



**REPORT TITLE: Gloucestershire Business Rates Pool Update**

<b>Scrutiny meeting</b>	Gloucestershire Economic Growth Joint Committee, September 2023
<b>Chair</b>	
<b>Presenting Officer</b>	Andrew Cummings - Strategic Director of Resources, Stroud District Council
<b>Item Type</b>	<i>Information</i>
<b>Purpose of Report</b>	1. To consider the anticipated position of the pool and SEDF balance for 2023/24, and consider the implementation of new guidelines for approving SEDF bids.
<b>Recommendations/ Action sought</b>	The Committee: 1. Note the forecast position of the Business Rates Pool and estimated balance for the SEDF 2. Agree the SEDF Revised Strategic Approach and proposed change to Project Approval Process
<b>Forthcoming Decisions</b>	N/A
<b>Background Documents</b>	N/A
<b>Appendices</b>	A – Projected Balance of the SEDF
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**Background**

1. Gloucestershire continues to operate a business rates pool under the 50% rates retention system. This pooling generates a saving in the levy returned to Central Government which is then distributed amongst Gloucestershire authorities.
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 £910k in 2023/24 as part of a total benefit from pooling of £4.549 million.

## 2023/24 Forecasts

3. 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.
4. 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.
5. 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.
6. The latest forecast of rates income for the current year shows an estimated pool gain of £4.369, a small reduction from the initial forecast of £4.549million. This will be monitored and reported throughout the year. The distribution of this estimated benefit is set out in the table below.

**Table 1 – Estimated Pool Gain in 2023/24**

<b>Distribution</b>	<b>23/24 Forecast</b>
Strategic Economic Development Fund (as administered by GEGJC)	£0.874m
District Councils	£2.796m
County Council	£0.699m
<b>Total Pool Gain</b>	<b>£4.369m</b>

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

## Future of the Business Rates Pool/SEDF

9. 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.
10. On September 6<sup>th</sup> the Department for Levelling Up, Housing and Communities wrote to all Local Authorities asking them to set out their intentions with regards to Business Rates Pooling for the 2023/24 year. The options for the Gloucestershire Pool are either to continue with the current arrangements or revoke the pooling agreement.
11. 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 £4.369

million in Table 1 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.

12. The Section 151 Officers Group have 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. Therefore, as Pool Lead, Stroud District Council will submit a return on behalf of Gloucestershire indicating our intention to continue.
13. At such point that the GEGJC is replaced by a successor body the renewal of the Memorandum of Understanding for the Pool should be considered. The original document remains functional but a timely refresh to ensure that the contents reflect the current situation would likely benefit all parties.

### **SEDF Revised Strategic Approach and proposed change to Project Approval Process in considering areas of investment**

14. The Joint Committee had previously considered and approved the eligibility criteria and project approval process for the assessment of any future funding bids to/awards from the Strategic Economic Development Fund in November 2018.
15. At the last meeting of the Joint Committee, members welcomed the reported growth of the Business Rates Pool and fund, and asked whether a more strategic approach could be taken when considering and allocating SEDF funding. 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.
16. At present, each SEDF bid receives an assessment of the Senior Officer Group prior to being recommended to GEGJC for discussion and decision. By taking a more piecemeal approach and assessing every bid in isolation limits the extent to which both the officer group and any decision making committee can look at bids together to compare and assess which bids may offer the best strategic fit for the County as a whole.
17. By developing a longer vision and a portfolio approach to assessing funding bids in the pipeline allows for more rigorous selection of projects that would deliver and add value in supporting the growth of the local economy.
18. Officers agreed on the need for a more strategic approach, and had already held discussions on how best to understand the pipeline of upcoming bids and any requests for locality match for external funds to allow for smarter/better decision making. Members felt it important to establish a new strategic process in advance of the inauguration of the City Region Board. It was suggested that this strategic approach could be lined up with the Economic Dashboard data and the emerging Countywide Economic Strategy. SOG were asked to prepare a report on developing

a more strategic approach for the SEDF funding pipeline for the meeting in September.

19. Having reviewed and considered the current process, Officers have made the following recommended amendment and changes for consideration and approval by members, subject to agreement, these will be implemented to align with the establishment of the new City Region Board:

- To establish two calls for funding bids in a financial year – for 2023/24. These are currently proposed as November 2023 and April 2024. This will enable the Senior Officer Group and City Region Board to have a pipeline of projects to consider at any time.
- The Fund to remain open to other partners and organisations, as well as all the Local Authority Partners, and LEP successor. Any potential bids will still need to have a Local Authority or LEP successor project sponsor in order for it to be submitted and considered.
- Strategic Alignment/Fit – important that any funding requests align with strategic priorities, as the basis for filtering those bids that can be considered and assessment through the SEDF process. SOG recommend using the strategic priorities in the emerging County Economic Strategy.
- To maximise the impact of the funding, projects need to demonstrate their reach and benefit to as many districts/areas and local communities as possible.
- Projects/bids will need to be able to demonstrate clearly the leverage and impact that any SEDF funding would achieve in particular the economic & social benefits and outcomes. Projects/bids that identify/secure other direct match funding will be viewed favourably.
- Financial sustainability is an important factor, and any projects or bids would need to provide details as part of an exit strategy, to show how they will be financially sustainable once any SEDF funding awarded has been spent.
- For those more commercially focussed projects, to consider on a case by case basis, the potential to recover a proportion of any SEDF awarded – use of a super profits clause (as per Local Growth Deal funded contracts).
- To establish a more robust monitoring regime to assist with the testing of the value for money, and demonstrating the added value and impacts against envisaged benefits and outcomes. This would also assist officers with spotting worthy proposals and bids for future consideration. 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 Expression of Interest form, and add an evaluation section for applicant to complete that identifies SMART measures such as amount of public/private sector leverage,

job creation/retention, number of beneficiaries, geographic areas that have benefitted.

- To retain the current eligibility criteria, and officers to review the current guidance on the nature and type of projects that could be eligible for funding, and review and revise the current assessment template including the criteria, which translates into a point system.
- To investigate and put in place a light touch independent/external appraisal for any project that makes through the initial pipeline shift process, for consideration for funding by the SOG and City Region Board. This approach has been in place previously for the LEP Growth Deal and Get Britain Building Fund, as well as the GIIF loan funding.

### **Risk Assessment**

18. Significant risks remain around the level of business rates income and arrears in the pandemic recovery. 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.

### **Officer Advice**

19. No officer advice required

### **Equalities considerations**

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

### **Consultation feedback**

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

### **Performance Management/follow-up**

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

## Projected Balance of the SEDF

<b>SEDF Funding</b>	<b>(£'000)</b>
Opening balance	336
Pilot/pool gain:	
2017/18	828
2018/19	3,438
2019/20	971
2020/21	713
2021/22	632
2022/23 (indicative)	713
<b>Total funding</b>	<b>7,631</b>
Total allocations	6,999
<b>Unallocated funding held in SEDF reserve</b>	<b>632</b>
Future indicative pool gain:	
2023/24	874
2024/25	
Potential available funding (subject to future gains)	1,506

<b>Allocations</b>	<b>GEGJC Decision Date</b>	<b>Total Allocation</b>	<b>Spend to July 23</b>	<b>Remaining Funding (held in reserve)</b>
Operating Costs for Joint Committee	Nov 17	24	19	6
LEP Core Funding (Match)	Nov 17/ Feb 20/ Mar 23	1,500	1,375	125
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	1,260	740
Strategic Plan for Growth	Jun 21	1,800	1,450	350
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
<b>Total</b>		<b>6,999</b>	<b>5,381</b>	<b>1,618</b>
Unallocated funding (excluding indicative future gains)				632
<b>Total held in reserve</b>				<b>2,250</b>

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