

<b>Report to:</b>	<b>EXECUTIVE</b>
<b>Relevant Officers:</b>	Alan Cavill, Director of Place and Steve Thompson, Director of Resources
<b>Relevant Cabinet Member:</b>	Councillor Simon Blackburn, Leader of the Council
<b>Date of Meeting</b>	18 July 2016

## **BLACKPOOL AIRPORT ENTERPRISE ZONE RATES RELIEF POLICY AND RESOURCE REQUIREMENT**

### **1.0 Purpose of the report:**

- 1.1 To consider the adoption of a Enterprise Zone Rates Relief Policy for the Blackpool Airport Enterprise Zone and to consider making resources available to fund the promotion and administration of that Enterprise Zone.

### **2.0 Recommendation(s):**

- 2.1 To agree the adoption of the Enterprise Zone Business Rate Relief Policy as attached at Appendix 3a. This policy includes the delegation of decision making on recipients of such relief to the Director of Resources.
- 2.2 To agree to fund up to £1,600,000 over 5 years (of which it is envisaged £725,000 will be recovered from other parties) to fund the promotion and administration of the Enterprise Zone.

### **3.0 Reasons for recommendation(s):**

- 3.1 Following the Government's approval of Enterprise Zone status for Blackpool Airport one of the important incentives to business to relocate to the area is the availability of Business Rate Relief. This relief, if offered, is reimbursed to the participating Councils through a Government Grant so should not have any negative impact on future income from this source. Both Fylde and Wyre Borough Councils have already adopted the attached policy for the two new Fylde Coast Enterprise Zones.

The Blackpool Airport Enterprise Zone has the potential to create 3,000 jobs along with £200m of private investment. In addition to this growth in Business Rates should yield some £63m to the two authorities (part of the Enterprise Zone is within Fylde Borough Council) over the 25 year life of Enterprise Zone. Clearly this will only

happen in private developers and companies are aware of the site and its benefits. All Enterprise Zones benefit from significant levels of promotion and facilitation to encourage businesses to grow, start and relocate. This cost will be shared with Fylde Borough Council and other Land Owners but does need to be co-ordinated by a single body. The total cost over the 5 year start-up period will be £1.6m. This will be recovered from Business Rates (from both Blackpool Council and Fylde Borough Council) and contributions from other land owners.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council’s approved budget? Yes

3.3 Other alternative options to be considered:

The Business Rate Relief Policy was developed by Blackpool officers using best practice from elsewhere. This has been adopted by Wyre Borough Council and Fylde Borough Council. The only real alternative is not to offer any relief. Given that any relief is reimbursed and that the Council can retain 100% of business rates growth in the area that option is not cost effective or sensible.

With regard to the promotion, development and administration costs these could have been met by land owners at the Airport (of which the Council is the second largest). Land ownership of the developable areas is fairly fragmented and it is unlikely that any one owner would take the lead on this work. The Council already has in principle agreements in place already with other land owners regarding contributions. It could also be considered not carrying out this work but this would result in little or no development and movement to the Enterprise Zone.

**4.0 Council Priority:**

4.1 The relevant Council Priority is “The economy: Maximising growth and opportunity across Blackpool”

**5.0 Background Information**

5.1 The Bid proposals accepted by the Department for Communities and Local Government and HM Treasury – which resulted in the award of Enterprise Zone status for Blackpool Airport indicated that if properly promoted and supported the Enterprise Zone had the potential to generate some £63m of retained Business Rates for the authorities in Fylde and Blackpool over the planned 25 year life. This would be in addition to hosting an additional 3,000 jobs, leveraging in in excess of £200m of new private sector investment, securing the long term operational future of

Blackpool Airport. The zone would provide the facilities which would enable the Fylde Coast to benefit economically from the likely emergence and growth in a number of sectors including energy, food and drink, and aerospace related to the adjacent airport.

- 5.2 The government would require the local authorities to enter into Memorandum of Understanding as well as formal Delivery Implementation Agreements within the next six months – to set out how the Enterprise Zone will achieve its economic potential – progress against the targets will be measured quarterly and if there is little progress there is the sanction that Enterprise Zone status can be revoked. The Blackpool Airport site in addition to sitting across two local authorities has over 40 freehold and approaching 200 leasehold stakeholders and no primary developer, with Blackpool Council and Balfour Beatty Investments being the major partners - which necessitates a greater degree of direct public sector involvement in the delivery of a successful Enterprise Zone. To date the Airport Enterprise Zone and the zone at Hillhouse have been secured and progressed by the Economic Development Company with one full and one part time staff member – together with some initial consultancy support – this position is no longer sustainable; and there is a very serious risk that lack of resource financial and personnel will cause significant and long lasting damage to the potential of the Enterprise Zone. Therefore early identification of funding to be recovered from borrowing against future and actual retained business rates growth and negotiated contributions from development partners, is required to enable appropriate consultancy support and interim staffing support to be engaged. There are at present more than 60 enquiries for the two Enterprise Zones, without the benefit of marketing – with five businesses already having committed to locate on the Enterprise Zone since 1st April, in addition there are 5 potential design and build opportunities – including Force Technology Ltd.
- 5.3 The following matters require consultant/ staff support to ensure the Enterprise Zone progresses and prosper.
- Completion of Memorandum of Understanding for Blackpool and Fylde with the Department for Communities and Local Government by end July 2016.
  - Completion of draft Implementation agreement with the Department for Communities and Local Government – by end September 2016.
  - Final Implementation agreement with the Department for Communities and Local Government March 2017 – this requires negotiation and agreement with main delivery stakeholders and production of a full business plan).
  - Commissioning of Enterprise Zone Masterplan for July 2016 with delivery of final study including analysis of infrastructure requirements and aviation development Strategy due November 2016.

- Planning and design work of various areas to release development value.
- Identification and agreement with possible Joint Venture development partner to take forward direct development.
- Progression of initial design and build enquiries - to enable appointment of appropriate design and build contractors for Force Technology and other companies.
- Ongoing enquiry handling - 60 + live enquiries to date – 5 new companies have occupied space within the Enterprise Zone since it went live on 1st April 2016.
- Collection and collation of monitoring data for quarterly reports to the Department for Communities and Local Government, and the Local Economic Partnership
- Preparation of report and presentation to Lancashire Local Enterprise Partnership to confirm overall governance arrangements for Blackpool's role as Accountable body and the Economic Development Company role as Programme board . This took place at the meeting on 1st June 2016.
- Collection and collation of data on existing businesses and site availability at the Enterprise Zone.
- Development and improvement of initial Enterprise Zone web sites and enquiry handling systems.
- Development of marketing strategy.
- Establishment of rateable value baseline for December 2016 including action to minimise that figure.
- Undertaking neighbourhood stakeholder engagement activity.

5.4 In terms of resources required – initial indications for preliminary tenders received for the Hillhouse master-plan are that a fee in the region of £150,000 will be required to deliver a comprehensive masterplan which will shape the form and progress of development and be a vital component in the finalisation of the Implementation agreement. Access to an additional £100,000 will be required to support ancillary activity including attendance at trade shows, signage web site and marketing activity, and general surveys / valuations / site investigations. In terms of human resource the immediate needs are for administrative support, for an Architect/ development surveyor to assist with Master-planning activity and specifically development of the Design and Build briefs, and support for project/ programme management. Full marketing support would also be needed and other support will need to be made available on an ad-hoc basis from the Council's Legal Services, Finance, Asset

Management, Communications, Planning and Highways / transportation teams. In all these resources will need about £300,000 per year for the first 5 years of the project. Given that 2016/17 would be a part year over the 5 year period this would be a requirement of £1.6m. The Council would expect contributions from other interested parties to enable it to recover at least 50% of the year on year costs (i.e. £725,000) and the remainder to be recovered from the retained increase in Business Rates. In the first year the resource requirement would be £150,000 for a masterplanning exercise plus staffing and other revenue costs for a part year of £170,000 a total of £320,000. There will only be a limited opportunity for recovery of these costs within the first year from other land owners and partners, instead recovery will be over the first 5 years of operation from growth in business rates. Subsequent years (i.e. years 2-4) would require £320,000 for staffing and revenue items of which 50% would be directly recoverable in year from partners and land owners and the remainder from growth in business rates. It is envisaged that the total would therefore be £1,600,000 of which £720,000 would be recoverable from partners and landholders and £875,000 from Business Rates growth. As there would be a gap between initial expenditure and Business Rates and other income (such as capital receipts) there would have to be a suspense account arrangement put in until the income will have caught up with the expenditure.

5.5 The Business Rates policy attached at Appendix 3a has been developed in conjunction with the Council's National Non-Domestic Rates (NNDR) team using information and best practice from already established Enterprise Zones in other locations. It sets out policies and the process for determining applications for rate relief on the two new Fylde Coast Enterprise Zones. It indicates 5 categories from which applications would be considered. It also sets out the time frame we can offer this relief within which has been pre-determined by Government – this will run from April 2016 to March 2022. The document also contains a plan detailing where this relief would be available and where the alternative incentive of Enhanced Capital Allowances would be available instead. Enhanced Capital Allowances are applied for and granted by HM Treasury and the Local Authority has no direct responsibility for these. It is a joint policy for the three collection authorities involved, Blackpool Council, Fylde Borough Council and Wyre Borough Council; the latter two have already approved and adopted this policy document. Any rate relief granted in this way is refunded to the billing authority by way of a grant.

5.6 Does the information submitted include any exempt information? No

5.7 **List of Appendices:**

Appendix 3a – Enterprise Zone Business Rate Relief Policy

**6.0 Legal considerations:**

6.1 The legal powers to allow this have been granted by the Secretary of State for Communities and Local Government. Governance Arrangements for the Enterprise Zones have mirrored those elsewhere in Lancashire and have been agreed with the Local Economic Partnership. The proposed policy document is in accordance with the permissions being offered by the Secretary of State.

**7.0 Human Resources considerations:**

7.1 If the recruitment of staff is agreed this will be actioned using the Council's processes and systems.

**8.0 Equalities considerations:**

8.1 Due process will be followed in terms of equalities and a full assessment will be included in the Masterplan process referred to above.

**9.0 Financial considerations:**

9.1 The expected costs are set out below:-

	YR1	YR2	YR3	YR4	YR5	total
Masterplan fee	150	0	0	0	0	150
Ancillary support	20	20	20	20	20	100
Other support	150	300	300	300	300	1350
<b>Total</b>	<b>320</b>	<b>320</b>	<b>320</b>	<b>320</b>	<b>320</b>	<b>1600</b>

50% of costs this does include Masterplan work

Contribution from other parties

725

<b>Total council requirement</b>	<b>875</b>
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If agreed the second recommendation will require the Council to commit to incurring expenditure before rates income is received. It is proposed the first year of Council costs are met from the already agreed Growth and Prosperity Team funding. With subsequent years net costs being incorporated in the Medium Term Financial Plan. Any rate relief granted will be refunded by Central Government in the form of a grant.

**10.0 Risk management considerations:**

10.1 The risks are that the Business Rates growth predicted will not be achieved. This is mitigated by the fact that any expenditure covered in this paper would be recovered if only 10% of the target growth is achieved. There are already over 50 enquiries from firms wishing to locate or relocate to the Enterprise Zone as well as a number of new developments. As part of the masterplanning approach the Council will seek to procure a developer partner to further share and therefore reduce any financial risk.

**11.0 Ethical considerations:**

11.1 None – this project strongly accords with the Council’s key priorities.

**12.0 Internal/ External Consultation undertaken:**

12.1 Key officers in the four local authorities have been consulted on the proposed policy. Fylde and Wyre Borough Councils have adopted the policy already.

**13.0 Background papers:**

13.1 None

**14.0 Key decision information:**

14.1 Is this a key decision? Yes

14.2 If so, Forward Plan reference number: 17/2016

14.3 If a key decision, is the decision required in less than five days? No

14.4 If **yes**, please describe the reason for urgency:

**15.0 Call-in information:**

15.1 Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process? No

15.2 If **yes**, please give reason:

**TO BE COMPLETED BY THE HEAD OF DEMOCRATIC GOVERNANCE**

**16.0 Scrutiny Committee Chairman (where appropriate):**

Date informed: 8 July 2016 Date approved:

**17.0 Declarations of interest (if applicable):**

17.1

**18.0 Executive decision:**

18.1

**18.2 Date of Decision:**

**19.0 Reason(s) for decision:**

**19.1 Date Decision published:**

**20.0 Executive Members in attendance:**

20.1

**21.0 Call-in:**

21.1

**22.0 Notes:**

22.1