

REPORT TITLE: Gloucestershire Business Rates Pool Update

Meeting Date	7 June 2024
Lead Officer	Andrew Cummings, Stroud District Council
Key Decision	No
Purpose of Report	<ol style="list-style-type: none"> 1. To update members of the committee on the outturn of the 2023/24 Business Rates Pool and the estimated balance of the SEDF; 2. To consider the anticipated position of the pool and SEDF balance for 2024/25
Recommendations	<p>The Committee:</p> <ol style="list-style-type: none"> 1. Note the forecast position of the Business Rates Pool and estimated balance for the SEDF 2. Approve the process for allocation of SEDF funding
Reasons for Recommendation	As set out in the report
Resource Implications	None
Background Documents	N/A
Statutory Authority	City Region Board
Divisional Councillor(s)	All
Officer	Name: Andrew Cummings Email: Andrew.cummings@stroud.gov.uk
Timeline	N/A

Background

1. The Gloucestershire Business Rates Pool (GBRP) was originally set up to maximise the business rates income retained within the county by implementing a 50% rates retention system. The resulting Strategic Economic Development Fund (SEDF) is allocated through a bidding process to support economic growth activity across Gloucestershire.
2. Gloucestershire continues to operate the GBRP and the last update report to the Gloucestershire Economic Growth Joint Committee (GEGJC) predicted there that there would be gain from the pool to the SEDF of £874k in 2023/24.

SEDF Governance and Decision-Making Process

3. A governance and project approval process for SEDF was established. This included eligibility criteria from which bids seeking funding are assessed with allocations agreed by all participants.
4. Up until the 1 April 2024 when the GFirst Local Enterprise Partnership was integrated into the County Council, SEDF was only accessible to principal stakeholders. These include Gloucestershire's seven local authorities and the GFirst LEP. Any bid for funding required a principal stakeholder to be project sponsor and act as the lead organisation for the bid.
5. Applicants seeking SEDF were required to complete an Expression of Interest template and submit this for consideration by the GEGJC Senior Officer Group (SOG). Each bid is assessed by SOG for its eligibility, prior to it being recommended to the GEGJC where a decision to approve it for funding or not its formally made by the committee.
6. Under the new arrangements for the Gloucestershire City Region Board (GCRB), outlined in the Inter Authority Agreement, the GCRB will assume the decision-making powers previously held by the GEGJC relating to any SEDF bids presented by the principal stakeholders for consideration/approval.
7. The first call on the annual SEDF pot, is to offset the administration costs of the GCR Board incurred by the Administering Authority. Any balance remaining thereafter will be for the GCRB to determine the allocation of in line with the priorities outlined in the Gloucestershire Economic Strategy (2024-2034).

SEDF Allocations/Projects

8. Appendix 1 provides an overview of the project balance of SEDF, and also the allocations/projects awarded SEDF since 2017.

Revised Strategic Approach and Project Approval Process

9. The GEGJC had previously considered and approved the eligibility criteria and project approval process for the assessment of bids to the SEDF.
10. At its meeting in May 2023, members welcomed the reported growth of the GBRP and SEDF, and asked Officers whether a more strategic approach could be taken when considering and allocating the SEDF. The fund currently operates an ad hoc approach – on a first come first served basis. Projects are not always strategic in nature which risks funding being allocated to projects that may not maximise economic benefit and growth to the county.

11. By developing a longer vision approach to assessing SEDF bids allows for more rigorous selection of projects that would provide long-term sustainable economic growth. This should be in line with the Gloucestershire Economic Strategy (2024-2034) and support the delivery of climate change commitments to de-carbonise.
12. Following the G First LEP integration of roles and functions into the County Council and the formation of the GCRB replacing GEGJC officers are seeking the following amendments to the SEDF bidding process. For information purposes only, the criteria considered at the past GEGJC meeting are included at Appendix B.
 - For the SOG to establish an internal process for 'calls for funding bids' for 2024/25. This would enable the GCRB to form a pipeline of projects to consider at any time.
 - SEDF will remain open to all organisations, but only Gloucestershire's seven Local Authorities in their capacity as Primary Stakeholders will be able to submit SEDF bids either as project sponsor or direct beneficiary.
 - SEDF bids must align with strategic priorities identified in the Gloucestershire Economic Strategy (2024 -2034).
 - To maximise the impact of the funding, projects need to demonstrate their reach and benefit to as many district/borough areas and local communities as possible.
 - Any SEDF bid will need to be able to clearly demonstrate the leverage and impact the proposed project would achieve towards economic and social value benefits and outcomes. Projects/bids that identify and secure other direct match funding will be viewed favourably.
 - Financial sustainability is an important factor, and any projects/bids would need to provide details as part of an exit strategy, to demonstrate how they will be financially sustainable once any SEDF award has been spent.
 - For those more commercially focussed projects, bids should demonstrate, the potential to recover a proportion of any SEDF awarded – use of a super profits clause (as per the Local Growth Deal funded contracts).
 - Any SEDF bid needs to establish a robust monitoring regime to assist with demonstrating value for money outcomes against envisaged benefits and outcomes. The scale of monitoring required will also be commensurate to the value of the funding sought/awarded. We would expect more monitoring of a £200k project, compared to a £20k project. Officers will amend the current application template and add an evaluation section for the applicant to complete that identifies SMART measures such as funding leverage, job creation/retention, number of beneficiaries, geographic areas that will be benefitted, climate change considerations/mitigation.
 - To retain the SEDF bid eligibility criteria process, but review the current guidance on the nature and type of projects that could be eligible for funding, and review and revise the existing assessment template including the criteria which translates bid assessments into a point system.

2023/24 Pool Outturn Position

13. All of the billing authorities have now completed their draft year-end business rate figures. These are subject to audit and the final pool position will then be confirmed by the Department for Levelling Up, Housing and Communities (DLUHC). All figures should be regarded as provisional until that point.
14. A revaluation taking effect from April 2023 affected business rates payable and tariffs and top ups for each council.
15. All authorities had higher retained rates than central government baselines resulting in an overall gain for the pool. The original baselines and the calculated retained growth for each authority are shown in the table below.

Table 1 – Business Rates Growth 2023/24

Authority	Baseline £m	Retained Rates £m	Growth £m	Growth (Previous Year) £m
Cheltenham	2.95	3.94	1.00	0.67
Cotswold	1.95	3.42	1.47	1.27
Forest of Dean	2.69	3.61	0.92	0.55
Gloucester	3.84	5.49	1.65	1.08
Stroud	2.56	5.03	2.47	1.29
Tewkesbury	1.92	2.87	0.95	1.78
Gloucestershire	78.60	82.81	4.21	3.39
Total Pool Growth	94.51	107.17	12.66	10.03

16. Retained rates are not the actual rates collected by authorities, but the final figures used in the levy/safety net calculations as set out in regulations by central government.
17. The retained rates figure for 2023/24 includes amounts of central government grant compensating authorities for business rate reductions granted to businesses by Government, including Retail Hospitality and Leisure Relief.
18. The pooling system allows the total growth to be combined and a pool levy to be calculated. In practice this means that a lower level of growth is returned to central government through the levy system than would otherwise have been the case. In 2023/24 the levy to be returned has been calculated as £4.40million as opposed to £8.45million which would have been returned without pooling.
19. This therefore creates a pool gain of £4.05million. This has been shared amongst the SEDF, County Council and District Councils in the following proportions as per the original pooling agreement.

Table 2 – Allocation of 2023/24 and 2022/23 Pool Gains

Distribution	2023/24 Outturn Estimate	Previous Year 2022/23 Outturn Confirmed
Strategic Economic Development Fund	£0.809m	£0.817m
District Councils	£2.590m	£2.615m
County Council	£0.648m	£0.654m
Total Pool Gain	£4.047m	£4.086m

20. The above table includes the pool gain for the previous year 2022/23 which was confirmed by DLUHC in March 2024.

Estimated 2024/25 Pool Position

21. As in previous years District Councils are carrying out monitoring of the in-year business rates position. This monitoring has been brought together to develop an estimated position for the Pool in this report.
22. Government grants will continue to reimburse authorities for retail, hospitality and leisure reliefs awarded, which will ensure no financial impact on the pool. Government grants are also in place where transitional protection or small business rate relief are in place to protect businesses against significant rate increases arising from the revaluation.
23. Districts will continue to monitor where businesses have closed, as reimbursement grant is then no longer received from central government, and also the levels in arrears and uncollectable debts. These rates would be lost both from the individual authority and of course the pool gain.
24. The initial forecast of rates income for the current year shows an estimated pool gain of £4.646million. This will be monitored and reported throughout the year. The distribution of this estimated benefit is set out in the table below.

Table 3 – Estimated Pool Gain in 2024/25

Distribution	24/25 For eca st
Strategic Economic Development Fund	£0.929m
District Councils	£2.974m
County Council	£0.744m
Total Pool Gain	£4.647m

25. This gain is subject to significant potential fluctuation and therefore should not be factored into any resource allocation decisions at this point.
26. Appendix A shows the current projected position of the SEDF and current allocations.

Future of the Business Rates Pool/SEDF

27. As has previously been reported to this Committee, the long-term future of the Pool is dependent on potential government reforms to both business rates as a taxation system and the wider system of local government funding.
28. As set out in this report the pool continues to generate considerable additional sums for Gloucestershire authorities. If there was no pool in place then the sum of £4.047million in Table 2 would be returned by billing authorities to Central Government and lost to the County as a whole. Also, the considerable growth above the original 2013 baselines for business rates pooling mean that the pool has minimal risk at this point. There would have to be an extremely sizeable reduction in business rates collected across the County to create the situation of a pool deficit.
29. In 2023 the Section 151 Officers Group briefly discussed the options around Pooling and the clear consensus view was that until such times as there is a wider reform of local government funding, the pool should continue.
30. At such point as changes are made to any process for polling this will be considered by the Section 151 Officers Group and the City Region Board advised as necessary.

Risk Assessment

30. Risks remain around the level of business rates income and arrears. This is mitigated by the current high level of estimated pool gain which is likely to be enough to absorb any future reductions in rates income without putting the pool into deficit.

Financial implications

31. There are no direct financial implications from this report. The financial implications of any bids would be considered during the allocation process.

Climate change and ecological implications

32. The climate change and ecological implications of any bids would be considered during the allocation process.

Equality implications

33. There are no equalities considerations associated with this decision. It is purely a financial consideration.

Data Protection Impact Assessment (DPIA) implications

34. There are no DPIA considerations associated with this decision.

Social value implications

35. The social value implications of any bids would be considered during the allocation process.

Consultation feedback

36. Each of the Business Rates Pool members has been consulted about this report.

Officer recommendations

37. It is recommended that the City Region Board
 1. Note the forecast position of the Business Rates Pool and estimated balance for the SEDF
 2. Approve the process for allocation of SEDF funding

Performance management/follow-up

38. Further update reports on the current position and future outlook of the pool will be presented to this committee.

Projected Balance of the SEDF

SEDF Funding	(£'000)
Opening balance	336
Pilot/pool gain:	
2017/18	828
2018/19	3,438
2019/20	971
2020/21	713
2021/22	632
2022/23	817
2023/24 (estimated)	809
Total funding	8,544
Total allocations	6,999
Unallocated funding held in SEDF reserve	1,545
Future indicative pool gain:	
2024/25	929
Potential available funding (subject to future gains)	2,474

Allocations	Decision Date	Total Allocation	Spend to Mar 24	Remaining Funding (held in reserve)
Operating Costs for Joint Committee	Nov 17	24	19	6
LEP Core Funding (Match)	Nov 17/ Feb 20/ Mar 23	1,500	1,500	0
LEP/LA Inward Investment Programme (EU Match)	Nov 17	75	75	0
J.10 Business Case Commission (contribution)	Nov 18	275	275	0
Economic Intelligence Data Commissioning Fund	Nov 18	50	0	50
Rail Investment Strategy	Sept 19	70	32	38
LNP Capital Mapping	Feb 20	40	40	0
Cyber Central	Nov 19/ Jan 21	400	380	20
City Region Board	Jun 20	2,000	1,309	691
Strategic Plan for Growth	Jun 21	1,800	1,455	345
Cirencester- Kemble transport	Nov 21	65	0	65
Made in Gloucestershire Initiative	Mar 22	150	150	0
Low Carbon Training Centre	May 22	450	225	225
Royal Agricultural University's Innovation Village Project	May 22	100	100	0
Total		6,999	5,560	1,439
Unallocated funding (excluding indicative future gains)				1,545
Total held in reserve				2,984

Notes: SEDF balance held and accounted for by Gloucestershire County Council

Previous SEDF Approach (GEGJC March 2019) – For information

Eligibility Criteria and SEDF Application and Assessment Process:

- Any project/request needs to have a significant strategic economic growth focus, and can clearly demonstrate the economic benefits and contribution it is likely to make in supporting the delivery of growth of the local economy and communities;
- SEDF is revenue funding, so will be available to support a range of initiatives and projects such as direct support for economic growth projects, partnership support, enabling commissions of economic research, intelligence, feasibility studies and providing pump priming funding contributions or essential leverage to support the delivery of broader local economic projects/programmes.
- Access to the fund is for the principle stakeholders only - the Local Authorities and Local Economic Partnership and any project or funding request will need to have a clearly identified sponsoring lead organisation/contact
- Any initial ideas/proposals will need to complete an Expression of Interest template, to be submitted for consideration by the GEGJC Senior Officers Group, at a relevant meeting. This mirrors the same approach adopted for consideration of new projects for the Gloucestershire Capital Investment Pipeline (CIP).

Decision/Approval of Funding:

- Projects will be prioritised which require one off, or fixed term funding • The Committee may require a formal agreement and/or apply binding conditions to any approved funding, to which the applicant body will be required to agree prior to any release of funding
- Any project requests considered appropriate and supported by the GEGJC Senior Officer Group, for funding consideration by the Joint Committee, will be incorporated into the papers for the next meeting, as part of the Business Rates Pool Report. Where appropriate, officers will make comments on the validity and priority of the bid against other potential commitments, for Members to consider. In addition, it is acknowledged that formal application requests for funding consideration may be made by Local Authority Members direct to the Joint Committee, where justified.
- Any approved funding requests will be subject to the confirmation of sufficient funds being available in the SEDF pot, during the relevant financial year, by the Council CFOs.