

Business Rates Retention Pooling Application East London / South Essex Pool (ELSEP)

1) Introduction

- a) The radical reform of business rates has given local authorities a strong incentive to unlock potential and pursue local growth initiatives. Voluntary pooling arrangements offer the prospect of retaining a greater share of local business rate growth to support local services and scope to generate additional economic growth through collaborative effort across a wider economic area.
- b) The East London / South Essex Pool (ELSEP) will utilise these reforms to share the benefits of growth across the whole area for local residents, businesses and the wider economy.
- c) The Pool is in the heart of the Thames Gateway – a growth area of national significance and of particular importance to the London, south-east and east of England economy. The area is well placed to deliver significant growth, thereby generating new jobs and business opportunities and is already witnessing delivery of committed schemes including the creation of a 21st Century deep sea port and Europe’s largest logistics park at London Gateway in Thurrock, the regeneration of large areas of former industrial land for commercial and residential use in London Riverside spanning the London Borough’s of Barking and Dagenham and Havering and the continued strengthening of the advanced manufacturing sector in Basildon’s Enterprise Parks ..
- d) Therefore the reform of the business rates system and creation of a business rates pool provides the Pool Members with a unique opportunity – to further collaboration, lower the levy rate and use some of the additional funding to create an Economic Growth Fund which will support joint work to maximise the benefits of growth for local people. This document sets out the economic potential of the Pool area and the ambition and intent of all four local authorities. Specific actions and projects will subsequently be worked up and will be subject to agreement by individual authorities

2) Lead Contact

Matthew Essex | Head of Regeneration
Thurrock Council | Civic Offices | New Road | Grays | Essex | RM17 6SL
T: 01375 652 185 | E: messex@thurrock.gov.uk

3) Pool Membership

- a) The Pool membership is drawn from four adjacent local authorities in East London / South Essex:

- i) Thurrock Borough Council
 - ii) Basildon Borough Council
 - iii) London Borough of Havering
 - iv) London Borough of Barking and Dagenham
- b) All members recognise the added value of building on their shared history and the economic opportunities which exist to generate growth that benefits all local residents.

4) Benefits of the Pool

- a) Pool Members have carefully considered the impact of a pooling arrangement on the finances of each authority and the pool as a whole. The modelling carried out by the pool members has shown a financial benefit from the pooling arrangement for the pool as a whole and, through the formula adopted to allocate the Net Retained Levy and set out in the Memorandum of Understanding, for each authority.
- b) Although the financial benefits of the pool are welcome the Pool Members recognise and value the other benefits to the pooling arrangement, explained in the rationale for the pool, the role it will have in promoting growth and in supporting collaboration between Pool Members.

5) Rationale for the pool

- a) All the Pool Members are part of the Thames Gateway regeneration area, one of Europe's largest and most important growth opportunities. The area benefits from a strong commercial heritage, competitive advantage in key sectors and large former industrial areas, a significant proportion of which are now in public ownership and ready for new residential and commercial uses.
- b) The rationale for the sub-region is based around:
- Shared History
 - Geography
 - Common Labour Market Issues
 - Key Sectors
 - Collaboration

c) Shared History

- i) The Pool Area has been shaped by large manufacturing, distribution and energy companies such as Ford Britain and Proctor & Gamble. These businesses developed in the area to serve the London, south-east, national and international markets through strong river, rail and road connections. They traditionally employed large numbers of people in skilled manual trades and associated occupations in the logistics sector.
- ii) Today the area is on the verge of significant change. The decline of some industries has created large areas of former industrial land, often in public

ownership, which are ripe for redevelopment. The area has a once-in-a-generation opportunity to transform the lives of local people in communities suffering from the decline of manufacturing jobs and to provide much needed new housing and commercial space in support of the wider London, south-east and east of England economy.

d) Geography

- i) The East London South Essex Pool includes four local authorities in the middle of the Thames Gateway regeneration area. With strong links to the national road and rail networks, port facilities and easy access to the airports in the south-east, the Pool is ideally located to generate economic growth.
- ii) The Pool Area is connected by a strong transport infrastructure: -
 - (1) Road: The A13 trunk road which connects all four local authorities with Canary Wharf, Central London and the national motorway network via the M25 junction 30/31 and the Dartford crossing. The road network, including the A13, A127 and other major routes links major regeneration sites across the sub-region and as a result jobs created in one borough are easily accessible to residents across the Pool Area.
 - (2) Rail: The East Thameside Route, currently operated by C2C, links all four boroughs with London Fenchurch Street and with Southend-on-Sea and Shoeburyness . The route complements Greater Anglia services running from London Liverpool Street, through the Pool area and across the East of England. Crossrail will bring additional benefits, linking to the Greater Anglia rail network and by providing a regular service to Heathrow and the M3 / M4 Corridor.
 - (3) Sea: The development of the DP World's London Gateway Port, the UK's first 21st Century deep sea container port, together with Europe's largest logistics park, complements the facilities at Tilbury and other working wharves along the Thames. Access to the sea, along with the excellent road and rail links, gives the whole area a competitive advantage in logistics.
 - (4) Air: The pool area is easily accessible from all three main London airports via the motorway and rail network. In addition there are particularly strong links to London City and to London Southend airports.
- iii) Members of the pool collaborate on a range of transport issues and the road and rail networks mean that growth and job creation in any part of the pool will benefit residents across the wider Travel to Work Area.

e) Common Labour Market Issues

i) Common Labour Market Issues include:

- (1) **Travel to Work Area.** Almost three quarters of working age residents in the pool area also work in the area. As a result economic growth in any part of the Pool Area is likely to benefit the whole Pool. While most of the workforce commuting into the pool area was from surrounding boroughs the most common destination for commuters out of the pooled area is the City of London
- (2) **Qualification levels.** Residents of the pool area have lower qualification levels than in Great Britain as a whole. In particular higher-level qualification levels (NVQ2 or equivalent or above) are significantly lower than the rest of the country.
- (3) **Unemployment.** Three of the Pool Members have higher levels of JSA claimants than the Great Britain average. All the Pool Members have a particular issue with the number of unemployed younger people (aged 18-24).
- (4) **Entrepreneurial Culture.** There is a strong entrepreneurial history and culture across the Pool Area
- (5) **Key Sectors.** Pool Members share some important key sectors outlined in the next section.
- (6) **Occupations.** There are higher numbers of elementary administrative and service occupations, sales occupations, Transport and Machine Operatives and Managers / Directors than in England as a whole, reflecting the sectors of particular importance in the Pool area.

f) Key Sectors

i) Members of the Pool share an interest in promoting growth in particular sectors in which there is a competitive advantage:

- (1) **Automotive Design and Production.** The Ford Motor Company has had a significant influence across the pool area. The Dagenham Plant, which now specialises in engine production, together with the Dunton Technical Facility, which houses the main design team for Ford Europe, provide employment for approximately 6,000 people and give the area significant competitive advantage in automotive design and production. Together with the Centre of Engineering and Manufacturing Excellence the Pool Members can continue to work together in support of the manufacturing sector.
- (2) **Logistics** is already a key sector. The excellent links to the national rail and road networks, to Tilbury Port and the proximity to the largest UK markets in London and the south-east of England mean that logistics

continues to be an important local employer and source of growth. Competitive advantage in the sector is set to increase with the creation of the new London Distribution Park at Tilbury and the opening of the London Gateway Deep Sea Port which is being built alongside a new distribution park – the largest in Europe. Together the new Port and distribution park are expected to create in excess of 12,000 jobs, which could, with sufficient support, transform employment opportunities for residents across the Pool area.

- (3) Manufacturing. Manufacturing is a key sector for all Pool Members. Companies such as Ford, SG Magnets, Tilda Rice, Proctor & Gamble and New Holland Agriculture continue to provide significant numbers of jobs in production industries. The recent creation of a High Speed Sustainable Manufacturing Institute sponsored by Ford and the DTI and the creation of a new University Technical College emphasise the continuing importance of this sector to the local economy
- (4) Green technologies. The area has significant potential for green / clean tech industries helping address the environmental challenges faced by London and the South-East. Examples include the London Sustainable Industries Park at Dagenham Dock, with new industries being established alongside environmental research facilities, and the potential green technology and energy park at the Thames Enterprise Park in Coryton.
- (5) Construction. Construction continues to be a significant employer in the area with many very small companies employing local people. The large areas of land ready for residential or commercial use will generate large numbers of construction jobs.
- (6) Creative and Cultural Industries. Creative Industries have an important role in changing perceptions about an area and making it more attractive to inward investors and as a place to live. The area has significant potential to grow and develop the cultural industries offer from existing facilities including the High House Production Park and local producing theatres
- (7) Visitor Economy. The creation of the new Wildspace conservation park across Havering and Thurrock, including an RSPB visitor centre, together with other facilities across the pool area including Thames Chase Community Forrest, historic buildings, monuments and Town Centres all within easy reach of London and most of the South-East offer the pool members great potential to build their visitor economy.
- (8) Retail. Is an important sector in terms of job creation across the Pool area. Significant investment in Town Centres such as Basildon, Grays, Barking and Romford, together with the growth of shopping centres such as Lakeside present the Pool Area with an excellent opportunity to improve local employment.

g) Collaboration

- i) The Pool Members already collaborate on the delivery of particular services or projects. Examples include:
 - (1) London Borough of Barking and Dagenham and Thurrock Borough Council joining up service delivery, sharing a Chief Executive and services such as strategy, legal, policy and community engagement.
 - (2) London Borough of Havering and Thurrock Borough Council delivering the Rainham Marshes RSPB nature reserve/ Wildspace and, together with Basildon Borough Council, supporting the Thames Chase Community Forest, improving accessibility to green space.
 - (3) Collaboration between London Boroughs of Barking & Dagenham and Havering on job brokerage including support to promote local employment opportunities through the opening of a new Tesco distribution centre on the border between the two authorities.
 - (4) Basildon Borough Council and Thurrock Borough Council collaborate on an ERDF funded low carbon programme supporting businesses and creating jobs. The programme adds value to the Joint Green Business Forum across both authorities..
- ii) Pooling arrangements are an opportunity to further develop collaboration to promote economic growth and share the benefits across the pool area.
- iii) Pool membership is drawn from the London LEP and the South East LEP areas. The objectives of the pool members are in line with the aspirations expressed by the London and South East LEPs and one of the benefits of the grouping is that they can work with each respective LEP area.

6) The Opportunity: Supporting Economic Growth and Collaboration

- a) Members of the Pool consider the arrangement will facilitate and support economic growth and create an opportunity for further investment both at a borough level and across the area.
- b) Pool Members plan to use a proportion of the additional funding as an Economic Growth Fund, which will be used to promote economic growth through collaboration. Initially the fund will focus on research and feasibility studies which will be used to inform further work by Pool Members, either individually or on a collaborative basis. Specific projects and actions will be subject to agreement by all four pool members but may include:
 - i) Promotion of Inward investment. The Pool Members may consider using the additional funds created to support projects that help generate further inward investment enquiries and convert these enquiries into direct investment. Ideas under consideration include a review of inward investment promotional strategies and research to identify opportunities to

build on existing inward investment projects such as London Gateway Port and London Riverside.

- ii) **Business Support.** The Pool Members may consider using the additional funds created to help existing businesses and new start up companies to succeed and grow. Ideas under consideration include research on actions to support potential high-growth SMEs such as targeted business advice or a small bursary programme; research to identify reasons for business failure and appropriate responses; research to support cluster and supply chain development across the pool area, informing potential targeted support programmes.
 - iii) **Skills and Employment.** The Pool Members may consider using the additional funds created to help address the skills issues in the local community and to promote employment. Ideas under consideration include research to help inform actions that raise aspiration, promote career progression pathways and meet the skills needs of local employers. We would work together to identify the skills necessary for the anticipated business growth and work with FE and HE sectors to ensure local people are able to access the jobs created.
 - iv) **Infrastructure.** The Pool Members may consider using the additional funds created to help understand the capacity constraints of infrastructure in the area and to develop solutions with providers such as the Highways Agency, Transport for London and Network Rail.
 - v) **Sector Development.** The Pool Members may consider using the additional funds created to review support for the development of key sectors across the area.
- c) Members of the Pool will consider the outcome of research and feasibility studies to inform further use of the Economic Growth Fund or implementation of project activity on an individual or collective basis.
- d) The Economic Growth Fund**
- i) The Economic Growth Fund will hold a proportion of the Net Retained Levy to be used by the authorities to collaborate on projects that benefit the whole area. It is proposed that a maximum of 10% of the Net Retained Levy, capped to a maximum of £250,000 per annum and an overall pot of £500,000 at any time, will be retained for the Economic Growth Fund to support collaborative projects agreed by the Pool Members.
 - ii) A priority for the fund will be to support research and feasibility studies to identify financially viable projects for implementation either by the Fund or by individual members or partner authorities from their own resources

7) Governance Agreement

- a) The governance arrangements for the pool including the rights and obligations of the Pool Members, how money is to be disbursed to/between Pool

Members, how payments to Central Government are to be funded and the treatment of pool balances and liabilities following the Pool's dissolution are set out in the attached Memorandum of Understanding (MoU) between the members.

8) Lead Authority and Management of the Pool

- a) Thurrock Council will act as the lead authority. The responsibilities of the lead authority are set out in the MoU.
- b) The Pool will be managed in accordance with the terms set out in the MoU.

9) Distribution of pool income

- a) The Net Retained Levy, after deduction of expenses, will be divided between the Economic Growth Fund and payments to individual Pool Members according to the formula set out in the MoU.

10) Disputes, Liabilities and Dissolution of the Pool

- a) Should any disputes arise the Pool Members shall attempt to negotiate a settlement in accordance with the Memorandum of Understanding. If a dispute cannot be resolved by the Section 151 officers it will be referred to a meeting of all Member authorities Heads of Paid Service for resolution.
- b) The MoU requires that all liabilities to/from the pool are honoured should a member decide to leave the Pool. Any Member seeking to leave the Pool can do so from April 1st in the following financial year provided that sufficient notice has been given to enable the other members of the pool to apply to continue a pooling arrangement.