

## BABERGH DISTRICT COUNCIL

<b>TO:</b> Cabinet	<b>REPORT NUMBER:</b> <b>BCa/18/39</b>
<b>FROM:</b> Cabinet Member with responsibility for Finance	<b>DATE OF MEETING:</b> 11 October 2018
<b>OFFICER:</b> Katherine Steel, Assistant Director – Corporate Resources	<b>KEY DECISION REF NO.</b> CAB82

### EARMARKING OF FUNDS FROM THE BUSINESS RATES RETENTION PILOT

#### 1. PURPOSE OF REPORT

- 1.1 To outline the background and benefits resulting from the business rates retention pilot in Suffolk for 2018/19.
- 1.2 To seek agreement to the earmarking of the additional funds to specific projects as set out in Appendix A.

#### 2. OPTIONS CONSIDERED

- 2.1 The options that have been considered are:
  - 2.1.1 **Option 1:** Earmarking of the funds as set out in this report.
  - 2.1.2 **Option 2:** Funds remain unearmarked within a reserve.
- 2.2 Both options above have been considered and the recommended option within this report is Option 1, to allocate funds to specific projects. The reason the other option has not been recommended is because a condition of the pilot status being awarded is that the additional retained money should be invested in further growth initiatives. Leaving the funds within a reserve will not achieve this key aim of the pilot.

#### 3. RECOMMENDATIONS

- 3.1 That funds are earmarked to the schemes as detailed in Appendix A.
- 3.2 That delegation be given to the Strategic Director, in consultation with the Finance Cabinet Member and other relevant Cabinet Members and Suffolk County Council, to change the approved projects or identify new projects for earmarked funds to a limit of £20,000 per project.

#### REASON FOR DECISION

To enable the specific identified projects to be progressed and the conditions of the pilot status to be complied with.

#### **4. KEY INFORMATION**

- 4.1 The 8 local authorities in Suffolk collaborated in 2017 to submit a bid to become a pilot area for the retention of 100% business rates growth in 2018/19. The bid was successful, along with 9 other areas across the country, and has been in place since 1 April 2018. The pilot will run for 2018/19 only.
- 4.2 The pilot means that more of the business rates income collected across Suffolk will remain in the county rather than being passed to the Government for redistribution to other authorities. This is in addition to the money that has already been retained in Suffolk following a business rates pool being in place since 1 April 2013.
- 4.3 When the bid was submitted for pilot status it was estimated that an additional £10.5m would be retained across Suffolk, after ensuring that all the authorities would be no worse off than they would have been under the existing pool. Following submission of the annual estimate of business rates to be collected across Suffolk in January 2018, this figure rose to £11.2m.
- 4.4 The Suffolk Chief Officer Leadership Team (SCOLT) and Suffolk Public Sector Leaders (SPSL) considered and agreed the governance arrangements that were included in the bid as to how the money would be shared across the authorities in Suffolk. It was agreed that 50% would be allocated based on population and 50% on business rate levels. This resulted in an allocation of £1.095m for Babergh District Council based on the figures used for the bid to Government in 2017.
- 4.5 The additional money was all allocated to the district and borough councils across Suffolk, with no additional money being directly received by Suffolk County Council (SCC). Instead it was agreed that SCC would be consulted and sign-off the individual proposals as to how the money would be spent in the 7 district and borough councils.
- 4.6 One of the criteria set by the Government was that the additional monies retained should be invested in growth initiatives to continue to grow the business rates base within the area.
- 4.7 Officers considered what initiatives could be supported or further developed using the allocation of funds from the pilot or if there were other schemes / activities that could be brought forward that complied with the requirement to support growth initiatives.
- 4.8 Attached at Appendix A is the list of schemes that has been developed by officers to support growth initiatives and submitted to SCC for consideration and sign-off. Detailed pro-formas have been completed and shared with SCC. Cabinet is asked to approve that funds be earmarked to the schemes as identified in the appendix. Business cases will be submitted for approval as the schemes are developed. This report focusses on earmarking the funds in readiness for when the business cases are approved.
- 4.9 The additional money to be retained in Suffolk is based on the estimated collection of business rates in the current year. Actual collection may be higher or lower than the figure that was submitted in the bid. If it is higher, there will be additional money available for investment. In addition, if not all of the monies are spent on the schemes as outlined in Appendix A, there could be further sums available for new or existing projects.

Cabinet is asked to consider delegating authority to allocate any additional funds or funds to be reallocated to a maximum of £20,000 per project, to the Strategic Director, in consultation with the Finance Cabinet Member and other relevant Cabinet Members and SCC.

## **5. LINKS TO JOINT STRATEGIC PLAN**

- 5.1 The schemes shown in Appendix A will contribute to the following key strategic priorities and outcomes:
  - 5.1.1 Engage with and support businesses to thrive.
  - 5.1.2 Further develop the local economy and market towns to thrive.
  - 5.1.3 Employment site allocations of the right type in the right place.
  - 5.1.4 Communities embrace new homes growth.
  - 5.1.5 Provide insights of growth benefits to communities.
  - 5.1.6 Property investment to generate income and regenerate local areas.
  - 5.1.7 Make best use of our existing housing assets.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 Being part of the pilot in 2018/19 enables greater retention of the business rates income collected in Suffolk for the benefit of the local area as outlined in paragraph 4.3. The money to be allocated and invested in Babergh is £1.095m.
- 6.2 The monies to be retained in the district will be placed into a separate earmarked reserve until required to be spent on the schemes shown in Appendix A.

## **7. LEGAL IMPLICATIONS**

- 7.1 There are no direct legal implications associated with the recommendations in this report. Any legal implications resulting from the schemes shown in Appendix A will be considered as part of their development and implementation.

## **8. RISK MANAGEMENT**

- 8.1 This report is most closely linked with the Council's Corporate / Significant Business Risks No. 2a - If we do not understand the needs and aspirations of our businesses we may not be able to focus our interventions and resources in a way which will provide the right support, No 2b - If we do not engage with the communities of Sudbury to develop a 'Vision' which is then supported by a programme of projects, activities and initiatives (including regeneration) which will deliver the 'Vision' we may not maximise the economic potential of our largest market towns and 2d - If we do not identify and provide the right amount of employment land and property in the right places our current businesses may not be able to remain in our districts and we may not attract new businesses. Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
If the business rates collected during 2018/19 is less than forecast, then there may be less than £1.095m available to invest in the schemes in Appendix A.	2 - Unlikely	3 – Bad / Serious	Regular monitoring of the business rates income collected across Suffolk to check whether £1.095m will be achieved. Use of additional Section 31 business rates grant received by the Council, from the pilot, to support the schemes if required.
If the funds are not allocated to the schemes shown in Appendix A, then implementation will either not happen or be delayed.	2 - Unlikely	3 – Bad / Serious	Earmarking of funds as recommended within the report.

## 9. CONSULTATIONS

- 9.1 Consultation has taken place with SCC for each of the schemes listed in Appendix A, as part of the agreed governance arrangements of the pilot.

## 10. EQUALITY ANALYSIS

- 10.1 The content of this report is such that there are no equality issues arising directly from this report and an Equality Impact Assessment (EIA) is not required.
- 10.2 For the schemes shown in Appendix A, any equality issues will be considered and addressed as part of their implementation.

## 11. ENVIRONMENTAL IMPLICATIONS

- 11.1 Any environmental issues and impact will be considered for the individual schemes shown in Appendix A.

## 12. APPENDICES

Title	Location
(a) Earmarking of Funds to Schemes	Attached