

BERKSHIRE LOCAL TRANSPORT BODY (BLTB)

REPORT TO: BLTB

DATE: 15 March 2018

CONTACT OFFICER: Nigel Pallace, Interim Chief Executive Slough Borough Council, lead Chief Executive to the BLTB

PART I

Item 4: Business Rates Retention Pilot - Process

Purpose of Report

1. Following the successful application for a Berkshire-wide Business Rates Retention Pilot in 2018-19, this report sets out the process for allocating the retained money.
2. The Berkshire Treasurers' Group have calculated a planning figure of £25m for allocation in 2018-19.
3. The terms of the Pilot allow for the money to be allocated to major infrastructure projects which support housing development or major regeneration projects. This report sets out the detailed arrangements for assessing and prioritising potential projects.

Recommendation

4. You are recommended to approve the process set out in paragraphs 14-17 of this report.
5. You are recommended to approve Option B set out in paragraph 19.

Other Implications

Financial

6. The lead authority for the Pilot and the process of operating the Business Rates element (agreeing baseline amounts, managing the pool of retained funds) is Bracknell Forest Council.
7. The lead authority for the control of funds allocated to infrastructure or regeneration projects is the Royal Borough of Windsor & Maidenhead, the LEP's Accountable Body.
8. The Pilot has been approved for a single financial year (2018-19) and the arrangements may be renewed if the Pilot is allowed to continue to operate into 2019-20. Each authority will be able to leave the Pilot at that point.
9. The planning figure of £25m is based on current estimates of business rates collection in 2018-19. This figure may go up or down during the year but has a sufficient level of confidence to be used as the planning figure for this scheme.

Risk Management

10. The risks associated with large scale infrastructure investments are well known, and the BLTB has established risk management arrangements for the Local Growth Fund transport capital programme (£111m over 6 years), referred to as the Assurance Framework.
11. As part of the Growth Fund oversight, government officials have recently reviewed this Assurance Framework and found it fit for purpose.
12. The Business Rates Retention Pilot has identified the LEP and its associated processes as an appropriate framework for managing the sums available; in this instance this means the Berkshire Local Transport Body. The LEP Executive Board ratified this approach on 20 February.
13. The implication is that promoters of infrastructure projects seeking funding from the Business Rates Retention Pilot will need to follow the same Assurance Framework as for Growth Deal funding. This means acceptance at “programme entry” stage, followed by submission and independent assessment of a WebTAG compliant Full Business Case before being considered for financial approval.

Human Rights Act and Other Legal Implications

14. Slough Borough Council will provide legal support for the BLTB should any questions arise on the application of the Business Rates Retention Pilot.

Supporting Information

14. The application for Pilot status identified the following:
 - Our proposal prioritises strategic economic investment and [we] will [... invest ... in] major projects to support this.
 - Specifically, we will invest around £25m in the Slough Transit Network and the East Reading – Wokingham Mass Rapid Transit Network.
 - These are essential investments to improve the wider transport corridors in the Central Berkshire Functional Economic Market Area (FEMA) and Eastern Berkshire FEMA. [...]
 - Other strategic interventions have also been considered and will be brought-forward either in 2018-19 (if funds allow) or in later years (if the Pilot was to be extended).
15. Since the submission of the application, further work has been done to clarify some of the details of how promoters might bring forward infrastructure schemes for spending approval under the Pilot arrangements.
16. The Pilot will fund £25m in 2018/19 to be allocated in the East (Eastern Housing Market Area EHMA /East Berkshire Functional Economic Market Area EBFEMA) and the West/Central (Western HMA/Central Berkshire FEMA) with the following qualification criteria:

- i. Priority 1 will be for further investment in the Reading/Wokingham and Slough MRT systems, as set out in the application. However, those scheme promoters still need to bring forward bids that meet the general criteria
- ii. If there is still unallocated money after all Priority 1 bids have been considered, then further bids will be considered that meet the slightly wider Priority 2 criteria of:
 - a. supporting large housing sites (at least 500 houses); or
 - b. major regeneration projects; or
 - c. pan-Berkshire digital infrastructure.
- iii. Available funds will be split between EHMA and WHMA with at least one, but maybe more, projects supported in each geographical area.

The following qualifying criteria will be applied to all bids, whether in the Priority 1 category, or the slightly wider Priority 2 category:

- i. Timing: mobilisation in 2018/19 or failing that early in 2019/20. This criterion will involve an assessment of the likelihood of a bid being able to complete its Full Business Case, gain planning or any other statutory consents, and completing procurement processes to achieve a commitment to spend in Q1 2019 at the very latest
- ii. Scale: a minimum scheme size of £5m and/or minimum-size associated housing development of 500 houses
- iii. Focus is on strategic investment in urban areas/around conurbations or pan-Berkshire digital infrastructure scheme
- iv. If competing infrastructure schemes need to be prioritised, the BLTB methodology previously used will be re-employed. This is described at Appendix 1 of this report.

17. You are asked to note that:

- i. there is no requirement for matching funds;
- ii. previously funded Local Growth Fund (LGF) schemes will be eligible, and if receiving priority from the Pilot, will release money back into the LGF “pot”;
- iii. the Pilot is approved for one-year only; the possibility of a second and subsequent year of funding remains under consideration, but there is no approval;
- iv. all infrastructure schemes receiving “programme entry” status under the Pilot will need an independently assessed full business case to achieve financial approval;
- v. the following is our best estimate of the Pilot timetable:

Timescale for scheme development / approval		
All dates 2018		
15 March	Berkshire LTB (BLTB)	Recommends the formal process to test schemes, prioritise and approve, including detailed scoring methodology based on approved Business Rates Pilot proposal and previous LGF approach
27 March	LEP Forum	Approves process as above – Triggers the call for Infrastructure Scheme bids under the Business Rates Retention Pilot.
22 May	LEP Forum	Update on progress
25 May	Closing date for bids: start of scoring and moderation	LEP leads on scoring and moderation with scheme promoters
21 Jun	BSTOF	Consider draft papers for July BLTB, including the recommended prioritised list
19 Jul	BLTB	Provisional approval of prioritised list of schemes, grant of programme entry status and award of development funds
24 Jul	LEP Forum	Ratification for consideration by Berkshire Leaders Group
Jul-Oct	Scheme Development	Submission of WebTAG compliant Full Business Case for Independent Assessment
19 Nov	BLTB	Final recommendations
27 Nov	LEP Forum	Committed spend
Q3/Q4	Scheme mobilisation	Subject to procurement, statutory permissions.

18. The biggest unknown is the impact on the current LGF investment programme. It is possible that in order to meet the time constraints of the Business Rates Retention Pilot, some “shovel ready” schemes previously approved could have some or all of their Local Growth funding switched to the Pilot, thus releasing Local Growth funding for reallocation. We therefore need to consider three broad possibilities:
- i. Scenario 1: No change to the LGF Allocations
 - ii. Scenario 2: A modest reallocation of previously allocated LGF
 - iii. Scenario 3: A major reallocation of previously allocated LGF
19. In the event that the Business Rates Retention Pilot invests in previously approved LGF projects, the BLTB will need to consider how to treat any money returned to the LGF “pot”:
- i. Option A: to allocate in accordance with the existing prioritisation (see Appendix 2); or
 - ii. Option B: to issue a further call for bids and commence a new prioritisation exercise subject to confirmation by LEP Forum on 27 March

	Scenario 1	Scenario 2	Scenario 3
Option A	No further action required	The three schemes ranked 9 th = set out in Appendix 2* would be considered for Programme Entry status	The five schemes ranked 9 th = and 12 th = set out in Appendix 2* would be considered for Programme Entry Status
Option B	This would result in wasted effort in creating a new prioritised list	The highest ranked schemes in a new prioritisation exercise would be considered for Programme Entry status	The highest ranked schemes in a new prioritisation exercise would be considered for Programme Entry status

* subject to the footnote about the status of South Reading MRT phases 5-6

20. The risks associated with Option A are that the schemes identified as priorities 9-12 two years ago no longer represent the most attractive investment for BLTB in 2018. The risks associated with Option B are that we cause a lot of work to be undertaken for no real benefit – either the money available for re-allocation is not significant, or it makes no change to the list of prioritised schemes.
21. The potential benefit of Option A is that it is simple, easy to understand, and allows the relevant scheme promoters a measure of certainty. The potential benefit of Option B is that it gives better assurance that the chosen schemes are good value for money, and it gives the list some “future-proofing” should further funds become available, from whatever source.

Conclusion

22. There is an opportunity to invest a further £25m in major infrastructure or regeneration schemes in 2018/19, *in addition* to the LGF capital programme. This is a welcome development.

Background Papers

23. The Business Rates Retention Pilot bid and approval letters.

Qualifying Schemes

1. In order to qualify for consideration in the prioritisation methodology, the scheme must be a capital scheme, and the funding sought from the Growth Deal must be capital expenditure. The government grant funding element of the scheme must not exceed 80% of the total scheme costs. If the scheme is being promoted by an organisation other than a local authority or public body, then the applicant must also include a statement that explains why a grant from the Growth Deal would be consistent with the “State Aid” rules.

Prioritisation Methodology

2. The scores for each factor will be allocated in two stages. The first raw score will be 3 points for high, 2 points for medium and 1 point for low. The second weighted score will reflect the following weightings of the factors in the overall prioritisation:

Factor	Weighting
Infrastructure Projects will contribute to the delivery of the Thames Valley Berkshire SEP	15%
Deliverable	20%
Long-term, sustainable economic growth	40%
Tangible benefit to the sub-region	15%
Investing in natural capital	5%
Maximising social value	5%
Total	100%

3. The range of possible scores will be 30 (all high scores) - 10 (all low scores). The calculation will be performed according to the following table:

Factor	Raw Scores			Weighting	Weighted scores		
	High	Medium	Low		High	Medium	Low
Infrastructure Projects will contribute to the delivery of the Thames Valley Berkshire SEP	3	2	1	X 1.5	4.5	3	1.5
Deliverable	3	2	1	X 2.0	6	4	2
Long-term, sustainable economic growth	3	2	1	X 4.0	12	8	4
Tangible benefit to the sub-region	3	2	1	X 1.5	4.5	3	1.5
Investing in natural capital	3	2	1	X 0.5	1.5	1	0.5
Maximising social value	3	2	1	X 0.5	1.5	1	0.5
Total				Max =	30	Min =	10

Further detail of the scoring methodology is available on request richard@thamesvalleyberkshire.co.uk

Appendix 2 – Growth Fund Prioritised Long List of Schemes awaiting Programme Entry

Short Title	Total Score	Rank	LGF ask £	Notes
Reading: South Reading MRT Phases 3-4	29	1	10,536,000	Growth Deal 3 - Priority 1 eligible
Newbury: Railway Station Improvement	28.5	2	6,282,380	Growth Deal 3
Reading: East Reading MRT Phase 2	28	3=	3,600,000	Growth Deal 3 - Priority 1 eligible
Wokingham: Winnersh Relief Road	28	3=	6,500,000	Growth Deal 3
Maidenhead Town Centre: The Missing Links	27.5	5	3,165,000	Growth Deal 3
Bracknell: A3095 Corridor Improvements	27	6	5,730,000	Growth Deal 3
Reading, Bracknell and Newbury Smart City	26	7	1,800,000	Growth Deal 3 - Non-transport
Wokingham: Winnersh Parkway	25.5	8	4,000,000	Growth Deal 3 - Substitute
Slough: Stoke Road Regeneration	24.5	9=	5,200,000	
Wokingham: Coppid Beech Park and Ride	24.5	9=	2,900,000	
Bracknell STEM Solutions Lab	24.5	9=	615,000	Non-transport
GWR: Twyford Interchange	24	12=	11,500,000	
Reading: Reading West Station Upgrade	24	12=	3,003,000	
Maidenhead to Marlow Branch Line Upgrade	22	14	1,825,000	
Binfield: Learning Village at Blue Mountain	21.5	15	1,500,000	Non-transport
GWR: North Downs Line Upgrade	21	16=	6,600,000	
Slough: Former TVU site Regeneration	21	16=	6,400,000	
Slough: Mass Rapid Transit Phase 2	20	18	4,800,000	Priority 1 eligible
Windsor: Racecourse Park and Ride	19	19=	1,000,000	
Slough: Smart City	19	19=	4,800,000	Non-transport
Slough: MRT Phase 3 and A4 Park and Ride	18.5	21=	4,160,000	Priority 1 eligible
Slough: International Conference Centre	18.5	21=	18,000,000	Non-transport
University of Reading: International Weather Centre of Excellence	18.5	21=	15,000,000	Non-transport
Slough: A355 Route Enhancement Phase 2	17	24	3,600,000	
Slough: A332/A355 Junction south of M4 J6	14	25	9,600,000	
Slough: Chalvey Regeneration	13	26	28,000,000	
Newbury College: STEM-HE Accommodation Block	12	27	1,000,000	Non-transport
Reading: South Reading MRT Phases 5-6*	29	1	10,296,000	Priority 1 eligible

*Reading: South Reading MRT phases 5-6 are dependent on the successful completion of phases 3-4. To avoid unacceptable disruption during construction, the works cannot start on site until phases 3 and 4 are finished, currently due March 2020. Therefore, though the scheme retains its number 1 ranking, it is not currently being considered for funding because the earliest possible start-on-site date is not before March 2020.