

GLOUCESTERSHIRE BUSINESS RATES POOL MID-YEAR UPDATE

Meeting	Gloucestershire Economic Growth Joint Committee, June 2020
Report author	Andrew Cummings – Strategic Director of Resources Stroud District Council Email: andrew.cummings@stroud.gov.uk
Background documents	Report to GEGJC November 2019
Location/Contact for inspection of background documents	N/A
Main consultees	Gloucestershire Chief Financial Officers
Planned dates	N/A
Purpose of report	<ol style="list-style-type: none"> 1. To update members of the committee on the forecast outturn of the 2019/20 Business Rates Pool and the estimated balance of the SEDF; and 2. To make a recommendation for an allocation of £2 million to be set aside within SEDF to fund the work of the newly configured Gloucestershire City Region Board as requested by Leadership Gloucestershire.
Recommendations	<p>The Committee:</p> <ol style="list-style-type: none"> 1. Note the forecast outturn of the Business Rates Pool for 2019/20 and estimated balance for the SEDF and 2. Set aside an allocation of £2million within the SEDF to be available solely for the Gloucestershire City Region Board and that release of this funding is subject to further reports to this committee on a project by project basis <p>And subject to 2;</p> <ol style="list-style-type: none"> 3. To approve a recommendation from the GEGJC Senior Officer Group to drawdown £410,000, (from the approved SEDF ring-fenced funding allocation allocated to the Central Gloucestershire City Regional Board), to support the commissioning of a Multi-Modal Brief. Appendix A sets out further details.
Reasons for recommendations	To update the Committee on the forecast for the Business Rates Pool
Resource Implications	There are no resource implications to implementing this recommendation.

Background

1. After the end of the Business Rates Pilot Gloucestershire is again operating as a pool, including all of the Districts.
2. The last update report to this Committee predicted that there would be a gain from the pool to the Strategic Economic Development Fund (SEDF) of £720k in 2019/20 as part of a total pool benefit of £3.6m.
3. In October 2018 Leadership Gloucestershire established three Boards to help deliver the eight ambitions of Gloucestershire Vision 2050. The three boards are:
 - Severn Vale
 - Rural Ambitions
 - Central Gloucestershire City Region
4. In recent weeks there has been discussion at this Committee and at Leadership Gloucestershire in respect of the provision of funding for the three boards from the SEDF. At its meeting on 5 March 2020, Leadership Gloucestershire agreed that the three boards should be merged in to a single Gloucestershire City Region Board serving the whole of the county.
5. The detailed governance arrangements for the new partnership board are to be developed and reported to the next meeting of Leadership Gloucestershire for consideration. This work will include setting out how the new board will work with existing bodies and partnerships such as this committee and what, if any, other partnerships this new board might replace in the interest of efficiency and avoidance of duplication.

The New Gloucestershire City Region Board and Funding Allocation Proposal

6. The overall aims of the new Board will be to develop and deliver a vision for the future growth economic success of the whole the Gloucestershire economic area while taking into account climate change and related transport challenges.
7. Leadership Gloucestershire considered a range of potential projects for the new board which would require substantial funding. This initial list is provided with estimated costs as follows:

Evidence based deficit and feasibility/business cases – not yet funded:

1. Countywide land availability study – future sites - £250k
2. Countywide employment land availability study – existing sites only - £100k
3. Countywide energy availability assessment including renewable energy - £100k
4. Countywide education assessment study - £50k
5. Countywide health assessment study - £50k
6. Countywide waste assessment study - £50k
7. Upper catchment flood risk improvement plan - £100k
8. Countywide multi-modal transport model build and scenario testing - £600k
9. Cross boundary support for M5 J14 feasibility study - £100k
10. Strategic outline business case development for strategic bus priority measures - £200k
11. Strategic outline business case for strategic cycle priority measures - £200k
12. Viability study for providing reduced or free bus passenger transfer within central area - £50k

13. New development design standard - £100k

14. Outline business case for mass rapid transport corridor - £3m

8. The list, excluding the last item, which would need to be dealt with separately totals £1.95 million. Although the list will need to be worked up in more detail and some of the items may need to be met from the budgets of partner organisations or government agencies, it is clear that the work of the board will require the availability of substantial funding.
9. Leadership Gloucestershire resolved that this committee should be requested to set aside an allocation of £2million within the SEDF to be available solely for the Gloucestershire City Region Board. Release of funding from within the set aside allocation will be subject to further reports on a project by project basis.
10. The £2 million included as an allocation does not include the officer time to support this significant piece of work. As the scale of the work becomes clearer officer time may be needed to co-ordinate and if necessary it will be included in future draw down requests to this committee.
11. The Senior Officer Group considered this matter on 5 March 2020 and concluded that the overall aims of the new Gloucestershire City Region Board will substantially benefit the overall economy and success of the whole county and the work of the board will require funding at this level.
12. The Senior Officer Group therefore fully supports the Leadership Gloucestershire proposal. The figures given in the financial forecast that follows and in Appendix B include the £2million allocation.

Drawdown 1 – Funding for Multi Modal Transport Brief

13. If approved by Committee the first drawdown required from the £2 million will be £410k for the multi-modal brief. The following paragraphs set out the need for such a study and the funding template is included at Appendix A.
14. Gloucestershire is seeing significant population growth and housing demand and will experience even more growth through additional development land allocations set to be made through emerging Local Plans. It is clear, that this level of growth will require significant master planning activities to set out the broad ambitious growth aims and priorities which can be used to guide the development of future spatial and strategic plans. To drive forward this agenda, Leadership Gloucestershire has proposed that a Gloucestershire City Region Board is established. However, the work of this Board and of any future master planning activities in Gloucestershire can only be successful if it is supported by high quality, data led, evidence.
15. At the heart of all spatial planning activities has to be consideration of the necessary transport infrastructure. Furthermore, there are additional challenges including the urgency of reducing CO2 emissions to combat climate change and the need for a more inclusive transport system. Addressing these challenges and accommodating additional growth can only be achieved through modal shift away from private car use to more sustainable modes, including walking, cycling and Public Transport. However, at present Gloucestershire is unable to fully assess the impacts of investment in major public transport schemes, or model the (transport) sustainability of potential

development sites, because Gloucestershire County Council’s highway base transport model has only limited ability to model sustainable modes of transport. An up to date Highways model and a Multi-Modal Model will be needed to assess development impacts of future local plan growth and potential sustainable mitigation measures, thus driving forward and providing crucial evidence for, the work of the Gloucestershire City Region Board.

Financial Forecast – Business Rates Pool

16. The final gain to the SEDF of the 2018/19 100% Business Rates Pilot has now been confirmed at £3.438 million and this is reflected in the table at Appendix B.
17. The Covid-19 pandemic will clearly have a fundamental impact on the economy within the County and therefore the level of business rates collected. As the government restrictions came in place at the end of March 2020 there will probably be minimal impact on actual collection the 2019/20 year. Where there may be a reduction in growth in 2019/20 is through the likelihood of billing authorities increasing provisions to anticipate losses in future years.
18. There has been a significant positive change in relation to the business rates position at Tewkesbury Borough Council during the last quarter. This has seen the authority become able to release provisions previously set aside to cover appeal losses. The release of these provisions sees a significant boost to the position of both Tewkesbury and the pool. This major boost is a one off event.
19. Based upon the new positions an estimated pool gain of £4.5 million is now anticipated of which £900k will pass to the SEDF. This should be viewed with some caution until figures are confirmed as clearly the year end process for 2019/20 could see changes (see para 14). The pandemic has changed the deadlines for such work and authorities now have until the end of November 2020 for the publication of final accounts
20. The distribution of the pool benefit, which is based on the previously agreed methodology, is set out in the table below.

Distribution	19/20 forecast Outturn
Strategic Economic Development Fund (as administered by GEGJC)	£900k
District Councils	£2.879m
County Council	£719k
Total Pool Gain	£4.498m

21. The gain in future years is far from certain and must be regarded as such. The long term impact of Covid-19 on collected rates is not known at this stage. An anticipated gain for 2020/21 has been included, with a reduction of 20% of the previously estimated figure. This is currently £578k but is subject to significant fluctuation.

Future of the Business Rates Pool

22. It has now been confirmed that the Business Rates Pool will continue into 2020/21 with Stroud DC acting as the lead body. This will generate one further year of gain for the SEDF in 2020/21, currently uncertainly estimated at £578k as discussed in paragraph 18. The uncertainty around this figure mean that caution should be exercised if using this balance as part of any funding allocation.
23. It has previously been reported that the legal case by NHS foundation Trusts was a risk to the funding of the pool. In December 2019 the High Court ruled that NHS Trusts and Foundation Trusts are not eligible for business rates relief which appears to eliminate that risk. It is understood that NHS Trusts may be seeking leave to appeal. Updates will be provided in future reports.

Risk Assessment

24. As always there is a risk to the business rates pool in 2019/20 from the settling of backdated appeals. The issue of NHS Trusts requesting charitable status remains the most significant financial risk to the pool and pool members.

Officer Advice

25. No officer advice required

Equalities considerations

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

Consultation feedback

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

Performance Management/follow-up

28. The final position of the Business Rates Pool for 2019/20 will be reported after the end of the audit process.

Projected Balance of the SEDF

	GEGJC Decision Date	2018/19 (£'000)	2019/20 (£'000)	2020/21 (£'000)	2021/22 (£'000)
Item					
Funding					
SEDF Balance b/f		336	3,972	4,377	2,605
2017/18 Pool (confirmed)		828			
2018/19 Pilot Gain (confirmed)		3,438			
Pool Gain (indicative)			900	578	0
SEDF Funding		4,602	4,872	4,955	2,605
Allocations					
Operating Costs for Joint Committee	Nov 17	(5)	(5)	(5)	(5)
LEP Core Funding (Match)	Nov 17/Feb 20	(250)	(250)	(250)	(250)
			0	0	0
LEP/LA Inward Investment Programme (EU Match)	Nov 17	(75)	0	0	0
J.10 Business Case Commission (contribution)	Nov 18	(275)	0	0	0
Economic Intelligence Data Commissioning Fund	Nov 18	(25)	0	(25)	0
Rail Investment Strategy	Sept 19	0	0	(70)	0
LNP Capital Mapping	Feb 20		(40)	0	0
Cyber Central	Nov 19		(200)	0	0
City Region Board			0	(2,000)	0
Total Allocations		(630)	(495)	(2,350)	(255)
SEDF Balance c/f		3,972	4,377	2,605	2,350

Notes

- SEDF balance held and accounted for by Gloucestershire County Council