

PROMOTING ECONOMIC DEVELOPMENT AND REGENERATION IN HILLINGDON

Cabinet Member(s)	Cllr Douglas Mills
Cabinet Portfolio(s)	Community, Commerce and Regeneration
Officer Contact(s)	Kevin Byrne, Administration Directorate, Paul Whaymand, Finance Directorate and James Roger, Residents' Services
Papers with report	

1. HEADLINE INFORMATION

Summary	The economic downturn continues to impact on the Borough and Government will introduce a new scheme from April 2012 to incentivise local authorities to promote economic development (the Business Rate Retention Scheme). This Cabinet paper sets out a new approach to respond to this scheme and to encourage new development, support business growth and increase employment and skills.
Contribution to our plans and strategies	The proposed new approach to economic development and regeneration is consistent with the Council's vision of putting residents first and the priority to provide strong financial management. It also supports the Council's Medium Term Financial Forecast.
Financial Cost	There is no direct cost arising from this report. All actions proposed can be achieved within existing forecasts. The proposal for additional pre-application planning resource is contained as a growth proposal within budget setting and MTFF.
Relevant Policy Overview Committee	Corporate Services and Partnership POC's
Ward(s) affected	All

2. RECOMMENDATIONS

That Cabinet:

- 1. Notes the potential opportunities and risks created by Government's new Business Rate Retention Scheme.**
- 2. Agrees to the six workstreams set out in the report to provide a stronger basis for supporting economic development and regeneration in Hillingdon.**

Reasons for recommendation

To refresh and reboot Hillingdon's approach to economic development and regeneration in light of the changing economic situation and changes to local government finance.

Alternative options considered / risk management

The alternatives would be to maintain the status quo or to do nothing. Both of these options were rejected as they would not enable Hillingdon to respond fully to changing circumstances.

Policy Overview Committee comments

None at this stage.

3. INFORMATION

Supporting Information

The impact of the economic downturn continues to impact on Hillingdon and shows little sign of abating in the short term. In June 2011, Cabinet agreed a new strategy for regeneration entitled "Sustain, Renew and Prosper", setting out the Council's vision for regeneration to 2016. Cabinet also endorsed publication of a Local Economic Assessment for the borough.

There are reasons to be cautiously optimistic about Hillingdon's economy but at the same time there is no room for complacency. The Council has made significant progress in implementing the proposals in "Sustain, Renew and Prosper", including :

- The opportunity afforded by the forthcoming Crossrail programme has acted as a catalyst for investment and regeneration of Hayes Town. January 2012 saw the completion of a £900,000 upgrade to Hayes station. This has provided a new entrance, ticket hall and improved passenger facilities and should ensure the station is able to cope with the increasing number of passengers prior to the Crossrail development.
- At the 27th November 2012, Planning Committee meeting the Vinyl Factory masterplan (Former EMI site) was approved; which not only involves very large scale development in the heart of Hayes, but significantly also involves major re-branding of Hayes by the developers as the focus of very high quality development. The expansion of Hyde Park Hayes was also approved at the same meeting, which will potentially generate significant new jobs. These two developments should create a momentum for further investment in Hayes.
- The Council has both supported and initiated a number of improvements. A series of canal side improvements are in place and significantly improved the access to and land adjacent to the Grand Union Canal running through the centre of Hayes.
- The Green Flag Award is the benchmark national standard for well maintained parks and green spaces in the United Kingdom. Hillingdon now has 21 parks and green spaces, which have been awarded Green Flag status, more than any other London Borough.
- Employment and skills initiatives have provided local residents with opportunities to compete for the jobs that exist and to gain valuable experience through training and

apprenticeships in preparation for the work place. The Heathrow Academy has been boosted with further European Social Fund support and Section 106 funding.

- The Council's Local plan (previously the "Core strategy") has been endorsed and forms the backbone to our approach to planning and growth.
- The work to improve and sustain our town centres continues. The major improvement scheme for Yiewsley and West Drayton continues to be implemented. Following on from successful implementation of the Hayes town centre programme, which saw the implementation of a shop front improvement and merchandising programme, focus has now switched to delivering a multi million improvement scheme in conjunction with TfL which will transform the centre of the town. Funding from the Mayor for London has enabled the Council to develop major improvements to both Ruislip Manor and Northwood Hills town centres. Both schemes are currently out to consultation and improvements work will commence in 2013.

This report outlines a proposal to build on this success and to further co-ordinate and improve our approach to business growth in Hillingdon. The suggested activities will support business growth in the Borough at a time when, through government proposals around business rate retention and local Council Tax support, the financial impact on the Council of growth will be much greater than has been the case previously.

Business Rate Retention

The Business Rates Retention Scheme comes into effect from April 2013 and is designed to enable Councils to retain a proportion of the business rates generated in their area, with the intention of giving local authorities a financial incentive to promote local economic growth.

The proposed scheme would see 50% of any gains or losses in non-domestic rating income being shared with the Government. In London, the 50% to be retained locally is likely to be split 60:40 between Councils and the GLA. This means that 30% of any loss or gain would remain with the Council. However, any gain in rating income above the rate of inflation will be subject to a levy, which for Hillingdon is likely to be around 50%. So, in summary Hillingdon is likely to pick up 30% of any rating loss if rateable value falls and will be able to retain around 15% of any rating gains above the retail price index (RPI) .

Whilst there are significant opportunities for business growth in the Borough going forward the current context given the recession points to some risks. The rateable value in Hillingdon fell by about £4.5m during 2011/12 and has fallen by approximately £9m so far during 2012/13. This fall in RV during the year equates to a loss of rating income of around £4m. Had the new system been in place in the current year, this would equate to an ongoing loss of income of around £1.2m. We also know that the Valuation Office has received rating appeals for larger businesses in the Borough with a total RV of £11.7m expected to be heard in the next 3 months. However, the latest intelligence on the likely retention scheme suggests that the Government will make some allowance, at least in year 1, for outstanding rating appeals.

However, although there are downside risks there is also considerable potential for growth going forward. Much of the recent loss the rateable value is as a direct result of the national economic climate and there are now early signs of a potential recovery. The Borough is well placed geographically so it is attractive to businesses looking to expand or relocate and more importantly has the sites and physical capacity for growth. There are a number of significant sites within the

Borough which are now attracting interest from potential businesses looking to base themselves here, particularly in the Hayes area. These factors all point to the value to be gained from refocusing the Council's efforts around economic development and regeneration.

Local Council Tax Reduction Scheme

A local Council Tax Reduction Scheme is being introduced from April 2013 that will replace the current national Council Tax Benefits Scheme. The proposal is that instead of residents on low incomes receiving Council Tax benefit (mostly at 100% of the liability) they will receive an 80% discount. Any change in the numbers of people eligible for discount going forward will have an immediate impact on the Council financially as they will effectively increase or decrease the Council Tax base. Previously any change was picked up by Government through the subsidy system. The Council will therefore pick up the cost if a greater number of our residents go onto benefit but will obtain the benefit of any reduction in the numbers claiming benefit. The Council will therefore be financially incentivised to get local residents currently on benefit into work.

Significant work has already commenced in conjunction with Job Centre Plus to gauge the impact and extent of the benefit reductions and to support residents impacted by these reductions to access employment.

The combined effect of these changes to business rates and Council Tax benefits mean that there is the potential for a double benefit to be achieved from business growth; firstly through the retention of 15% of business rate growth achieved and secondly through the potential reduction in the cost of the local Council Tax support if local employment can be increased.

Scope for local action

As already mentioned, Hillingdon is well placed to achieve business growth going forward. Its geographical location combined with the physical capacity for growth and our good transport links make the borough an attractive proposition for business. It would, however, be wrong to completely rely on this advantage and by being more integrated and strategic in working with business it should be possible to improve outcomes. It is proposed that a proportionate Hillingdon approach to business growth is developed most of which can largely be delivered within existing resources. The proposed action plan sets out 6 potential workstreams that taken together would be capable of delivering this approach.

The suggested workstreams cover key areas of activity as follows;

1. Intelligence

To develop much greater intelligence on the local economy, rating base and key development sites (where most of the business growth is likely to come from) and building on the published Local Plan and Local Economic Assessment. A quick analysis of the Council's rating base indicates that approximately 56% of it is based around Heathrow, 10% around Uxbridge, 9% around Hayes and 8% around Harmondsworth/Yiewsley. Work has started to divide the rating base into 8 key business areas so that changes in the rating base can be tracked within the rating system over time by key areas to see whether there are differences in the rate of growth or decline in different parts of the Borough. This will be developed in the future to consider including an analysis by business types.

The Council also needs to be able to forecast changes in the rating base going forward and to help with this have better intelligence on what is happening with the key sites. This will need to include the potential value and timing of new rating income associated with development sites coming on stream.

This workstream will also produce a regular scorecard reflecting the key dynamics across the Borough both in relation to the rating base but also data on unemployment and job seekers allowance and impact of benefit reform on Hillingdon's population so that impact can be monitored and measured and action taken. Better intelligence will allow the Council to target resources to tackle specific problems or opportunities.

2. Supporting development of major sites

The more significant changes in rating income going forward are likely to come from major development sites. The Council will determine up to 20 top sites and be proactive about their availability and what sort of development would likely to be approved. The Council will advertise and promote each site, regardless of ownership, so that potential developers have basic information on key developments. This is likely to be more effective than asking business to approach the Council with their ideas and reacting to applications. The Council recognises the need for a flexible approach towards mixed use development on sites. The level and type of usage including residential is determined on a site by site basis.

3. New approach to Planning pre-applications

The Council will also look for ways to improve the way it handles interest or applications from business going forward by bolstering the resources available to handle pre-applications. There will be a dedicated post in planning to manage and coordinate pre-applications and relationships between prospective developers and the Council. Greater emphasis will be placed on securing local employment agreements with developers and officers are currently exploring how best to deliver these agreements.

Officers are reviewing the Council's typical pre-commencement planning conditions. Feedback from major developers has been that Hillingdon imposes a much greater number of conditions on planning consents than other Planning Authorities. The review is to decide on planning grounds whether it is possible to reduce the number of pre-commencement conditions (especially where they unnecessarily duplicate other legislation).

It is also proposed to review the Planning Committee structure to facilitate this. The intention is to separate the consideration of major applications (typically those which involve large scale investment in the local economy) from the consideration of householder extensions and more minor development. Any changes proposed to the planning committee structure will be brought forward for Council approval, with the objective of taking effect from May 2013.

4. Improving skills and employment

The number of local residents on benefits will have a direct financial impact on the Council Tax base going forward. Despite a number of successful schemes which have helped local people compete for jobs and gain skills and the introduction of the Government's Work Programme, the number of residents on job seekers allowance has stood stubbornly at about 5,000 for about 12

months. For this reason there needs to be a workstream that looks at further promoting local employment and looking at ways of improving skills locally so that local residents benefit from any jobs created. As previously mentioned through the planning process we will encourage new developers to consider local employment and to link into existing provision, for example on apprenticeships and pre-work support. The double benefit of attracting business rate growth and creating jobs that get local people off benefits will be explored. Officers are currently working with Job Centre Plus and other key partners to understand what additional support can be secured to enable residents currently on benefits make the transition to employment.

5. Developing promotional opportunities and materials incl. web

A proportionate approach to promoting the Borough as being 'open for business' will be achieved. This will include improving the web-site which could link through to specific sites and the Council's view on appropriate developments for those sites and details of a contact to talk to about the development opportunities. The site will signpost wider support available to local businesses.

6. Reviewing support to small business.

A large element of the focus on business growth will inevitably be around the larger development sites. However, there are around 9,000 small, medium enterprises (SME's) in the borough that employ a large number of residents so there needs to be opportunities to support smaller businesses. This needs to be done in a targeted cost effective way as supporting individual businesses will consume considerable resource. Since the demise of the Government sponsored Business Link scheme, the main access to business support has been via the internet. Whilst this might be effective in terms of promoting general advice when it comes to developing business plans; identifying new markets or diversifying in terms new services a web site alone is a much less effective resource. Business planning and the production of business plans are crucial when it comes to securing finance. One of the first elements of this workstream will be to identify how and where this type of support can be secured. This workstream will also consider how to lever in support for small business from the private sector and partners. One of the first initiatives to support small business and commerce will be the use of the Council's Small Grants budget to support existing Chambers of Commerce and encouraging the development of new ones. The local chambers may prove to be a cost effective form of support to small businesses.

In addition to these workstreams, the Council will be undertaking a review of the potential flexibilities it can offer in terms of adjusting rating liabilities and other incentives to encourage economic growth and employment in the Borough.

Financial Implications

There is no direct cost arising from this report. All actions proposed can be achieved within existing forecasts. The proposal for additional pre-application planning resource is contained as a growth proposal within budget setting and MTF.

4. EFFECT ON RESIDENTS, SERVICE USERS & COMMUNITIES

What will be the effect of the recommendation?

The aim of the proposals is to encourage growth and regeneration in Hillingdon and to support residents in competing for the employment opportunities available.

Consultation Carried Out or Required

These proposals have been considered with partners at the Hillingdon Partners Executive and through the sustain Renew and Prosper theme group.

5. CORPORATE IMPLICATIONS

Corporate Finance

Introduction of the business rates retention system and localisation of Council Tax support will impact significantly on the Council's future finances, necessitating an integrated approach to economic development to manage associated risks and potential rewards as recommended within this report. As noted above, the financial cost of this new approach will be contained within existing resources and investment in a dedicated planning resource is included as a growth proposal in the MTFF.

Legal

The Council has power under Part 1 of the Localism Act 2011 to implement the suggested workstreams set out in the report. There are no other specific legal implications arising from this report.

Relevant Service Groups

Planning, Finance, Policy, Partnerships and Communications have all contributed to the report.

6. BACKGROUND PAPERS

NIL