

To the Chair and Members of the Cabinet

Business Investment Incentive Scheme

Relevant Cabinet Member(s)	Wards Affected	Key Decision
Bill Mordue – Cabinet Member for Business, Skills and Economic Development	All	No

EXECUTIVE SUMMARY

1. This report provides a review of the progress and work currently being undertaken to deliver the Business Investment Incentive Scheme (the scheme) which was approved by Cabinet in October 2014.
2. As agreed by Cabinet a Steering Group would provide an annual progress report to confirm the scheme's value to the local economy and demonstrate value for money to the taxpayers.
3. The principles of the discretionary scheme are:
 - An increase in the Business Rate base and/or
 - The creation of skilled, quality jobs for local residents
4. A £1.5m funding pot from council reserves has been allocated to the scheme to encourage investment and local job creation through a package of incentives.
5. As of 8th March 2017, fifteen schemes have been approved to legal agreement and contracting; £857,503 of the funds have been committed with future projects already in the pipeline requiring a potential further commitment of £692,300. If all the outcomes of the contractually committed funds are achieved, investment made by the Council will realise:
 - A forecast of £1,114,707 additional business rate income per annum
 - 564 new jobs for Doncaster residents [95 attracting a salary of £23k plus]
 - Over £39m worth of initial new investment into the borough

EXEMPT REPORT

- 6 THIS REPORT IS NOT EXEMPT HOWEVER THERE ARE A NUMBER OF FINANCIAL AND COMMERCIAL MATTERS CONTAINED WITHIN EXEMPT APPENDIX 1 WHICH ARE COMMERCIALY SENSITIVE INFORMATION. ALTHOUGH THE NAMES OF THE COMPANIES ARE NOT INCLUDED THE APPENDIX IS NOT FOR PUBLICATION BECAUSE IT CONTAINS EXEMPT INFORMATION PROTECTED BY PARAGRAPH 3 OF PART 1 OF SCHEDULE 12 (A) OF THE LOCAL GOVERNMENT ACT 1972 (AS AMENDED) INFORMATION RELATING TO THE FINANCIAL OR BUSINESS AFFAIRS OF ANY PARTICULAR PERSON (INCLUDING THE AUTHORITY HOLDING THAT INFORMATION).

RECOMMENDATIONS

It is recommended that the Mayor and Cabinet

7. Review and consider the success of the scheme in its current form and financial commitment.
8. Consider continuing the scheme in principal including allocation of reserves where appropriate and when current reserves are fully committed.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

9. Increased revenue for DMBC through Business Rates
10. Job creation for Doncaster residents centred around quality, skilled jobs paying a minimum living wage to local residents
11. Increased economic growth within the borough

BACKGROUND

12. This is a discretionary scheme which seeks to provide the framework for DMBC officers to offer developers, investors and businesses a financial incentive to invest and grow in Doncaster.
13. The scheme is not looking to incentivise displacement or movement of business within Doncaster unless this would result in an expansion in the Business Rate base (increased revenue through business rates), safeguard the company in Doncaster and create new jobs for local residents, especially those of a skilled nature.
14. The Scheme does not apply to investors/developers/businesses locating on or within Enterprise Zones as defined by the Sheffield City Region Local Enterprise Partnership.
15. The scheme has proved instrumental for investors considering Doncaster as a place to invest and they have welcomed the support that Doncaster Council has offered.

16. The scheme, along with the collaborative work across teams, has helped bring major investment opportunities to Doncaster – maximising redevelopment opportunities as well as job creation and bringing properties in to use.
17. The scheme has been used to support investors across all areas of the borough. Appendix 1 to the report, provides cases studies highlighting some of the investments that have been supported, the extent of the support and the outcomes for the business. For confidentiality purposes the names of the companies are not included. This information is not for publication, as it contains exempt information under Paragraph 3 of Part 1 of Schedule 12 (a) of the Local Government Act 1972 (as amended) information relating to the financial or business affairs of any particular person (including the authority holding that information).
18. If all the outcomes of the committed funds are achieved the investment made by the Council has or will realise,
- A forecast £1,114,707 additional business rates income per annum
 - 564 jobs for Doncaster residents [95 will be skilled and attracting a salary of £23k plus]
 - Over £39m worth of initial new investment

	Proposed Grant	Estimated uplift in Business rate liabilities per annum	Estimated business rate liability retained by DMBC per annum	No. of jobs	Of which are Skilled £23k+	Initial Investment from the business
15 projects	£857,503	£1,114,707	£557,350	564	95	£39,005,400
Pipeline (at ODR/EOI stage)	£692,300	£511,400	£255,700	264	192	£7,200,000
Totals	£1,549,803	£1,626,107	£813,050	828	287	£46,205,400

OPTIONS CONSIDERED

19. None this a review report

REASONS FOR RECOMMENDED OPTION

20. Based on the evaluation of the scheme so far, the projects that are currently 'in the pipeline', the amount of appetite expressed in such a short period of

time, the potential return on investment and the success of the scheme the recommendation is to continue the scheme

IMPACT ON THE COUNCIL'S KEY OUTCOMES

	Outcomes	Implications
	<p>All people in Doncaster benefit from a thriving and resilient economy.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> • <i>Mayoral Priority: Be a strong voice for our veterans</i> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	<p>The scheme seeks to address this priority directly</p>
	<p>People live safe, healthy, active and independent lives.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	
	<p>People in Doncaster benefit from a high quality built and natural environment.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	<p>Creating Jobs – incentivising living wage</p>
	<p>All families thrive.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	
	<p>Council services are modern and value for money.</p>	
	<p>Working with our partners we will provide strong leadership and governance.</p>	

RISKS AND ASSUMPTIONS

21. The funds would need to be committed for 3 years to enable new builds to complete, realise the business rate uplift and evidence the jobs.
22. The scheme has been running since November 2014, it should be noted that the commitment of the funds is subject to a verification process and the figures that we have used are maximum costs which could be reduced if the appropriate evidence is not produced by the investor.
23. The commitments are estimated figures as grants for the projects will not be paid out until evidence for each element is provided by the investor; for the new builds and expansions this will be until the build is in the rating list and there is a Business Rate liability attributed to the premises; and for the job creation until the jobs have been filled for 12 months.
24. There is difficulty in estimating actual Business Rates that will be payable in the future when developers apply and so it is difficult to accurately forecast what the commitment to the investor should be; Any changes in Business Rates (through government policy) will also affect the grant committed.

LEGAL IMPLICATIONS

25. The Localism Act 2011 provides the Council with the so called general power of competence which allows a Local authority to do anything which an individual may generally do.
26. The incentives on offer are discretionary in nature and the Council has no obligation to provide them.
27. The Council will need to carefully consider the operation of this initiative in order to minimise the risk of challenge.
28. The Council will need to carefully consider the application of State Aid rules and consider whether businesses should be required to contractually commit to the delivery of outputs in advance of the provision of business incentives
29. It would be prudent for the Council to enter into a legal agreement with the recipients of the business incentives.

FINANCIAL IMPLICATIONS

30. The overall scheme and £1.50m funding were approved by Cabinet on 15th October 2014 key decision K1255 and 30th June 2015 key decision K1290, which addressed the criteria for awarding grants and the main financial implications of operating the scheme. This included Business Doncaster's responsibilities in relation to State Aid, administration of the grant in line with Financial Procedure Rules, and review of the scheme on an annual basis.

Delegation of authority to approve individual awards was undertaken by a further Executive Decision N807 implemented 29th July 2015.

31. To date £0.86m remains committed to projects via Officer Decision Record and represents the maximum available to the beneficiary depending on evidence returned. This leaves £0.64m for further awards. Project Officers are currently working on a portfolio of pipeline awards estimated at £0.69m, which is £0.05m in excess of the uncommitted pot. Future awards will need to be tailored to the available monies unless further funding can be identified or actual payments relating to existing awards are lower than the committed funds.

32. The component grants within the committed monies are as follows: -

Speculative Build	Job Creation	Project Set Up	Property Renovations	Total
£0.50m	£0.17m	£0.07m	£0.12m	£0.86m

33. The intention is that the businesses supported will operate long enough so that awards are ultimately off-set by the uplift in business rates generated from the new development encouraged by the scheme. The Council is currently able to retain 49% of business rates (this is expected to rise to 100% in 2019/20), so the larger grants under the Speculative Build heading are paid over a two year period after completion of the development, with the majority expected to be defrayed in 2017/18 and 2018/19 financial years. This means that for the greater proportion of the investment the Council will already have received the equivalent value in additional business rates by the time the grant is paid.

34. Of the other grants awarded £0.20m has been made without a Speculative Build element alongside, which means that those projects do not lead to uplift in business rates. The intention is that these will be compensated for by the continued receipt of additional business rates from the other developments in the scheme. The balance of awards that do not lead to uplift in business rates must be carefully managed so that the other outputs are judged sufficient value for money against the length of time before the investment is compensated for by the return in business rates from other projects. The total estimated value of retained business rates to be generated by the current commitment is £0.56m. This means that the full value of £0.86m relating to all awards is still expected to be compensated for within two years from completion of the developments. If the pipeline awards are approved as shown in the table above then the entire pot of £1.50m would also be compensated for by an estimated £0.81m per annum uplift in retained business rates within a similar two year period.

35. When considering the potential for the continuation of the scheme it should be noted that the Council is expected to be able to retain 100% of business rates from 2019/20, so any awards made (provided they are not solely job related) will be compensated for more quickly. Sufficiency of reserves for earmarking any further resources will need to be considered as part of the Finance and Performance Improvement Report: 2016/17 Quarter 4, once the 2016/17 outturn position is known.

HUMAN RESOURCES IMPLICATIONS

36. None

TECHNOLOGY IMPLICATIONS

37. None

EQUALITY IMPLICATIONS

38. Decision makers must consider the Council's duties under the Public Sector Equality Duty at s149 of the Equality Act 2010. The duty requires the Council, when exercising its functions, to have 'due regard' to the need to eliminate discrimination, harassment and victimisation and other conduct prohibited under the act, and to advance equality of opportunity and foster good relations between those who share a 'protected characteristic' and those who do not share that protected characteristic.
39. There are no specific equality implications arising from the process.

CONSULTATION

40. Input into the report has been sought from the Director of Regeneration and Environment
41. This report significant implications in terms of the following:

Procurement		Crime & Disorder	
Human Resources		Human Rights & Equalities	
Buildings, Land and Occupiers		Environment & Sustainability	
ICT		Capital Programme	

BACKGROUND PAPERS

42. None

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