

EAST HERTS COUNCIL

EXECUTIVE - 7 FEBRUARY 2017

REPORT BY DEPUTY LEADER AND EXECUTIVE MEMBER FOR
ECONOMIC DEVELOPMENT

DISCRETIONARY BUSINESS GROWTH INCENTIVE SCHEME

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- To propose setting up a discretionary business growth incentive scheme funded from the New Homes Bonus Reserve.

RECOMMENDATIONS FOR EXECUTIVE: that:

(A)	the proposal for a discretionary business growth incentive scheme is approved, according to the operating procedures as set out at Essential Reference Paper B; and
(B)	£150,000 is allocated from the New Homes Bonus Reserve to fund the scheme.

1.0 Background

1.1 A new Economic Development Vision agreed by the Council in March 2016 focuses on a number of themes including *a business friendly council and enabling entrepreneurs and business start-ups*. This has resulted in a new, more pro-active approach to business engagement and encouraging business growth. For example, a new role of Business Engagement Manager has been created within the economic development team. This individual will act as a first point of contact for the local business community, ensuring their interests are represented in council decision making processes and identifying ways in which economic growth can be supported. Alongside this we are proposing to create a local discretionary business growth incentive scheme.

- 1.2 Traditionally economic development within East Herts has not focused on inward investment. This is in contrast to surrounding areas (eg. Broxbourne, Uttlesford and Stevenage) who actively promote council owned business parks and facilities and market their district as a place to do business. Despite this East Herts has a robust local economy with a high number of businesses operating across a range of sectors. However with anticipated changes to local government funding (specifically full local retention of business rates) encouraging local economic growth will become increasingly important.
- 1.3 With this in mind the Council is building on its strong foundations of economic programme delivery (eg. Rural Development Programme, WENTA business start-up support) to offer additional support for small companies looking to relocate to the district or expand their operations.
- 2.0 Report
- 2.1 Draft operating procedures for the proposed Local Discretionary Business Rate Scheme can be found at **Essential Reference Paper 'B'**.
- 2.2 The proposal is that a fund of £150,000 is created from within the New Homes Bonus Reserve to be administered over the 2017/18 and 2018/19 years and awarded on a first come, first serve basis. This amount could provide support for between 15 – 75 businesses over a two year period. Similar schemes operate in Luton and Uttlesford (offering up to 45% and 50% discounts respectively on business rate liability).
- 2.3 The Business Engagement Manager will be responsible for marketing the scheme (directly to businesses but also through the Chambers of Commerce, Federation of Small Business and commercial letting agents) and sponsoring applications. The main challenge will be supporting those businesses where genuine support is needed to influence a decision (ie. not those who are planning to relocate or expand regardless of the financial support available). The Business Engagement Manager will be 'hands on' in the application process – meeting with each business individually to assess suitability before supporting an application. This will enable the Council to minimise the risk of supporting businesses that are planning to move/ expand without the need for council support and dealing with applications that don't meet the necessary criteria.

- 2.4 The scheme will be marketed as a discretionary business rate relief scheme however in reality it is a simple grant scheme taken from a finite pot of money. The grants awarded can only be used to off-set a business rates' bill. In practical terms adjustments will be made by the business rates team and monies transferred from council reserves to the revenues service at year end. No businesses will therefore receive any direct payments.
- 2.5 Typically applying a business rate relief requires portfolio holder sign off via a non-key decision making process. However as this will be a grant scheme, the approval process can be light touch. The Business Engagement Manager will screen applications for approval and then recommend a decision to an officer panel composed off:
- Representative from Business Rates Team
 - Representative from Strategic Finance
 - Head of Communications, Strategy and Policy (Chair)
- 2.6 The panel will recommend decisions to the Chair who has delegated authority to approve funding (given the maximum amount of any grant will be under £10,000).
- 2.7 In terms of return on investment, awarding a grant is a direct cost to the council as it replaces business rates income that would have otherwise been collected directly. Moreover, as business rates income is redistributed amongst local government East Herts does not 'get the money back'. Quantifying a longer term return for the council or East Herts as a whole is challenging given there are multiple factors that affect business rate income. The only way to do so accurately is to assume firstly that grants are only provided to companies who genuinely need support to (re)locate or expand their premises and secondly that these are new premises which would otherwise not be liable for paying rates. In this instance a grant given to a company in its first year of trading is off-set by the "additional" business rates income generated from year 2 onwards. However these assumptions are crude and in many instances the council investment will be as much about retaining businesses and encouraging growth in the district as well as direct inward investment.
- 2.8 There of course additional benefits in terms of economic growth such as increased wealth creation, additional employment, etc. The scheme will be evaluated towards the end of 2018/19 to

assess whether it has made a difference in terms of stimulating growth. Part of this assessment will involve qualitative feedback from the successful applicants.

3.0 Implications

3.1 Details of corporate implications are set out in **Essential Reference Paper 'A'**.

Background papers

None

Contact Member: Councillor Gary Jones, Deputy Leader of the Council and Portfolio Holder for Economic Development
gary.jones@eastherts.gov.uk

Contact Officer: Benjamin Wood, Head of Business Development
Tel: 01992 531699
benjamin.wood@eastherts.gov.uk

Report Author: Benjamin Wood, Head of Business Development
Tel: 01992 531699
benjamin.wood@eastherts.gov.uk