visit and do business	<p>3. Secure investment in infrastructure that enables employment and housing growth and delivers a high quality of place.</p> <p>4. Strengthen the distinctive role of Chesterfield town centre to ensure its longer term vitality and viability.</p> <p>5. Support the growth of Chesterfield as both a visitor destination and hub.</p>
An inclusive approach to growth	<p>6. Work to raise the level of workforce skills to support future business growth.</p> <p>7. Ensure that all local people are in a position to benefit from the growth which takes place in the borough.</p>

- 3.11 Some of these programmes can be classed as “business as usual” and will continue to be delivered by the existing Economic Development Team.
- 3.12 However, three key programme areas have been identified as priorities for investment for the retained MVEZ business rates income: key projects delivery, economic growth activities and skills activities. At this stage, indicative annual allocations to the three key programme areas are presented for consideration, as shown in Table 2 below; whilst Table 3 shows the current list of key growth projects where it is envisaged that the majority of the available funding will be targeted.
- 3.13 In October 2019, Council approved the establishment of a Joint Growth Board and Joint Growth Unit, in partnership with DCC, to ensure that the borough’s key growth projects would be expedited and their economic benefits realised. Council also agreed that the Joint Growth Unit would be funded from the retained MVEZ business rates income, subject to the Council also agreeing to the change of policy recommended in this report.

- 3.14 The additional staff resources that will be available post the establishment of the Joint Growth Unit will enable the development of detailed programmes of investment, with a particular emphasis on the key growth projects being progressed through the Joint Growth Board, with DCC; and recommendations made to future meetings of Cabinet and Council as appropriate to ensure the programmes and associated spending are approved in line with the Council's constitution.

Table 2 Proposals for allocation of retained MVEZ business rates funding

Key investment area	Detail/ description	Indicative annual funding
Key projects delivery (see Table 3)	<ul style="list-style-type: none"> Joint Growth Unit – funding to cover the annual net staffing costs (as approved at Council on 9 October 2019). 	£500,000
Sub-total - £1.55m	<ul style="list-style-type: none"> Accelerated project delivery capital resource – over a 17-year period this amount of revenue funding could resource up to £10m capital borrowing, enabling activity to remove barriers to project delivery and providing match funding for new government funding rounds; if managed as a revolving fund, where possible, then this resource could be available for re-investment beyond 2036/37. 	£850,000
	<ul style="list-style-type: none"> Accelerated project delivery revenue resource – allocation of revenue funding to pay for feasibility work, specific technical advice etc. 	£200,000
Economic growth activities	<ul style="list-style-type: none"> A targeted programme of support for local businesses e.g. business grants or loans targeted at job creation and climate change adaptation measures. 	£200,000
Sub-total -	<ul style="list-style-type: none"> Initiatives and activities to achieve a 	

£200k	vibrant town centre and visitor economy, and support economic growth across the borough.	
Skills activities Sub-total - £150k	<ul style="list-style-type: none"> Skills post - funding for specific skills post to expand the coordination of outreach work with partners across the borough (as approved at Council on 9 October 2019). 	£50,000
	<ul style="list-style-type: none"> Additional resources to support delivery of the Council's skills action plan, including extending the reach of the 'Made in Chesterfield', 'HS2 and You' and Apprentice town initiatives. 	£100,000
Retained reserve	Any funding not spent or allocated within a financial year would be set aside within a specific reserve for future allocation and investment. This reserve to maintain a minimum balance of £100,000 to manage fluctuations in the level of business rates collected in any one year.	
Total		£1,900,000

Table 3 Key Growth Projects

Scheme	Headline outcomes	Current activities	Total estimated investment
Chesterfield Waterside	1,500 residential units, 30,000sqm office, 22,000sqm commercial/leisure/ community uses, 2,500 jobs	Avant Homes on site, delivering 180 residential units; Bridge works complete to residential site; Planning permission obtained for office development with construction to start on site March 2020; Developer currently finalising proposals for Multi Storey Car Park (MSCP), build to rent	£340m

		apartments and hotel at Basin Square.	
Peak Resort	90,000sqm commercial floor space, 1,200 jobs	Footpath and bridleway works completed and adopted; Roundabout and access road completed and adopted; Planning permission achieved for first element of Phase 1 – David Lloyd Adrenaline World, with construction to start on site March 2020.	£400m
HS2 (station and town centre)	1,450 residential units, 40,000sqm office, 38,000sqm ancillary development, 3,200 jobs	HS2 Town Centre Masterplan in development; Housing Infrastructure Fund application submitted – currently being assessed; Negotiations with other landowners for strategic acquisitions on-going; CBC progressing full business case for Local Growth Fund funding.	£420m construction cost
Staveley corridor	1,500 residential units, 120,000sqm B1/B2/B8 floor space plus Infrastructure Maintenance Depot, 2,900 jobs £90m Chesterfield-Staveley Regeneration Route (CSRR)	Bid submitted to Large Local Majors for funding of CSRR); Planning permission submitted for housing scheme (up to 1000 residential units); Liaising with HS2 re IMD; Exploring linkages with Staveley Town Deal opportunity from	£290m construction cost

		expanded geography.	
A61 growth corridor	Hollis Lane extension, Lordsmill roundabout improvements, 21 st century corridor Smart Signalisation and Wayfinding project.	DCC planning application submitted for Hollis Lane Link Road; DCC progressing full business case for LGF funding; CBC supporting site acquisition to enable site assembly.	£9m
Town Centre	Northern Gateway Phase 1 16,200sqm development (Co-op, enterprise centre, MSCP), 320 jobs; Northern Gateway Phase 2 – outputs tbc; Market Place Reconfiguration.	MSCP complete; Elder Way hotel complete and operational (37 jobs); Construction of Enterprise Centre due to commence on site February 2020; Public Realm Traffic Regulation Order consultation completed; Commercial space below hotel being marketed and interest shown. Revitalising the Heart of Chesterfield project funding secured – project scoping underway in advance of consultation with stakeholders.	£35m
Housing Delivery	1500 residential units – Walton Works, Dunston, Mastin Moor, Spire	Housing Delivery Manager in post; Housing Delivery Strategy being developed and a range of schemes being	Tbc

	Neighbourhoods.	advanced; Business Plans being developed for Town Centre residential schemes.	
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4.0 Communications and consultation

- 4.1 It is not proposed to carry out proactive external communications with regards to the policy change recommended in this report.
- 4.2 Productive discussions on the Council's proposal to use the retained business rates income from MVEZ to support the delivery of local economic priorities have, however, been held with key partners at Derbyshire County Council, D2N2 and SCR LEPs and the Government's Cities and Local Growth Unit.

5.0 Human Resources

- 5.1 There are no direct human resource implications arising from the policy change recommended in this report. The human resource implications associated with the establishment of the Joint Growth Unit were considered as part of the 'Delivery of Chesterfield's Growth Strategy' report at Council on 1 October 2019.

6.0 Financial considerations

- 6.1 The suggested budgets for the three key programme areas can be met from the current levels of business rates income generated from MVEZ.
- 6.2 It is, however, considered prudent to establish a reserve to assist with the management of this income as spend will vary from year to year; also to ensure that this reserve retains a minimum balance of £100,000 to deal with any in-year

fluctuations arising from voids or successful business rates appeals. It is also the case that the level of business rates income available each year is not known with certainty until the end of the financial year.

- 6.3 The proposed flexible use of this new and additional source of funding resource to cover capital and revenue spending, grant payments, loan arrangements and the financing of commercial deals, will require significant financial input and oversight to ensure that the funding is managed effectively and efficiently for the benefit of the local community.

7.0 Legal, governance and information assurance considerations

- 7.1 The Localism Act 2011 provides the Council with the so called power of competence, which allows a local authority to do anything which an individual may generally do. Whilst the decision to designate parts of Markham Vale as an EZ is a Government decision there is no legal requirement in place to force Chesterfield Borough Council as the billing authority to transfer EZ business rates growth to the D2N2 LEP. Such a decision is a budget policy matter and therefore a decision for this Council.

8.0 Equality and diversity considerations

- 8.1 A preliminary equality impact assessment has been undertaken. No disproportionately negative impacts are anticipated as a result of the proposed policy change recommended in this report. It is anticipated that there would be a number of positive impacts for residents and businesses through an improved focus on delivery of the borough's key growth projects. Accelerating the delivery of these growth projects would start to redress the deficit in local job creation, deliver positive benefits in terms of community impact and contribute towards the financial sustainability of the council, given the shift away from Government grant funding towards

council tax, business rates and income from facilities and services.

9.0 Risk management

Description of the Risk	Impact	Likelihood	Mitigating Action	Impact	Likelihood
Risk of businesses leaving Markham Vale and EZ business rates income decreasing	High	Medium	<p>Key Account Management is in place with businesses at Markham Vale and demand is good for any space that becomes available.</p> <p>Funding and spend will be carefully managed to ensure that the risks of reduced income from business rates is managed effectively.</p> <p>A reserve will also be established with a minimum balance of £100k.</p>	High	Low
Change in legislation or Government policy around EZ business rates collection and retention	High	Low	Unspent balances would be used to meet established funding commitments for as long as possible.	High	Low
D2N2 LEP challenge the Council's position on retaining all of the business rates income from MVEZ to defray on activity to support the delivery of	High	Low	The Council has sought advice which has confirmed that it is for the Council to determine the use of the retained MVEZ business rates funding. The proposals in this paper comply with the requirement to ensure that funding is spent on the delivery of local economic priorities and	Low	Low

local economic priorities.		that EZ growth income is re-invested locally. The Council has also discussed its intentions with D2N2 LEP and the Government's Cities and Local Growth Unit.		
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10.0 Alternative options and reasons for rejection

- 10.1 Alternative options considered include: (a) do nothing; b) pass-port the retained Business Rates funding from MVEZ to D2N2 LEP rather than retaining to spend on the delivery of local economic priorities; c) allocating all of the funding to one programme area.
- 10.2 A do nothing option has been rejected since it would mean the Council continuing to pass-port business rates income from MVEZ to the SCR LEP. This makes little sense when the Council has already resolved to discontinue its membership of SCR LEP from 1 April 2020. The Council would effectively be pass-porting £1.9m of funding each and every year through 2036/37 to an organisation over which it would no longer have influence.
- 10.3 The option of pass-porting the retained MVEZ business rates to the D2N2 LEP has been considered. However, the Council would immediately lose the ability to: (a) resource the Joint Growth Unit that it is committed to establishing with DCC, and (b) accelerate delivery of the borough's key growth projects as referenced in the Council's growth strategy. It is also the strongly held view of DCC that the retained MVEZ business rates income should be re-invested locally and in support of the delivery of local economic priorities. The Council will, however, continue to work in partnership with the D2N2 LEP and is committed to ensuring that the delivery of the borough's local economic priorities is wholly in line with the

LEP's Strategic Economic Plan and the emerging Local Industrial Strategy.

- 10.4 An option of allocating all of the funding to one key programme area has also been considered. However, this would limit the scope of investments that the Council and its partners might wish to make through 2036/37. The key is flexibility, i.e. being able to apply a range of funding tools and solutions to the economic opportunities that arise over the lifetime of the Government's EZ programme.

11.0 Recommendations

- 11.1 That the Business Rates income from the Markham Vale Enterprise Zone (MVEZ) be retained by the Council from 1 April 2020 and re-invested locally to support the delivery of local economic priorities.
- 11.2 That the change in Business Rates policy for MVEZ be applied annually for the remaining 17 years of allowable business rates retention up to 2036/37.
- 11.3 That approval is given to the proposal for three key programmes of investment: key projects delivery, economic growth activities and skills activities; and that the funding should be particularly targeted at unlocking and accelerating key developments and sites and delivering better outcomes for local communities.
- 11.4 That detailed programmes of investment be developed, with a particular emphasis on the key growth projects being progressed through the Joint Growth Board, with Derbyshire County Council; and recommendations made to Cabinet and Council as appropriate to ensure the programmes and associated spending are approved in line with the Council's constitution.

12.0 Reasons for recommendations

- 12.1 To revise the Council's policy with regards to the retained business rates income from MVEZ, following the Council's decision to discontinue its membership of the SCR LEP.
- 12.2 To ensure that the retained business rates income is re-invested locally and used to support the delivery of local economic priorities in and around Chesterfield.

Decision information

Key decision number	901
Wards affected	ALL
Links to Council Plan priorities	<ol style="list-style-type: none">1) Making Chesterfield a thriving borough2) Improving the quality of life for local people3) Delivering value for money services

Document information

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