

BERKSHIRE LOCAL TRANSPORT BODY (BLTB)

REPORT TO: BLTB

DATE: 19 July 2018

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PART I

Item 7: Business Rates Retention Pilot – Prioritisation of Bids

Purpose of Report

1. Following the successful application for a Berkshire-wide Business Rates Retention Pilot in 2018-19, and the agreement of a process for allocating resources in March 2018, this report sets out the bids received and recommends a priority order for allocating the available 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.

Recommendation

4. You are recommended to approve Option B as set out in paragraphs 23 and 24 of this report thereby releasing Local Growth Funds, subject to confirmation from the Berkshire Treasurers' Group of the yield of the BRRP.

Other Implications

Financial

5. 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.
6. 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.
7. 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.
8. 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. It is not a cash-limited sum, but an indication of the approximate level of funding available in year one of the BRRP scheme.

Risk Management

9. 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](#)¹.
10. As part of the Growth Fund oversight, government officials have recently reviewed this Assurance Framework and found it fit for purpose.
11. 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 Forum ratified this approach on 27 March. The detailed arrangements for allocating available resources were agreed at your meeting on 15 March 2018.
12. 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 Local Growth Funds. 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

13. 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. This report sets out the bids received and suggests a prioritised order according to the agreed scoring methodology. This order has been considered by the Berkshire Strategic Transport (Officers’) Forum and has the endorsement of that meeting.
15. 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.
 - 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.
- 16. The following qualifying criteria have been 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 are 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. any funding allocation from BRRP is subject to confirmation that the business rates collection by the Berkshire authorities has reached or exceeded the planned level.
- 18. The prioritisation methodology is set out at Appendix 1

Bids Received

- 19. The table below sets out the details of the 7 bids received. The full pro-forma submissions are accessible via the hyperlinks in table 1 below.

Table 1 – Project Bids

Bidder	Short Title	Short Description	Notes	Funding Sought
Priority 1: MRT schemes - East				
Slough BC	Slough Mass Rapid Transit (SMaRT) Phase 2	Highway, bus and cycling infrastructure improvements, a park and ride and public realm enhancements on the A4 corridor between Langley and Heathrow.	SMaRT Phase 1 was funded in GD1	£13.3m 100% of scheme
Priority 1: MRT schemes - West/Central				
Reading BC	South Reading MRT Phases 3 and 4	South Reading MRT is a segregated public transport scheme on the A33 corridor between Reading town centre and the Mere oak P&R site.	South Reading MRT Phases 1 and 2 were funded in GD1. Phases 3 and 4 were funded in GD3, and work has started on site. This application is to replace the £7.898m of GD3 funding not yet transferred	£7.898m 2.250 has already been spent from GD3. A further £2.536m from CIL/s.106
Priority 2a: Large Housing Sites – East				
RB Windsor and Maidenhead	Maidenhead Housing Sites Enabling Works Phases 1 and 2	Junction improvements and new highway infrastructure required to deliver major housing developments and town centre regeneration in Maidenhead. Phase 1 £5.825m; phase 2 £21.300m.	This bid concerns Phase 1 only. This bid has also been submitted to the GD3 re-prioritisation exercise	£5.728m A further 21.3 is sought for Ph 2
Priority 2a: Large Housing sites – West/Central				
Wokingham BC	North Wokingham Distributor Road – West of Old Forest Road	Part of the NWDR, the scheme will comprise a single-carriageway distributor road section between the Old Forest Road/Toutley Road Junction and A329 Reading Road.	This scheme is part of the Wokingham Distributor Roads Programme supported in GD1	£5.000m A further 16.22 from CIL/s.106
Wokingham BC	South Wokingham Distributor Road – Eastern Gateway	This scheme will comprise a single carriageway distributor road connecting Montague Park with Waterloo Road, including a new road bridge over the Waterloo rail line.	This scheme is part of the Wokingham Distributor Roads Programme supported in GD1	£5.000m A further 10.96 from CIL/s.106
Wokingham BC	Wokingham Winnersh Relief Road Phase 2	Phase 2 will connect the B3030 King Street Lane to the A329 Reading Road and complete the Winnersh Relief Road.	Phase 1 was funded by developer contributions and recently opened to traffic. Phase 2 was funded in GD3 and this application is to replace £6.5m of GD3	£6.260m Phase 1 (£6.5m) was funded by S106
Priority 2b Major Regeneration Projects and Priority 2c– Pan-Berkshire Digital Infrastructure – No bids received				

20. A further bid for a Priority 1 MRT West/Central Scheme was received from Reading BC. Since the bid was submitted, the timetable for this project has been put back, and it has been withdrawn from consideration for year 1 BRRP funding. It remains a bid for funding in a subsequent year.

Table 2 – Project Bids Withdrawn from Year 1

Reading BC and Wokingham BC	East Reading MRT Phases 1 and 2	East Reading MRT is a dedicated public transport, walking and cycle route between central Reading and Thames Valley Park / A329 corridor.	East Reading MRT Phase 1 was funded in GD1 and Phase 2 in GD3. This application is to fund the local contribution element. The GD1 and GD3 elements gained financial approval from BLTB in March 2018	£5.0m A further 19.067 is funded by GD1 and GD3
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21. The table below sets out the provisional prioritisation of the schemes using the previously agreed scoring methodology. This order has been considered by the Berkshire Strategic Transport (Officers’) Forum and has the endorsement of that meeting.

* The East Reading MRT Phases 1 and 2 scheme has been withdrawn from consideration for year 1 BRRP funding.

	Weighting Factor	1.5	2	4	1.5	0.5	0.5			BRRP
	Factor	SEP	Deliverable	Economic Impact	TVB area	Natural Capital	Social Value	Total Score	Rank	£m Bid for
Priority 1: MRT schemes - East										
	Slough Mass Rapid Transit (SMaRT) Phase 2	4.5	4	8	4.5	0.5	1.5	23	1	13.300
Priority 1: MRT schemes – West/Central										
	South Reading MRT Phases 3 and 4	4.5	6	12	4.5	1	1	29	1	7.898
	<i>East Reading MRT Phases 1 and 2*</i>	4.5	4	12	4.5	1.5	1.5	28	2	5.000
Priority 2a: Large Housing Sites - East										
	Maidenhead Housing Sites Enabling Works Phases 1 and 2	4.5	6	12	3	1	1.5	28	1	5.728
Priority 2a: Large Housing Sites – West/Central										
	Wokingham Winnersh Relief Road Phase 2	4.5	6	12	3	1	1.5	28	1	6.260
	South Wokingham Distributor Road – Eastern Gateway	4.5	6	12	3	0.5	1.5	27.5	2	5.000
	North Wokingham Distributor Road – West of Old Forest Road	4.5	2	12	3	0.5	1.5	23.5	3	5.000

22. The Priority 1 bids amount to £21.198m. As this does not utilise all the planning figure of £25m, you are recommended to identify a further scheme from the Priority 2 list. There are two Priority 2 projects with 28 points (see table in paragraph 21).
23. There are two options set out in Table 3. This brings a further challenge in that the total investment sum will then exceed the BRRP planning figure, which is addressed below (see paragraphs 25-28).
- a. In Option A, £7.898m of Local Growth Fund money is released for reallocation, which will be sufficient to fund only one additional scheme; the Winnersh Relief Road scheme will proceed anyway, as it is already funded from Local Growth Funds.
 - b. In Option B, £14.158m of Local Growth Fund money is released for reallocation, which will be sufficient to fund three additional schemes; the Maidenhead Housing scheme will proceed anyway, as it is also joint top-rated in the Local Growth Fund re-prioritisation exercise.
24. In both Option A or Option B there is a mixture of schemes with and without Programme Entry Status. In either option, Slough Mass Rapid Transit (SMaRT) Phase 2 will be awarded Programme Entry. If Option A is taken, it will be necessary to award Programme Entry to Maidenhead Housing Sites Enabling Works Phase 1 as well. Both Reading South Reading MRT Phases 3 and 4 and Wokingham Winnersh Relief Road Phase 2 already have Programme Entry via the Local Growth Funds process.

Table 3 – Options for Allocation of Funds

	Option A			Option B		
	£m	£m LGF released	Programme Entry	£m	£m LGF released	Programme Entry
Priority 1: MRT schemes - East						
Slough Mass Rapid Transit (SMaRT) Ph 2	13.300	-	To be awarded	13.300	-	To be awarded
Priority 1: MRT schemes – West/Central						
South Reading MRT Phases 3 and 4	7.898	7.898	Already awarded	7.898	7.898	Already awarded
Priority 2a: Large Housing Sites - East						
Maidenhead Housing Sites Enabling Works Ph 1	5.728	-	To be awarded	-	-	n/a
Priority 2a: Large Housing Sites – West/Central						
Wokingham Winnersh Relief Road Phase 2	-	-	n/a	6.260	6.260	Already awarded
Total	26.926	7.898		27.458	14.158	

25. The funds available in the BRRP scheme are dependent on the level of Business Rates actually collected in the current financial year 2018/19. We have been working with a planning number of £25m; this is not yet confirmed, and the figure may go up or down depending of collection across the six Berkshire Authorities.
26. Therefore, all approvals recommended in this report are subject to confirmation of the yield of the BRRP scheme.
27. In the event that the yield is insufficient to reach £27.458m envisaged in Option B, the contribution to the Winnersh Relief Road Phase 2 scheme will be reduced. As this scheme is already funded from Local Growth Funds, the impact will be to reduce the funds available for redistribution within the Local Growth Fund but will not threaten the scheme itself.
28. Under Option A, a shortfall in BRRP yield would inhibit the delivery of the Maidenhead Housing Sites Enabling Works Phase 1 scheme; and the scheme promoter could only proceed at their own risk that their own funds would have to make up any shortfall.

Conclusion

29. There is an opportunity to invest the proceeds of the Business Rates Retention Pilot scheme in major infrastructure projects.
30. Further decisions will be needed when the planning figure of £25m is given a definitive value. This has a knock-on effect to the decisions sought elsewhere on this agenda at Item 8, *Local Growth Fund – Re-prioritisation of Bids*

Background Papers

The bids and supporting appendixes are all available via hyperlinks on the TVB LEP website.

Appendix 1

Prioritisation Methodology

- 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%

- 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

<http://www.thamesvalleyberkshire.co.uk/berkshire-strategic-transport-forum>