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## SCRUTINY BOARD (STRATEGY AND RESOURCES)

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Meeting to be held in Civic Hall, Leeds, LS1 1UR on  
Thursday, 14th September, 2017 at 10.30 am

*(A pre-meeting will take place for ALL Members of the Board at 10.00 a.m.)*

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### MEMBERSHIP

#### Councillors

- S Bentley - Weetwood;
- A Garthwaite - Headingley;
- P Grahame (Chair) - Cross Gates and Whinmoor;
- P Harrand - Alwoodley;
- J McKenna - Armley;
- D Nagle - Rothwell;
- A Smart - Armley;
- A Sobel - Moortown;
- E Tunncliffe - Roundhay;
- T Wilford - Farnley and Wortley;
- R Wood - Calverley and Farsley;

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*Please note: Certain or all items on this agenda may be recorded*

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**Principal Scrutiny Adviser:**  
**Steven Courtney**  
**Tel: 24 74707**

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# A G E N D A

Item No	Ward/Equal Opportunities	Item Not Open		Page No
1			<p><b>APPEALS AGAINST REFUSAL OF INSPECTION OF DOCUMENTS</b></p> <p>To consider any appeals in accordance with Procedure Rule 25* of the Access to Information Procedure Rules (in the event of an Appeal the press and public will be excluded).</p> <p>(* In accordance with Procedure Rule 25, notice of an appeal must be received in writing by the Head of Governance Services at least 24 hours before the meeting).</p>	
2			<p><b>EXEMPT INFORMATION - POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC</b></p> <p>1 To highlight reports or appendices which officers have identified as containing exempt information, and where officers consider that the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons outlined in the report.</p> <p>2 To consider whether or not to accept the officers recommendation in respect of the above information.</p> <p>3 If so, to formally pass the following resolution:-</p> <p><b>RESOLVED –</b> That the press and public be excluded from the meeting during consideration of the following parts of the agenda designated as containing exempt information on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present there would be disclosure to them of exempt information, as follows:</p> <p><b>No exempt items have been identified.</b></p>	

Item No	Ward/Equal Opportunities	Item Not Open		Page No
3			<p><b>LATE ITEMS</b></p> <p>To identify items which have been admitted to the agenda by the Chair for consideration.</p> <p>(The special circumstances shall be specified in the minutes.)</p>	
4			<p><b>DECLARATION OF DISCLOSABLE PECUNIARY INTERESTS</b></p> <p>To disclose or draw attention to any disclosable pecuniary interests for the purposes of Section 31 of the Localism Act 2011 and paragraphs 13-16 of the Members' Code of Conduct.</p>	
5			<p><b>APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTES</b></p> <p>To receive any apologies for absence and notification of substitutes.</p>	
6			<p><b>MINUTES - 21 JULY 2017</b></p> <p>To confirm as a correct record, the minutes of the previous meeting held on 21 July 2017.</p>	1 - 8
7			<p><b>REVIEW OF CURRENT BUSINESS RATES ISSUES</b></p> <p>To consider a report from the Deputy Chief Executive on current business rates issues; to enable members to more fully understand the risk environment around business rates and the arrangements in place to manage those risks, where applicable.</p>	9 - 36
8			<p><b>WORK SCHEDULE</b></p> <p>To consider the Scrutiny Board's work schedule for the remainder of the current municipal year, 2017/18.</p>	37 - 48

Item No	Ward/Equal Opportunities	Item Not Open		Page No
9			<p><b>DATE AND TIME OF NEXT MEETING</b></p> <p>Thursday, 26 October 2017 at 10:30am (pre-meeting for all Board members at 10:00am).</p> <p><b>THIRD PARTY RECORDING</b></p> <p>Recording of this meeting is allowed to enable those not present to see or hear the proceedings either as they take place (or later) and to enable the reporting of those proceedings. A copy of the recording protocol is available from the contacts on the front of this agenda.</p> <p>Use of Recordings by Third Parties – code of practice</p> <ul style="list-style-type: none"> <li>a) Any published recording should be accompanied by a statement of when and where the recording was made, the context of the discussion that took place, and a clear identification of the main speakers and their role or title.</li> <li>b) Those making recordings must not edit the recording in a way that could lead to misinterpretation or misrepresentation of the proceedings or comments made by attendees. In particular there should be no internal editing of published extracts; recordings may start at any point and end at any point but the material between those points must be complete.</li> </ul>	

## SCRUTINY BOARD (STRATEGY AND RESOURCES)

FRIDAY, 21ST JULY, 2017

**PRESENT:** Councillor P Grahame in the Chair

Councillors S Bentley, A Garthwaite,  
R Grahame, J McKenna, D Nagle,  
E Tunnicliffe, T Wilford and R Wood

### 12 Chair's Opening Remarks

The Chair opened the meeting, welcomed all those present and invited all members of the Board to give a brief introduction.

The Chair also drew attention to the Council's protocol relating to third party recording of committee meetings.

### 13 Late Items

The following information that was not available at the time of the publication of the agenda was submitted and received as late and supplementary information, relevant to the Scrutiny Board's discussion.

- Item 7 – Draft minutes of the Executive Board meeting held on 17 July 2017 (minute 17 refers); and,
- Item 8 – Executive Board report: Grenfell Tower Update (minute 18 refers).

### 14 Declaration of Disclosable Pecuniary Interests

There were no declarations of disclosable pecuniary interests made at the meeting.

### 15 Apologies for Absence and Notification of Substitutes

The following apologies for absence and notifications of substitute members attending were received at the meeting:

- Councillor P Harrand – no substitute member in attendance;
- Councillor A Smart – no substitute member in attendance; and,
- Councillor A Sobel – Councillor R Grahame in attendance as a substitute member.

### 16 Minutes - 22 June 2017

The minutes of the Scrutiny Board meeting held on 22 June 2017 were agreed as an accurate record.

Draft minutes to be approved at the meeting  
to be held on Thursday, 14th September, 2017

The Principal Scrutiny Adviser provided the following update in relation to the additional information identified and requested at the meeting (minute 8 refers):

- **The apprentice levy** – a briefing note had been provided and circulated to members of the Board.
- **Hate crime prevention** – it was noted that this particular area falls within the remit of the Scrutiny Board (Environment, Housing and Communities). As such, and to avoid duplication, a briefing note would be produced and circulated following the next meeting of Scrutiny Board (Environment, Housing and Communities) in order to reflect any specific issues identified by that Board.
- **Voter registration rates and work targeting ‘hard to reach’ groups** – it was noted that various details had been received and some further clarification sought. The details would be combined into a single briefing note, and shared with Board members in the near future.
- **Funding arrangements for Neighbourhood Networks** – an update on funding arrangements and possible options for the future had been provided and circulated to members of the Board.

There were no other matters arising identified at the meeting.

**RESOLVED** – That the draft minutes of the meeting held on 22 June 2017 be agreed as an accurate record.

## **17 Minutes of Executive Board meeting - 21 June 2017**

The Scrutiny Board received, for information purposes, the draft minutes of the Executive Board meetings held on 21 June 2017 and 17 July 2017.

The Board’s attention was specifically drawn to the following extract from Executive Board resolution in relation to the Grenfell Tower Update (Executive Board minute 44 refers):

- (b) That in relation to the role of Scrutiny Boards, the following Scrutiny Boards be requested to pick up scrutiny of the relevant actions / emerging issues:-*
- (i) Scrutiny Board (Strategy and Resources) – emergency planning;*
  - (ii) Scrutiny Board (Infrastructure and investment) – private sector properties and building control;*
  - (iii) Scrutiny Board (Environment, Housing and Communities) – Council housing stock safety, resident engagement and investment decisions.*

The Board noted aspects of this would be considered as part of the discussion in relation to the Annual Corporate Risk Management Report elsewhere on the agenda (minute 18 refers).

**RESOLVED** – That the Executive Board minutes from the meetings held on 21 June 2017 and 17 July 2017, be noted.

## **18 Annual Corporate Risk Management Report**

Draft minutes to be approved at the meeting  
to be held on Thursday, 14th September, 2017

The Head of Governance and Scrutiny Support submitted a report that introduced the Annual Corporate Risk Management Report and Grenfell Tower Update, considered by the Executive Board at its meeting on 17 July 2017.

The following were in attendance for this item:

- Councillor James Lewis (Executive Member for Strategy and Resources); and,
- Neil Evans (Director – Strategy and Resources).

Introducing the information, the Executive Member outlined the purpose of the report was to outline the Councils approach to identifying significant corporate risks for inclusion on the corporate risk register. The report outlined the following areas of risk:

- Safeguarding children
- Safeguarding adults
- Health and safety
- City resilience
- Council resilience
- Financial management (both the risk to the in-year budget and longer-term financial sustainability)
- Information safeguarding
- Major cyber incident

It was highlighted that, with the exception of (a) Safeguarding children and (b) Safeguarding adults, all other areas of identified corporate risk fell within the remit of the Scrutiny Board (Strategy and Resources) and may also be worthy of detailed consideration.

In terms of city resilience, the Executive Member made reference to the City response to Storm Eva.

Specific reference was also made to recent incidents which had and continued to attract high levels of public concern and national responses, including the Grenfell Tower incident; the terror events at Manchester Arena; and recent cyber security incidents. The Board's attention was also drawn to the Grenfell Tower Update report presented to the Executive Board at its meeting on 17 July 2017.

The Scrutiny Board discussed the identified risks, assurance and assurance framework in detail. Some specific issues highlighted and discussed in detail included:

- IT system upgrades due to cyber security vulnerabilities and testing arrangements.
- Physical security of off-site system back-up facilities.
- Data security training for officers and members and the appointment of a data protection officer.

- Building security, with specific reference to the Civic Hall, security levels (including staff awareness) and escorting/ supervision of visitors.
- Building evacuation procedures and testing.
- Approaches for identifying, assessing and including risks associated with 'Brexit'.
- The grading / assessment of risks – including clarification around the anticipated duration of disputation arising from specific risks.
- Specific details in relation to the 78 services identified as the most critical.
- Collaboration with other authorities through the West Yorkshire Resilience Forum.
- Dealing with violence and aggressive behaviour, including specific targeting through social media.

The Scrutiny Board also gave specific consideration to the Grenfell Tower Update report presented to the Executive Board at its meeting on 17 July 2017. Some of the specific points raised and discussed included:

- The Council's positive approach in responding to the issues arising from the Grenfell Tower incident, including stakeholder involvement and responding to community concerns.
- The devastating impact of the Grenfell Tower incident being caused by catastrophic building failure.
- The role of the Fire Authority in issuing Fire Certificates for buildings and powers to force building closure.
- The potential impact of and challenge to the 'stay put policy' in place at Grenfell Tower.
- The annual incidence of fires affecting Council high-rise properties being between 12 and 20.
- The potential risks associated with full building evacuation in an emergency situation.
- The potential for new national guidelines following the outcome of the Grenfell Public Inquiry.

#### **RESOLVED –**

- (a) That, as part of the ongoing prioritisation of the post-Grenfell work, the Executive Board's request for the Scrutiny Board (Strategy and Resources) to scrutinise relevant actions and emerging issues in relation to emergency planning, be agreed.
- (b) That the information presented in the reports and discussed at the meeting, be noted.
- (c) That further consideration of matter identified by the Scrutiny Board be considered as part of the Board's ongoing work schedule.

#### **19 Best Council Plan Annual Performance (2016/17) and Performance reporting**

The Head of Governance and Scrutiny Support submitted a report that introduced the Best Council Plan Annual Performance (2016/17) report



considered by the Executive Board at its meeting on 17 July 2017, alongside other proposed future performance monitoring arrangements within the Scrutiny Board's terms of reference.

The following were in attendance for this item:

- Councillor James Lewis (Executive Member for Strategy and Resources); and,
- Neil Evans (Director – Strategy and Resources).

The Director of Strategy and Resources introduced the report detailing the Best Council Plan 2016/17 annual performance report.

It was outlined that due to changes to previous national performance reporting regimes, producing comparative performance data was more challenging than in the past. However, work was being undertaken with the UK Core Cities (Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield) in order to provide comparative information.

The Board considered the information and welcomed the details presented. The Board also noted the ongoing work to provide comparative performance information.

Making specific reference to 'hosting world class events', members of the Board reflected on the large number of local festivals and cultural events delivered across the City, and suggested this area could be further strengthened to better reflect the number, variety and diversity of events across Leeds. The Director of Strategy and Resources agreed to review the section in light of the comments made.

#### **RESOLVED –**

- (a) That the details presented in the Best Council Plan Annual Performance report (2016/17) be noted.
- (b) That in finalising the Best Council Plan Annual Performance report (2016/17), the Director of Strategy take account of the Board's specific comments highlighted at the meeting.

## **20 Financial Health Monitoring**

The Head of Governance and Scrutiny Support submitted a report that introduced the following financial reports considered by the Executive Board at its meeting on 17 July 2017:

- Medium Term Financial Strategy (2018/19 to 2020/21); and,
- Financial Health Monitoring 2017/18 – Quarter 1.

The following were in attendance for this item:

- Councillor James Lewis (Executive Member for Strategy and Resources);

Draft minutes to be approved at the meeting  
to be held on Thursday, 14th September, 2017

- Neil Evans (Director – Strategy and Resources); and,
- Doug Meeson (Chief Officer - Financial Services)

The Executive Member and Chief Officer gave introduced the information presented to the Scrutiny Board.

In relation to the Medium Term Financial Strategy, specific reference was made to the proposed 100% retention of Business Rates by local authorities no longer being a government priority. The Scrutiny Board discussed a number of other matters, including:

- The level of assumptions within the Medium Term Financial Strategy (2018/19 – 2020/21).
- The confirmed Revenue Support Grant forming part of the 4-year settlement until 2019/20, but the level being uncertain thereafter.
- Revenue funding stream changes – including the proportion of the core grant (Revenue Support Grant) versus more specific targeted funding.
- The Council’s approach to purchasing investment property / assets being to develop rental income streams but also to promote and support economic growth.

In relation to the Financial Monitoring report, the highlighted and discussed a number of matters, including:

- Significant concerns in relation to Business Rates and the uncertainties in relation to the level and outcome of appeals.
- Continued concerns in relation to the Children’s Services budget and current overspend.
- Specific concerns in relation to the deficit within the ‘High Needs Block’ element of the Children’s Services overall budget.
- The level of borrowing from the schools budget.

In response to the concerns raised around the Children’s Services budget, the Director of Strategy and Resources assured the Board of the ongoing work with the Director of Children’s Services, which included monthly meetings. There was an intention of completing a reassessment of the Children’s Services budget by Autumn 2017.

#### **RESOLVED –**

- (a) To note the information presented and discussed at the meeting – in particular the assurances provided in relation to the Children’s Services budget area.
- (b) That further consideration of the matters associated with Business Rates be included in the Scrutiny Board’s work schedule.

## **21 Work Schedule**

The Head of Governance and Scrutiny Support submitted a report setting out the main issues highlighted and discussed at the Board’s previous meeting in

June 2017 and introducing the Board's proposed 2017/18 work schedule for consideration.

The Principal Scrutiny Adviser introduced the report and outlined the areas within the work programme.

Reflecting on the Board's earlier discussion around performance reports, the Board discussed grouping the identified service areas together; to ensure monitoring of each area occurred more than once during the remainder of the municipal year.

In relation to the Board's consideration of Business Rates, the Principal Scrutiny Adviser advised the attendance of a suitable representative from the Valuation Office at a future Board meeting would be sought and progressed. It was also reported that consideration could be given to Board members attending and observing proceedings at a Business Rates Appeal meeting.

The Principal Scrutiny Adviser also made reference to the Board's earlier discussion around Corporate Risk Management and suggested a brief statement could be drafted on the Board's behalf, for future consideration and agreement.

**RESOLVED –**

- (a) That the outline work schedule presented at the meeting be agreed, subject to the inclusion of the performance monitoring arrangements identified at the meeting, and the routine timetabling discussions with the Chair of the Scrutiny Board.
- (b) That, in relation to the work area around Business Rates, the attendance of a suitable representative from the Valuation Office at a future Board meeting be progressed and further consideration be given to Board members attending and observing proceedings at a Business Rates Appeal meeting.
- (c) That, in relation to the Boards consideration of the Annual Corporate Risk Management Report, a brief statement be drafted by the Principal Scrutiny Adviser on the Board's behalf, for consideration and agreement at a future meeting.

**22 Date and Time of Next Meeting**

Friday, 14 September 2017 at 10:30am (pre-meeting at 10:00am).

At the conclusion of the discussion, the Chair thanked Board members for their attendance and contributions; and closed the meeting.

The meeting closed at 12:15pm.

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Report author: Richard Ellis

Tel: x87814

**Report of the Deputy Chief Executive**

**Report to Scrutiny Board (Strategy and Resources)**

**Date: 14 September 2017**

**Subject: Review of Current Business Rates Issues**

Are specific electoral wards affected? If relevant, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-In?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**Summary of main issues**

1. The purpose of this report is to provide a briefing on current business rates issues. The report is intended to enable members to more fully understand the risk environment around business rates and to receive assurances that arrangements are in place to manage those risks where applicable. This is intended to inform the Board's further consideration of business rates, as agreed at its meeting of 21<sup>st</sup> July 2017.
  
2. Under the current business retention scheme, local authorities retain 50% of locally collected rates, benefitting from growth but exposed to financial risks should business rates fall or fail to grow as expected.
  
3. The importance of business rates income to the council is emphasised by looking at the constituent parts of the £492.7m net revenue available to the council's 2017-18 budget. Council tax contributes the most, at £284.7m, but business rates income is the next largest contributor at £142.9m. The main Government grant, Revenue Support Grant, now provides only £65.0m in comparison.
  
4. Business rates are inherently volatile and the council's financial position can be adversely affected by a range of factors. The council's 2017/18 budget included an increase in the Net Revenue Charge relating to business rates. This increase is due to two factors, a slight improvement in the position on business rates income in 2016/17 which has resulted in an improvement in the business rates deficit of £1.24 million and an improved forecast of business rates growth in 2017/18 of £2.52 million which recognises the continuing improvement of the economic climate of the city.

5. At 31<sup>st</sup> July 2017 there were 4,255 outstanding appeals in Leeds, requiring the Council to set aside a provision of £14.46 million, funding that could otherwise be spent on services.
6. It is important to note that the Council does not set rateable values or determine mandatory reliefs, nor does it have any role in the appeals process.
7. A revaluation of business properties has taken place with effect from 1st April 2017, with the rateable value of every non-domestic property in England having been reviewed. The impact of this revaluation was very mixed, both nationally and locally, with some businesses experiencing large increases in their rateable values and others large decreases. There was a fall in the total rateable value in Leeds, which resulted in the authority's Business Rates Baseline and tariff being reset reducing the amount of business rates income we are required to pay across to Government.
8. The 2017 revaluation is expected to bring a fresh wave of business rate appeals which will increase the financial volatility faced by local authorities. These appeals will be subject to the new 'Check, Challenge, Appeal' process, the impact of which is not yet known.
9. Government had proposed that by 2020 local authorities would be allowed to retain 100% of business rates. However, following the 2017 general election, the Queens Speech made no reference to the necessary key legislation, and we now know that it will not form part of the Parliamentary timetable for this session. Local authorities have been assured that Government remain committed to local government taking greater control of their income and is continuing to explore options for future reform without an immediate Bill. At this stage we have no indications as to the nature of this future reform.
10. We are also told that Ministers remain determined to address concerns about the fairness of current funding distributions and will continue to work with the LGA and local government on this.
11. The briefing note at **Appendix 1** discusses the identified issues in detail and identifies relevant assurances, which are summarized at **Annex 1**

## **Recommendations**

12. Scrutiny Board (Strategy and Resources) are recommended to:
  - note the issues and risks identified in this report;
  - note the assurances provided that appropriate action is being taken to mitigate the risks arising where possible.

## **1 Purpose of this report**

- 1.1 At its meeting in July 2017, the Board received a report of the Head of Governance and Scrutiny Support regarding Financial Health Monitoring.
- 1.2 Following consideration of the Medium Term Financial Strategy (2018/19 to 2020/21) and Financial Health Monitoring 2017/18 – Quarter 1, the Board has resolved that further consideration of the matters associated with Business Rates be included in their work schedule. In relation to this matter, the Principal Scrutiny Adviser advised the attendance of a suitable representative from the Valuation Office at a future Board meeting would be progressed. It was also resolved that consideration would be given to Board members attending and observing proceedings at a Business Rates Appeal meeting.
- 1.3 This report is intended to provide Members with the necessary background knowledge of the business rates system to support their work in this area. Additionally the attached briefing note outlines recent developments in this area and discusses the possible implications of the delay in implementing 100 per cent retention of business rates.
- 1.4 Where appropriate, assurances have been identified and these are summarized at **Annex 1** of the attached briefing note.

## **2 Background information**

- 2.1 Business rates were taken out of local authority control in 1990. Business rates revenue collected by local authorities was pooled in a single, national pot and redistributed based on an annual needs assessment through Revenue Support Grant.
- 2.2 In 2013/14, Government introduced the current Business Rates Retention (BRR) scheme. Local authorities now retain 50 per cent of locally collected business rates, including 50 per cent of any local growth but also bear 50 per cent of the risk if business rates fall.
- 2.3 Local authorities now act as both principal and agent, collecting business rates both to keep and to pass to central government. As a result they have needed to set aside funds to make provision to meet the cost of future repayments to ratepayers following successful appeals.
- 2.4 In October 2015 the Chancellor announced a commitment to allow local government collectively to retain 100 per cent of business rates revenue by the end of the then Parliament and, to match the resulting additional tax revenues, for it to take on 'new responsibilities'. This move to 100% business rates retention, accompanied by a fundamental reassessment of needs and resources, was felt to represent the biggest change to local government finance in a generation.
- 2.5 However, following the 2017 general election, the Queens Speech made no reference to the Local Government Finance Bill, the necessary key legislation, and it will now not form part of the Parliamentary timetable for this session. Subsequently, local authorities have been assured that Ministers remain

committed to local government taking greater control of their income and that Government continue to explore options for future reform without an immediate Bill. We are also told that Ministers remain determined to address concerns about the fairness of current funding distributions and will continue to work with the LGA and local government on this.

- 2.6 Work to address fairness of funding distributions, the Fair Funding Review, resumed in July 2017 with the recall of the DCLG/LGA Needs Working Group. We now expect a detailed consultation in autumn 2017.

### **3 Main issues**

- 3.1 The issues to be considered are set out in detail in the briefing note at **Appendix 1** and its associated annexes and are briefly summarised here.

#### **The Current System**

- 3.2 Under the current business retention scheme, local authorities retain 50% of locally collected rates, benefitting from growth but exposed to financial risks should business rates fall or fail to grow as expected. The council's financial position can be adversely affected by a range of factors, including:

- Slower than forecast growth;
- The impact of mandatory reliefs determined by Government;
- Reductions in rateable value determined by the Valuation Office Agency;
- Most significantly, reductions in rateable value as a result of business rate appeals.

- 3.3 In 2017/18 the council's budget included an increase in the Net Revenue Charge relating to business rates. This increase is due to two factors, a slight improvement in the position on business rates income in 2016/17 which has resulted in a reduction in the business rates deficit of £1.24 million and an improved forecast of business rates growth in 2017/18 of £2.52 million which recognises the continuing improvement of the economic climate of the city.

- 3.4 At 31<sup>st</sup> July 2017 there were 4,255 outstanding appeals in Leeds, with just under 28% of the total rateable value of the city subject to at least one appeal. As a result the Council has set aside a provision of £14.46 million, funding that could otherwise be spent on services.

- 3.5 It is important to note that the Council does not set rateable values or determine mandatory reliefs, nor does it have any role in the appeals process.

#### **Revaluation 2017**

- 3.6 The revaluation of business properties planned for April 2015 was delayed by the Coalition Government but was implemented with effect from 1st April 2017. Under the revaluation, the rateable value of every non-domestic property in England was reviewed. The impact of the revaluation was very mixed, both nationally and



locally, with some businesses experiencing large increases in their rateable values and others large decreases. Total rateable values in Leeds fell from £926.5m at March 2017 on the 2010 Valuation List to £915.5m at 1st April 2017 on the 2017 Valuation List, a reduction of £11m (1.2%). As a result of the revaluation and the fall in total rateable value in Leeds, the authority's Business Rates Baseline and tariff have been reset, reducing the amount of business rates income Leeds collects and is then required to pay across to Government as part of the redistribution mechanism.

- 3.7 As with previous revaluations, the Government has introduced a national transitional scheme to phase in the impact of both increases and reductions in business rates liability.
- 3.8 Additionally, at the March 2017 Budget, the Chancellor announced three new measures to support businesses affected by the 2017 Revaluation: support for small businesses, a business rate discount for public houses and funding for local authorities to establish local discretionary relief schemes 'to deliver targeted support to the most hard-pressed ratepayers'. The discount for public houses is for one year only whereas the other two new reliefs will be provided for four years, with a tapering effect. As at 31st July 2017 Leeds has awarded over £1.5m of discounts to 3,475 local businesses under these new schemes.
- 3.9 The 2017 revaluation is expected to bring a fresh wave of business rate appeals which will increase the financial volatility faced by local authorities. These appeals will be subject to the new 'Check, Challenge, Appeal' process, the impact of which is not yet known.

### **Future business rates reform and the Fair Funding Review**

- 3.10 In a report to Corporate Governance and Audit Committee in September 2016 we stated that the proposed move to 100 per cent business rates retention, accompanied by a fundamental reassessment of needs and resources, probably represented the biggest change to local government finance in a generation. Local authorities across the country were participating in discussions with Government about the design of the new system and incorporating its introduction into their medium term financial planning.
- 3.11 However, following the 2017 general election, the Queens Speech made no reference to the Local Government Finance Bill, the necessary key legislation, and it will not now form part of the Parliamentary timetable for this session. Subsequently, local authorities have been assured that Ministers remain committed to local government taking greater control of their income and that Government continue to explore options for future reform without an immediate Bill. We are also told that Ministers remain determined to address concerns about the fairness of current funding distributions and will continue to work with the LGA and local government on this.
- 3.12 Work to address fairness of funding distributions, the Fair Funding Review, resumed in July 2017 with the recall of the DCLG/LGA Needs Working Group. Prior to the general election the Working Group were focussing primarily on the design of a new needs formula. More recent discussions have turned to the

measurement of relative resources: how and to what extent should an individual authority's capacity to generate income be taken into account when assessing comparative need. These discussions have included proposals regarding the inclusion of income from sales, fees and charges in the calculation of resources, which are a cause for concern for Leeds and other enterprising councils. We expect a detailed consultation in autumn 2017.

3.13 The above issues are discussed in more detail in Paragraph 5 of the briefing note at **Appendix 1**.

## **4 Corporate considerations**

### **4.1 Consultation and engagement**

4.1.1 This report has no direct issues requiring consultation or engagement.

### **4.2 Equality and diversity / cohesion and integration**

4.2.1 This report has no direct equality and diversity / cohesion issues.

### **4.3 Council policies and best council plan**

4.3.1 Achievement of the priorities identified in the Best Council Plan requires that the Council's financial resources are maximised and associated risk managed appropriately. The management of business rate risk is therefore essential to ensuring that the City can deliver on its ambitions.

4.3.2 Business rates growth is identified as a key indicator in the 2017/18 Best Council Plan Update. This report discusses how the current business rates system both incentivises growth and undermines it through the appeals process. It also identifies the limited tools at the Council's disposal to mitigate appeals risk.

### **4.4 Resources and value for money**

4.4.1 The financial implications of the current and proposed business rates systems are discussed in this report.

### **4.5 Legal Implications, access to information and call In**

4.5.1 There are no legal implications arising from the issues discussed in this report. The report does not require a key or major decision and is therefore not subject to call-in.

### **4.6 Risk management**

4.6.1 The adequacy of resources to meet the Best Council Plan objectives in a sustainable way is identified as one of the Council's corporate risks. The management of business rates risk is a key element of this and is subject to regular review. Detailed monitoring arrangements are in place and key issues are highlighted to Financial Performance Group and to Executive Board monthly.

## **5 Conclusions**

- 5.1 This report provides assurances that current business rates issues and the associated risks are fully understood, and that appropriate action is being taken to mitigate these risks where possible. It does however acknowledge that local authorities have limited influence in many of the areas of risk and few tools at their disposal to manage these risks.
- 5.2 The proposed move to 100% business rates retention raised concern that authorities would be exposed to even greater financial risk and volatility. However, with the postponed implementation of business rates reform, it is to be hoped that we will have the opportunity to refine and simplify the design of a future retention system and to deal with the many significant problems such as balancing needs and resources and dealing with the inherent volatility of business rates income. The current delay also offers an opportunity to develop any future business rates system alongside a wider review of local government funding, which may mitigate some of the risks and concerns related to greater retention, as well as delivering the range of tools local authorities need to deal with demographic and economic change.

## **6 Recommendations**

- 6.1 Scrutiny Board (Strategy and Resources) are asked to note the issues and risks identified in this report.
- 6.2 Further, the Board are asked to note the assurances provided that appropriate action is being taken to mitigate the risks arising where possible.

## **7 Background documents<sup>1</sup>**

- 7.1 None.

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

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# Appendix 1: Review of Current Business Rates Issues

Scrutiny Board (Strategy and Resources)  
14 September 2017



## 1. Purpose of this note

- 1.1 At its meeting in July 2017, the Board received a report of the Head of Governance and Scrutiny Support regarding Financial Health Monitoring.
- 1.2 Following consideration of the Medium Term Financial Strategy (2018/19 to 2020/21) and Financial Health Monitoring 2017/18 – Quarter 1, the Board has resolved that further consideration of the matters associated with Business Rates be included in their work schedule. In relation to this matter, the Principal Scrutiny Adviser advised the attendance of a suitable representative from the Valuation Office at a future Board meeting would be progressed. It was also resolved that consideration would be given to Board members attending and observing proceedings at a Business Rates Appeal meeting.
- 1.3 This note is intended to provide Members with the necessary background knowledge of the business rates system to support their work in this area. Additionally the note outlines recent developments in this area and discusses the possible implications of the delay in implementing 100 per cent retention of business rates.
- 1.4 Where appropriate, assurances have been identified and these are summarized at **Annex 1** of this note.

## 2. Background

- 2.1 Business rates were taken out of local authority control in 1990 and replaced by the national non-domestic rate, although they continue to be referred to as 'business rates'. The Government set a rate, known as the 'multiplier', and revenue collected by local authorities was pooled in a single, national pot and redistributed based on an annual needs assessment through Revenue Support Grant. Under this system there was no specific incentive for local authorities to build up tax revenues through local economic growth. Business rates principles are explained at **Annex 2**.
- 2.2 In 2013/14, Government introduced the current Business Rates Retention (BRR) scheme. Government calculates how much funding each authority requires, with this being funded from two sources: Revenue Support Grant (RSG) and the BRR scheme. Local authorities retain 50 per cent of locally collected business rates, including 50 per cent of any growth, with 50 per cent being remitted to central government. However, local government also bears 50 per cent of the risk if business rates fall or fail to keep pace with inflation, although a safety-net mechanism is in place to limit losses.
- 2.3 In October 2015 the Chancellor announced a commitment to allow local government collectively to retain 100 per cent of business rates revenue by the end of the then Parliament and, to match the resulting additional tax revenues, for it to take on 'new responsibilities'. Revenue Support Grant, the main central government grant for local authorities, is being phased out over the intervening period.
- 2.4 The move was confirmed in the March Budget and the subsequent Queen's Speech announced that the relevant legislative changes would be included in the Local Growth and Jobs Bill to be published in spring 2017.
- 2.5 However, following the calling of the 2017 general election DCLG announced the suspension of meetings of all working groups discussing 100 per cent rate retention. Post-election, the Queens Speech made no reference to the Local Government Finance Bill and it will not now form part of the

Parliamentary timetable for this session. However, local authorities have been assured that Ministers remain committed to local government taking greater control of their income and that Government continues to explore options for future reform without an immediate Bill. We are told that Ministers also remain determined to address concerns about the fairness of current funding distributions and will continue to work with the LGA and local government on this.

2.6 Subsequently, in July 2017, work to address fairness of funding distributions, the Fair Funding Review, resumed with the recall of the DCLG/LGA Needs Working Group. We responded to an initial 'Call for Evidence' on this issue in September 2016 and expect a more detailed consultation in autumn 2017.

### **3. The current system: 50 per cent retention**

#### **3.1 How the current scheme impacts on the Council's finances: the business rates deficit**

3.1.1 The current business rates scheme is explained in more detail at **Annex 3**. Whilst 50 per cent retention allows local authorities to retain 50 per cent of locally collected business rates, including 50 per cent of any growth, authorities are also exposed to 50 per cent of the risk. Business rate income is inherently volatile and the Council's financial position can be adversely affected by a range of factors. These include:

- Slower than forecast growth;
- The impact of mandatory reliefs, particularly issues regarding charitable relief and empty rates relief;
- Reductions in rateable value due to changes in local circumstances as determined by the Valuations Office Agency (VOA), for example the reductions applied to numerous retail properties in Leeds City Centre to reflect the impact of the opening of Trinity;
- Reductions in rateable value arising as a result of a successful appeal in one part of the country, where the basis for appeal applies more widely. In these circumstances the VOA instructs billing authorities to reduce rateable values of relevant properties in their area, whether or not they have appealed. One such recent decision related to purpose-built medical centres;
- But most significantly, reductions in rateable value due to appeals by ratepayers and their agents, as discussed in greater detail at paragraph 3.2.

3.1.2 Changes to large properties are a major cause of business rates volatility, particularly when a small number of properties dominate a local valuation list. For example, when a nuclear power station in Hartlepool had its rateable value reduced by 48% to correct an error in the original 2010 valuation that single change reduced their business rates income by 20% and resulted in them falling into safety-net. Leeds and others have argued that large, potentially volatile assessments should be placed in a Central List to protect vulnerable local authorities from large reductions, but some authorities argue that such properties should be retained in local lists so that they can benefit from growth if rateable values go up.

3.1.3 The role of the VOA is explained more fully in **Annex 2**, and it is important to note that the Council does not set rateable values, nor does it have any role in the appeals process, but it does have to deal with the financial impact of appeals, including the requirement to set aside funds to cover future losses. The Council is unable to make provision for income lost due to VOA decisions which are not appeals, as we cannot reasonably estimate them.

3.1.4 Local authorities are required by statute to account for council tax and business rates income in a 'Collection Fund', a separate accounting statement showing the amounts that each billing authority forecast it would collect and how that has been distributed. Councils recognise in their budget the amount they forecast they will collect and any actual surplus or deficit is carried forward to the following year's budget: so a surplus in 2016/17 would increase the amount of business rates

income available to spend on services in 2017/18 and vice versa. This approach is intended to give local authorities time to plan for volatility in income rather than having to respond in year.

- 3.1.5 In 2017/18, the Council’s budget included an increase in the Net Revenue Charge relating to business rates. This increase is due to two factors, a slight improvement in the position on business rates income in 2016/17 which has resulted in a reduction in the business rates deficit of £1.24 million and an improved forecast of business rates growth in 2017/18 of £2.52 million which recognizes the continuing improvement of the economic climate of the city. The contribution of business rates income to the Net Revenue Charge is illustrated in Table 1 below.

**Table 1: Business Rates and the Net Revenue Charge in 2017-18**

	2017/18 Budget £m	2017/18 Business Rates £m
Revenue Support Grant	65.0	
Business Rates Baseline	148.0	148.0
<b>Settlement Funding Assessment</b>	<b>213.0</b>	<b>148.0</b>
Business Rates Growth	16.7	16.7
Business Rates Deficit	(21.8)	(21.8)
Council Tax: Core	270.0	
Council Tax: Adult Social Care Precept	13.2	
Council Tax surplus/(deficit)	1.5	
<b>Net Revenue Budget</b>	<b>492.7</b>	<b>142.9</b>

3.1.6 The following **assurances** are identified:

- *Business rates income is monitored in detail and reported to Financial Performance Group on a monthly basis. Financial Performance Group then highlights key issues to Executive Board;*
- *Both financial forecasting and the in-year budget are monitored through the Council’s Corporate Risk process.*

### **3.2 Appeals risk under the current system**

3.2.1 The Gross Rateable Value for the city is currently estimated to be £915.9 million, which is less than the value prior to the opening of Trinity. Although there are now more rateable premises in the city, many have lower rateable values on the 2017 valuation list as a result of the 2017 revaluation itself, discussed in **Section 4** below, or as a result of successful appeals or decisions by the VOA.

3.2.2 At 31<sup>st</sup> July 2017 there were 4,255 appeals outstanding in the Leeds City Council area affecting 2,809 properties. This means that rateable value of over £258 million is subject to at least one appeal in Leeds, almost 28% of the total rateable value in the city. As a result the Council has had to set aside £14.46 million against future losses due to reductions in rateable value - funding that could otherwise be spent on services. Collectively, local authorities hold £2.806 billion in provisions as at 31<sup>st</sup> March 2016 to cover the risk of appeals<sup>1</sup>. **Annex 4** explains the current appeals system in more detail.

3.2.3 Successful appeals against the 2010 Valuation List are most commonly backdated to the start of that list, i.e. 1<sup>st</sup> April 2010, greatly increasing the in year impact on local authorities. As a result of this backdating, the Council needs almost £7 of rateable value growth on the 2017 list for every £1 of rateable value lost from the 2010 list just to maintain its level of income. This is illustrated at **Annex 4**.

3.2.4 A further complication is that the process for submitting appeals changed from 1<sup>st</sup> April 2017. The Government hopes that this new 'Check, Challenge, Appeal' process, explained at **Annex 4**, will reduce the number of long-term appeals in the system and discourage speculative appeals. However, at first sight the new procedures appear cumbersome and could make it more difficult for us to make accurate provisions for appeals.

3.2.5 The following **assurances** are identified:

- *Detailed monthly monitoring of the adequacy of appeals provisions with reference to the most recent settlement data, which is reported to Financial Performance Group;*
- *Following the recommendations of the Corporate Governance and Audit Committee, detailed additional information about numbers and value of appeals is provided to Financial Performance Group and included in Financial Health Monitoring reports to Executive Board and to this Scrutiny Board;*
- *Liaison with the Council's Business Rates team to discuss issues and assist in our approach to calculating appeals provisions;*
- *Regular meetings with the VOA, which give us some forewarning of local and national issues and improve our understanding of how the appeals system is operating;*
- *The Collection Fund is audited by both Internal and External Audit, and this includes audit of the methodology used to estimate provisions for appeals;*
- *Leeds continues to discuss the current and future appeals issue with government and with local government representative bodies.*

#### **4. Revaluation 2017**

4.1 The revaluation of business properties planned for April 2015 was delayed by the Coalition Government and was actually implemented on 1st April 2017. Under the revaluation, the rateable value of every non-domestic property has been reviewed in the light of rental and other evidence as at 1st April 2015 ("the antecedent date"). Rateable values can go up or down depending on movements in property values, but the aim is to adjust the multiplier so that the national business rates "take" is the same before and after the revaluation. This is illustrated by the simple model at **Annex 5**. In practice, there will be a small upward adjustment to try to take account of the effect of successful appeals over the lifetime of the ratings list.

4.2 The impact of the 2017 revaluation was very mixed, both nationally and locally, with some businesses experiencing large increases in their rateable values and others large decreases. In England, after revaluation, the total rateable value increased by 9.6 %. The region with the highest increase (23.7%) was London while the largest fall (-0.9%) was in the North East. Total rateable values in West Yorkshire fell by 0.1%<sup>2</sup>.

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<sup>1</sup> [National non-domestic rates collected by councils in England: 2015 to 2016 - GOV.UK](#)

<sup>2</sup> [Non-domestic Rating: Change in Rateable Value of Rating Lists, England and Wales, 2017 Revaluation](#), Valuation Office Agency, 6 October 2016.



4.3 Total rateable values in Leeds fell from £926.5m at March 2017 on the 2010 Valuation List to £915.5m at 1<sup>st</sup> April 2017 on the 2017 Valuation List, a reduction of £11m (-1.2%). Whereas rateable values for offices fell by over 17% on average and shops by just 0.74%, average rateable values for restaurants and cafes in Leeds increased by over 7%, car parks by over 23% and universities by over 43%. Even within these categories there was significant volatility. There have been reductions of 50% or more for some shops, particularly those in the Merrion and St Johns Centres and parts of Briggate.

4.4 As a result of the revaluation and the fall in total rateable value in Leeds, the authority's Business Rates Baseline and tariff have been reset, reducing the amount of business rates income collected we are required to pay across to Government as part of the redistribution mechanism, illustrated in **Annex 3**. In 2016/17 the authority's tariff payment was £33.15m, whereas the 2017/18 tariff is £13.39m.

#### 4.5 Transitional Arrangements

4.5.1 As with previous revaluations, the Government has introduced a national transitional scheme to phase in the impact of both increases and reductions in business rates liability. Under this scheme the amount by which a business's liability increases or reduces compared with their 2016/17 liability is capped. Transitional relief is intended to be self-funding at a national level. Businesses experiencing a cap on reductions to their bills will be paying more than their new reduced liability. This 'excess payment' is used to fund businesses with an increased liability, where they are not meeting their liability in full because their increase is capped.

4.5.2 There are more properties in Leeds subject to capped increases than those subject to capped reductions. However, the impact of upwards and downwards caps is such that businesses in Leeds with capped reductions are paying £33.7m more in 2017/18 whilst businesses with capped increases are receiving only £10.9m in transitional relief. The net position for Leeds is therefore an excess payment of £22.7m, which is paid to Government as part of the self-funding national scheme.

#### 4.6 New 'Spring Budget' Reliefs

4.6.1 At the March 2017 Budget, the Chancellor announced three additional measures to support businesses affected by the 2017 Revaluation: support for small businesses, a business rate discount for public houses and £300 million of funding over four years for local authorities to establish local discretionary relief schemes 'to deliver targeted support to the most hard-pressed ratepayers'. The discount for public houses is for one year only whereas the other two new reliefs will be provided for four years. This funding will be administered through the discretionary relief powers under section 47 of the Local Government Act 1988 and losses to authorities' business rate income will be compensated in full by Government through payment of Section 31 grant.

4.6.2 The funding allocations for Leeds City Council means it can award discretionary relief over the next four years of: -

2017-18	2018-19	2019-20	2020/21	Total
£1,687,543	£819,664	£337,509	£48,216	£2,892,931

The West Yorkshire authorities consulted on the design of a regional discretionary relief scheme, which was approved by Leeds City Council's Executive Board in June 2017.

4.6.3 Members will no doubt be aware that there has been some media coverage stating that local authorities have failed to pass this funding on to affected businesses. This is not the case in Leeds. To date Leeds has awarded Public House Relief to 252 businesses, Supporting Small Business

Relief to 119 businesses and Local Discretionary Discount to 3,104 businesses. As at 23<sup>rd</sup> August 2017 Leeds has awarded over £1.55 million of discounts to local businesses under these schemes.

#### **4.7 Appeals against the 2017 List**

4.7.1 As has been the case in the past, the 2017 revaluation is expected to bring a fresh wave of business rate appeals which will increase the financial volatility faced by local authorities. These appeals will be subject to the new 'Check, Challenge, Appeal' process explained in **Annex 4**. The impact of this new process on the volume and cost of appeals is not yet known. Leeds has made provisions of £2 million to meet these potential costs in 2017/18.

4.7.2 It is understood that only a very small number of 'Checks' have been submitted to the VOA to date, but that this appears to be due to problems with the software for the new system rather than an indication that businesses are satisfied with their new rateable values. Leeds City Council receives no notification from the VOA until a case reaches the 'Challenge' stage of the new process. No challenges have been notified to the council to date.

4.8 The following **assurances** are identified:

- *Leeds continues to participate in discussions with DCLG to address concerns arising from the 2017 revaluation;*
- *Liaison with the Council's Business Rates team to discuss issues and assist in our approach to calculating appeals provisions;*
- *Regular meetings with the VOA, which give us some forewarning of local and national issues and improve our understanding of how the new appeals system is operating;*
- *The Collection Fund is audited by both Internal and External Audit, and this includes audit of the methodology used to estimate provisions for appeals;*

### **5. The future of business rates reform and the Fair Funding Review**

#### **5.1 Future business rates reform**

5.1.1 In a report to Corporate Governance and Audit Committee in September 2016 we stated that the proposed move to 100 per cent business rates retention, accompanied by a fundamental reassessment of needs and resources, probably represented the biggest change to local government finance in a generation. Local authorities across the country were participating in discussions with Government about the design of the new system and incorporating its introduction into their medium term financial planning.

5.1.2 However, following the 2017 general election, the Queens Speech made no reference to the Local Government Finance Bill and we know that it will not now form part of the Parliamentary timetable for this session. Local authorities have been assured that Government remains committed to local government taking greater control of their income and is continuing to explore options for future reform without an immediate Bill. At this stage we have no indications as to the nature of this future reform.

5.1.3 Leeds City Council remains broadly supportive of a move to greater business rates retention. We did have concerns about the complexity of the proposed design of 100% retention and the current hiatus offers a welcome opportunity to refine and simplify the design of a future retention system, and to deal with the many significant problems such as balancing needs and resources and dealing with the inherent volatility of business rates income.

5.1.4 We continue to view rates retention as just one element of fiscal devolution. The current delay offers an opportunity to develop any future business rates system alongside a wider review of local government funding, and it may be that changes to the wider funding regime would mitigate some of the risks and concerns related to greater retention, as well as delivering the range of tools local authorities need to deal with demographic and economic change.

5.1.5 We are also told that Government remains determined to address concerns about the fairness of current funding distributions and will continue to work with the LGA and local government on this. Indeed, work to address fairness of funding distributions, the Fair Funding Review, resumed in July 2017 with the recall of the DCLG/LGA Needs Working Group. We expect a detailed consultation on Fair Funding in autumn 2017.

5.1.6 The following **assurances** are identified:

- *Leeds will submit detailed responses to Government in response to all future consultations concerning the proposed system.*
- *Leeds is participating in the discussions about needs and resources through SIGOMA and other representative bodies.*

## 5.2 The Fair Funding Review: Needs and Resources

5.2.1 The introduction of any new business rates system is intrinsically linked to the Government's review of needs and resources. The Government states that the Fair Funding Review will address a series of important issues:

- What do we mean by relative 'need' and how should we measure it?
- What are the key factors that drive relative need?
- At what geographical level should need be assessed?
- How should resets of the needs assessment be done? (discussed in **paragraph 5.3** below)
- How – and what – local government behaviours should be incentivised through assessment of relative needs?

5.2.2 Needs and resources were last assessed for the 2013/14 finance settlement using the complex set of relative needs indicators that had been refined over the previous decade. Although the Needs and Redistribution Group have met a number of times, work has not yet progressed beyond trying to identify a suitable set of indicators to be used to model a new needs formula.

5.2.3 More recently, working group discussions have turned to the measurement of relative resources: how and to what extent should an individual authority's capacity to generate income be taken into account when assessing comparative need. Whilst initial discussions are focussing on council tax income, there are also proposals concerning the inclusion of income from sales, fees and charges in the calculation of resources. As Members will appreciate, local authorities are being encouraged to be more enterprising and to raise these sorts of additional income and we would certainly object to being unfairly disadvantaged because we are an enterprising council. Additionally, as DCLG acknowledges, fees and charges are often used as strategic tools, not just as income generators.

5.2.4 The following **assurances** are identified:

- *Leeds is participating in the discussions about needs and resources through SIGOMA and other representative bodies.*
- *Leeds will submit detailed responses to Government in response to all future consultations concerning needs and resources.*

### 5.3 Resets

5.3.1 Over time the relative needs and resources of authorities will diverge from the starting position, improving for some and deteriorating for others. Therefore the system needs to be reset periodically to take account of these changes in relative needs and resources, regardless of whether changes are made to business rate retention. Between resets local authorities retain any growth, but at a reset this growth could be equalized away.

5.3.2 Last year's 100 per cent retention consultation suggested three reset options for the new scheme:

- full and frequent resets which would prioritise need, with growth lost at each reset;
- full but infrequent resets which would enable retention of growth over a longer period, however any reduction in income could affect local service delivery over an extended period;
- partial but frequent resets whereby adjustments would be made for growth and relative need frequently but to a lesser extent, retaining some incentive for growth but also taking some account of changes in relative needs.

5.3.3 The following **assurance** is identified:

- *In responding to the consultation, Leeds has expressed support for the partial reset approach. There are a number of ways to implement the partial reset option and we will be looking at the suggested approaches in detail and contributing to discussion and consultation over the coming months.*

## Annex 1: Summary of Assurances

Para.	Issue	Assurances	Responsible
3.1	Business rates deficit	Business rates income monitored in detail and reported to Financial Performance Group (FPG). Key issues highlighted to Executive Board	Financial Management: FPG; Executive Board
		Financial forecasting and the in-year budget monitored through the Council's Corporate Risk procedures	S151 Officer; Cllr J. Lewis
3.2	Business rates appeals risk	Detailed monthly monitoring of the adequacy of appeals provisions reported to FPG	Financial Management; FPG; Executive Board
		Detailed information about appeals provided to FPG and included in Financial Health Monitoring reports to Executive Board and to this Scrutiny Board	
		Liaison with the Council's Business Rates team to discuss issues and assist in calculating appeals provisions	Financial Management; Business Rates Team
		Regular meetings with the VOA, to identify local and national issues and improve our understanding of the appeals system	
		Internal and External Audit of the Collection Fund, including audit of the methodology used to estimate provisions for appeals	Financial Management
		Ongoing discussions with Government concerning the impact of appeals on local authority finances	
4.	Impact of the 2017 revaluation	Continued participation in discussions with DCLG to address concerns arising from the 2017 revaluation	Financial Management
		Liaison with the Council's Business Rates team to discuss issues and assist in our approach to calculating appeals provisions;	Financial Management; Business Rates Team
		Regular meetings with the VOA, to identify local and national issues and improve our understanding of the new appeals system	
		Internal and External Audit of the Collection Fund, including audit of the methodology used to estimate provisions for appeals	Financial Management
5.1	Future Business Rates Reform	Leeds will submit detailed responses to Government in response to future consultations	Financial Management
		Leeds is participating in the discussions about needs and resources through SIGOMA and other representative bodies	
5.2	Fair Funding Review: Needs and Resources	Leeds is participating in the discussions about needs and resources through SIGOMA and other representative bodies	Financial Management
		Leeds will submit detailed responses to Government in response to all future consultations concerning needs and resources	
5.3	Resets	Leeds will be looking at the suggested approaches to resetting the system in detail and contributing to discussion and consultation	Financial Management

## **Annex 2: Business rates principles**

### **1. Business rates as a tax**

- 1.1. Business rates are a tax on all non-domestic property except for those categories specifically exempted by statute, such as agricultural land. The ratepayer is the occupier of the property unless it is vacant, at which time empty rates become payable by the owner after a short period of exemption. Each ratepayer's basic liability to tax is determined by multiplying the rateable value of the property by the relevant business rates multiplier and there are then a series of reliefs that can reduce this basic liability depending on the property or the ratepayer's circumstances.

### **2. Rateable Value (RV)**

- 2.1. The rateable value (RV) of a property broadly represents the annual rent that can be expected from a property on a given date on the open market, as assessed by the Valuation Office Agency (VOA) in accordance with legislation and case-law. Billing Authorities, like Leeds City Council, have no input into this valuation.
- 2.2. In general the VOA collects rental information from ratepayers in an area and inspects individual properties, using this data to arrive at valuations for each property. However for some types of property a different method has to be used because there is insufficient comparable rental information in an area, such as the "contractor's method" (a measure of the interest that would be charged on the capital required to replace the premises) or the "receipts and expenditure method" (where the VOA deem RV to be related to a measure of profits likely to be generated from the property).

### **3. Rating Lists**

- 3.1. Non-domestic rateable properties fall either into a local rating list or the central rating list. There is a single local rating list for each billing authority in England and Wales, and two central rating lists, one for England and one for Wales. The majority of rateable value is contained in local rating lists (over 95 per cent across England and Wales). The total rateable value in Leeds exceeds £900 million.
- 3.2. Some properties are deemed by the Secretary of State to form part of a network across the country, such as utilities, telecommunications and the railway network including railway stations. These are listed on a Central List and the business rates yield from these properties is collected by the Secretary of State and paid into the Treasury's Consolidated Fund.
- 3.3. According to the Local Government Finance Act 2012 all business rates income received from properties on the Central List, along with all income from Central Government's share of business rates from local lists, must be redistributed to local government. In

2016-17 the amount of business rates income credited to the Government's accounts from the Central List was over £1.3 billion.

#### 4. The Multipliers

- 4.1. The multipliers, or poundage, are set by Government each year and there are two basic rates, the small business rates multiplier, which applies to properties with a rateable value below £51,000, and the higher national business rates multiplier for properties above £51,000. Prior to 2017/18 the small business threshold was a much lower £18,000.
- 4.2. Each April the small business rates multiplier is increased by the retail price index although the Government has the power to limit these increases, which it did in 2014-15 and 2015-16. Billing authorities have no control over the level of the small business rates multiplier. In 2017-18 the small business rates multiplier is 46.6p.
- 4.3. The higher national business rates multiplier is set so that it theoretically generates sufficient extra revenue nationally to fund the small business rates relief scheme. In Leeds City Council's area this supplement generated an additional £10.2 million in 2016-17. In 2017-18 the national business rates multiplier is 47.9p.

#### 5. Reliefs

- 5.1. There are various relief schemes that can reduce a ratepayer's basic liability depending on the property's or the ratepayer's circumstances. Some of these schemes are mandatory and a billing authority has no choice but to award them if they apply to a ratepayer's circumstances; others are discretionary, with the billing authority having the ability to set its own policy regarding when to award them. A list of the various reliefs is given in **Figure 2.1** below alongside their cost in the Leeds City Council area in 2016-17.
- 5.2. Since the introduction of the business rates retention scheme, Leeds City Council has to meet 49% of the cost of all reliefs. The exceptions are small business rates relief, where half of the cost to the authority is funded by central government, and those reliefs that have been introduced by the Government since the beginning of the business rates retention scheme in 2013-14, which are fully funded by the Government.
- 5.3. In recent years there has been concern about the use of rules around mandatory reliefs by ratepayers to evade or avoid taxation, especially the rules around mandatory charity relief and empty rate relief.

#### 6. Revaluations

- 6.1. Revaluations of RVs are normally undertaken by the VOA every five years. New valuations are made across the country as at the date two years before those valuations come into effect. So, for example, the last revaluation became effective from 1<sup>st</sup> April 2017 but was based on valuations assessed as at 1<sup>st</sup> April 2015.

- 6.2. When a revaluation takes place the total tax take across the whole country must remain constant and the multiplier is adjusted to compensate for increased or reduced total RV. A revaluation does, however, redistribute national yield between areas, meaning that regions that have experienced growth in property values above the national average will pay a higher share of business rates than other areas.
- 6.3. The Government delayed the revaluation due to take effect from 1<sup>st</sup> April 2015 to 1<sup>st</sup> April 2017. The delay caused some opposition because the valuation date of the 2010 ratings list was just before the global financial crisis, and property values then fell in many areas of the country. The revaluation process is illustrated in a simple model at **Annex 5**.
- 6.4. Following a revaluation, ratepayers who experience a large increase in their RV will receive transitional relief to cushion the increase, with the relief gradually decreasing over five years. This relief is theoretically funded by restricting the gains that other ratepayers, who have experienced large falls in their RV, experience over the same five years.

## 7. Appeals

- 7.1. All ratepayers have the right to appeal to the VOA if they consider that their RV has been set too high at the time of the revaluation or if there has been “a material change of circumstance” that they consider should result in the RV of their property being reduced. Appeals can result in reductions being backdated to the point at which the valuation became effective. They can be made by a ratepayer, or their agent, at any time until a year after the next revaluation. Billing authorities have no right to present evidence at an appeal. A more detailed account of the appeals system and how it is affecting Leeds City Council’s income from business rates is given at **Paragraph 3** of the briefing note.

## 8. The role of the billing authority

- 8.1. Leeds City Council, as a billing authority, has no role in setting the RV of properties in the city or setting the multipliers and therefore has no role in setting ratepayers’ basic liability for business rates. It also has no role in the appeals process when an RV is challenged by the ratepayer.
- 8.2. A billing authority’s role is limited to calculating and collecting the business rates owed by a ratepayer and deciding what rules to set about discretionary reliefs within the statutory framework. Where a ratepayer does not pay their business rates liability to the authority, it has a range of powers to recover the sums owed.
- 8.3. Before the business rates retention scheme councils collected business rates purely as an agent of the Government passing all the net revenue to the Department for Communities and Local Government. Since 2013-14, however, councils act as both principal and agent, collecting business rates both to keep (Leeds keeps a 49% share) and to pass to central government (50%) and the fire authority (1%). As a result councils have needed to set aside funds to make provision to meet the cost of future repayments to ratepayers following successful appeals.



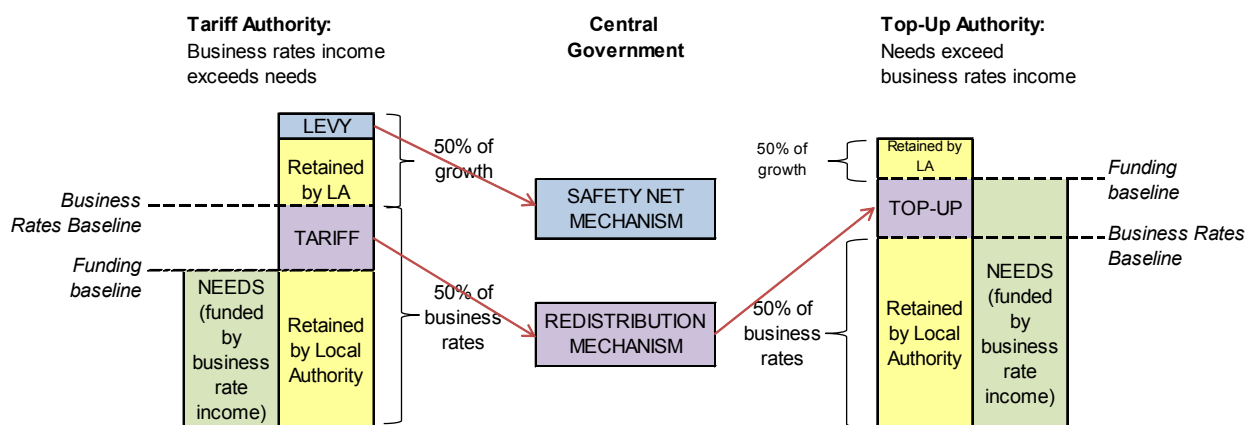
Figure 2.1: Reliefs and their cost in Leeds

Reliefs	Max relief to be awarded	Amount awarded by Leeds City Council in 2016-17	Net cost to Leeds City Council in 2016-17	Comments
		£	£	
<b>Mandatory Reliefs</b>				
Mandatory Charity Relief	80%	26,285,579	12,879,934	Must be awarded to charitable organisations using non-domestic property for charitable purposes
Empty Rate Relief	100%	18,697,411	9,161,731	Must be awarded to owners of empty property for up to 3 months (6 months for industrial properties) immediately after a property becomes vacant
Small Business Rates Relief	100%	17,798,788	4,360,703	100% for properties with an RV less than £6,000 and then on a sliding scale up to an RV of £12,000. 50% of the cost reimbursed by central government.
Partially Occupied Properties	N/A	197,791	96,918	Available for distinct parts of a building that are vacant and certified by the VOA
Community Amateur Sports Clubs	80%	358,261	175,548	
Rural Rate Relief	50%	25,443	12,467	
<b>Subtotal - Mandatory Reliefs</b>		<b>63,363,273</b>	<b>31,048,004</b>	
<b>Discretionary Reliefs</b>				
Non-profit making bodies	up to 100%	498,176	244,106	Available to organisations that are not charitable but are not for profit at the billing authority's discretion as set out in its published policy
Charitable occupation top up	top up to 100%	57,049	27,954	Available to organisations that receive the mandatory relief to top up to 100% at the billing authority's discretion as set out in its published policy
Community Amateur Sports Clubs top up	top up to 100%	57,499	28,175	Available to organisations that receive the mandatory relief to top up to 100% at the billing authority's discretion as set out in its published policy
Rural shops	up to 100%	4,242	2,079	
Small rural businesses	up to 100%	5,023	2,461	
Localism Act reliefs	up to 100%	323,348	158,441	At the billing authority's discretion reliefs can be awarded to any ratepayer in accordance with the authority's published policy if it considers it is in the interests of council taxpayers to do so
Hardship relief	up to 100%	115,683	56,685	
<b>Subtotal - Discretionary Reliefs</b>		<b>1,061,020</b>	<b>519,900</b>	
<b>Government mandated reliefs</b>				
"New Empty" properties	100%	96,915	0	Available to the owners of all new buildings that remain empty after completion for up to 18 months
"Long-term empty" properties	100%	250,685	0	Available to all ratepayers occupying premises that had been empty for more than 6 months
In lieu of transitional relief for the 2010 list	N/A	37,852	0	Available to small businesses after the statutory transitional relief against the 2010 list ended in 2014-15
Flooding relief	100%	194,198	0	Government funded reliefs introduced after the storms in winter 2015
Enterprise Zone reliefs	N/A	576,331	0	Funded in full to provide a maximum of £55k to businesses in the Enterprise Zone for up to 5 years
<b>Subtotal - Government mandated reliefs</b>		<b>1,155,981</b>	<b>0</b>	
<b>Total reliefs awarded</b>		<b>65,580,274</b>	<b>31,567,904</b>	

### Annex 3: The Current System - 50 per cent retention

1. The current Business Rates Retention Scheme (BRR) was introduced in 2013/14.
2. When the scheme was set up, a 'start-up funding assessment' (now known as the 'settlement funding assessment') calculated how much funding each authority required on the basis of an assessment of needs carried out in 2012/13. This is then the Funding Baseline for the authority. The Funding Baseline increases each year in line with the Retail Price Index (RPI) until the system is reset. The first reset was planned to take place in 2020.
3. This funding then comes from two sources: Revenue Support Grant and Business Rates Baseline Funding, also known as an authority's 'local share' of business rates. The Business Rates Baseline is the amount of business rates income the system calculates the authority will achieve. Income collected in excess of this is business rates growth.
4. The BRR scheme permits local authorities to retain 50 per cent of locally collected business rates, so 50 per cent of income collected to achieve the Business rates Baseline and 50 per cent of any business rates growth (the Local Share), with the remaining 50 percent remitted to government as the Central Share.
5. However, because authorities spending needs vary widely and do not match how much an authority will collect in business rates, there are mechanisms within the system to redistribute funding according to authorities' assessed spending needs.

**Figure 3.1: The Business Rates Retention Scheme**



6. This redistribution is achieved through a system of top-ups and tariffs. Tariff authorities like Leeds are expected to collect more business rates income than they need and pay a tariff to government. These tariffs are intended to meet the costs of providing top-up funding to authorities who need more funding than they can generate.
7. Tariffs and top-ups are calculated by comparing an authority's Funding Baseline with their Business Rates Baseline, so they do not take account of business rates growth.
8. Some authorities could achieve very high levels of business rates growth, whereas others might experience significant decline in business rates income, for example as a result of the closure of a major business in their area. A separate system of levies and safety net was established to adjust for such disproportionate gains and losses.
9. Authorities experiencing business rates growth will pay a levy on the 50 per cent of growth income they retain. Government use this levy income towards funding a safety net which guarantees that, each year, all local authorities will receive at least 92.5 per cent of their original baseline funding.

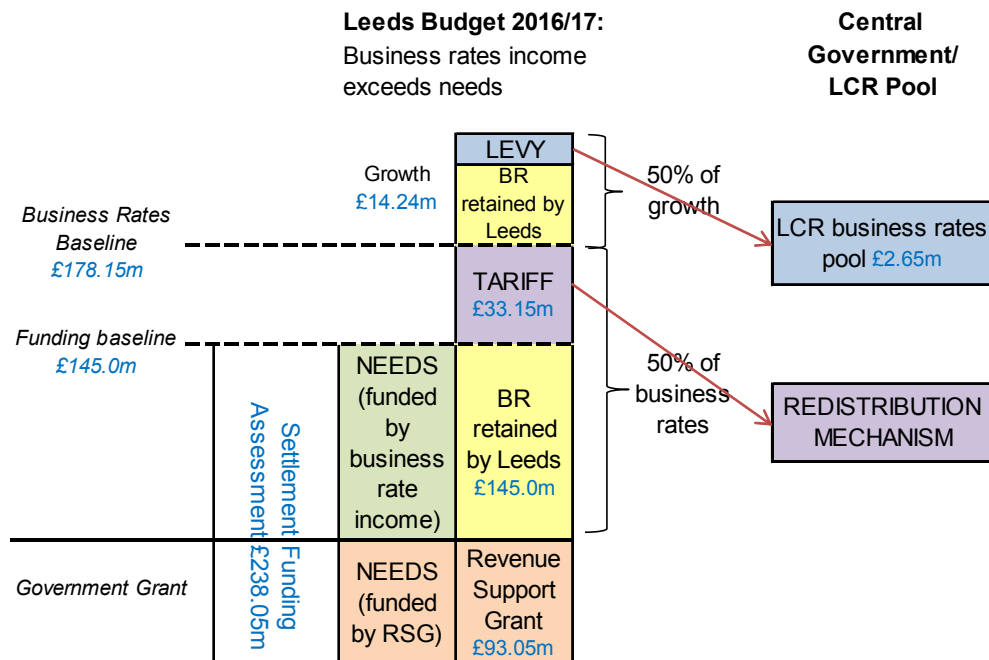
**Business rates pools**

10. The BRR scheme permits local authorities to voluntarily seek designation as a 'pool', allowing them to pool their resources under the scheme (which they could do anyway), but also ensuring that they are treated as if they were a single entity for the purposes of calculating tariffs, top-ups, levies and safety net payments.
11. The Leeds City Region business rates Pool was established in April 2013 with the aim of furthering economic development activities across the region. It has seven members:
  - the City of Bradford Metropolitan District Council;
  - Calderdale Council;
  - Harrogate Borough Council;
  - Kirklees Council;
  - Leeds City Council;
  - Wakefield Council; and
  - City of York Council.

The pool is led by a Joint Committee made up of the leaders of the seven authorities and is administered by Leeds City Council.

12. The pool is funded from levies which would otherwise be paid over to central government. Conversely, should any of the member authorities fall into safety net the pool would need to meet any necessary costs as these would not be funded by government.
13. Figure 3.2 shows the budgeted Settlement Funding Assessment for Leeds in 2016/17. The amount actually paid to the business rates pool will depend on the amount of growth achieved in the year.

**Figure 3.2: Leeds Budget 2016/17 – Settlement Funding Assessment**



## **Annex 4: Business rates appeals and their effect on Leeds City Council's business rates income**

### **1. Appeals against rateable values**

- 1.1 Every non-domestic property subject to business rates has a rateable value (RV) as assessed by the Valuation Office Agency (VOA) in accordance with legislation. This RV is then taxed using a percentage rate, called the multiplier, set by central government to give a ratepayer's basic liability for business rates. It is therefore in the ratepayer's interest to have as low an RV as possible.
- 1.2 There are often disputes between ratepayers and the VOA about the RV a property should have, and it is open to a ratepayer to enter a formal process to try and have their RV reduced. A ratepayer can enter this process at any time from when a new valuation comes into effect until a year after the next valuation comes into effect. There are two stages to the appeals process against the 2010 ratings list, and all the outstanding appeals the council is aware of at this time are against this list. New appeals against the 2010 list will now only be accepted in exceptional circumstances so it can be assumed that the costs of appeals from the 2010 list have peaked. All new appeals against the 2017 ratings list will follow the new "Check, Challenge, Appeal" process described in paragraph 5 below.

### **2. The two stages of the appeals process (pre 2017)**

- 2.1 Officially the first stage in the formal dispute process is a proposal, when the ratepayer, or their agent, and the VOA enter into discussions about what the correct RV should be. Minimal information has to be submitted by the ratepayer to enter the proposal stage. If no agreement can be reached the ratepayer can then lodge a formal appeal with the Valuation Tribunal for England (VTE), a judicial body, for a ruling. The VTE is further supervised by the higher courts.

### **3. Successful appeals**

- 3.1 The VOA has released data estimating 28.8% of appeals submitted under the pre 2017 process are successful in Yorkshire and the Humber (there is no data for the new process, see paragraph 5. below). These can be categorised into two main types.
- 3.2 The first involve reductions that are backdated to the time the valuation came into effect, i.e. the beginning of the current ratings lists. Fundamentally these are correcting valuation errors made by the VOA and have been termed "tone of the list" appeals. Under the 2010 ratings list, these successful appeals result in backdated reductions to April 2010 with a refund stretching back seven years. Local authorities have to meet 50% of the costs of settling these backdated appeals back to 2010, despite the current business rates scheme only having been introduced in April 2013 so authorities had not shared the original benefit in full.
- 3.3 "Tone of the list" appeals are currently overshadowing Leeds' achievements in attracting growth to the city because of the 'gearing effect' of losses caused by backdating. If Leeds suffers a loss of £1 in RV from a successful appeal against the 2010 list that is backdated to 1st April 2010 it must achieve approximately £7 in growth in RV in 2017-18 to compensate for the cost. This is illustrated in **Figure 4.1** below.

3.4 The second main type of successful appeal is a “material change in circumstance” following a change in the specific building or the surrounding area. An example of this in Leeds is the reductions in RV following the opening of the Trinity shopping centre. The VOA consider that a city centre like Leeds has a certain capacity for retail and the provision of further retail space inevitably, therefore, leads to reductions in RV elsewhere in the city centre. The consequent reductions in the RV of shops in the city centre are ongoing and are backdated to April 2013 when Trinity opened, and include shops that have not lodged a formal proposal or appeal. We currently hold provisions of £1.87 million, on the advice of the VOA, for all the properties that have not been dealt with by them yet.

#### **4. Valuation Officer Reports**

4.1 Linked to reductions because of successful appeals are Valuation Officer Reports (VORs) which occur when an appeal in one part of the country has a more generalised effect in other parts of the country. The VOA will issue instructions to billing authorities to reduce the RVs of the relevant properties even though formal appeals have not previously been submitted.

4.2 For example, in 2015-16 there was a Court of Appeal ruling that purpose-built medical centres should be valued using a different methodology, resulting in reductions of Rateable Value of between 50% and 75%. In July and August 2015 Leeds City Council received instructions to reduce the Rateable Values of 99 properties, mostly backdated to 1<sup>st</sup> April 2010, and Leeds made provisions for further reductions of this type of property of £4.38m. Since the court ruling the total gross cost of reductions to the RVs of medical centres has been £7.11m in Leeds, and £0.24m in provisions continue to be held for the remaining 12 cases that remain on the VOA’s appeals data.

4.3 Unfortunately, before Leeds City Council becomes aware of the nature and extent of these general reductions it cannot make provision for them as they are highly volatile. The consequent losses are therefore a significant cost to in-year income. A number of risk areas have been identified but the extent of possible losses from these areas cannot be quantified at this time. These include: -

- Whether Automated Teller Machines shall continue to be valued separately to the properties to which they are attached.
- The effect on Rateable Values of future compulsory purchases of land for the HS2 development.
- The effect of the “Newbiggin” case which means that buildings undergoing substantial redevelopment are removed from ratings list at an earlier date.

#### **5. Reform of the appeals system: Check, Challenge, Appeal**

5.1 The Government has made attempts to reform information sharing between the VOA and billing authorities to help with the management of appeals risk (see para 6.2 below) but as yet this does not seem to have helped local government manage the risk they must carry.

5.2 The Government has therefore introduced a major reform of the appeals system itself called “Check, Challenge, Appeal”. The new process, introduced in April 2017, will apply to appeals against the 2017 valuation list and it is hoped that it will reduce the time lag between the lodging of an appeal and its outcome, reducing the amount of backdated repayments that have to be made.

5.3 As the name suggests the new process involves three stages: -

- **Check** – where the ratepayer can check the information held by the VOA and attempt to agree changes, or at least agree where they disagree.
- **Challenge** – where the VOA and ratepayer, or agent, will enter into formal negotiations about the correct RV. The ratepayer will have to submit a proposed alternative RV with evidence and there will be penalties for providing misleading information. The VOA will accept only a complete ‘challenge’.
- **Appeal** – where disagreement persists, the ratepayer will be able to submit an appeal to the VTE, but the right to submit new evidence will be restricted.

5.4 The first two stages alone will still be able to continue for up to 34 months before the formal appeal is to be lodged, and it cannot as yet be estimated what effect the new system will have on backdated appeals costs. It is interesting to note that of the 2,809 properties subject to appeal in the city of Leeds as at 31st July 2017, only 141 (just over 5%) first entered the process more than 34 months ago.

## 6. Appeals costs in Leeds

6.1 Since April 2013 the gross cost to the collection fund of settling appeals and VORs has been £118.33m, Leeds’ share of this cost being £57.98m, although this has varied from £12.95 million in 2013-14 (Leeds’ share £6.34 million) to £39.06 million in 2015-16 (Leeds’ share £19.14 million). This volatility has further added to the difficulty of managing the costs of appeals in the city.

6.2 For outstanding appeals against the 2010 valuation list Leeds City Council, as a billing authority, receives a refreshed list of all proposals and appeals lodged with the VOA and VTE every month. Under the new Check, Challenge, Appeal system we will be notified of all cases reaching the Challenge stage against the new 2017 list. It is this information that forms the basis of the provision that the Council makes each year, holding back income for future repayments due to successful appeals. In line with accounting rules Leeds City Council only makes provisions for appeals and reductions in RV about which it has specific knowledge.

6.3 Unfortunately the information received from the VOA is difficult to assess because the detail is limited. The VOA states that this is because of their duty of confidentiality, as a part of HMRC, to taxpayers. Despite recent legislation allowing the VOA to release further information to certain bodies, including billing authorities, there has, as yet, been little change in the exchange of that information. Assessing the cost to the Council therefore needs to be based on this limited information, some further advice at meetings with the VOA and the professional judgement of the business rates department.

6.4 As at 31st July 2017 there were 4,255 appeals outstanding in the Leeds City Council area affecting 2,809 properties. This means that RV of over £258 million is subject to at least one appeal in Leeds, which is almost 28% of the total RV in the city. As at 31 July 2017 Leeds City Council has felt it necessary to hold back £14.46 million against future losses due to reductions in ratepayers’ RV.

**Figure 4.1: Illustration of the gearing effect of backdated appeals**

<b>Loss of Rateable Value on the 2010 ratings list backdated to 1 April 2010</b>		<b>£1,000</b>
multiplied by small business rates multiplier for: -		
	2016-17	0.484
	2015-16	0.480
	2014-15	0.471
	2013-14	0.462
	2012-13	0.450
	2011-12	0.426
	2010-11	<u>0.407</u>
	<b>TOTAL</b>	<b>3.180</b>
<b>Total cost of refunding ratepayer: -</b>		<b>£3,180</b>
<b>Growth in Rateable Value needed in 2017-18</b>		<b>£6,824</b>
multiplied by 2017-18 small business rates multiplier: -		<u>0.466</u>
<b>to meet costs arising from appeal</b>		<b>£3,180</b>
<b>Rateable Value has to grow by £6.82 to meet loss in RV of £1.00 due to backdated appeal</b>		

## Annex 5: Revaluation

1. Revaluation is the point in the system at which economic changes in property values are reflected in rateable values. Between revaluations, rateable values only change through appeals and physical changes to the property or location. The Government is required at the point of revaluation to reset the multiplier to ensure no more is raised in total business rates, although rates payable for individual properties can change.

**Figure 5.1: Simple Revaluation Model**

	Authority A	Authority B	Authority C	Authority D	Total
<b><u>Before Revaluation</u></b>					
Property 1	800	250	900	800	
Property 2	1,000	1,200	900	700	
Property 3	1,500	600	1,000	600	
Total RV before revaluation	3,300	2,050	2,800	2,100	10,250
Multiplier	0.48	0.48	0.48	0.48	
<b>Income generated</b>	<b>1,584</b>	<b>984</b>	<b>1,344</b>	<b>1,008</b>	<b>4,920</b>
<b><u>After Revaluation</u></b>					
Property 1	1,000	300	1,000	1,011	
Property 2	2,000	1,300	1,000	885	
Property 3	2,000	700	1,000	758	
Total RV after revaluation	5,000	2,300	3,000	2,654	12,954
New Multiplier	0.38	0.38	0.38	0.38	
<b>Income generated (unchanged)</b>	<b>1,899</b>	<b>874</b>	<b>1,139</b>	<b>1,008</b>	<b>4,920</b>
% increase in RV	52%	12%	7%	26%	26%
% change in income	20%	-11%	-15%	0%	0%

2. As the illustration shows, a revaluation will increase the business rates income generated for some authorities but others will lose income. The Government then adjusts each authority's **tariff** or **top-up** to ensure that their retained income is the same after revaluation as immediately before.



**Report of Head of Governance and Scrutiny Support**

**Report to Scrutiny Board (Strategy and Resources)**

**Date: 14 September 2017**

**Subject: Work Schedule – September 2017**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**1 Purpose of this report**

1.1 The purpose of this report is to consider the Scrutiny Board’s work schedule for the current municipal year.

**2 Main issues**

2.1 At its initial meeting in June 2017, the Scrutiny Board discussed a range of matters for possible inclusion within the overall work schedule for 2017/18. The areas discussed included the following matters:

- Apprenticeships (for newly recruited and existing employees) and the apprenticeships levy;
- Equalities – in particular work around ensuring Leeds City Council has a workforce that is representative of the population;
- Emergency planning and business continuity – with specific reference to (a) building security and (b) recent events in Manchester (Manchester Arena) and London (Grenfell Tower);
- Performance of specific service areas;
- General application of Contract Procedural Rules and levels of ‘off-contract’ spending.
- Invest to save developments – and the specific application in relation to ICT developments;
- Elections, voter registration rates and work targeting ‘hard to reach’ groups;
- Licencing policy review (due January / February 2018) and monitoring;
- Business rate revenue and appeals;
- General overview of the Council’s financial health.

2.2 Specific responses and/or additional information on a number of areas have already been provided to members of the Scrutiny Board through a series of briefing notes. The areas included:

- The Apprenticeships Levy;
- Hate crime prevention;
- Voter registration rates and work targeting 'hard to reach' groups; and,
- Funding arrangements for Neighbourhood Networks.

2.3 An outline work schedule is presented at Appendix 1 for consideration by the Scrutiny Board. In considering the outline work schedule, it is important to allow sufficient flexibility to reflect matters as they may arise during the course of the year. As such, it is also important to recognise that the work schedule presented may be subject to change and should be considered to be indicative rather than precisely definitive.

2.4 In order to deliver the work schedule, the Board may need to take a flexible approach and undertaken activities outside the formal schedule of meetings – such as working groups and site visits, where deemed appropriate. This flexible approach may also require additional formal meetings of the Scrutiny Board.

### **Specific service areas**

2.5 During discussions, the Scrutiny Board agreed to use some of its meetings to focus on specific service areas that fall within the Board's remit; such as, Human Resources (HR), Civic Enterprise Finance, ICT, and Projects, Programmes and Procurement Unit (PPPU).

2.6 Over the summer, officers from the Intelligence and Policy Service have met with staff responsible for performance information across the various service areas that fall within the Scrutiny Board's remit. Based on the details provided, a draft plan is being prepared outlining the areas of performance to be reported each month to the Board. The plan aims to ensure that performance for each area will be reported to the Board at appropriate intervals.

2.7 The proposed programme of performance reporting is being finalised and it is intended that the first performance reports covering Finance and HR areas will be reported to the Board for its meeting in October 2017. The proposed programme of performance reporting will also be presented to the Scrutiny Board at that meeting.

### **3. Recommendations**

3.1 Members are asked to consider and agree (or amend) the overall work schedule as the basis for the Board's work for the remainder of 2017/18.

### **4. Background papers<sup>1</sup>**

4.1 None used

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

**SCRUTINY BOARD**  
**(STRATEGY RESOURCES)**

**2017/18 WORK SCHEDULE**

<b>Title</b>	<b>Type of Item</b>	<b>Notes</b>	<b>Jun-17</b>	<b>Jul-17</b>	<b>Aug-17</b>
<b>Business Rates</b>	Policy Review	Confirmed at the meeting in July 2017. Initial report from Chief Finance Officer in September. Other activities could include discussion with the Valuation Office and attendance at a tribunal hearing.			
<b>Inquiry area 2 (TBC)</b>	Inquiry	Scope to be determined			
<b>Financial Health Monitoring</b>	Performance review	Monitoring arrangements continue for 2017/18	Financial Health Monitoring 2017/18	Financial Health Monitoring 2017/18	
			Treasury Management Outturn Report 2016/17	Medium Term Financial Strategy 2018/19 – 2020/21	
			Financial Outturn - Year ended 21 March 2017		
<b>Emergency Planning &amp; Preparedness</b>	Performance review	Further reports/ follow-up actions to be determined.		Annual Risk report	

**SCRUTINY BOARD**  
**(STRATEGY RESOURCES)**

**2017/18 WORK SCHEDULE**

<b>Title</b>	<b>Type of Item</b>	<b>Notes</b>	<b>Jun-17</b>	<b>Jul-17</b>	<b>Aug-17</b>
<b>Fees and charges</b>	Policy Review	Agreed by Executive Board (Feb 2017). Report from Chief Finance officer to consider implementation / impact of previously agreed policy. Consideration of potential scope for other areas.			
<b>Budget proposals</b>	Policy Development				
<b>Best Council Plan progress</b>	Performance monitoring	Frequency of BCP progress updates to be determined.		BCP: Annual performance report 2016/17	
<b>Service area performance (1)</b>	Performance monitoring	Service area performance reports: Human Resources. Other service areas TBC			
<b>Service area performance (2)</b>	Performance monitoring	Service area performance reports: grouping of service areas TBC			
<b>Service area performance (3)</b>	Performance monitoring	Service area performance reports: grouping of service areas TBC			
<b>Commissioning</b>	Performance monitoring	6-monthly report as recommendation 2 of the Commissioning			

**SCRUTINY BOARD**  
**(STRATEGY RESOURCES)**

**2017/18 WORK SCHEDULE**

<b>Title</b>	<b>Type of Item</b>	<b>Notes</b>	<b>Jun-17</b>	<b>Jul-17</b>	<b>Aug-17</b>
<b>Commissioning: recommendation tracking</b>	Performance monitoring	Recommendation tracking: Commissioning report			
<b>Briefings</b>	Briefings	To be identified as and when required			

**SCRUTINY BOARD**  
**(STRATEGY RESOURCES)**

**2017/18 WORK SCHEDULE**

<b>Title</b>	<b>Type of Item</b>	<b>Sep-17</b>	<b>Oct-17</b>	<b>Nov-17</b>	<b>Dec-17</b>
<b>Business Rates</b>	Policy Review	Report on current arrangements - including risks & opportunities		Attendance of representatives from the Valuation Office Agency (VOA)	TBC
<b>Inquiry area 2 (TBC)</b>	Inquiry				
<b>Financial Health Monitoring</b>	Performance review		Financial Health Monitoring 2017/18	Financial Health Monitoring 2017/18	Financial Health Monitoring 2017/18
<b>Emergency Planning &amp; Preparedness</b>	Performance review		Draft statement		

**SCRUTINY BOARD**  
**(STRATEGY RESOURCES)**

**2017/18 WORK SCHEDULE**

<b>Title</b>	<b>Type of Item</b>	<b>Sep-17</b>	<b>Oct-17</b>	<b>Nov-17</b>	<b>Dec-17</b>
<b>Fees and charges</b>	Policy Review		Report from Chief Finance Officer		Proposals to be included as part of initial 2018/19 budget proposals
<b>Budget proposals</b>	Policy Development				Initial 2018/19 budget proposals
<b>Best Council Plan progress</b>	Performance monitoring				
<b>Service area performance (1)</b>	Performance monitoring		Service area performance reports		
<b>Service area performance (2)</b>	Performance monitoring			Service area performance reports	
<b>Service area performance (3)</b>	Performance monitoring				Service area performance reports
<b>Commissioning</b>	Performance monitoring		Commissioning: Formal response and 6-monthly report (Rec. 2)		

**SCRUTINY BOARD**  
**(STRATEGY RESOURCES)**

**2017/18 WORK SCHEDULE**

<b>Title</b>	<b>Type of Item</b>	<b>Sep-17</b>	<b>Oct-17</b>	<b>Nov-17</b>	<b>Dec-17</b>
<b>Commissioning: recommendation tracking</b>	Performance monitoring				Commissioning: Progress report
<b>Briefings</b>	Briefings				



**SCRUTINY BOARD**  
**(STRATEGY RESOURCES)**

**2017/18 WORK SCHEDULE**

<b>Title</b>	<b>Type of Item</b>	<b>Jan-18</b>	<b>Feb-18</b>	<b>Mar-18</b>	<b>Apr-18</b>
<b>Business Rates</b>	Policy Review	TBC		Scrutiny Board statement / report (TBC)	
<b>Inquiry area 2 (TBC)</b>	Inquiry				
<b>Financial Health Monitoring</b>	Performance review		Financial Health Monitoring 2017/18	Financial Health Monitoring 2017/18	
<b>Emergency Planning &amp; Preparedness</b>	Performance review				

**SCRUTINY BOARD**  
**(STRATEGY RESOURCES)**

**2017/18 WORK SCHEDULE**

<b>Title</b>	<b>Type of Item</b>	<b>Jan-18</b>	<b>Feb-18</b>	<b>Mar-18</b>	<b>Apr-18</b>
<b>Fees and charges</b>	Policy Review				
<b>Budget proposals</b>	Policy Development	2018/19 Budget recommendations			
<b>Best Council Plan progress</b>	Performance monitoring				
<b>Service area performance (1)</b>	Performance monitoring	Service area performance reports			
<b>Service area performance (2)</b>	Performance monitoring		Service area performance reports		
<b>Service area performance (3)</b>	Performance monitoring			Service area performance reports	
<b>Commissioning</b>	Performance monitoring			6-monthly report (Rec. 2)	

**SCRUTINY BOARD**  
**(STRATEGY RESOURCES)**

**2017/18 WORK SCHEDULE**

<b>Title</b>	<b>Type of Item</b>	<b>Jan-18</b>	<b>Feb-18</b>	<b>Mar-18</b>	<b>Apr-18</b>
<b>Commissioning: recommendation tracking</b>	Performance monitoring			Commissioning: Progress report	
<b>Briefings</b>	Briefings				

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