

REPORT TO: Executive Board

DATE: 7 December 2023

REPORTING OFFICER: Executive Director – Environment & Regeneration

PORTFOLIO: Environment and Urban Renewal

SUBJECT: Halton Freeport Retained Rates Fund

WARD(S) Borough Wide

1.0 PURPOSE OF THE REPORT

1.1 The purpose of this report is to seek approval for Halton Borough Council to implement the Halton Freeport Retained Business Rates Fund

2.0 RECOMMENDED: That

- 1) the report be noted; and
- 2) the Board supports the progress made on the Freeport and specifically the retained business rates fund to deliver local regeneration priorities.
- 3) gives delegated authority to the Executive Director for Environment & Regeneration, Operational Director Finance, in consultation with the portfolio holder to take the necessary steps develop a Halton Freeport Retained Business Rates Fund,
- 4) authorises the Operational Director Finance to enter in to and manage the processes required to facilitate the Business Rates Retention and Tax Increment Financing processes.

3.0 SUPPORTING INFORMATION

3.1 Freeport Development

In 2021 Halton Borough Council supported the development of a Freeport application in support of the Liverpool City Region's economic aspirations. The Freeport had two major elements: to provide connectivity to Port of Weston and to raise project funding to deliver Halton Council's economic aspirations in the form of Tax Incremental Financing. Tax incremental financing (TIF) is a method of raising revenue to pay for regeneration.

TIF Mechanism

- 3.2 TIF relies on taxes raised based on future increases in land values to finance current improvements, which will (to a degree) achieve those increases in land values and thus generate increased tax revenues.

Under a TIF mechanism, the projected growth in business rates can be used to fund upfront costs associated with addressing barriers to development and enabling economic growth.

TIF can be limited to a specific jurisdiction (municipal or similar authority), geographical area and/or to a particular project which needs funding, or it can be a more general tax-raising vehicle. It can be used to regenerate an area, provide infrastructure, or be applied to public projects which would not otherwise attract funding. This is something that has been successfully implemented in a number of enterprise zones in the UK.

Liverpool City Region and Freeport

- 3.3 Objectives of the Halton Freeport Retained Business Rates Fund

Overall Freeport objectives:

1. To establish a hub for global trade and investment in Liverpool City Region
2. To deliver local regeneration, levelling up and inclusive quality jobs to communities of need
3. Deliver the net zero ambition

Halton Borough Council intends to establish the Retained Business Rate fund on a similar basis to the Tax Increment Finance Fund established for the local Enterprise Zone using a prescribed number of projects as outlined in the Full Business Case and Retained Rates Strategy and will be implemented flexibly with the funding to meet needs in a changing environment in line with the following principles:

- a) Contribute the appropriate pro-rata share to the management costs of the Freeport Management Team.
- b) Contribute to the Halton Council staff resource required to deliver the Freeport objectives in Halton and to deliver the Freeport management requirements relating to the 3MG Tax Site.
- c) maximise the regeneration impact of the 3MG Tax Site and development of new customs site locations in the borough by improving connectivity and transport infrastructure.

- d) deliver regeneration, levelling up and the development of 'live work play' assets in Halton.
- e) Support the innovation, net zero and sustainability objectives of the Freeport.

3.4 Halton Council has signed up to the LCR Freeport Gateway Policy and will engage positively in the development of an MOU with Government and the Freeport Management Board

TIF allows Halton Borough Council (HBC) to invest in public infrastructure and other improvements in advance and anticipation of NNDR uplift receipts. HBC can then pay later for those investments. We can do so by capturing the future anticipated increase in NNDR revenues generated by the project.

3.5 **Freeport MOU**

The Retained Rates Strategy (RRS) is a core document of the LCR Freeport and referenced in the Memorandum of Understanding between LCR Freeport and Government. The Retained Rates Strategy sets out a response to the Government's requirements for the administration of retained rates across the three billing authorities of LCR Freeport – St Helens, Wirral and Halton Councils and the role of LCR Freeport Management Board, the LCR Combined Authority and Government.

3.6 **Changes in Business Rating System**

3.7 Government advice is that billing authorities will be compensated if there is any change to the business rates arrangements which reduces or eliminates income from business rates within tax sites.

3.8 The expectation is that each billing authority will borrow to invest in projects to accelerate the delivery of the LCR Freeport Tax Site and support the regeneration, innovation, skills, and net zero policy objectives with investments in their local areas. It is understood that the benefit of these projects and tax sites will be felt across LCR communities through the provision of employment and opportunity.

3.8 *Criteria for Nominated Projects*

The Government expects income from Business Rate Retention within the defined area growth to primarily be used to fund the following:

- *freeport operating costs (Starting with a commitment of £200,000 in 2024 / 2025). Note the first £50,000 of Retained*

Rates Fund is reserved for HBC (earmarked for feasibility works for the Port of Weston access road), £200,000 in 2024 / 2025 for Freeport but if the rates are not accrued this amount is not due,

- physical and/or digital infrastructure that will facilitate investment in the Freeport area,*
- land assembly and/or site remediation works that will facilitate investment in the Freeport area,*
- skills and workforce development,*
- innovation initiatives,*
- regeneration and/or the development of 'live work play' assets within the Freeport Travel to Work Area,*
- mitigating the displacement and/or negative externalities (e.g., additional traffic) associated with the Freeport,*
- activity in support of the Freeport's Net Zero ambitions;*

3.9 Initial outline of nominated projects

As part of the Outline Business Case, Full Business Case and Retained Rates Strategy the following projects have been suggested, however, from the initial gateway criteria for projects and will be subject to feasibility, value to the public purse and presentation of a full business , due diligence and subsidy control

- 1) Runcorn Station Quarter*
- 2) Halton Leisure Centre*
- 3) Ditton Railway Station*
- 4) Foundry Lane – 360 new homes*
- 5) Brindley Theatre Public Realm*
- 6) Fleet Replacement Diesel to Green energy*
- 7) Mersey Gateway Access to sites from Ashley Way*
- 8) Enterprise Centre Land*
- 9) Office Development Mersey Gateway*
- 10) Conversion of Runcorn Library to Health and Education Centre*

Further to the above the following can be considered for the scheme”.

- Contingency, in the event of devaluation, non-payment and voids*
- Delivery team costs, including Freeport Management Team and local authority functions in regeneration, delivery, finance, legal*
- Interest costs associated with borrowing to support investments*
- Transaction and other costs associated with investments in regeneration projects*

The final point above provides flexibility with the fund but this must “deliver regeneration, levelling up and the development of 'live work

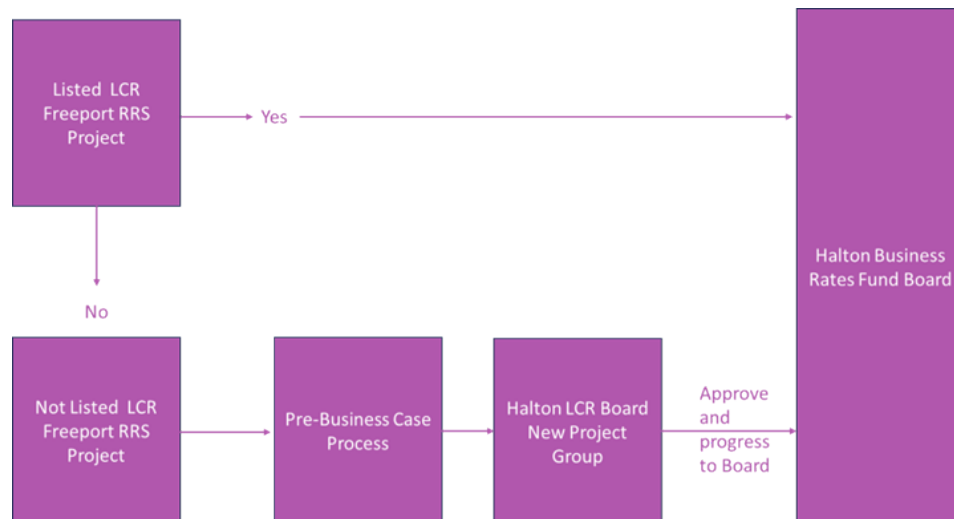
play' assets in Halton." Along with Halton objective d). (3.3 above)

Governance arrangements

3.10

Projects confirmed as 'in scope' will be managed by the billing authority. Projects will be invited to prepare a business case, proportional to the scale of the project, in line with requirements of the billing authority. LCR CA Assurance Framework provides a useful context for establishing investment by the public sector in future projects. "The business case and appraisal process will be determined and managed by each billing authority following the process agreed within each Retained rates Business Case, approved by the local Council." Each billing authority will set out its own governance process for the approval of funds allocated from retained rates.

The local billing authority will report to the Freeport Team – and directly to DLUHC – as required in the LCR Freeport Memorandum of Understanding.



Board Representatives

3.11

- a) *Local Officials: Halton officials who can provide insights into the community's development priorities and ensure that TIF aligns with broader goals. Namely:*
 - *OD Economy, Property, and Investment*
 - *Portfolio Holder Regeneration*
- b) *Economic Development Specialist: Specialist in economic development can offer guidance on how TIF funds can be effectively used to stimulate growth and create jobs.*
- c) *Regeneration and Business Growth Manager*
- d) *Community Representatives: Include community members who can represent the interests of residents and provide feedback*

on how TIF projects impact their neighbourhoods.

- e) *Portfolio Holder Regeneration*
- f) *Real Estate Professionals: Real estate experts can assist in evaluating property values, redevelopment opportunities, and the potential impact of TIF projects on property values.*
- g) *CA / SIF Investment Team*
- h) *Legal Counsel: Having legal expertise is crucial to ensure that all TIF-related activities comply with local laws and regulations.*
- i) *Legal Advisor HBC*
- j) *Accountants/Auditors: These professionals can oversee financial reporting and auditing of TIF funds to maintain transparency and accountability.*
- k) *OD Finance*
- l) *Urban Planners: Urban planning experts can help design and execute TIF projects that align with the community's long-term development plans: Local Plans Manager*
- m) *Business Representatives: Involve local business leaders who can provide input on how TIF can support business growth and expansion.*
- n) *Council Leader nominated Business Representative*
- o) *Natural England Representative*

The be Quorate, 1 of each category a, e and k must approve a business case.

6. *Process per project*

- a. *Projects listed go straight to a business case (See appendix 1)*
- b. *Projects not listed go through a gateway process first (See appendix2) then if successful to business case.*

7. *Monitoring Arrangements*

Each projects business case will have a Monitoring and Evaluation arrangements detailed.

- 8. *Appointed Auditors*
Internal / External auditors to be appointed to provide retrospective oversight.

4.0 POLICY IMPLICATIONS

- 4.1 Freeport is a stated priority of the Liverpool City Region and Halton Borough Council has agreed a Memorandum of Understanding with the Liverpool City Region Combined Authority, Central Government and Wirral and St Helen's Councils.

5.0 FINANCIAL IMPLICATIONS

- 5.1 The Halton Retained Business Rates Fund is an estimated £80

million scheme using retained NNDR income from the freeport boundary and this will net approximately £40 million of regeneration project income.

Projects will be awarded on a case by case basis once business rates income is understood.

- 5.2 As a general principle local authorities will not be able to borrow if there is a "more than negligible risk" of the council failing to repay its debt without government support.

Prior to approval of any scheme HBC will undertake a thorough due diligence process. Ensuring the cost of any borrowing is affordable from both the retained and future forecast of business rates within the Freeport area. Any additional external funding generated from other sources will also be taken into account.

The guidance further sets out the types of expenditure which PWLB borrowings should be used for. These are:

Service delivery

This is expenditure which forms part of the local authority's public service delivery. This includes areas such as transport, education and social care.

Housing

This includes expenditure on building new homes, maintaining existing homes and purchasing built homes to deliver housing services.

Regeneration

This is expenditure used to invest into assets to create new social and economic benefits. For example, investing in assets which are of value to the public but which the private sector does not see as commercially valuable.

Preventative action

This is expenditure that is used to provide support to companies or assets which without the additional funding would no longer be viable. This may be done to protect jobs or prevent economic and social decline in the area.

- 5.3 Initial estimates suggest that the 25 years (2046 to the lifetime end point) years Halton Retained Business Rates Fund rates retention period can support the delivery of the masterplan through approximately £40m of Tax Increment Financing.

The Council will establish an Investment Strategy and Rates Reinvestment Policy. The investment strategy will detail the priorities for delivery in line with the priorities mentioned under point 3.3.

6.0 **IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

6.1 **Children & Young People in Halton**

None

6.2 **Employment, Learning & Skills in Halton**

The Halton Retained Business Rates Fund will support the delivery a range of private and public sector projects aimed at improving employment opportunities.

6.3 **A Healthy Halton**

Providing additional opportunities for local people and providing access to local employment increases the potential for healthier living.

6.4 **A Safer Halton**

None

6.5 **Halton's Urban Renewal**

The Freeport Investment strategy and retained rates fund is a significant tool which could support a number of urban regeneration priorities in Halton over the next 23 years.

7.0 **RISK ANALYSIS**

7.1 Financial risks will be mitigated by ensuring that the income from NNDR is secured and an annual audit will be carried out with quarterly monitoring.

7.2 The TIF process has risks associated with it in terms of affordability of any borrowing but this would be managed through a due diligence process. The 23 years of the scheme means that the cost of borrowing could be spread over time.

8.0 **EQUALITY AND DIVERSITY ISSUES**

8.1 All facilities developed under the scheme will be fully accessible for all residents and businesses; as such, there are no equality and diversity issues.

9.0 **CLIMATE CHANGE IMPLICATIONS**

9.1 The project will deliver high quality projects in Halton to promote sustainable transport, waste management and recycling and accessible facilities in town centres. All projects will make best endeavours to ensure that materials are sustainably sourced.

9.2 *Physical buildings will be designed to the highest BREEAM standards*

10.0 **LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

None within the meaning of the Act.