

REPORT TO: WECA OVERVIEW AND SCRUTINY COMMITTEE

DATE: WEDNESDAY, 2 OCTOBER 2019

REPORT TITLE: 2018/19 CITY REGION DEAL PERFORMANCE

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AUTHOR: CITY REGION DEAL BUSINESS RATES POOLING BOARD

Purpose of Report

- 1.1 This report provides a summary of the West of England's City Region Deal's pooled Business Rates performance for 2018/19, in accordance with the requirements of the Business Rates Pooling Principles Agreement.

Background / Issues for Consideration

- 2.1 Clause 10.2 of the Business Rates Pooling Board Constitution specifies the right for the Scrutiny Committee to receive an annual report on the performance of the Pool. This report also provides a summary of the Pool balances held (in Appendix A), and details of EDF funds distributed during the financial year.

Growth Performance

- 2.2 The 4UAs outturn growth performance for 2018/19 is shown in the table below, by Enterprise Area/Zone, including the new EZs for BANES and BCC (EDF2). This data forms the basis of the accounts closing entries for the City Region Deal. The Financial Statements for BANES and North Somerset Councils have been audited and finalised. The accounts of South Gloucestershire and Bristol City Council have not yet been finalised, however it is not anticipated that any outstanding points will impact on the figures presented below.

Growth Performance for 2018/19 and Estimated Growth for 2019/20

Enterprise Area/Zone and UA	2018/19 Budgeted Growth	2018/19 Outturn Growth	2018/19 Change since Budget	2019/20 Budgeted Growth
	£'000	£'000	£'000	£'000
Bristol Temple Quarter EZ	1,136	936	-200	1,695
Bristol Filton EA	38	55	17	51
Bristol Avonmouth EA	3,948	4,344	396	4,854
Total Bristol UA (EZ & EA)	5,122	5,335	213	6,600
Bath City Riverside EA/EZ	569	714	145	446
North Somerset Junction 21 EA <i>(includes adjustment income re Port Cumulo)</i>	2,297	1,282	-1,015	1,995
SGC Severnside EA	5,988	6,989	1,001	8,386
SGC Emersons Green EA	1,022	994	-28	1,047
SGC Filton EA	3,716	3,817	101	4,260
Total SGC EA	10,726	11,800	1,074	13,693
TOTAL	18,714	19,131	417	22,734
Bristol Temple Quarter Extension EZ	0	0	0	0
Bath & Somer Valley EZ	18	0	-18	0

2.3 The table shows £19.131m total outturn growth above baseline for 2018/19, representing an increase of £0.417m since the initial NNDR1 estimates were made. The main movements are explained as:

BCC – In the Temple Quarter EZ, the reduced growth relates largely to an increase in the mandatory reliefs granted to ratepayers, and to reductions in rateable value following successful ratepayer appeals to the Valuation Office. In Avonmouth, a number of new assessments were added to the rating list in the final quarter of 2018/19, with some backdating applicable.

BANES – The improved growth performance results mainly from a reduction in the provision held by the authority against the impact of appeals, following the withdrawal of two large ratepayer appeals. In the EZ, two properties were taken out of the rating list, then reinstated as zero rated, resulting in a refund and zero growth.

NSC – Significant rateable value reductions, with backdated impacts, have been experienced in the Port Cumulo area.

SGC – The favourable variance against budget in Severnside reflects in-year growth and development beyond that anticipated in January 2018 and yields in excess of estimates from new properties.

The growth estimate for 2019/20, based on each authority's initial budget is £22.734m.

2.4 The pooled business rates growth is used for three primary purposes:

- Tier 1 is a repayment to each authority to ensure it receives the same amount of funding that it would have received under the prevailing national business rates scheme.
- Tier 2 represents payments (up to a total of £500m) into the Economic Development Fund (EDF), used to fund major projects across the region, as agreed by the Board.
- Tier 3 is a further payment to each authority to mitigate local demographic and service pressures arising from the additional growth.

2.5 Within the 2018/19 accounts, the Pool distributed £1.677m of in-year Tier 2 EDF funds to authorities. This includes recognition of the following:

- Invest in Bristol & Bath revenue project – £0.746m
- The Temple Quarter Enterprise Zone Investment Team revenue project – £0.287m
- Bath Riverside Enterprise Team – £0.228m
- The North Somerset Enterprise Technical College project – £0.150m
- The Aztec West A38 project – £0.265m

2.6 Appendix B shows the current list of EDF schemes, indicating the status of their implementation, forecast year of completion and funding allocation. The summary shows that the EDF is funding capital schemes totalling £405.5m.

Changes to the Business Rates System

2.7 The government had previously stated its intention to reset Business Rates Baselines and move to 75% Business Rates Retention (BRR) for all local authorities from April 2020. This timescale was due to be in line with a multi-year spending review and funding settlement. The government has recently confirmed that 2020/21 will now be the subject of a one-year funding settlement and the Business Rates reset will be deferred until 2021/22. The current indication is that the West of England 100% BRR Pilot, which has been in place since April 2017, will continue for 2020/21.

2.8 It is expected that any new system from April 2021 will honour the commitments made under devolution arrangements and therefore that the City Region Deal would continue to retain and pool its business rates growth for the agreed 25 year period.

Consultation

3.1 This report has been prepared following discussion with WECA and other UA colleagues.

Other Options Considered

4.1 This is an update report for information only and requires no decision regarding options or proposals.

Risk Management/Assessment

- 5.1 This is an update report for information only and makes no recommendation or proposal either to explicitly increase risk or address existing risk.

Public Sector Equality Duties

- 6.1 The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.
- 6.2 The Act explains that having due regard for advancing equality involves:
- Removing or minimising disadvantages suffered by people due to their protected characteristics.
 - Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
 - Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
- 6.3 The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.
- 6.4 There are no direct equalities implications in relation to this report.

Finance Implications, including economic impact assessment where appropriate:

- 7.1 The purpose of the fund is to support and advance Economic Development across the region by funding strategic economically beneficial infrastructure to unlock growth potential.

Legal Implications:

- 8.1 There are no legal implications arising as a direct result of this report.

Land/property implications

- 9.1 There are no land/property implications arising as a direct result of this report.

Human Resources Implications:

10.1 There are no HR implications arising as a direct result of this report.

Recommendation:

It is requested that the WECA Overview & Scrutiny Committee:

- Note the 2018/19 Business Rates Pool growth performance and the balances held at 31 March 2019.
- Note the progress against the latest EDF programme.

Background papers:

None.

West of England Combined Authority Contact:

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Quay, Bristol BS1 6EW; email: democratic.services@westofengland-ca.gov.uk

Appendix A

2018/19 Business Rates Pool – balances held

Summary Pool Balances	B&NES £'000	BCC £'000	NSC £'000	SGC £'000	Combined £'000
Funds held by BRP at 1 April	915	5,682	3,374	10,357	20,328
NET Growth figure paid to BRP in year	307	2,037	452	5,962	8,758
Funds held by BRP at 31 March	1,222	7,720	3,825	16,319	29,086
made up of:					
- Cash for approved live schemes, but not yet paid	150	943	475	1,983	3,552
- Cash for future schemes which have not yet received full approval	1,019	6,388	3,215	13,427	24,048
- Cash held as contingency against future uncertainties	53	388	136	908	1,486
(Note that these balances are presented in the proportions in which the funds were paid into the Pool)					

Appendix B

Economic Development Fund Programme

Lead Authority	Scheme	Status	Completion Forecast Year	Current Allocation (£m)	Current Spend to 2018/19 (£m)	Payments from EDF
B&NES	East of Bath Transportation Improvements	Programme Entry	Not yet approved or profiled	6.500	0	0
B&NES	Bath Quays North and South	Programme Entry	2022/23	10.632	0	0
B&NES	Bath Quays North Infrastructure Development Works	Approved	2024/25	23.879	0	0
B&NES	Bath Riverside Enterprise Zone Team	Approved	2020/21	0.685	0.228	0
BCC	TQEZ Infrastructure Programme	Approved RIF scheme (repaid by EDF)	2020/21	20.850	18.462	0
BCC	The Bristol Arena	Conditional approval	2020/21	53.000	0	0
BCC (WECA)	Invest in Bristol & Bath	Approved	2019/20	5.000	3.539	1.938
BCC	TQEZ Programme Team	Approved	2019/20	2.500	1.764	0.500
BCC	Central Bristol & TQEZ Flood Defence	Programme Entry	Not yet approved or profiled	10.000	0	0
BCC	M32 Park & Ride	Programme Entry	Not yet approved or profiled	20.000	0	0
BCC	Engine Shed 2	Requires substitution	2021/22	0	0	0
NS	North Somerset Enterprise Technical College	Completed	2016/17	1.525	1.525	0.375
NS	Avoncrest & Hutton Moor Regeneration Phase 1	Programme Entry	2021/22	15.000	0	0
NS	NSC Flagship	Programme Entry	Not yet approved or profiled	22.639	0	0
SGC	A38/A4174 Widening Works & Gypsy Patch Lane/Aztec West Roundabout	Completed RIF scheme (repaid by EDF)	2016/17	1.500	1.500	0.376
SGC	MetroBus Extension to Cribbs Causeway	Programme Entry	2021/22	35.000	0	0
SGC	Aztec West Roundabout	Approved	2017/18	0.370	0.072	0
SGC	SGC Flagship	Programme Entry	Not yet approved or profiled	19.235	0	0
SGC	M49 Junction & Link Road	Programme Entry	Not yet approved or profiled	22.000	0	0
SGC	M32 Junction 1	Programme Entry	Not yet approved or profiled	0.750	0	0
SGC	Superfast Broadband	Programme Entry	Not yet approved or profiled	2.700	0	0
Joint	Metro West Phase 2	Programme Entry	2023/24	39.900	0	0
NSC	Metro West Phase 1	Programme Entry	2023/24	26.079	0	0
Joint	Avonmouth /Sevenside Flood Mitigation and Ecology Development	Completed	2019/20	1.900	1.860	0
Joint	Avonmouth /Sevenside Flood Mitigation & Ecology	Approved	2025/26	63.900	1.470	0
Total				405.544	27.323	3.189