

Originator: Victoria Bradshaw 0113 378 8540
---

---

**Report to:** NORTH AND WEST YORKSHIRE BUSINESS RATES JOINT COMMITTEE

**Date:** 27<sup>TH</sup> JUNE 2019

**Subject:** NORTH AND WEST YORKSHIRE BUSINESS RATES POOL FINANCIAL REPORT

---

## **SUMMARY**

This report sets out:

- a) The context in which the North and West Yorkshire Business Rates Pool has been set up;
- b) The governance arrangements and agreement for the North and West Yorkshire Pool;
- c) The current position of the North and West Yorkshire Pool, including the estimated 2019/20 financial position and the latest income projections;
- d) The proposed spending commitments for 2019/20;
- e) Further potential commitments for 2019/20;
- f) The proposed approvals required for funding provided by the Pool, including the proposed Accountability Framework for funding applications.

## **1. Introduction**

- 1.1. As a precursor to the introduction of 75% business rates retention nationally in 2020/21, the Government released its business rate pilot prospectus for 2019/20 on 24th July 2018 inviting authorities to submit applications to pilot 75% business rates retention. It was also announced that the 2018/19 pilots would not continue to pilot 100% retention but that they could participate in this bidding process. 2017/18 devolution pilots will continue to pilot 100% business rates retention and the Greater London pilot will continue but this was reduced to 75% for 2019/20.
- 1.2. The opportunity to bid for pilot status in 2019/20 presented the potential for significant additional funding for authorities in comparison to reverting to the standard 50% retention scheme. Following discussions between authorities in Leeds City Region, North Yorkshire County Council and North Yorkshire Districts, a joint 2019/20 pilot was submitted.

1.3. At the Provisional Financial Settlement for 2019/20 the Secretary of State announced that our application to pilot 75% business rates retention as a North & West Yorkshire business rates pool in 2019/20 had been successful, alongside 14 other pilots across England. Without the successful bid we would have each returned to only 50% retention in 2019/20.

1.4. The North and West Yorkshire Pool aims to benefit the individual members and further the aims of the region as a whole. The Pool has two complementary objectives:

- To support regional economic growth by providing support to and working in collaboration with regional partners;
- To support the financial stability of the member authorities, both at an individual and a regional level.

1.5. Overall, the pilot application estimated that it would bring additional funding to the Region of £29m, of which £6.3m would be used by the pool to fund regional projects with the remaining growth being returned to member authorities to enhance their financial sustainability.

## **2. Structure of the North and West Yorkshire Business Rates Pool**

2.1. Membership of the North and West Yorkshire Business Rates Pool is as follows:

- City of Bradford Metropolitan District Council
- The Metropolitan Borough Council of Calderdale
- Craven District Council
- Hambleton District Council
- Harrogate Borough Council
- Kirklees Council
- Leeds City Council
- North Yorkshire County Council
- Richmondshire District Council
- Ryedale District Council
- Scarborough Borough Council
- Selby District Council
- The Council of the City of Wakefield
- City of York Council

## **3. Governance of the North and West Yorkshire Business Rates Pool**

3.1. The Pool will be led by a Joint Committee comprising of representatives of the member Authorities making up the Pool. The initial Joint Committee representation will be as follows:

- City of Bradford Metropolitan District Council

- The Metropolitan Borough Council of Calderdale
- Harrogate Borough Council
- Kirklees Council
- Leeds City Council
- North Yorkshire County Council
- Scarborough Borough Council
- The Council of the City of Wakefield
- City of York Council

**3.2.** The draft Governance Agreement for a North and West Yorkshire 75% Retention Pilot is attached at **Appendix A** and the Terms of Reference for the Joint Committee at **Appendix B**.

**3.3.** The draft Governance Agreement and Terms of Reference were initially presented at the informal meeting of Leaders of the North and West Yorkshire Business Rates Pool on 11<sup>th</sup> April 2019. At that meeting the Leaders suggested some amendments to the Governance Agreement and, as a consequence, the Terms of Reference. With an additional section added at **Appendix A, Paragraph 10** to note responsibilities at the point when the Pool is dissolved. These amendments are included in the attached documents.

**3.4.** The Joint Committee are therefore requested to formally approve the Governance Agreement and Terms of Reference, as attached at **Appendices A and B**.

#### **4. Estimated Pool Income 2019/20**

**4.1.** Based on authorities' own estimates at the time of the pilot application process, the North and West Yorkshire Business Rates Pool Pilot was estimated to bring additional income to the region of £29.0m. This includes the additional growth generated by 75% retention of business rates, projected to be £23.6m. However, additional growth is only one revenue stream affected by business rates, multiple income streams change because of higher retention. Some examples of this include member authorities financially benefitting from: funding from the multiplier cap compensation; additional income received for business rates reliefs received at 75% retention, compared to 50% retention, and; savings on accounting adjustments for appeals provisions. **Appendix C** shows the outcome of these calculations, the detail of which was shared with member authorities at the time of the pilot application.

**4.2.** Since the pilot application process last summer, member authorities have completed their NNDR1 estimates of Business Rates income for the year 2019/20. This has led to an updated, latest estimate. The additional income to the region is now projected to be £35.8m. The additional growth generated by the Pool is now estimated to be £27.7m, with £7.9m of this to be used by the Pool to fund regional projects. The forecast remaining growth would be returned to member authorities to enhance their financial sustainability. A summary of the split of additional growth is shown at **Table 1**, the redistribution of this to member authorities is shown at **Appendix D**, the detail of which has been provided to member authority Chief Financial Officers.

**Table 1: Summary Distribution of Additional Income**

	£m
"Additional growth" generated by the 75% retention pool pilot	-27.7
Safety net payment from Pool to authorities in safety net	4.0
Balance to be shared between authorities and pool	-23.7
Balance redistributed to member authorities:	
Based on Population (1/3 of "balance to be shared")	7.9
Based on Growth (1/3 of "balance to be shared")	7.9
Balance retained by the Pool (1/3 of "balance to be shared")	7.9
	23.7

## 5. Proposed Commitments for the North and West Yorkshire Business Rates Pool

5.1. The Joint Committee will recall that at the informal meeting on 11<sup>th</sup> April 2019, Leeds City Council, as lead authority, presented a number of commitments for Members to consider spending in 2019/20. It was not possible for Members to formally agree items of expenditure at that time as it was an informal meeting.

5.2. These proposed commitments are re-presented in **Table 2**, with amendments or additions to the original list noted in the comments in paragraphs 5 and 6 below:

**Table 2: Proposed commitments for consideration in 2019/20**

North and West Yorkshire Pool	£m	£m	Paragraph reference
<b>2019/20 Estimated Income</b>		<b>-7.91</b>	
<b>Proposed Commitments:</b>			
Welcome to Yorkshire subscriptions	0.32		5.2.1.
Tour de Yorkshire	0.55		5.2.2.
UCI Cycle Race	0.60		5.2.3.
Secretariat Functions	0.20		5.2.4.
Combined Authority Transport Fund	0.70		5.2.5.
Lead Authority Administration Costs	0.03		5.2.6.
<b>Subtotal Proposed Commitments:</b>		<b>2.40</b>	
<b>Other Potential Commitments</b>			
Welcome to Yorkshire draft business plan *	1.00		6.1.1.
Screen Yorkshire	0.18		6.1.2.
<b>Subtotal Potential Commitments</b>		<b>1.18</b>	
<b>Remaining Balance to fund activities</b>		<b>-4.33</b>	

\* Indicative value up to £1m to reflect first year of new business plan

### 5.2.1. Welcome to Yorkshire

Subscriptions for 2019/20 of £323k – In 2018/19 the LCR Pool funded member subscriptions of £167k, the North Yorkshire Pool (with the addition of Selby) funded member subscriptions of £156k.

Assuming the same level of member subscription in 2019/20, a value of £323k is included in **Table 2** above, to be discussed by the Joint Committee.

### 5.2.2. Tour de Yorkshire

The LCR Pool contributed to member authorities that have hosted starts or finishes of the Tour de Yorkshire. In 2018/19 this was £100k for each of the three start/finish authorities, and an additional £121k funding for additional costs, in total £421k.

If the North and West Yorkshire BRP chose to follow a similar proposal, the 2019 Tour de Yorkshire has 5 starts and finishes in the North and West Yorkshire region, plus two starts and finishes for the women's race (an addition to the potential commitments since the meeting in April). Without funding from the Pool, these costs would fall to the individual authorities. Thus a potential commitment of £550k included above.

### 5.2.3. UCI Cycle Race

Authorities have identified a potential commitment for the 2019 UCI Cycle Race. Whilst the former LCR Pool committed £0.673m to Harrogate as the main host of the event, there are additional starts across the region including: Bradford, Hambleton, Leeds (including Wetherby), Richmondshire and Selby. The North and West Yorkshire Pool Joint Committee may wish to consider providing funding for these events. As an estimate, each start event could cost in the region of £0.075m-£0.1m. Thus a potential commitment of £0.6m included above.

### 5.2.4. Secretariat Function

The LCR Pool have historically made a payment to the West Yorkshire Combined Authority for the Leeds City Region Secretariat function on behalf of member authorities. The funding for this is £0.62m per year. This funding will now be provided from the 2018/19 LCR Pool surplus, subject to LCR Pool Authorities approval. Therefore the table above has been amended since the informal meeting in April, and the value excluded.

North Yorkshire County Council have similarly identified a payment to the LEP Secretariat of £0.20m per year. This is included on **Table 2** above.

### 5.2.5. Transport Fund

There has been an ongoing commitment from the LCR Pool to reimburse the member authorities for their Transport Fund payments to the Combined Authority. The funding each year, since 2015/16, has been £0.7m. Given that WYCA is giving a £2m refund to authorities, there may be an option for authorities to pick up this cost. However,

authorities may have taken this into account in their base 2019/20 budget, and it would therefore be an additional cost to those authorities.

The Transport Fund payment has been included in **Table 2** above.

#### 5.2.6. Lead Authority Administration Costs

This is an additional proposed area of expenditure since the informal meeting on 11<sup>th</sup> April 2019. It has become apparent that there is an additional burden on officer time when acting as lead authority in a Pool pilot arrangement. Having made an assessment of officer time, covering Finance, Legal and Governance services, we propose that a charge of £30,000 would cover the cost of time incurred by Leeds City Council officers.

5.3. Whilst it may not be possible to approve each item at this point, we welcome the views of the Joint Committee as to whether these remain appropriate areas of expenditure and should remain on this list or be removed for future consideration.

5.4. As shown in **Table 2** above, the **Proposed Commitments** total £2.40m, against a latest estimated income of £7.91m. This would leave a remaining balance of £5.51m, however, other **Potential Commitments** are discussed in **Paragraph 6** below.

### 6. Other Potential Commitments for the North and West Yorkshire Business Rates Pool

6.1. In addition to the areas of expenditure proposed above, there are further potential commitments that have previously been presented to the Joint Committee, but which may still require a formal discussion and business plan or application for funding.

These potential commitments are included in **Table 2** above:

#### 6.1.1. Welcome to Yorkshire Grant

Historically each Pool has made an annual grant payment to Welcome to Yorkshire. The LCR grant was £663k and the North Yorkshire grant £250k. These grant agreements have now concluded. We are aware that Welcome to Yorkshire are working on a three year business plan (2019/20 – 2021/22) and anticipate a bid for future funding will be made to the North and West Yorkshire Business Rates Pool, to replace the grants previously made by the two separate Pools.

As such **Table 2** above, earmarks an indicative value up to £1m to reflect the first year of this new business plan. However, any grant amount would not be payable until a successful application process and grant agreement were complete. It may also be appropriate to include a sub-group monitoring arrangement as part of the grant process.

#### 6.1.2. Screen Yorkshire Grant

The grant agreement between LCR Pool and Screen Yorkshire ended on 31st March 2019. The LCR Joint Committee have previously provisionally approved funding to Screen Yorkshire for 2019/20, pending further information to be presented to the Chair. This utilises £175k of the 2018/19 LCR Pool surplus.

We anticipate a bid for future funding may be made to the North and West Yorkshire Business Rates Pool, possibly in the region of £175k per year. However, given that the LCR Pool have already agreed funding for 2019/20, any funding provided from the North and West Yorkshire Pool would most likely be for 2020/21 or beyond.

We have therefore included a potential commitment of £175k in **Table 2** above which would be used to fund 2020/21. Again, any grant amount would not be payable until a successful application process and grant were complete.

6.2. The total potential commitments, as shown in **Table 2** come to £1.18m. Total proposed and potential commitments together come to £3.58m. Against an estimated income of £7.91m, this would leave a remaining balance of £4.33m for Leaders to consider and potentially identify additional projects as appropriate.

## 7. Applying for funding

7.1. Assuming that some, or all, of the areas of expenditure noted in paragraphs 5 and 6 are agreed by the Joint Committee, these fall into the following areas:

- Subscriptions;
- Payments made to member authorities for costs incurred, e.g. Tour de Yorkshire/UCI Race;
- Payments made to non-member organisations, e.g. WYCA, Welcome to Yorkshire, Screen Yorkshire;
- Additional projects to be agreed by Leaders in order to utilise the remaining balance.

7.2. The basis on which the Joint Committee give authority and approve funding for these four areas of expenditure may differ depending on the type of expenditure. We therefore propose the following and welcome the views of the Joint Committee as to whether this is deemed appropriate:

- 7.2.1. Subscriptions – Proposed payments made by the Pool on behalf of the member authorities to be recommended for approval in the Finance report to the Joint Committee and recorded as approved (or otherwise) in the minutes of the meeting;
- 7.2.2. Payments made to member authorities for costs incurred (e.g. Tour de Yorkshire/UCI Race) to be recommended for approval in the Finance report to the Joint Committee and recorded as approved (or otherwise) in the minutes of the meeting;
- 7.2.3. Payments made to non-member organisations (e.g. WYCA; Welcome to Yorkshire; Screen Yorkshire) – these organisations to submit a robust business case to support an application process to be managed by an independent body, for example, the West Yorkshire Combined Authority;
- 7.2.4. Additional projects to be agreed by Leaders in order to utilise the remaining balance – the lead authority(s) to follow an application process to be managed by an independent body, for example, the West Yorkshire Combined Authority.

7.3. At the informal meeting on 11<sup>th</sup> April 2019 the Joint Committee discussed the need for an accountability framework. As such we have developed the framework attached at **Appendix E** for the attention and approval of the Joint Committee. Whilst this framework would work in conjunction with the application process referred to in **Paragraphs 7.2.3 and 7.2.4**, it should also be considered by member authorities receiving funding for costs incurred (**Paragraph 7.2.2** above).

## **8. Recommendations**

8.1. Members are recommended:

- a) To note the context and structure of the North and West Yorkshire Business Rates Pool as described in **Paragraphs 1 and 2**;
- b) To approve the Governance Agreement at Terms of Reference set out in **Paragraph 3 and Appendices A and B**;
- c) To note the projected Pool income for 2019/20 as shown in **Paragraph 4 and Appendices C and D**;
- d) To note, and approve if applicable, the proposed items of expenditure at **Paragraph 5**;
- e) To note the potential areas of expenditure at **Paragraph 6**;
- f) To note the different areas of expenditure described in **Paragraph 7.1**, and approve, or recommend changes to, the proposed funding processes as laid out in **Paragraph 7.2**; and
- g) To approve, or recommend changes to, the Accountability Framework noted in **Paragraph 7.3**, and set out in **Appendix E**.