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Report to: **FINANCE & MANAGEMENT**

AGENDA  
ITEM: **11**

Date of  
Meeting: **29<sup>th</sup> April 2004**

CATEGORY:

Report from: **CHIEF FINANCE OFFICER**

Open

Members'  
Contact Point **TERRY NEAVES (Ext 5800)**

Doc:

Subject: **Business Improvement Districts/  
Business Growth Incentive Scheme**

Ref: TN

Ward(s) Affected **All**

Terms of Reference:  
FM 08

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## **1. Recommendations**

### **1.1 That this committee**

- ☐ Welcomes the introduction of the Business Improvement Districts and asks the Chief Finance Officer to respond to the proposals after taking into account the views expressed by members of this committee and in consultation with the Chair of Finance and Management
- ☐ Welcomes the introduction of the Business Growth Incentive Scheme but asks the Chief Finance Officer to make strong representation to ask the ODPM to review the way this scheme impacts upon areas of high growth including South Derbyshire.

## **2. Purpose of Report**

- 2.1 To seek members views on the consultation exercise for Business Improvement Districts and the Business Growth Incentive Scheme.

## **3. Detail**

- 3.1 The Government has announced recently incentives to enable councils to increase their investment in economic development and services to local businesses.

### **Business Improvement Districts (Appendix A)**

- 3.2 Government proposals allow local businesses to work with the Council to develop proposals for a Business Improvement District.
- 3.3 These may cover an industrial estate, town centre shopping area or all local businesses. Clearly the more businesses that they cover the greater the revenue and spending power of the improvement district.

- 3.4 The proposal will enable an additional levy to be raised to cover the projects set out in the proposals.
- 3.5 The proposal will provide a business plan and set out what geographical area/ratepayers are covered by the proposals.
- 3.6 A ballot will then be held for all businesses covered by the proposals. Each business will have an equal vote and a simple majority will be required. Those businesses that do not vote for the proposals will still be required to pay the extra levy if the ballot approves the proposals.

#### **Local Authority Business Growth Incentives (Appendix B)**

- 3.7 In June 2003 the Government announced proposals that will enable councils to benefit from business growth within their area.
- 3.8 At present all Business Rate income is paid directly to a central pool. This means that there is no immediate financial benefit to an authority that is able to attract new industry into its area.
- 3.9 Under these new proposals councils will receive a share of the extra business rate income that is generated by increasing the rateable value of the area.
- 3.10 The Government accepts that some councils will be in a better position to expand their local business economy than others. This may be due to planning restrictions, location or just the general rate of business growth within their region.
- 3.11 The Government has therefore tried to take this into account so that Councils in areas of relatively low growth are not unduly disadvantaged.
- 3.12 Effectively councils with traditionally high levels of growth will need to achieve higher levels of growth in the future relative to areas with lower levels of growth before they qualify to retain any additional business rate income.
- 3.13 Initially the Government proposed five bands to establish historic patterns of growth. Councils in the highest band (including South Derbyshire) need to achieve a much higher level of growth before they become eligible for a share of any increased business rate income.
- 3.14 The number of bands has now been extended to 7 with again South Derbyshire included in the top Band 7. This disadvantages South Derbyshire even further with an even higher level of growth to be achieved.

#### **4. Financial Implications**

##### **Business Improvement Districts**

- 4.1 Business Improvement Districts (BID) provide an opportunity for the Council to work with local business to develop schemes to directly benefit them.
- 4.2 It provides a potential source of additional funding to give local businesses the improvements that they are seeking without increasing pressure on existing council resources.

- 4.3 It should however be remembered that the cost of financing the BID comes from local businesses, who will need to balance the value of any improvements against the extra levy on their business.

### **Business Growth Incentives**

- 4.4 The scheme provides an opportunity to benefit from the growth of business in our area. However there is real concern that the scheme penalises those councils in areas with traditionally high growth rates.

## **5. Summary & Conclusions**

- 5.1 The concept behind both schemes should be welcomed. However members will need to consider in particular whether the business growth incentive scheme operates to the benefit of South Derbyshire.
- 5.2 Where businesses are spread across a wide area such as in South Derbyshire it may be harder to create a single business improvement district. In turn this will influence the level of funds that the BID will generate and the projects that it can implement.

**Terry Neaves**  
**Chief Finance Officer**

