

**ITEM 10**

**REPORT TO: WECA OVERVIEW AND SCRUTINY COMMITTEE**

**DATE: 19 SEPTEMBER 2018**

**REPORT TITLE: 2017/18 CITY REGION DEAL ANNUAL PERFORMANCE**

**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 2017/18, as used for the Economic Development Fund (EDF) and in accordance with the requirements of the Business Rates Pooling Principles Agreement.
- 1.2 The EDF is overseen by the Joint Committee with South Gloucestershire Council being the lead pooling authority on behalf of the four West of England Councils. WECA is not party to the EDF agreement.

**Issues for Consideration**

- 2.1 Clause 10.2 of the Business Rates Pooling Principles Agreement specifies the right for the Scrutiny Committee to receive an annual report on the performance of the Pool. This report provides a summary of audited Pool balances held, and details of funds distributed or committed for the EDF for the financial year.
- 2.2 The Business Rates Pool balance at the close of 2017/18 is shown in Appendix A, analysed by each UA's total contribution.

Growth Performance

- 2.3 The 4UAs outturn growth performance for 2017/18 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 Statement of Accounts for BANES, North Somerset and South Gloucestershire have been audited and finalised. The accounts of Bristol City Council have not yet been finalised, however it is not anticipated that any outstanding points will impact on the figures presented below.
- 2.4 This demonstrates £15.99m total growth for 2017/18, representing an overall increase of £2.677m since the initial estimates were made for the NNDR1 forms. The overall growth estimate for 2018/19, based on each UA's NNDR1 form is £18.732m. Growth estimates for future years will be refreshed in the autumn, as discussed in paragraph 2.7.

## Growth Performance for 2017/18 and Estimated Growth for 2018/19

Enterprise Area/Zone and UA	2017/18 Estimated Growth (NNDR1)	2017/18 Growth at Outturn	2017/18 Change since NNDR1	2018/19 Estimated Growth (NNDR1)
	£'000	£'000	£'000	£'000
Bristol Temple Quarter EZ	914	632	-282	1,136
Bristol Temple Quarter Extension EZ	141	0	-141	0
Bristol Filton EA	26	44	18	55
Bristol Avonmouth EA	4,255	3,768	-487	3,931
<b>Total Bristol UA (EZ &amp; EA)</b>	<b>5,335</b>	<b>4,444</b>	<b>-891</b>	<b>5,122</b>
Bath & Somer Valley EZ	0	19	19	18
Bath City Riverside EA/EZ	634	335	-299	569
<b>Total Bath UA (EZ &amp; EA)</b>	<b>634</b>	<b>354</b>	<b>-280</b>	<b>587</b>
<b>North Somerset Junction 21 EA</b> (includes adjustment income re Port Cumulo)	<b>2,095</b>	<b>2,029</b>	<b>-66</b>	<b>2,297</b>
SGC Severnside EA	1,197	4,441	3,244	5,988
SGC Emersons Green EA	530	1,030	500	1,022
SGC Filton EA	3,521	3,692	171	3,716
<b>Total SGC EA</b>	<b>5,249</b>	<b>9,163</b>	<b>3,914</b>	<b>10,726</b>
<b>TOTAL</b>	<b>13,313</b>	<b>15,990</b>	<b>2,677</b>	<b>18,732</b>

EDF Programme

- 2.5 During 2017/18, the Pool distributed £1.705m of in year EDF to Sponsor UAs, based on the current approved EDF profile, which now includes some completed EDF funded schemes. This includes 2017/18 in year recognition of the following:
- The 3rd year Invest in Bristol & Bath revenue project £1m
  - The Temple Quarter Enterprise Zone Investment Team revenue project £0.5m
  - The NSETC project completion – 2nd instalment £174k
  - The Aztec West A38 project – 2nd instalment £94k
- 2.6 Appendix A shows the current list of EDF schemes, indicating the status of their implementation, forecast year of completion and funding allocation. In line with the last annual EDF update reported to the Pooling Board in June 2018, the summary shows that the EDF is funding capital schemes totalling £405.5m.

Growth Estimates

- 2.7 Amion Consulting was engaged in June to undertake a comprehensive refresh of the City Region Deal's growth estimates. A process of data collection and verification, including site visits and officer consultation with each of the four UAs, took place during the early summer. Draft growth models have been received for each Enterprise Area/Zone and are currently being reviewed by Economic Development and Finance Officers. The feedback provided to

Amion will produce final iterations of the models that will meet the ongoing forecasting needs of each authority and the Pool as a whole. It is anticipated that the models will be finalised during the autumn, with revised growth forecasts being reported to the BRP Board at its December meeting.

### Changes to the Business Rates System

- 2.8 The government has stated its commitment to proceed with a Fair Funding Review (FFR), a reset of the Business Rates Baseline and a move to 75% Business Rates Retention, all to be implemented by April 2020. The MHCLG and LGA have set up a number of working groups to support and inform these reforms.
- 2.9 It is widely recognised that the business rates retention system would benefit from simplification. The simplified system recently proposed by the Systems Design Working Group would see each authority retaining business rates income in line with its Baseline Funding Level (which would be determined by the FFR). The likely outcome of the FFR is not yet clear, however, there are some indications that South Gloucestershire, BANES and North Somerset could see their resources reduced under any new system.
- 2.10 However, the simplification proposal still suggests that business rates growth should be rewarded, with income above baseline expectations creating a net tariff pool that would be paid back to local government via a more targeted reward mechanism. It is difficult at this stage to predict the impact of this measure on individual authorities, although there is a broad assumption that areas experiencing very high levels of growth may be disadvantaged, with anomalous growth being redistributed in support of specific government policies.
- 2.11 Importantly for the West of England, however, is the acknowledgement in the simplification proposal that any new system must honour the commitments made under devolution arrangements. It does therefore seem that the City Region Deal would be protected and that the Pool will continue to retain the business rates growth in its Enterprise Areas/Zones for the agreed 25 year period. MHCLG has also confirmed that the West of England 100% BRR pilot will continue in its current form for 2019/20.

### **Consultation:**

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

### **Other Options Considered:**

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

### **Risk Management/Assessment:**

- 5 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 minimizing 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

#### **Economic Impact Assessment:**

- 7 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.

#### **Finance Implications:**

- 8.1 This report provides a summary of the Pool's growth performance against estimate for 2017/18 and shows the balance of funds available to support the West of England Economic Development Fund programme. The Unallocated funds yet to be distributed for approved schemes are properly recognised in the 4UAs accounts in line with agency accounting requirements, and any payments due but not paid accounted for as accruals.
- 8.2 Contribution to and Distribution from the fund is fully governed by the "West of England Growth Incentive City Region Deal Business Rates Pooling Principles Agreement", and spending commitment of the EDF programme fully governed by the West of England Growth Incentive City Region Deal Agreement for the Operation and Administration of the Economic Development Fund – both signed by the 4UAs in acceptance of the terms and conditions within these formal documents.
- 8.3 There are no further financial implications beyond these terms and conditions and the mitigating actions agreed therein.

#### **Legal Implications:**

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

#### **Land/Property Implications:**

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

#### **Human Resources Implications:**

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

**Recommendation:**

13 It is requested that the WECA Scrutiny Committee:

- Note the Business Rates Pool EDF transactions, the available balance at 31 March 2018 and the 2017/18 Pool growth performance.
- Note the progress against the latest EDF programme.

**Report Author:**

Report provided by South Gloucestershire Council as the lead pooling authority for the Economic Development Fund on behalf of the West of England LEP.

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**Background Papers:**

None

## Appendix A

## UA Contributions to the BRP in 2017/18 for EDF

<b>Audited Summary Pool Balances</b>	<b>B&amp;NES £'000</b>	<b>BCC £'000</b>	<b>NSC £'000</b>	<b>SGC £'000</b>	<b>Combined £'000</b>
<b>Funds held by BRP at 1 April</b>	<b>792</b>	<b>4,173</b>	<b>2,688</b>	<b>5,969</b>	<b>13,623</b>
made up of:					
- Uncommitted cash	507	2,683	1,727	3,838	8,755
- Uncommitted cash - Contingency	61	307	199	437	1,004
- Committed cash	224	1,184	762	1,694	3,865
<b>Net Growth figure paid to BRP for EDF</b>	<b>123</b>	<b>1,509</b>	<b>685</b>	<b>4,388</b>	<b>6,705</b>
<b>Funds held by BRP at 31 March</b>	<b>915</b>	<b>5,682</b>	<b>3,374</b>	<b>10,357</b>	<b>20,328</b>
made up of:					
- Uncommitted cash	699	4,403	2,536	7,849	15,488
- Uncommitted cash - Contingency	53	257	249	684	1,243
- Committed cash	162	1,023	589	1,823	3,597

This table shows net growth received by the Pool for EDF, and includes interest of £0.113m earned on balances.

The cumulative Pool balance now totals £20.328m at the end of 2017/18. The table shows that £15.488m is available for future EDF distribution, and a further £1.243m held as contingency. The pool is holding £3.597m committed cash in the pool balance in respect of future years' indicative EDF commitments, subject to cash being held and the overall level and profile of approved and completed schemes.

## Appendix B

## Current EDF Schemes

Ref	Lead Authority	Scheme	Status	Completion Forecast Year	Current Allocation (£m)	Spend to 2017/18 (£m)	Payments from EDF to date
EDF C	B&NES	East of Bath Transportation Improvements	Programme Entry	Not yet approved or profiled	6.500	0	0
LGF-AA	B&NES	Bath Innovation *1	Programme Entry	2019/20	1.250	0	0
EDF R	B&NES	B&NES Flagship Release - Innovation Quay (Quays North and South)	Programme Entry	2022/23	33.261	0.974	0
EDF V	B&NES	Bath Riverside Enterprise Zone Team	Conditional approval	2020/21	0.685	0	0
EDF A	BCC	TQEZ Infrastructure Programme	Approved RIF scheme (repaid by EDF)	2020/21	20.850	13.025	0
EDF B	BCC	BCC Flagship Release - The Bristol Arena	Conditional approval	2020/21	53.000	0	0
EDF M	BCC (WECA)	Invest in Bristol & Bath	Approved	2019/20	5.000	2.789	1.937
EDF O	BCC	TQEZ Programme Team	Approved	2019/20	2.500	1.297	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
EDF E	NS	North Somerset Enterprise Technical College	Completed	2016/17	1.525	1.525	0.225
EDF S	NS	Avoncrest & Hutton Moor Regeneration Phase 1	Programme Entry	2018/19	15.000	0	0
-	NS	NSC Flagship	Programme Entry	Not yet approved or profiled	22.639	0	0
EDF G	SGC	A38/A4174 Widening Works & Gypsy Patch Lane/Aztec West Roundabout	Completed RIF scheme (repaid by EDF)	2016/17	1.500	1.500	-
EDF I	SGC	MetroBus Extension to Cribbs Causeway	Programme Entry	2021/22	35.000	2.604	0
EDF J	SGC	Aztec West Roundabout *1, *2	Completed	2017/18	0.370	0.370	0.188
-	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	Not yet approved or profiled	39.900	0	0
-		Metro West Phase 1	Programme Entry	Not yet approved or profiled	26.079	0	0
EDF N	Joint	Avonmouth/Sevenside Ecology and Flood Development Costs	Approved	2018/19	1.900	1.705	0
EDF K	Joint	Avonmouth/Sevenside Flood Mitigation	Programme Entry	Not yet approved or profiled	58.300	0	0
EDF L	Joint	Avonmouth/Sevenside Ecology	Programme Entry	Not yet approved or profiled	5.600	0	0
					<b>405.544</b>	<b>25.789</b>	<b>2.850</b>

\*1 Also funded by LGF. \*2 Also funded by RIF.

Note: Current Forecast Spend does not represent payments from the EDF as a) aside from revenue projects payments are only made at practical completion (or exceptionally at other key milestones), and b) EDF is generally repaid (capital and interest) over the duration of the EDF.