

## CABINET

Wednesday, 12 September 2018

### BUSINESS RATE RETENTION PILOT FUNDING (REP1915)

#### EXECUTIVE SUMMARY

1. In September 2017, MHCLG issued an invitation to local authorities in England to pilot 100% Business Rates retention in 2018/19, to which Suffolk responded, led by the East Suffolk council's. Over 180 councils forming 23 pools submitted bids, 10 were successful, including Suffolk's. This resulted in over £30m of retained business rate income for Suffolk, £10.5m more than the previous 50% pooling system.
2. One of unique features of the Suffolk pilot was its focus on "Inclusive Growth" which proposed a placed based approach to allocation of additional business rate income. This approach introduced a more collaborative working arrangement between the County Council and the District and Borough Councils. Recognising that local councils can offer greater solutions to local issues, Suffolk County Council (SCC) agreed for their share of the additional retained value i.e. 20% to be included in the allocation on a placed based basis among East, West, Central and Ipswich Councils and invested in initiatives in agreement with the County.
3. In an unlikely event of Suffolk County Council and the Councils not reaching an agreement, the District and Borough Councils are still able to invest their share i.e. 80% and return SCC's 20% share back to the County.
4. Cabinet is asked to recommend that the project will be carried out using the Council's own resources, such as capital receipts or revenue funds where possible. Furthermore, Cabinet are asked to approve that, should it be deemed necessary due to a change in circumstance to a particular project, delegated authority be given to the Strategic Director and Section 151 Officer, in consultation with the Cabinet Member for Resources to reallocate the funding levels to other projects within the list.

Is the report Open or Exempt?

Open

Wards Affected:

All Wards in the District

<b>Cabinet Member:</b>	Councillor Mark Bee Leader of the Council
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<b>Supporting Officer:</b>	Andrew Jarvis Strategic Director 01394 444323 <a href="mailto:Andrew.jarvis@eastsoffolk.gov.uk">Andrew.jarvis@eastsoffolk.gov.uk</a>  Homira Javadi Chief Finance Officer 01394 444529 <a href="mailto:Homira.javadi@eastsoffolk.gov.uk">Homira.javadi@eastsoffolk.gov.uk</a>
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## **1 INTRODUCTION**

- 1.1 The Suffolk pool was established from April 2013 under the business rates retention scheme. Central government allows authorities to 'pool' and retain a higher level of growth of business rates than if each authority acts individually. In September 2017, MHCLG issued an invitation to local authorities in England to pilot 100% Business Rates retention in 2018/19, to which Suffolk responded, led by the East Suffolk Council's. Nationally, over 180 councils submitted 23 bids, 10 were successful, including Suffolk's.
- 1.2 This was partly down to Suffolk's past track record in delivery, experience in collaborative working and partly based on the shared ambition of inclusive growth across the public sector and businesses.
- 1.3 The Suffolk Pilot is expected to result in over £30m of retained business rate income for Suffolk. This is £10.5m more retained income than the previous 50% pooling system. One of unique features of the Suffolk pilot was in relation to its "Inclusive Growth" focus which proposed a placed based approach to allocation of additional business rate income.
- 1.4 This approach introduced a more collaborative working arrangement between the County Council and the District and Borough Councils. Recognising that local councils can offer greater solutions to local issues, Suffolk County Council agreed for their share of the additional retained value i.e. 20% to be included in the allocation on a placed based basis among East, West, Central and Ipswich Councils and invested in initiatives in agreement with the County.
- 1.5 The placed based allocation for East Suffolk Councils i.e. the East Suffolk Councils' share of the additional £10.5m pilot funding is expected to be £3.6m (£2.5m SCDC and £1.1m WDC).
- 1.6 In an unlikely event of the County Council and the local Councils not reaching an agreement, the District and Borough Councils are still able to invest their share i.e. 80% and return SCC's 20% share back to the County.

## **2 FRAMEWORK**

- 2.1 Within this framework, which is closely linked with the work of the LEP and Suffolk's Growth Strategy, the pilot seeks to focus on the following principles:
  - Sites and infrastructure
  - Planning for growth
  - Business development and growth
  - Skills and Employment
  - Improving Housing Supply
  - Funding for Growth
- 2.2 At its meeting on 21<sup>st</sup> February, the Council formally accepted the government's invitation to become a 100% business pilot and approved the proposed governance arrangements giving delegated authority to the Chief Executive, in consultation with the Leader of Waveney District Council and the Chief Finance Officer, to make decisions on amendments to the draft governance arrangements for the Suffolk Business Rates Pilot for 2018/19 if required.
- 2.3 The governance policy is based on the following premise:
  - Each of the districts would retain more of the benefit of growth associated with its area;
  - It will provide resources for any drop in business rate income beyond the safety net;

- Suffolk County Council will retain some of the benefit of growth across Suffolk; and
- It will create a pool of money, derived from a reduction in the monies to be paid to Government for growth, for Suffolk Leaders' to determine how that might be best spent across Suffolk in accordance with an economic development strategy and criteria , with an approved project list for Suffolk.

### 3 HOW DOES THIS RELATE TO EAST SUFFOLK BUSINESS PLAN?

3.1 The 100% Business Rate Retention Pilot is a key step towards delivering the East Suffolk Business Plan and directly contributes to the corporate priority of Financial Self-Sufficiency. The proposed projects provide a strong commitment to a range of actions for both Councils, across economic development, housing, leisure and communities.

### 4 FINANCIAL AND GOVERNANCE IMPLICATIONS

4.1 Senior officers have discussed initial ideas for the pilot and potential projects have been put forward from across the County, Districts and Boroughs to the Suffolk Chief Officer Leadership Team (SCOLT). The projects put forward for investment from Suffolk Coastal and Waveney District councils' are set out in Appendix A.

4.2 All projects were benchmarked against the principles agreed Suffolk wide. Priority level recommendations for Waveney and Suffolk Coastal have been given by Suffolk Public Sector Leaders (shown in column 1 of Appendix A).

4.3 The total amount of investment into East Suffolk is set out in Table 1 below. The table provides a summary of a combined programme of existing and new projects closely aligned to the Suffolk 100% pilot requirements. Whilst the total investment value is £3.88m in excess of the additional placed based business rate income, this is providing the East Suffolk Councils with a greater flexibility and mitigate against any potential risks of delays and or non delivery by redirecting the funds to other available schemes.

Table 1 – Summary of project budgets against Business Rate Pilot Allocation Funding

	£
Total Investment - WDC	4,980,000
Total investment value - SCDC	2,500,000
<b>Total for East Suffolk</b>	<b>7,480,000</b>
Total WDC Business Rate Pilot allocation	1,100,00
Total SCDC Business Rate Pilot allocation	2,500,00
<b>Total Business Rate Pilot Allocation for East Suffolk (at current levels)</b>	<b>3,600,000</b>
<b>Use of other funds and internal resources</b>	<b>3,880,000</b>

4.4 As per Councils' standard good governance practices, every project will be subject to a robust business case and cabinet approval.

4.5 Should there be a reduction in the expected Business Rate, it is recommended that projects will be assessed for risk in one of the following ways, with A as the priority:

- A: The project will be carried out using the council's own funding, either through capital receipts, revenue funding or use of reserves etc.
- B: The project is abandoned
- C: The project is broken down into phases to reduce the risk

4.6 Each project identified in Appendix A is a stand-alone piece of work and, as such, should the business case for an individual project not be robust enough or circumstances change, it is

recommended that the allocation of funding to this be shifted to another on the programme. Similarly, it is recommended that if a project is delivered under-budget or funded from another source, the potential budget contribution from the Business Rate Retention is reallocated to another project on the list.

## 5 CONSULTATION

- 5.1 The Pilot Project has been a collaboration activity between all of the district, borough and county councils. As such discussion has been had with the East of England Local Government Association and through SCOLT.

## 6 REASON FOR RECOMMENDATION

- 6.1 The opportunity to retain £3.6m of additional business rate income into the Districts for identified projects that support the delivery of the East Suffolk Business Plan.

### RECOMMENDATIONS

1. That Cabinet notes the potential income of £3.6m of additional funding for projects through the 100% Business Rate Retention pilot (£1.1m for Waveney and £2.5m for Suffolk Coastal) and recommends that this additional funding stream be reported to Full Council.
2. That Cabinet considers the list of district projects that have been put into the programme, notes those that have met the scheme's objectives (Section 2.1) and recommends approval of these to Full Council.
3. In an unlikely event of Suffolk County Council and this Council not reaching an agreement, which would result in a 20% reduction in the anticipated place based allocation, Cabinet recommends to Council that the projects be carried out using the Council's own funding, where possible.
4. That Cabinet approves that, should it be deemed necessary due to a change in circumstance to a particular project, delegated authority be given to the Strategic Director and Section 151 Officer, in consultation with the Cabinet Member for Resources, to reallocate the funding levels to other projects on the list.

### APPENDICES

#### Appendix A

Table of Projects for Business Rate Retention Pilot

**BACKGROUND PAPERS** Please note that copies of background papers have not been published on the Council's website but copies of the background papers listed below are available for public inspection free of charge by contacting the relevant Council Department.

Date	Type	Available From
21/22 Feb 2018	<b>Governance of Business Rate Relief Pilot Scheme</b>	WDC Full Council 210218 Item 10 Appendix C1, C2, C3 / Suffolk Coastal Full Council 220218 Item 7 Appendix C1, C2, C3]