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Report to: NORTH AND WEST YORKSHIRE BUSINESS RATES JOINT COMMITTEE

Date: 16th January 2020

Subject: NORTH AND WEST YORKSHIRE BUSINESS RATES POOL FINANCIAL REPORT

(Appendix A of this report is classified as Exempt under Schedule 12A Local Government Act 1972 and Access to Information Procedure Rule 10.4 (3) because it contains Information relating to the financial or business affairs of any particular person (including the authority holding that information))

SUMMARY

This report sets out:

- a) The latest income estimate for the North and West Yorkshire Pool in 2019/20;
- b) The existing and proposed expenditure commitments for the Pool;
- c) The projected surplus position for the Pool;
- d) The allocation of projected surplus balances to member authorities;
- e) The position of the North and West Yorkshire Business Rates Pool beyond 31st March 2020.

1. Introduction

- 1.1. The North and West Yorkshire Pool was established on 1st April 2019, following a successful application to pilot 75% Business Rates Retention in 2019/20.
- 1.2. 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.

- 1.3. 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.
- 1.4. On 4th September 2019, the Chancellor of the Exchequer announced the Spending Round 2019, for the financial year 2020/21. Following this announcement and discussions with MHCLG (Ministry of Housing, Communities and Local Government) it was announced that business rates retention pilots at 75% were for one year only and therefore will not roll forward to 2020/21.

2. Latest Estimate Pool Income: 2019/20

- 2.1. Based on the latest available returns from member authorities, the estimated income figures for the 2019/20 Pool are shown in **Table 1** below:

Table 1: Projected Pool Income 2019/20

<i>Reported in:</i>	September 2018*	September 2019**	December 2019***
	£m	£m	£m
"Additional growth" generated by the 75% retention pool pilot	-23.6	-27.7	-26.2
Safety net payment from Pool to authorities in safety net	4.6	4.0	4.1
Balance to be shared between authorities and pool	-19.0	-23.7	-22.1
Balance redistributed to member authorities:			
Based on Population (1/3 of "balance to be shared")	6.3	7.9	7.4
Based on Growth (1/3 of "balance to be shared")	6.3	7.9	7.4
Balance retained by the Pool (1/3 of "balance to be shared")	6.3	7.9	7.4
	19.0	23.7	22.1

* Based on projections during Pilot application

** Based on NNDR1 returns

*** Based on Q2

- 2.2. As can be seen in **Table 1** above, whilst additional growth is projected to be higher than originally calculated during the Pilot application process, it is lower than calculated in September 2019. The effect of this on the balance retained by the Pool is that it has reduced from £7.9m to £7.4m, a decrease of £0.55m. This is due to additional safety net payment of £0.10m, with the balance being due to member authorities indicating that their net payments to the Pool will be lower than expected.
- 2.3. Pool members should remain aware that the additional growth is subject to business rates growth in member authorities being realised. As Members will appreciate, because of the inherent volatility of business rates income, the 2019/20 estimated income is tentative.

3. Existing and Future Commitments

- 3.1. The Joint Committee will recall that at the Pool meeting on 27th June 2019, commitments to the value of £1.71 million were agreed. These are detailed in **Table 2** below. At that meeting a further £1 million was noted for Welcome to Yorkshire's business plan and £0.18 million for a Screen Yorkshire grant application for 2020/21, these are covered in **Paragraphs 3.4-3.14** below.

3.2. At the Pool meeting on 7th October 2019 the Joint Committee agreed further commitments to the value of £2.92 million. **Table 2** below shows commitments of £2.64 million and £0.28 million for this meeting, totalling £2.92 million. Whilst the commitments of £0.28 million have been approved by the Joint Committee, they require further information from the relevant organisations prior to funding being released. These are: Screen Yorkshire grant application £0.18 million for 2021/22 and a commitment to WYCA for a scheme regarding Low Carbon to a value of £0.10 million. These are further covered in **Paragraphs 3.4-3.14** below.

Table 2: North and West Yorkshire Pool Commitments and Remaining Balance

North and West Yorkshire Pool		£m	£m
2019/20 Estimated Income			-7.36
Commitments agreed 27/06/19			
Welcome to Yorkshire subscriptions	2019/20	0.32	
Tour de Yorkshire	2019/20	0.55	
UCI Cycle Race	2019/20	0.60	
Secretariat Functions (NY)	2019/20	0.20	
Lead Authority Administration Costs	2019/20	0.03	
			1.71
Commitments agreed 27/06/19 requiring further information			
Welcome to Yorkshire draft business plan	2019/20	1.00	
Screen Yorkshire	2020/21	0.18	
			1.18
Commitments agreed 07/10/19			
Welcome to Yorkshire subscriptions	2020/21	0.32	
Secretariat Functions (NY+WY)	2020/21	0.82	
Combined Authority Transport Fund	2020/21	0.70	
Tour de Yorkshire starts/finishes (£100k x 7)	2020/21	0.70	
Tour de Yorkshire (NY CC)	2019/20	0.10	
			2.64
Commitments agreed 07/10/19 requiring further information			
Screen Yorkshire	2021/22	0.18	
Low Carbon	2019/20	0.10	
			0.28
Remaining Balance to be allocated to member authorities			-1.56

3.3. The Joint Committee will note the commitments requiring further information in **Table 2**. Specifically: Welcome to Yorkshire £1 million for 2019/20; Screen Yorkshire £0.18 million in 2020/21 and £0.18 million in 2021/22; and Low Carbon £0.10 million in 2019/20. Whilst these

have previously been committed, they will each require further Joint Committee consideration before funding can be released.

Welcome to Yorkshire

- 3.4. £1 million funding for the Welcome to Yorkshire business plan was allocated in June 2019. The business plan was then presented at October's Pool meeting. Following this it was agreed that the first tranche of funding of £333,333 be passed to Welcome to Yorkshire, with subsequent tranches to be passed to the organisation subject to the approval of the Joint Committee. A Welcome to Yorkshire update report will be presented at **Agenda Item X** in order to progress the second payment of £333,333, with the remaining tranche of £333,334 anticipated to be approved and paid in March 2020.
- 3.5. No provision has been made from this Pool to fund Welcome to Yorkshire beyond 31st March 2020.

Screen Yorkshire

- 3.6. Screen Yorkshire made an application to the Leeds City Region Pool to fund the Screen Industries support programme. The Screen Yorkshire funding ties in to a three year match funding agreement with the British Film Institute. The LCR Pool funded £0.18 million the first year (2019/20).
- 3.7. The Joint Committee of the North and West Yorkshire Pool agreed to commit monies from the 2019/20 pool pilot to fund £0.18 million for the second year (2020/21) and £0.18 million for the third year (2021/22), at the June and October meetings respectively.
- 3.8. Whilst this funding had been committed, a formal request had not previously been received by the North and West Yorkshire Business Rates Pool. Screen Yorkshire have now submitted a formal application request in order that the Joint Committee can evaluate the request, ensuring compliance with the Pool's aims, and to maintain an audit trail for the future. This application is at **Appendix A**.
- 3.9. As lead authority Leeds City Council have sought advice from our internal Legal Services. A verbal update will be given in the meeting.
- 3.10. The Joint Committee are requested to note the comments above and approve release of these funds to Screen Yorkshire.

Low Carbon

- 3.11. At the Joint Committee meeting on 27th June Members agreed that funding should be made available to meet the Pool's Strategic Aim of Low Carbon. Colleagues at West Yorkshire Combined Authority were requested to identify an appropriate piece of work.
- 3.12. Subsequently, at the Joint Committee meeting on 7th October, the Chief Executive, WYCA, submitted a report seeking approval for the allocation of £0.10 million for the project Climate Emergency Evidence Base. Members were supportive and requested further consultation to prioritise the projects with a view to achieving the largest benefits.

- 3.13. This piece of work is ongoing and expected to be resolved prior to the next meeting of the Joint Committee, which is proposed for March 2020. It is possible that work undertaken against this project will therefore occur in the financial year 2020/21.
- 3.14. Members are asked to note that a paper will be presented in March and that this allocation will most likely be forward funding a project in 2020/21.

4. Allocation of Remaining Balance

- 4.1. Taking into account the above commitments, this leaves a remaining projected balance of £1.56 million to be allocated to member authorities. This remaining balance is subject to business rates growth in member authorities being as expected. There is always an inherent risk around the volatility of business rates, and the actual income to the Pool could fall below the values we are estimating. Should that happen, and if the Pool's commitments exceed the Pool's income, member authorities will be required to fund the difference in accordance with the governance agreement.
- 4.2. At the Joint Committee meeting on 7th October the Joint Committee agreed that the remaining balance would be allocated to member authorities, based on population and growth and in accordance with the Pool's governance agreement. The estimated allocated balances based on the projected surplus position of £1.56 million are as shown at **Appendix B**.
- 4.3. In order to recognise that Pool funding should be used to meet the Pool's Strategic Aims, member authorities completed proforma applications, which were included in the papers for October's meeting. At this meeting Members agreed these applications in principle, with final approval delegated to the Chair. The values ultimately allocated to member authorities will be dependent on the outturn position of the Pool. This will not be fully known until after July 2020, following the audit of NNDR3 returns.
- 4.4. The Joint Committee are asked to note the projected outturn position of £1.56 million, the potential risks identified at **Paragraph 4.1** above, and the effect of any variance in outturn on the remaining balances allocated to member authorities.

5. Position of the North and West Yorkshire Business Rates Pool after 31st March 2020

- 5.1. The North and West Yorkshire 75% Business Rates Retention pilot concludes on the 31st March 2020. After the one year Spending Round announced on 4th September 2019, it became clear that 75% Business Rates Retention nationally would be delayed by a further year to 2021/22. As such, pools will return to the rules under 50% retention.
- 5.2. As the proposed lead authority, Leeds City Council submitted an application on behalf of 13 of the members of the current North and West Yorkshire Pool to form a pool operating under the national 50% scheme in 2020/21: the advantage of forming a business rate pool is the retention of levy payments within the region that would otherwise have to be made to Central Government.

- 5.3. Member authorities of the new Pool were advised of the successful outcome of this application on 19th December 2019 in an email from MHCLG. Further discussions about the governance and financial administration of this new Pool will be held outside of this Joint Committee meeting.
- 5.4. The existing North and West Yorkshire Pool will be revoked on 31st March 2020 and the remaining balances treated in accordance with the Pool's Governance Agreement (see **Appendix C**).

6. Recommendations

- 6.1. Members are recommended:
- a) To note the latest estimated income to the Pool for 2019/20 at **Paragraph 2** and **Table 1**;
 - b) To note the commitments listed at **Paragraph 3** and summarised in **Table 2**, noting the remaining estimated balance;
 - c) To approve the payment of the second tranche due to Welcome to Yorkshire, pending approval of **Agenda Item X** (Welcome to Yorkshire Update Report) referred to at **Paragraph 3.4**;
 - d) To note and approve the Screen Yorkshire grant application at **Appendix A** and to approve the release of funds to Screen Yorkshire, as referred to in **Paragraphs 3.6-3.10**;
 - e) To note the projected Pool surplus position at **Paragraph 4.1** and the potential risks also identified;
 - f) To note the projected balances allocated to member authorities including the effect of any variance in outturn on those balances, as referred to at **Paragraphs 4.1-4.4**;
 - g) To note that the North and West Yorkshire Business Rates Pool will be revoked on 31st March 2020, and that any residual benefit or liability will be treated in accordance with the Pool's Governance Agreement, as noted at **Paragraph 5** and **Appendix C**.