SUFFOLK SHARED AMBITION
FOR
INCLUSIVE GROWTH

PROPOSAL FOR
A 100% BUSINESS RATES RETENTION PILOT IN 2018/19

SUFFOLK'S COMMITMENT TO BECOMING A BUSINESS RATES RETENTION PILOT IN 2018-19

Building on their existing, successful Business Rates pool, all Suffolk councils have developed this proposal to become a 100% Business Rates Retention pilot for 2018-19. It incorporates learning from operating its pool as well as wider learning from Suffolk's collaborative approaches and system wide leadership. As such, this proposal is signed by all council Leaders, Chief Executives, and Section 151 Officers (Appendix A).
Becoming a pilot would provide the opportunity to test further innovative and joined up approaches across councils and the wider public sector to promote financial stability and sustainability and progress an ambitious agenda for inclusive growth.

Suffolk's shared ambition

Suffolk is an economic success, on an international trade route and attracting global businesses important for the local and UK's economy. The area has a connected economy covering urban, rural and coastal communities, with key sectors, geographic clusters and growth corridors. Suffolk's economy contains interconnected, functional economic clusters. In the West, with advanced manufacturing businesses and Newmarket, the home of horseracing, Suffolk has strong links to Cambridgeshire, the new Mayoral Combined Authority and emerging Cambridge-Milton Keynes-Oxford corridor. In the East, Suffolk has the energy coast with nationally significant wind, offshore engineering, renewables and Sizewell nuclear energy plant and international gateways at Felixstowe (the UK's busiest container port), Lowestoft and Ipswich ports. These features sit alongside the major town of Ipswich – a key driver for growth in Suffolk - with the UK's newest University at its iconic Waterfront, a diverse cultural population and rich heritage, Ipswich is also a key transport hub. Central Suffolk boasts a strong agricultural sector, including innovation in agri-tech and life sciences. These economic clusters come together to form a coterminous strategic economic area.

Suffolk public services have long recognised the importance of this network and the need for innovative close working to invest in and meet challenges that stretch across geographical boundaries. Equally all partners recognise the importance of tailored and local based responses to support communities and countywide outcomes such as managing growth, boosting the economy, improving health and meeting housing need. This targeted approach helps create the right stimulus for increased jobs, wellbeing and stronger communities which in turn means meeting local and national needs and was the basis for our original 'Devolution' submission.

It is, therefore, vital our economy has a place based approach, nuanced in understanding how best to unlock growth and combined with strategic strength. Within these are a mix of large employers (e.g.: Hutchinson Whampoa and ABP Ports, BT, Axa and Willis insurers) and SMEs. Our shared evidence base has demonstrated that Suffolk is a high employment but relatively low wage, low skill economy and therefore, with lower productivity (GVA) and some concentrated areas of low social mobility.

Suffolk has a shared ambition for **inclusive growth** – growth that benefits as many local people as possible. Thriving economies and thriving communities are mutually supporting. This principle underpins Suffolk's approach to encouraging growth but also, creating sustainable public services through early intervention and prevention as well as helping people and communities to become as independent as possible. This is demonstrated in the following continuum diagram:

Suffolk's Model for 100% Business Rates Retention

Suffolk's public services already operate a business rate pool but we believe that the 100% Business Rates Retention enables us the opportunity to introduce an innovative scheme to meet national aims and deliver local benefits. We believe we would be the first area to introduce a place based model which would provide local tailored solutions to meet global issues around growth, jobs and health. The Government would be backing a scheme that would knit public services closer together, remove silo working and tackle issues with communities to deliver real economic benefits for Suffolk and UK PLC.

One size does not fit all and this new scheme would see County, District or Borough councils being able to more effectively use local data and joint investment and decision making to drive improvements and meet system wide demands.

Since 2013, a key objective of Suffolk's existing Business Rates Pool (Appendix B contains the current Policy Agreement) has been to use additional resources from growth in the business rates yield to benefit our communities.

The Suffolk proposal is to operate the current pooling arrangements for the first 50% of Business Rates currently retained. Analysis and modelling undertaken by Suffolk's Chief Finance Officers demonstrates this approach will promote financial stability and sustainability, and would also provide sufficient assurance that the absence of a 'no detriment' clause could be mitigated. This is considered to be a flexible, local, solution to both this issue and the issue of tier splits, providing an additional "no detriment" test incorporating the benefits of the existing pool. The current pool arrangements promote the sustainability of Suffolk County Council - it is estimated that Suffolk County Council will receive around 27% of the current retention amount - and already provide the opportunity to spend on inclusive growth initiatives linking back to our shared ambition.

Under current 50% pooling arrangements, Suffolk Public Sector Leaders (SPSL) receive a share of the Business Rates pool that can be invested in shared priorities to unlock growth, enhance health and wellbeing and promote sustainable public finances. This approach has created opportunities for SPSL to collaborate and tackle issues in a combination of strategic and place based initiatives across Suffolk. This approach has to date enabled them to invest in work with schools, young people and families the most deprived areas of Suffolk to improve social mobility and life chances through the county; invest in cross authority planning technician apprenticeships to build skills and capacity across the County; work with GP surgeries to integrate an employment and skills service within social prescribing helping people develop their skills and become more 'work ready'. . It has also funded feasibility studies underpinning future works including Ipswich Northern Routes, Transport Modelling on the A14 and the Development of the A11 Growth Corridor, as well as a study to develop a non-statutory spatial plan for Suffolk linking infrastructure and housing growth.

Building on our existing success and to best reflect Suffolk's economy and therefore, maximise potential of the 100% BRR pool, we are proposing an **Inclusive Growth** place based distribution for the remaining 50% retained Business Rates. This will be divided across the interconnected functional economic areas as: West Suffolk, East Suffolk, Ipswich and Central Suffolk based on **growth** and **population**. To ensure connectivity and strategic opportunities are maximised, decision making for these allocations will retain a countywide perspective (and where relevant beyond).

By combining a strategic and place based approach that reflects local functional economic areas and local need this model provides an innovative, coherent, holistic and robust means for maximising growth that also engenders financial stability and sustainability. An example might be if a shortage of teachers is evidenced in West Suffolk, the district, borough and county councils decide to use that allocation to build housing that attracts those key workers.

Proposals for Growth

Suffolk responded to the Industrial Strategy Green Paper with a clear, joined up vision for inclusive growth from across the public sector and businesses. This approach has also influenced the LEPs' revised economic strategies and development of Suffolk's Strategic Approach to Economic Growth and Growth Delivery Plan.

This shared ambition is supported by clarity for action. Working with New Anglia LEP, we have developed a mechanism for prioritising infrastructure projects to unlock growth and have a pipeline of infrastructure projects (reflected in the Delivery Plan's infrastructure theme). In addition to investing in projects to unlock growth such as: developing the Cambridge Norwich Tech Corridor joining world leading technology clusters across East Anglia, Suffolk, Leaders have also invested £1 million of its Business Rates pool share to unlock growth.

Suffolk is an ambitious County and we want to invest further in unlocking Suffolk's economic potential, whether infrastructure, housing, key sectors such as ICT and digital, ports and logistics and agri-tech or skills. Priority programmes to further unlock growth include:

a) Next steps to deliver the Ipswich northern route – infrastructure that would promote further local investment, creating opportunities for growth, improving east-west links across Ipswich by reducing travel time, facilitating housing and employment growth and improving reliability of the Strategic Route Network, including the A14 Orwell Bridge.
b) Investing infrastructure to unlock the development of key sites such as Mildenhall in West Suffolk – that would deliver new housing, jobs and business opportunities.
c) Investing in Adastral Park to establish the UK's Future Networks Research Centre – a world class collaborative research centre for the development, integration and deployment of key technologies to support the world's leading digital infrastructure.
d) Investing in attracting, retaining and re-training skills across ages – building on success such as: MyGo, delivering the Youth Pledge, establishing an Institute of Technology, skills plans for key sectors of Suffolk's economy and apprenticeships Suffolk.

Governance Arrangements

The proposed Governance Agreement for the Pilot is attached as Appendix C. This is based on the existing pool Policy Agreement, but reflecting the 100% Business Rates Retention position and the proposal to use the additional business rates income on a place based growth and population basis as shown in the Financial Case attached as Appendix D.

Suffolk Public Sector Leaders have worked within their council's constitutional arrangements to operate as a quasi combined authority, taking strategic decisions on significant issues across Suffolk, including use of their share of the existing pool. To maintain coherent, strategic decision making that is locally informed and appropriate, the Inclusive Growth based allocations for the additional 50% retained Business Rates will be decided by those Leaders with a remit in that geography. This means that the County

Council will be involved in decision for each of the allocations thus providing a holistic, strategic perspective as well as the local to the use of the funding. The decision making authority will flow through councils' constitutional delegations. This is the existing arrangement for the share of pool currently allocated to our public sector Leaders. All spending plans and details will be reported to Suffolk Public Sector Leaders (SPSL) prior to the start of the 2018/19 financial year. In the unlikely event that agreement cannot be reached, any unspent money in the pool will be divided 75% to the District/Borough councils and 25% to Suffolk County Council and the relevant authority will still report its planned expenditure to SPSL by the end of June 2018.

We would want any positive end balances from the pilot to be invested to best effect and therefore, be absorbed into future pooling arrangements. If that were not possible, we would look to share this additional funding similar to the 75% (district/borough): 25% (County Council) split.

The Pilot would operate on the basis of enhanced management of risk; financial sustainability of the participating authorities; and enabling sustainable growth that will in turn, generates further increases in Business Rates income.

Piloting 100% Business Rates Retention would build on existing joint work between Chief Finance Officers to improve joined up data quality, modelling and forecasting. In addition to providing better intelligence on Business Rates and other local income, this also enables more efficient use of resource and coherent joint medium term financial planning.

Suffolk Business Rates Base and "No detriment" clause

This proposal has been prepared on the basis that Suffolk would be willing to accept pilot status for 100% Business Rates Retention in the absence of a "no detriment" clause.

The overall Suffolk Business Rates base provides a firm foundation for Suffolk to operate as a Pilot. The amount of business rates collected by the Suffolk authorities has exceeded the baseline amounts set by DCLG for each year of the scheme to date (2013/14 to 2016/17) and is forecast to do so for the years 2017/18 and 2018/19. In 2018/19, the total value of business rates income in Suffolk is estimated to be £267m.
However, we note and welcome the fact that DCLG has now confirmed that the 'no detriment' clause will apply to all business rates pilots agreed for the 2018/19 cohort, which in practice means that there will be a guarantee that authorities will not be worse off as a result of participating in the pilot.

An additional layer of protection from detriment for individual authorities is provided by proposing to increase the existing provision for Safety Net by £1m to mitigate against any unforeseen reductions in the business rate income.

Local authority leaders are keen to test alternative means of funding as part of their ambition for greater local autonomy and sustainable 21st century public services, and therefore, the opportunity to help inform Government on how this could be implemented.

However, it should be highlighted that Business Rates Retention remains only part of the solution to sustainable and stable public sector finance. Whilst Suffolk is keen to test how the system might work, it would want to consider wider implications of Government's approach to the Fairer Funding Review. This would be in addition, to exploring further local autonomy and innovative approaches to financing and delivery for the public sector.

Lead Authority

The lead authority for the proposed Pilot would be Suffolk County Council building on its role as administrator for the existing pool.

Longer term arrangements for the Pool

In the longer term, the pool will facilitate more effective, joined up and longer-term planning between local government tiers and across sectors for financial and inclusive growth planning that is place based and locally relevant.

Under the existing Pool, residual benefits and liabilities have been managed by requests being for one off pieces of commissioned work (feasibility funding), or for a defined period/ to kick start an initiative, and this approach could be continued. However, Suffolk would be keen to consider continuing to being a pool under 100% Business Rates Retention in the future and would be keen to see the proposed growth zones as part of that.

Pooling arrangements if Suffolk is not a Pilot

Given its positive experience of pooling retained Business Rates, Suffolk considers the 100% retention pilot would deliver significant benefits to the county, the wider economic area, and the Government. However, should this application be unsuccessful, Suffolk would wish to continue the existing Pool arrangements for 2018/19.