



## LEEDS CITY REGION BUSINESS RATES POOL JOINT COMMITTEE

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Meeting to be held on, Wednesday, 6<sup>th</sup> October 2021  
at 10.00am in the Civic Hall, Leeds.

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### MEMBERSHIP

- Councillor Susan Hinchcliffe - City of Bradford MDC
- Councillor Tim Swift MBE - Calderdale MBC
- Councillor Richard Cooper - Harrogate Borough Council
- Councillor Shabir Pandor - Kirklees Metropolitan Council
- Councillor James Lewis - Leeds City Council
- Councillor Denise Jeffery - City of Wakefield MDC
- Councillor Andrew Waller - City of York

Please Note - Members of the public are now able to attend the meeting in person but please be mindful that Coronavirus is still circulating in Leeds. Therefore, even if you have had the vaccine, if you have Coronavirus symptoms: a high temperature; a new, continuous cough; or a loss or change to your sense of smell or taste, you should NOT attend the meeting and stay at home and get a PCR test. For those who are attending the meeting, please bring a face covering unless you are exempt.

# A G E N D A

Item No	Ward/Equal Opportunities	Item Not Open		Page No
1			<p><b>ELECTION OF CHAIR</b></p> <p>To seek nominations for the position of Chair.</p>	
2			<p><b>APPEAL AGAINST REFUSAL OF INSPECTION OF DOCUMENTS</b></p> <p>To consider any appeals in accordance with Procedure Rule 15.2 of the Access to Information Rules (in the event of an Appeal the press and public will be excluded).</p>	
3			<p><b>LATE ITEMS</b></p> <p>To identify items which have been admitted to the agenda by the Chair for consideration. (The special circumstances shall be specified in the minutes).</p>	
4			<p><b>EXEMPT INFORMATION - POSSIBLE EXCLUSION OF PRESS AND PUBLIC</b></p> <p>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> <ol style="list-style-type: none"> <li>1) To consider whether or not to accept the officers' recommendation in respect of the above information.</li> <li>2) If so, to formally pass the following resolution:-</li> </ol> <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>	

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## **APOLOGIES FOR ABSENCE**

To receive apologies for absence (if any).

6

## **DECLARATIONS OF INTEREST**

To disclose or draw attention to any interests in accordance with Leeds City Council's 'Councillor Code of Conduct'.

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## **LEEDS CITY REGION BUSINESS RATES POOL FINANCIAL REPORT**

7 - 22

To consider a report by the Chief Officer, Financial Services, Leeds City Council which sets out:

- a) The context in which the 2021/22 Leeds City Region Business Rates Pool has been set up;
- b) The governance arrangements and memorandum of understanding for the Leeds City Region Pool;
- c) The current position of the Leeds City Region Pool, including the estimated 2021/22 financial position and the latest income projections;
- d) The proposed allocation of funding for 2021/22;
- e) The continuation of the Leeds City Region Pool into 2022/23;

(Report attached)

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## **DATE AND TIME OF NEXT MEETING**

The date and time of the next meeting, to be determined at a later date.

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a)

b)

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Originator: Victoria Bradshaw 0113 378 8540
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**Report to:** LEEDS CITY REGION BUSINESS RATES POOL 2021/22

**Date:** 6<sup>th</sup> October 2021

**Subject:** LEEDS CITY REGION BUSINESS RATES POOL FINANCIAL REPORT

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## SUMMARY

This report sets out:

- a) The context in which the 2021/22 Leeds City Region Business Rates Pool has been set up;
- b) The governance arrangements and memorandum of understanding for the Leeds City Region Pool;
- c) The current position of the Leeds City Region Pool, including the estimated 2021/22 financial position and the latest income projections;
- d) The proposed allocation of funding for 2021/22;
- e) The continuation of the Leeds City Region Pool into 2022/23;

## 1. Introduction

- 1.1. The 2021/22 Leeds City Region Business Rates Pool was designated by Government from 1<sup>st</sup> April 2021 under the 50% retention scheme. The advantage of forming a business rates pool in this situation is the retention in the region of levy payments that would otherwise have to be made to central government.
- 1.2. Levy payments restrict the relative gains made by tariff authorities from the 50% of business rates growth above the baseline, which are higher than those of top-up authorities. If tariff and top up authorities combine in a pool this can be done in such a way as to retain these levy payments regionally rather than pay them to central government.
- 1.3. The major risk of entering into a Pool arrangement is that if the retained business rates income and associated section 31 grant income of a member authority falls below 92.5% of their assessed spending requirement, or Baseline Funding Level, the payment of a safety net payment from central government will not be forthcoming. This payment will have to be met by the pool and if income to the pool is not sufficient, by member authorities.

- 1.4. In late October 2020, West Yorkshire authorities plus York and Harrogate councils agreed to make an application to pool business rates in 2021/22. In December 2020 the Government announced that this application had been successful and designated the Leeds City Region business rates from 1<sup>st</sup> April 2021.
- 1.5. This report is written at a time of heightened uncertainty about business rates income and the associated section 31 grant income retained by local authorities. Specifically, the continued impact of COVID-19 on the region's business rates tax base remains unclear, particularly on factors such as growth, the level of reliefs such as Empty Rate Relief, and the level of collection of arrears. It is in this context that the forecasts about the income to the Pool from regional levy payments, discussed further at **Paragraph 4** of this report, must be considered.
- 1.6. The Leeds City Region Pool exists to benefit the individual members and to further the aims of the region as a whole. During the application process the prospective Pool members agreed that income received by the Pool will be shared out so that each member authority receives at least the same amount that they would if they were treated individually under the Business Rates Retention scheme. Specifically, that if an authority falls into safety net, this will be funded by the levies accumulated by the Pool and if this is not sufficient, by the other member authorities. This is further explained at **Paragraph 5**.

## **2. Structure of the Leeds City Region Business Rates Pool**

2.1. Membership of the Leeds City Region Business Rates Pool is as follows:

- City of Bradford Metropolitan District Council
- The Metropolitan Borough Council of Calderdale
- Harrogate Borough Council
- Kirklees Council
- Leeds City Council
- The Council of the City of Wakefield
- City of York Council

## **3. Governance of the Leeds City Region Business Rates Pool**

3.1. The Pool will be led by a Joint Committee comprising of all the Leaders of the member Authorities making up the Pool.

3.2. The draft Memorandum of Understanding for a Leeds City Region Pool is attached at **Appendix A** and the Terms of Reference for the Joint Committee at **Appendix B**. These will remain in draft until ratified by the Joint Committee.

3.3. The Joint Committee are therefore requested to formally approve the Memorandum of Understanding and Terms of Reference, as attached at **Appendices A and B**.

#### 4. Estimated Pool Income 2020/21

- 4.1. Based on authorities' own estimates at the time of the pool application process (October 2020), the Leeds City Region Business Rates Pool was estimated to keep £4.8 million income in the region from retained levy payments.
- 4.2. Since the application process, member authorities completed their NNDR1 forecasts of Business Rates income for the year 2020/21. At the time, January 2021, this led to an updated, latest estimate of slightly over £4.6 million. A monitoring exercise as at 31<sup>st</sup> August 2021 now estimates an increased level of income retained of £5.1m as the economy has begun to reopen since March 2021.
- 4.3. Although Business Rates income has reduced since the NNDR1 forecasts were completed in January 2021 because of the COVID-19 related reliefs announced by the Government in March 2021, the levy calculation is adjusted for the S31 compensation which has been increased to compensate authorities for these losses, the net result to the levy calculation is therefore zero for these reliefs.
- 4.4. **Table 1** below demonstrates where the levies are paid from and how this has changed from the estimated NNDR1 position. The projected levies as at 31<sup>st</sup> August 2021 are based on latest information provided by member authorities.

**Table 1: Levy payments to the 2021/22 Leeds City Region BR Pool**

Authority	Levy payment NNDR1 £m	Levy payment 31-Aug-21 £m
Harrogate	1.145	1.441
Leeds	0.619	0.335
York	2.802	3.297
<b>Total</b>	<b>4.566</b>	<b>5.074</b>

#### 5. Risks to Pool Funding

- 5.1. The 2021/22 Leeds City Region Business Rates Pool is a levy pool under 50% business rates retention. Under the 50% scheme the financial 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. The government's pooling prospectus is clear, the business rates retention scheme gives authorities scope to generate additional growth through collaborative effort and to smooth the impact of volatility in rates income across a wider economic area.
- 5.2. Estimated Pool income based on member authorities' current data has increased slightly between January 2021 and August 2021, as demonstrated by the projections in **Table 1** above. However risks to the economy, particularly surrounding the ongoing coronavirus crisis, continue 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 remain high, especially if further restrictions were to be

imposed in this financial year. For some Authorities a reduction in business rates may result in a safety net payment being required from the Pool, though this is not currently projected.

- 5.3. An authority would fall into safety net if it suffered a reduction in adjusted retained rates income to a threshold below 92.5% of their baseline funding level.
- 5.4. The government's pooling prospectus notes that the nature of the pooling arrangement is to provide a safety net at 92.5% for authorities who see significant reductions in their income from the rates retention scheme. The Memorandum of Understanding for the Pool therefore reflects that if an authority falls into safety net the loss of income should be met by the retained levies from the other authorities. If there is not enough in retained levies, the net loss will be shared amongst all members of the Pool (including those in safety net).
- 5.5. If the Pool in its entirety falls into safety net there would be a safety net payment from government up to the Pool's 92.5% threshold. In this situation there may need to be a reallocation of funding to ensure all authorities received a level of funding up to their safety net position.
- 5.6. Whilst monitoring will be ongoing throughout the year, the final unaudited position for the Pool will not be known until Spring 2022, when authorities will be able to finalise their known positions for the year.
- 5.7. Clearly the business rates retention scheme and the associated pooling mechanisms were never intended to absorb the impact of an event such as the current COVID-19 pandemic. Local authorities will need to continue to monitor the ongoing impact of COVID-19 on collection funds and lobby Government for ongoing support to deal with the ongoing financial impact should it prove unmanageable. Should any such support be forthcoming this may mitigate the extent to which the Pool is impacted.
- 5.8. To summarise the current position, the main risk of a 50% retention pool is that if a member authority becomes entitled to a safety net payment, because its retained income has fallen dramatically, then that safety net payment will no longer be received from the Government but will have to be met by other members of the pool. This will represent a loss of income to the region.

## **6. Proposed Allocation of Leeds City Region Business Rates Pool Funds**

- 6.1. Notwithstanding the risks noted in section 5 above, the Pool's current projections indicate that whilst some authorities are close to the safety net threshold, no authority is currently projected to breach the threshold.
- 6.2. The latest projections for 2021/22 business rates retained have been received from member authorities. **Table 2** shows how close each authority is to the safety net threshold.



**Table 2: Reduction in adjusted BR income possible before crossing safety net threshold**

Authority	Retained Rates income £	Safety Net threshold £	Reduction in BR income possible before threshold
Bradford	144,829,370	128,813,280	21.2%
Calderdale	42,386,154	39,061,386	11.5%
Harrogate	6,624,826	3,461,860	11.1%
Kirklees	82,521,010	76,477,763	11.3%
Leeds	162,468,446	146,551,835	9.0%
Wakefield	86,326,067	66,724,701	27.3%
York	33,914,350	24,563,396	16.9%

6.3. In previous years the predecessor joint committees have chosen to make certain payments on member authorities' behalf to meet the cost that would otherwise be borne by the member authority individually. In 2020/21 these payments were met through forward funding from the 2019/20 North & West Yorkshire 75% retention pilot. Some of this forward funding is now at an end and the committee may wish to resume this funding from shared income. These regular payments are set out in **Table 3** analysed between local authority to give a notional understanding of the benefit to each authority. It should be noted that these are the 2020/21 payments and the figures may increase when the Pool is notified of the total cost of each payment in 2021/22.

**Table 3: The proposed payments on behalf of member authorities by LCR Region Business Rates Pool 2021/22**

Authority	Welcome to Yorkshire subs £m	Screen Yorkshire (2022/23) £m	Lead Authority Admin fee £m
Bradford	0.019	0.030	0.006
Calderdale	0.012	0.012	0.002
Harrogate	0.010	0.003	0.002
Kirklees	0.020	0.025	0.005
Leeds	0.044	0.044	0.009
Wakefield	0.012	0.019	0.004
York	0.050	0.012	0.002
<b>Total</b>	<b>0.166</b>	<b>0.144</b>	<b>0.030</b>

6.4. If the joint committee were to approve the continued use of Pool funds to meet these payments, the total distribution of funding of funding between member authorities. is therefore as set out in Table 4 below.

**Table 4: Proposed distribution of Leeds City Region Business Rates Pool 2021/22**

Authority	Notional benefit from top-slice £m	Redistributed levy (31-Aug-21) £m	Total benefit from the Pool £m
Bradford	0.055	0.853	0.908
Calderdale	0.026	0.194	0.220
Harrogate	0.014	0.341	0.355
Kirklees	0.049	0.386	0.435
Leeds	0.097	0.977	1.074
Wakefield	0.034	1.289	1.324
York	0.064	0.694	0.758
<b>Total</b>	<b>0.340</b>	<b>4.734</b>	<b>5.074</b>

6.5. The joint committee is asked to consider and approve, in principle, the distribution of funding from the Pool as set out in **Table 4**.

## **7. The continuation of the Pool into 2022/23**

7.1. On 13<sup>th</sup> September 2021 the Government emailed all authorities within the Business Rates Retention Scheme with an “Invitation to Pool” in 2022/23. The Government requires a response to this invitation by **8<sup>th</sup> October 2021**. If an existing pool wishes to continue into 2022/23 the Government has asked that the lead authority inform the Government by that date and submit its original governance documents with that confirmation.

7.2. If, however, a Pool wishes to revoke it status, or change its membership or governance arrangements, including the allocation of resources between authorities, details of this change should be sent on a proforma to Government alongside revised governance documents, also by **8<sup>th</sup> October 2021**. The joint committee should note the short timescales, should any member wish to leave the Pool, for the remaining members, if they wish, to comply with the Government’s deadlines and set up a new business rates pool. At the time of publishing this report no authority has indicated that it does not want to be considered as part of a 2022/23 Pool.

7.3. The joint committee is asked, therefore, in principle and subject to ongoing discussions, to approve the continuation of the business rates pool in 2022/23.

## 8. Recommendations

### 8.1. Members are recommended:

- a) To note the context and structure of the 2021/22 Leeds City Region Business Rates Pool as described in **Paragraphs 1 and 2**;
- b) To approve the Memorandum of Understanding and Terms of Reference set out in **Paragraph 3 and Appendices A and B**;
- c) To note the projected Pool income for 2021/22 as shown in **Paragraph 4**;
- d) To note the risks to retained income and of breaching safety net at **Paragraph 5**; and
- e) To note and approve in principle the proposed allocation of projected income to member authorities at **Paragraph 6**.
- f) To note the Government's deadline for submitting changes to the membership of the Pool and approve in principle the continuation of the Leeds City Region Business Rates Pool into 2022/23, with current seven member authorities of the Pool, in principle at **paragraph 7**.

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## LEEDS CITY REGION BUSINESS RATES POOL

### MEMORANDUM OF UNDERSTANDING

#### **1. Title**

- 1.1. Leeds City Region Business Rates Pool.

#### **2. Membership**

- 2.1. City of Bradford Metropolitan District Council, The Metropolitan Borough Council of Calderdale, Harrogate Borough Council, Kirklees Council, Leeds City Council, The Council of the City of Wakefield, City of York Council.

#### **3. Commencement**

- 3.1. This Memorandum of Understanding will come into force on 1st April 2021 and will continue until any one of the members formally leaves the Pool (see “Dissolving the Pool”, below).

#### **4. Rationale and Objectives**

- 4.1. The Leeds City Region Pool exists to benefit the individual members and to further the aims of the region as a whole.
- 4.2. The income received by the Pool will be shared out so that each member authority receives at least the same amount that they would if they were treated individually under the Business Rates Retention scheme. The only exception to this is set out in **Section 8 and 9**, below. Any excess income arising from reductions in levy payments will, after allowing for agreed expenses, be allocated to activities that support economic growth and regeneration across the Pool area.
- 4.3. Any variation to the arrangements set out in **4.2**, above, will require the formal agreement of the Leeds City Region Business Rates Pool Joint Committee.

#### **5. Leadership and Accountability**

- 5.1. The Pool will be led by a joint committee comprising of representatives of the member Authorities making up the Pool. 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
- The Council of the City of Wakefield
- City of York Council

5.2. The joint committee shall be responsible for:

- any changes to the purposes for which the income received by the pool should be used, but the principle that no authority should receive less than they would if treated individually, shall be maintained;
- agreeing the expenses to be deducted by the lead authority administering the Pool;
- considering any applications for other councils to join the Pool;
- any variations to the membership of the joint committee;
- any other matters relating to the administration and governance of the Pool including replacement of the lead authority.

5.3. The local authority representatives, as noted in 5.1 above, will be the leaders of the representative local authorities. Representatives of the member authorities will be able to nominate substitutes.

5.4. The members of the Joint Committee will elect a chairperson.

5.5. The Joint Committee will meet as and when required but no less than twice each year.

5.6. The quorum for the meetings will be no less than 5 members.

5.7. Member voting rights will be one vote for each member of the Joint Committee. Voting will be by simple majority. In the event of a tie, the chair of the meeting will have a casting vote.

5.8. The Joint Committee will be supported by officers drawn from the lead authority.

5.9. The Joint Committee may establish any sub-groups or any officer forums that they believe to be appropriate.

5.10. Minutes of Joint Committee meetings will be published as required by law.

## **6. Lead Authority**

- 6.1. The initial lead authority responsible for the administration of the Pool shall be Leeds City Council.
- 6.2. The lead authority will normally act as such for a full year and may only be replaced at the year end. A lead authority wishing to relinquish the role at the year end (i.e. 31<sup>st</sup> March) must give a minimum of four months' notice.
- 6.3. Each member of the Pool will be jointly and severally liable for any payments required to the Ministry of Housing, Communities and Local Government but, notwithstanding that, the lead authority will take responsibility for all matters in relation to the administration of the Pool including (but not limited to):
- All liaison with MHCLG and other government departments including the completion of all forms and returns associated with the Pool;
  - Administration of payments to and from the Pool and all calculations relating to the collection fund for the Pool;
  - Producing an annual report showing how income has been distributed and preparing periodic monitoring reports for Pool members;
  - Calculation of the costs of administering the Pool which are to be deducted from the rewards of the Pool. If the excess income generated by the Pool was insufficient to cover the administrative costs of the Pool in any year, then the shortfall would be shared between the Pool members in proportion to their spending baselines;
  - The lead authority will ensure that the pooling arrangements, annual reports and other financial information is published and is freely available on the lead authority website or elsewhere as appropriate.

## **7. Dissolving the Pool**

- 7.1. If any member decides to leave the Pool the regulations require that the Pool will be dissolved. Pools can only be dissolved at the end of a year.
- 7.2. Any authority seeking to leave the Pool should inform MHCLG and all other members of the Pool as soon as possible. Once the Pool has been established, this must be by 30th September in any year, to allow the remaining members time to seek designation of a new pool for the following year (see 7.4, below).

- 7.3. The lead authority will make the necessary calculations and submit the required returns associated with the dissolving of the Pool.
- 7.4. The remaining members of the Pool may choose to form a new Pool and, if they wish, include new members for the following year (subject to new designation by MHCLG).

## **8. Treatment of Potential Losses in Income**

- 8.1. The Pool will have a single safety net threshold set at 92.5% of its baseline funding level. Authorities that suffer reduction in 'retained rates income' to a threshold that is below 92.5% their Baseline Funding Level shall receive a safety net payment to restore their income to 92.5% of their Baseline Funding Level.
- 8.2. If such an authority is a member of a business rates pool, the safety net payment could be lost because the *loss across the pool* may not be as much as the 7.5% threshold. Indeed, if growth across the rest of the pool was weak, it could be that the loss of safety net payments could be greater than the amounts gained from paying reduced levies and the pool could be in deficit for the year.
- 8.3. Authority(s) that would otherwise have qualified for safety net(s) will have their share of pool proceeds calculated in such a way as to include what they would have received as a safety net payment.
- 8.4. The loss in income to the Pool from the safety net(s) foregone in any year will be met from the income generated from other authorities within the pool not having to pay levies in that year. If that levy income is insufficient, then the net loss from the safety net foregone will be shared amongst all the members of the Pool (including those that would have otherwise qualified for a safety net payment) in proportion to their spending baselines for the year to which the safety net(s) would have applied.

## **9. Treatment of residual benefits or liabilities**



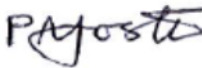



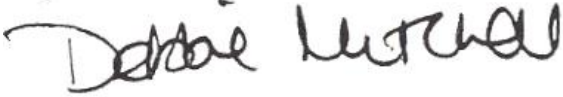
- 9.1. Any residual benefits or liabilities arising in regard to the Pool's additional income will be shared amongst all the members of the Pool in proportion to their share of the income received from the Pool.
- 9.2. Any financial benefits committed in 2021/22 for future years' expenditure shall remain under the authority of the Joint Committee until expenditure is either incurred or the Joint Committee agree to treat as "residual benefit" (see 9.1 above).



## **10. Authority following the dissolution of the Pool**

- 10.1. At the point when the Joint Committee ceases to exist, they will authorise the lead authority to make any remaining payments on their behalf.
- 10.2. Any financial benefit committed to future years shall be transferred to the appropriate, sponsoring member authority who would then be responsible for delivering the funding for the schemes in accordance with the original approval. Should the value of funds transferred be greater than the actual cost, the member authority will ensure spend is consistent with the Pool's strategic aims.
- 10.3. Where the financial benefit committed to future years cannot be allocated to a single member authority, the funds shall be transferred to the lead authority who would then be responsible for delivering the funding for the schemes in accordance with the original approval. Should the value of the funds transferred be greater than the actual costs, the lead authority will treat as "residual benefit" (see Paragraph 9 above).
- 10.4. At the point when the Joint Committee is dissolved, their authority as a decision making group is no longer binding. Any decisions made after this point would be made by the Leaders representing their authority and will be subject to that authority's internal governance processes.

## 11. Evidence of authorisation

Authority name	Name of s.151 officer	Signature
City of Bradford Metropolitan District Council	Chris Chapman Director of Finance	
The Metropolitan Borough Council of Calderdale	Nigel Broadbent Head of Finance	
Harrogate Borough Council	Paul Foster Head of Finance	
Kirklees Council	Eamonn Croston Service Director, Finance and s151 Officer	
Leeds City Council	Victoria Bradshaw Chief Officer Financial Services	
The Council of the City of Wakefield	Neil Warren Chief Finance Officer	
City of York Council	Debbie Mitchell Corporate Finance and Procurement (Section 151 Officer)	

## **2021/22 LEEDS CITY REGION BUSINESS RATES POOL JOINT COMMITTEE**

### **TERMS OF REFERENCE**

#### **TO BE AGREED**

The 2021/22 Leeds City Region Business Rates Pool Joint Committee is authorised to:

- Allocate any excess income arising from levy payments that would otherwise have to be paid by member authorities to the Secretary of State in accordance with the Leeds City Region Business Rates Pool Memorandum of Understanding;
- Determine any changes to the purposes for which any such excess income should be applied, subject to the principle that no authority should receive less than they would if not a member of the 50% Retention Pool;
- Determine the expenses to be deducted by the lead authority administering the Pool;
- Consider any applications for other authorities to join the Pool;
- Determine any variations to the membership of the Joint Committee; and
- Determine any other matters relating to the administration and governance of the Pool including replacement of the lead authority.

The Joint Committee will elect a chairperson.

The Joint Committee will meet as and when required but no less than twice a year.

The quorum for meetings of the Joint Committee will be no less than 5 members. Members will be able to nominate substitutes either from their own authority or from a different member authority that is not a “representative” listed in the Memorandum of Understanding.

Member voting rights will be one vote for each member of the Joint Committee. Voting will be by simple majority. In the event of a tie, the chair of the meeting will have a casting vote.

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