

From: Mark Dance, Cabinet Member for Economic Development
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To: Growth, Economic Development and Communities Cabinet Committee
– 5th September 2018

Subject: Kent and Medway Business Rates Pilot

Classification: Unrestricted

Past Pathway of Paper: N/A

Future Pathway of Paper: N/A

Electoral Division: All

Summary

The Government has a stated policy ambition of moving towards 100% business rates retention. As an intermediary step (and ahead of a legislative slot), by 2020-21 it intends that all local authorities will operate on 75% business rates retention. Kent and Medway are one of several pilot areas chosen by Government to test how this new system will work. As well as the financial benefits from additional business rates retention, the pilot gives Kent and Medway a better opportunity to input to the policy discussion about future local government funding arrangements. This paper provides Growth, Economic Development and Communities Cabinet Committee with an update on progress with the current pilot (particularly the Housing and Commercial Growth Fund element) and plans to prepare a new bid to participate in a third wave of pilots in 2019-20.

Recommendation

The Growth, Economic Development and Communities Cabinet Committee is asked to note and consider the delivery of the Kent and Medway Business Rates Pilot in 2018 – 19 and the proposal to bid for a Pilot in 2019 – 20.

1. Introduction

1.1 Ahead of the planned 75% business rates retention reforms in 2020-21, to test out aspects of the system in a range of authorities across the country, the Communities Secretary announced in December 2017, ten areas selected for business rates retention pilots in the 2018-19 financial year. Successful pilot areas, including Kent and Medway, would also be able to retain all business rates growth in 2018-19.

1.1 The Kent and Medway 2018-19 pilot is using the retained business rates growth in two ways. 70% is to be spent supporting authorities to manage the additional costs associated with growth; the Financial Sustainability Fund (FSF). 30% will be used to support authorities to drive further growth collectively across a wider sub-county economic geography; the Housing and Commercial Growth Fund (HCGF). Details of the projected allocations between authorities and clusters are set out in the attached Appendix A.

1.2 Government is looking for areas to demonstrate how:

- rates retention can operate across more than one local authority to promote financial sustainability, managing risk and reward effectively, and to support coherent decision-making across functional economic areas;
- authorities will manage financial administration (i.e. how they tackle avoidance), technical planning for implementation, and look at system maintenance; how the accounting, data collection and IT system will work;
- the additional growth is used to promote the financial stability and sustainability of the pooled area. The expectation is that some retained income from growth will be re-invested to encourage further growth across the area.

2. Progress Update

Managing the Business Rates Pilot

2.1 Business rates income projections for 2018-19 prepared in January 2018 by each authority indicated that the total proceeds for the pilot would be £35.8 million. S151 finance officers across Kent and Medway have been working together to determine how the pilot will be administered. They have developed a governance agreement which sets out the mechanics of how the pilot will be managed including for example the handling of tariffs and precepts, and the management of financial risk.

Managing the pressures of growth – the Financial Sustainability Fund (FSF)

2.2 The FSF is designed to provide greater certainty of additional funding to all Kent and Medway authorities and to support them in managing the pressures associated with growth. In line with the agreed bid, the FSF will be distributed according to a formula by the accountable authority (Maidstone Borough Council) to each of the 12 Kent districts, KCC and Medway council. KCC is expected to receive at least £10.5 million from the FSF, benefitting from a 50:50 split with the districts rather than the usual 20:80 split. £7 million of this expected funding has

been assumed in Kent County Council's 2018-19 budget baseline. The table at Appendix A provides a breakdown of current estimates.

Supporting further growth – the Housing and Commercial Growth Fund (HCGF)

2.3 The Kent and Medway bid envisaged that the HCGF would 'pool a sufficient large level of resources to make a significant difference to support future delivery, where outcomes can be better achieved by local authorities working together across a wider area.' It proposed using the three clusters of authorities: North Kent¹, East Kent² and West Kent³ to define priorities. The specific allocation of funds by the cluster areas was to be determined by the relevant local authorities in each cluster, using the established leaders' board arrangements.

2.4 Subsequent to the successful outcome of the bid for pilot status, discussions have taken place in the three clusters and the current proposals for allocation of the fund are as follow:

- *East Kent* – to fund set-up costs and shareholder funding for a new East Kent wide housing and commercial investment vehicle, giving each local authority including KCC a financial stake in the company.
- *West Kent* – support for a two-year business support programme to start autumn 2018 (across west Kent). The remaining funding will be used by each of the districts to support their town centre improvement plans
- *North Kent* – a set of discrete projects designed to deliver housing and commercial growth, including development of business space for start-ups and small businesses in key growth sectors town centre transport hub improvements and other physical improvements to the street scene in a number of town centres.

2.5 The West Kent Partnership's specific proposals are set out in Appendix B.

¹ Dartford Borough Council, Gravesham Borough Council, Kent County Council, Maidstone Borough Council, Medway Council, Swale Borough Council

² Ashford Borough Council, Canterbury City Council, Dover District Council, Kent County Council, Folkstone & Hythe District Council, Thanet District Council

³ Kent County Council, Sevenoaks District Council, Tonbridge & Malling Borough Council, Tunbridge Wells Borough Council

3. Next Steps

3.1 The original bid document envisaged that a prospectus would be published setting out how the HCGF will be used. Work is under way on a model that can be used by all three clusters. Proposals will be signed off within the established three cluster leaders' boards arrangements.

Preparing a 2019-2020 bid

3.2 On the 24 July, Government invited areas to come forward with bids to participate in a third round of (75%) business rates retention pilots. These pilots will focus on the learning necessary for transition to the proposed new scheme in 2020-21, allowing the Government to test business rates retention at 75% in line with proposed level of retention for 2020-21. The Government's invitation went on to say 'given the limited time before 2020-21, there are fewer issues we can usefully test in pilots. It is therefore likely that this pilot programme may be smaller than in 2018-19'. The Kent and Medway authorities are agreed that they should bid again to be part of this pilot.

3.3 At a recent meeting of the Kent Leaders it was agreed that a Kent and Medway bid for this third round of pilots should be prepared by the S 151 finance officers and approved by authorities' chief executives on 11th September to meet the 25th September deadline for submission to MHCLG.

4. Recommendation

4.1 The Cabinet Committee is asked to note and consider the delivery of the Kent and Medway Business Rates Pilot in 2018 – 19 and the proposal to bid for a Pilot in 2019 – 20.

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APPENDIX A

Projected allocation of BRR Pilot proceeds

		Original projection October '17	NNDR1 projection January '18
		£000	£000
Financial Sustainability Fund	Kent CC	7,300	10,570
	Medway UC	2,710	3,930
	Ashford	630	900
	Canterbury	630	900
	Dartford	630	900
	Dover	550	800
	Gravesham	580	840
	Maidstone	640	920
	Sevenoaks	560	810
	Shepway	640	920
	Swale	700	1010
	Thanet	570	830
	Tonbridge & Malling	560	810
	Tunbridge Wells	600	870
Housing and Commercial Growth Fund	East Kent	3,054	4,433
	North Kent	3,291	4,777
	West Kent	1,055	1,531
Total		24,700	35,751

Kent & Medway - Business Rates Retention Pilot

Housing & Commercial Growth Fund – West Kent Partnership

Our Approach

West Kent, led by the West Kent Partnership, will seek to invest its share of the Housing and Commercial Growth Fund focusing on the following two key priorities:

- Town Centre regeneration initiatives
- Promoting local business growth

We have identified a range of individual projects for each of these themes, both shared across the West Kent area, and others which may be more relevant to individual district areas. We will engage with the County Council to ensure our chosen projects are properly targeted to meet local needs and provide value for money. The lead funding authority will be Tonbridge & Malling Borough Council.

West Kent Priorities for Growth 2015-18 identified supporting local business and skills development and Market Town Regeneration as 2 of its 5 key priorities for growth. Good progress has been made against both of these priorities with a business support programme and Enterprise Adviser Network in place and projects worked up to support town centre regeneration. However, funding is required to move both of these priorities forward. Work is now underway to update the West Kent Priorities for Growth Strategy and these 2 priorities are embedded in the strategy.

West Kent Wide Investment Priorities

The West Kent Partnership has brought together public and private sectors to address economic and infrastructure issues for the past 15 years across the local authority areas of Tunbridge Wells, Tonbridge & Malling and Sevenoaks.

The Case for West Kent published in 2015 made a number of recommendations on how West Kent could work to secure a higher level of investment to deliver jobs and growth. Implementation of these recommendations through *West Kent Priorities for Growth 2015-2018* has seen

- the successful development of a process to deliver funding ready projects
- active promotion of West Kent's strengths and value to the wider Kent economy
- increasing collaboration on delivery in West Kent of economic development initiatives

A West Kent strand to stimulating business growth through HCGF would see a 2-year business support programme to provide two complementary work streams to start in autumn 2018. Both work streams are led by The West Kent Partnership and will be available to businesses across the West Kent area. The programme cost is just under 10% of the West Kent allocation - £104,000.

Scale-up West Kent

HCGF Cost: Total Project Pot of £54,000

Project Lead: West Kent Partnership

Partners: Kent Invicta Chamber of Commerce, South East Business Boost, Growth Hub

Match funding: to be confirmed - anticipating 12 of the 36 hours per business

Benefits: A 36-hour programme of intensive scale up support using the Scale Up Institute principles will be on offer through a competitive process to West Kent businesses demonstrating the potential for high growth.

Depending on the match that can be levered, 45 businesses or more across West Kent will benefit. Business owners who graduate from the programme will be in a position to grow their businesses far more quickly and sustainably and will be networked with their peers in the West Kent area. A cohort of this size will provide a strong foundation for these businesses to be facilitated to mentor other entrepreneurs in West Kent generating a tangible, sustainable outcome from the programme and playing to the strengths of the West Kent economy which is made up of predominantly businesses with 10 or fewer employees.

Timescale:

- Programme designed August/September 2018
- Delivery October 18 – September 2020

West Kent Enterprise Adviser Network (WKEAN)

HCGF Cost: £50,000

Project Lead: West Kent Partnership

Partners: Careers & Enterprise Company

Match funding: £50,000

Benefits: The West Kent EA Network is at capacity. Twenty schools have been matched with 20 senior business people who provide strategic support to headteachers on careers provision and link their schools into their own business networks. The EAN model addresses local skills shortages and problems with recruitment which are identified by business as barriers to growth, by facilitating successful transition to the world of work, addressing work readiness for young people. A second Network in West Kent will provide the means for every state school child in secondary education in West Kent including special educational needs schools, to benefit from at least one meaningful encounter with the world of work each school year and for all schools to benefit from the learning and contacts of 40 businesses supplying Enterprise Advisers. Securing the workforce of the future across West Kent will provide the foundation for many businesses to deliver jobs and growth. The enhanced combined West Kent network will have the resources and ambition to develop innovative programmes tailored to the needs of the West Kent economy to ensure the skills gap is addressed, that apprentices and graduates are retained locally and that businesses have access to the skills required for growth.

Timescale: Autumn term 2018 – August 2020

District-Led Initiatives

Retaining vibrant town centres is essential for the health of the West Kent economy as a whole. The recent Grimsey Review argues that High Streets can no longer rely on the retail offer and must become community hubs delivered through greater devolution and stronger local leadership to give high streets a renewed sense of purpose and identity. The three districts will focus on the delivery of individual projects developed using these principles and based on their specific local needs and opportunities. The proposed projects for each district are as follows:

Tunbridge Wells

Royal Tunbridge Wells: Calverley Square

Tunbridge Wells Borough Council is very clear about its economic development priorities. The town was founded over 400 years ago when Lord North discovered our chalybeate spring which led to the town becoming a popular visitor destination.

Today, people continue to visit the town, but its attractions are now the mix of retail (chain and independent), food and beverage outlets, cultural and leisure attractions and the attractive mix of parks and public open space and the architecture of the built environment.

Tunbridge Wells facts and figures

Population: 117,400

Key employment sectors: Professional services, retail, medical and leisure

The high street is facing unprecedented challenges and is experiencing what is known as polarisation or ‘the flight to dominance’ – a future that will see fewer destination towns with a full range of outlets. Royal Tunbridge Wells is a top 50 destination and we are clear that we want to stay that way. Visits to town centres are increasingly about getting the mix right between retail and leisure offers and we are investing heavily in culture, leisure and the arts. This investment includes a £13m cultural and learning hub (‘The Amelia Scott’) and a new development including a 1,200-seat theatre, office space and an underground car park (‘Calverley Square’). British Land, who recently acquired the long leasehold interest of the major shopping centre Royal Victoria Place have been clear that culture is a key proxy indicator a town’s demographic, catchment and attractiveness as a destination. There is also significant evidence that points to the link between the cultural and creative economies and Tunbridge Wells has a higher proportion of people employed in the Knowledge Economy than anywhere else in Kent.

We are seeking to anchor the new ‘Calverley Square’ development with high quality improvements to the public realm. The retained business rate growth will contribute towards this scheme which will deliver:

- A new, 1,200 seat theatre that will attract an audience of up to 400,000 people
- 6,000m² new office space
- 258 car parking spaces
- 152 additional jobs
- High quality public realm including a new public square, enhanced entrance to Calverley Grounds and a public roof terrace
- £34m net additional benefit to the Kent economy

Details of project: Calverley Square

Cost: £90m (£317,000 HGCF)

Project lead: Tunbridge Wells Borough Council

Partners:

- GVA (project managers)
- MACE (construction contractors)
- AECOM, Price and Meyers, Nicholas Hare

Value for Money:

The site is in the ownership of the Borough Council

Funding to date has been met through capital receipts

Studies have shown a significant shortage of quality office accommodation which, coupled with residential conversions under permitted development rights has led to a loss of employment in the town.

The economic benefits of the scheme have been validated as part of the planning application process

Timescales:

Planning Permission: Granted June 2018

Contractors appointed: June 2018

Site assembly: On going

Start on site: October 2019

Completion: Spring 2022

More information is contained in the dedicated website:

www.calverleysquare.co.uk

Sevenoaks**Town Centre Regeneration****Bevan Place and 27-37 High Street, Swanley**

HCGF Cost: £317,000

Project Lead: Sevenoaks District Council

Partners: Future occupiers of the commercial space

Match funding: The final project cost is to be confirmed

Benefits: The District Council is keen to support the economic growth of Swanley Town Centre by introducing new residential and commercial uses in the town. The District Council owns two sites: the Bevan Place car park together with the adjacent land at 16-18 High Street and 27-37 High Street. The redevelopment will seek to deliver attractive high-quality landmark buildings at this key entrance to the Town.

The District Council is proposing to develop the Bevan Place and 16-18 High Street site for a mixed-use scheme to include the provision of residential units

and commercial space on the High Street frontage. The commercial space could include a sixty-bed hotel and a restaurant or restaurants within the development. The residential units provided will be for sale or rent with an element of affordable or intermediate provision included in the scheme.

The 27-37 High Street site provides an opportunity to include business incubator space within any development proposals.

Timescale: Spring 2019 – Spring 2021

Tonbridge and Malling

Town & District Centres Improvement Programme

This initiative will focus on improving the vitality and viability of our town and district centres through a programme of actions that address some of the findings of the recent Grimsey Review and will be delivered under three headings, namely:

- Town and District Commercial Frontages Grant Scheme (£100,000)
- Tonbridge Town Centre Initiatives: creation of a pop-up shop for local creative start-ups, Christmas lighting and a pilot wi-fi initiative (£25,000)
- Malling Centres Promotion (£15,000)

Especially within Tonbridge, these initiatives will help to build upon a town centre strategy that has seen considerable public realm improvements along the High Street, River Walk and Town Lock, investment in key gateway sites such as Quarry Hill, and a focus on encouraging new housing in and around the town centre in order to support increased footfall and spend for our local businesses.

HCGF Cost: Total Project Pot of £140,000

Project Lead: TMBC

Partners: Local businesses/property owners for the frontages scheme; Tonbridge Town Team on those elements relating specifically to Tonbridge; Visit Kent and local businesses for the Malling promotion; Kent County Council

Match-funding: Around £35,000 be as follows:

- **Town and District Commercial Frontages Grant Scheme:** Businesses can apply for a grant of up to £5,000 towards the external renovation or improvement of ground floor and upper floor commercial premises. The grant will cover up to 80% of the cost; to a maximum value of £5,000. As

such, we would expect match-funding from businesses and property owners of **at least £25,000**.

- **Tonbridge Town Centre Initiatives: £3,000** from TMBC (ED) and Tonbridge Creates (pop-up shop)
- **Malling Centre Promotion - £7,000 (over two years)** from TMBC

Benefits: The condition of the town and district centre environment has a huge impact on their appearance and contributes to people's impressions of an area. Whilst public realm improvements can go some way to addressing this issue, high quality frontages, wider environmental improvements and attracting varied uses into our centres also make an area feel more welcoming to local residents and visitors, improve its image, contribute towards a stronger sense of identity and encourage a greater number of visits that ultimately lead to greater spend in the local economy.

Perceptions studies have shown that 'Malling' suffers from a low tourism profile. As such, whilst it has some fantastic visitor attractions, the area does not get as much tourism traffic as it could potentially receive. The Borough Council will therefore work with Visit Kent to help promote Malling through a promotional campaign to help raise its profile.

Timescale: Programme commences in November 2018 and be completed over a 2-year period.

New Office Accommodation Initiative:

Having recently undertaken a review of the Tonbridge and Malling Employment Land Review, it is clear that in recent years, the borough has lost a fair amount of Class B1(a) use (office) to residential use through Prior Notifications. On top of this, Tonbridge and Malling also has a comparatively low three-year business survival rate. As such, this initiative aims to respond to both of these initiatives through enabling the delivery of new commercial space. The initiative will have two strands:

- Flexible Co-working Space for Start-ups – Gibson Building (£75,000)
- New/Refurbished Business Accommodation Grant Scheme – Investment Pot (£100,000)

HCGF Cost: Total Cost of £175,000

Project Lead: TMBC

Partners: Local Developers, property owners, Kent County Council, Locate in Kent and small business accommodation providers.

Match-funding: To be agreed overall, but it is suggested that for the investment pot, grants of up to £25,000 would be available. The grant will cover up to 20% of the cost; to a maximum value of £25,000. As such, we would expect match-funding from local developers and small business accommodation providers of at least £400,000.

Benefits: There are a number of benefits to these schemes:

- Addressing undersupply of office space for start-ups (most of the existing provision is fully occupied)
- Enabling businesses to grow within the local area.
- Fostering greater confidence in Tonbridge & Malling as a great place to do business.

Timescale: Planning application submitted for Gibson Building, and grant programme up and running by March 2019.