

# LEEDS CITY REGION BUSINESS RATES POOL JOINT COMMITTEE

**MONDAY, 11TH MARCH, 2024**

**PRESENT:** Councillor J Lewis in the Chair

Mr A Cross (Bradford MDC)  
Councillor S Dacre (Calderdale MBC)  
Councillor P Davies (Kirklees MBC)  
Mr P Heppenstall (Wakefield MDC)  
Councillor C Douglas (City of York)

**In Attendance:** V Bradshaw, LCC Chief Officer, Financial Services  
R Colley (LCC), D Moore (LCC) and H Gray (LCC)

## **9 Election of Chair**

Nominations were sought for the position of Chair. Councillor Lewis was nominated for the position of Chair, the nomination was seconded. Upon being put to the vote it was

**RESOLVED** – That Councillor Lewis be elected as Chair for the duration of the meeting.

## **10 Appeal against refusal of Inspection of Documents**

There were no appeals against the refusal of inspection of documents.

## **11 Late Items**

No late items of business were added to the agenda.

## **12 Exempt information - possible exclusion of press and public**

The agenda contained no exempt information.

## **13 Apologies for absence**

The following apologies for absence and notifications of substitutes were reported:

Councillor Hinchcliffe (Bradford) and Mr A Cross attended as substitute.  
Councillor Scott (Kirklees) and Councillor P Davies attended as substitute.  
Councillor Scullion (Calderdale) and Councillor Dacre attended as substitute.  
Councillor Jeffrey (Wakefield) and Mr P Heppenstall attended as substitute.

Apologies were also received from R Tuddenham (Calderdale), S Mawson (Kirklees), T Riordan (Leeds), A Balchin and C Carter (Wakefield), I Floyd and D Mitchell (York).

## **14 Declarations of Interest**

No declarations of interest were made.

## **15 Minutes of the previous meeting**

**RESOLVED** – The minutes of the previous meeting held 28<sup>th</sup> July 2023 were agreed as a correct record.

## 16 2023/24 and 2024/25 Leeds City Region Business Rates Pool Financial Report

The Chief Officer, Financial Services, Leeds City Council submitted a report for consideration which set out the following:

- a) The context in which the 2023/24 Leeds City Region Business Rates Pool was set up;
- b) The current position of the 2023/24 Leeds City Region Business Rates Pool, including the latest income projections for 2023/24;
- c) The proposed allocation of funding for 2023/24;
- d) The forecast levy payments and distribution of estimated Pool income for 2024/25; and
- e) The implications of the recent government consultation on improving the timeliness of local audit on the financial administration of the Leeds City Region Business Rates Pool.

The report contained the following information:

- The structure and governance arrangements of the current 2023/24 Leeds City Region Business Rates Pool which had been designated by government from 1st April 2023 under the 50% Business Rates Retention Scheme.
- The projected Leeds City Region Pool Income 2023/24 was forecast in Table 1 of the report as £3.4m, in line with updated forecasts submitted by Member authorities in August 2023.
- The risks to Pool funding were identified as the continuing risks to the economy, particularly the ongoing impact of the cost of living crisis which continued to pose a risk to business rates income and its associated general fund income streams. Risks to growth, Empty Rate Relief and bad debt costs remained elevated. For some Authorities a reduction in business rates may result in a safety net payment being required from the Pool, however it was reported that this was not currently projected.
- Table 2 of the report presented the latest information about retained 2023/24 business rates income received from member authorities and indicated how close each member authority was to the safety net threshold using current forecasts. The Joint Committee was advised that the current position of each member authority in respect of the safety net was reviewed on a quarterly basis.
- Table 3 of the report set out the projected £3.4m income to the 2023/24 Pool as at 31<sup>st</sup> January 2024, to be redistributed back to member authorities and which assumed that all the projected retained levy payments would be used to meet the Pool administration fee to Leeds City Council of £50,000, pay the £200,000 top-slice to City of York Council and then redistribute the remainder using the formula.

- No further requests to fund regional projects by the Leeds City Region Business Rates Pool had been received.
- Table 4 of the report forecast income of £3.65m to the 2024/25 Pool and the possible distribution of the income back to member authorities, based on the member authority forecasts of retained Business Rates income for the purposes of their 2024/25 Budgets and submitted to government in their NNDR1 returns.

The report also set out the implications of the recent government consultation “Addressing the local audit backlog in England: Consultation” released on 8<sup>th</sup> February 2024 on the administration of the 2023/24 Leeds City Region Business Rates Pool and future pools. It was noted that since 2019/20 there had been increasing delays to the local audit process in England for a variety of complex and connected reasons.

The proposals in the Government consultation raised the prospect that ‘backstop’ dates will be implemented by which audits must be complete, the first being 30th September 2024 for all audited accounts up to, and including, 2022/23. If auditors did not receive reasonable assurance that financial statements gave a true and fair view of an entity’s financial position by 30/09/24, the auditor could issue a disclaimer or modified opinion. This process would be Phase 1 of the process of clearing the backlog. Phase 2 of the process would impose a number of backstop dates over the following five years to allow the audit system to recover with the final backstop date being 30th November 2028 for the audit of financial statements relating to the financial year 2027/28.

Since the creation of the Leeds City Region Business Rates Pool in 2013/14, successive Joint Committees had agreed that final closure and payment of surpluses from the Pool should not be completed until all member authorities had certified their NNDR3 returns. An implication for the Pool was that if the current practice of not allowing surpluses to be distributed until a final clean audit opinion is issued continued, some funding relating to particular financial years may never be distributed.

The Joint Committee noted that the Memorandum of Understanding of the Pool gave authority to the Joint Committee to agree measures to ensure the good governance of the Pool. The report contained a proposal for the Joint Committee to give the Leeds City Council Chief Officer, Financial Services, the delegated authority, in consultation with the Section 151 officers of the other member authorities, to distribute the 2023/24 surplus once the Chief Officer had received reasonable assurance from each Section 151 officer that outturn NNDR3 returns were a true and fair view of members’ retained business rates income.

The report also proposed the Joint Committee authorise the Chief Officer, Financial Services, Leeds City Council, to recoup any excessive distribution of funding, or distribute any further funds, that become apparent should any changes occur subsequent to any initial distribution.

Additionally the report highlighted that:

- The current Joint Committee was not empowered to make retrospective resolutions affecting the outstanding 2021/22 and 2022/23 business rates pool.
- Should any member authority not meet the backstop date for that financial year, the distribution of the surplus for the 2021/22 and 2022/23 business rates pools will require all member authorities, or their successor authorities in the case of Harrogate Borough Council, to agree, according to their own governance procedures, to change the practice of not paying surpluses until after a clean audit opinion.
- The remaining outstanding audits are expected to be completed for the 2021/22 financial year and final distributions of the surplus from 2020/21 was anticipated shortly, however, it was acknowledged that some member authorities may have no audit or only a partial audit for 2022/23.

#### **RESOLVED –**

- a) To note the context and structure of the 2023/24 Leeds City Region Business Rates Pool as described in Paragraphs 1 and 2 of the submitted report;
- b) To note the risks to retained income and of breaching safety net for 2023/24 as described at Paragraph 5;
- c) To note the projected re-distribution of Pool income to member authorities for 2023/24 as set out in Paragraph 6;
- d) To note the forecast levy income, and re-distribution of Pool income to member authorities, for 2024/25 set out at Paragraph 7;
- e) To resolve that the Chief Officer, Financial Services, of Leeds City Council, in consultation with the other Section 151 officers of member authorities, be given the delegated authority to distribute the surpluses of the 2023/24 Leeds City Region business rates pool once the Chief Officer has received reasonable assurance from all the Section 151 officers that the outturn NNDR3 returns for their authority submitted to the Department of Levelling Up, Housing and Communities, is a true and fair representation of members' business rates income and associated section 31 grant income, regardless of whether those returns can be certified upon completion of a clean audit and on the understanding that any funds will be recouped or distributed should any subsequent changes occur as described at Paragraph 8 of the submitted report.