
LEEDS CITY REGION BUSINESS RATES POOL JOINT COMMITTEE

Meeting to be held on Thursday, 7th July, 2022 at 1.30 pm
in the Council Chamber, Civic Hall, Leeds LS1 1UR

MEMBERSHIP

Councillors

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 Paula Widdowson - City of York

Please do not attend the meeting in person if you have symptoms of Covid-19 and please follow current public health advice to avoid passing the virus onto other people.

Note to observers of the meeting. To remotely observe this meeting, please click on the 'View the Meeting Recording' link which will feature on the meeting's webpage ahead of the meeting. The webcast will become available at the commencement of the meeting.

A G E N D A

Item No	Ward	Item Not Open		Page No
1			<p>APPEAL AGAINST REFUSAL OF INSPECTION OF DOCUMENTS</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>	
2			<p>LATE ITEMS</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>	
3			<p>EXEMPT INFORMATION - POSSIBLE EXCLUSION OF PRESS AND PUBLIC</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"> 1) To consider whether or not to accept the officers' recommendation in respect of the above information. 2) If so, to formally pass the following resolution:- <p>RESOLVED – 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>	
4			<p>APOLOGIES FOR ABSENCE</p> <p>To receive apologies for absence (if any).</p>	

Item No	Ward	Item Not Open		Page No
5			<p>DECLARATIONS OF INTEREST</p> <p>To disclose or draw attention to any interests in accordance with Leeds City Council's 'Councillor Code of Conduct'.</p>	
6			<p>MINUTES OF THE PREVIOUS MEETING</p> <p>To approve as a correct record, the minutes of the previous meeting held on 6th October 2021.</p>	5 - 8
7			<p>MATTERS ARISING FROM THE MINUTES</p> <p>To consider any matters arising from the minutes (if any).</p>	
8			<p>LEEDS CITY REGION BUSINESS RATES POOL FINANCIAL REPORT</p> <p>To consider the report of the Chief Officer Financial Services, Leeds City Council, on the 2022/23 Leeds City Region Business Rates Pool, which was designated by Government from 1st April 2022 under the 50% retention scheme.</p>	9 - 28
9			<p>GRANT FUNDING TO SCREEN YORKSHIRE'S FILM OFFICE</p> <p>To consider the report of the Director of City Development, Leeds City Council, which recommends providing Screen Yorkshire with £144,000 in funding from the Leeds City Region Business Rates Pool, to support Screen Yorkshire's Film Office for a period of one year (2022/23). The funding will be 100% matched by the British Film Institute.</p> <p><i>(Report to follow)</i></p>	

Item No	Ward	Item Not Open		Page No
			<p data-bbox="676 181 959 210"><u>Third Party Recording</u></p> <p data-bbox="676 241 1366 394">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 named on the front of this agenda.</p> <p data-bbox="676 427 1310 456">Use of Recordings by Third Parties – code of practice</p> <ul style="list-style-type: none"> <li data-bbox="724 490 1409 642">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 data-bbox="724 674 1409 882">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. 	

LEEDS CITY REGION BUSINESS RATES POOL JOINT COMMITTEE

WEDNESDAY, 6TH OCTOBER, 2021

Present: Councillors: J Scullion (Calderdale MBC), S Hinchcliffe (City of Bradford MDC), C Scott (Kirklees MC), J Lewis (Leeds City Council), A Waller (City of York) and R Cooper (Harrogate BC)

In Attendance: A Taylor (WYCA), T Riordan (LCC), N Eastwood (LCC) R Colley (LCC) and J Grieve (LCC)

1 Election of Chair

Nominations were sought for the position of Chair.

Councillor S Hinchcliffe was nominated for the position of Chair, the nomination was seconded.

Upon being put to the vote:

RESOLVED – That Councillor S Hinchcliffe be elected as Chair for the duration of the meeting.

2 APPEAL AGAINST REFUSAL OF INSPECTION OF DOCUMENTS

There were no appeals against refusal of inspection of documents

3 LATE ITEMS

There were no late items of business identified.

4 EXEMPT INFORMATION - POSSIBLE EXCLUSION OF PRESS AND PUBLIC

There were no items identified where it was considered necessary to exclude the press or public due to the confidential nature of the business to be considered.

5 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors: S Pandor (Kirklees MC), T Swift (Calderdale MBC) and D Jeffery (City of Wakefield MDC)

Councillors: J Scullion (Calderdale MBC), and C Scott (Kirklees MC) were in attendance as substitute Members.

6 DECLARATIONS OF INTEREST

Draft minutes to be approved at the meeting
to be held on Date Not Specified

There were no declarations of interest made at the meeting.

7 Leeds City Region Business Rates Pool Financial Report

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

- (i) The context in which the 2021/22 Leeds City Region Business Rates Pool had been set up;
- (ii) The governance arrangements and memorandum of understanding for the Leeds City Region Pool;
- (iii) The current position of the Leeds City Region Pool, including the estimated 2021/22 financial position and the latest income projections;
- (iv) The proposed allocation of funding for 2021/22;
- (v) The continuation of the Leeds City Region Pool into 2022/23;

Referring to the proposed allocation of funding for 2021/22, Members asked if there was a timescale for the allocation of funds.

Members were informed that a decision was required by 31st March 2022

RESOLVED –

- (a) To note the context and structure of the 2021/22 Leeds City Region Business Rates Pool as described in Paragraphs 1 and 2 of the submitted report;
- (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;
- (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.

8 Date and Time of Next Meeting

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

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Originator: Victoria Bradshaw 0113 378 8540

Report to: LEEDS CITY REGION BUSINESS RATES POOL 2022/23

Date: 7th July 2022

Subject: LEEDS CITY REGION BUSINESS RATES POOL FINANCIAL REPORT

SUMMARY

This report sets out:

- a) The context in which the 2022/23 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 for 2022/23;
- d) The proposed allocation of funding for 2021/22 and 2022/23;
- e) The continuation of the Leeds City Region Pool into 2023/24;

1. Introduction

- 1.1. The 2022/23 Leeds City Region Business Rates Pool was designated by Government from 1st April 2022 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 early October 2021, West Yorkshire authorities plus York and Harrogate councils agreed to make an application to continue to pool business rates in 2022/23. In December 2021 the Government announced that this application had been successful and designated the Leeds City Region business rates from 1st April 2022.
- 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. The continued impact of COVID-19 on the region's business rates tax base remains unclear, particularly on factors such as growth and the level of reliefs such as Empty Rate Relief. The level of collection of arrears, as recovery action is reintroduced and additional reliefs brought in to support businesses during the pandemic are phased out, is an area of concern. Additionally, the pressures of the cost of living crisis have started to take effect over the last couple of months and the long term impact of this on collection rates and authority tax bases will require continued close monitoring. It is in this context that the forecasts about the income to the Pool from regional levy payments, discussed further at **Paragraph 4 and 5** 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 6**.

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 for 2022/23 is attached at **Appendix A** and the Terms of Reference for the Joint Committee for 2022/23 at **Appendix B**. These will remain in draft until ratified by the Joint Committee.
- 3.3. It should be noted that the draft Memorandum of Understanding differs significantly from the Memorandum of Understanding approved by the joint committee for 2021/22. In late September 2021 the government called for expressions of interest to form pools for 2022/23. At this time the Government, for the first time, published a model Memorandum of Understanding for 2022/23. The new draft Memorandum of Understanding closely follows this model Memorandum of Understanding.
- 3.4. The central difference between the 2021/22 and draft 2022/23 Memoranda is the methodology for distributing the gains retained by the pool between member authorities. Although the joint committee retains the power to fund regional projects directly, any surplus retained after these projects are funded is redistributed back to member authorities. Under the 2021/22 Memorandum any surplus would be distributed 50% in proportion to population and 50% in proportion to gains above the baseline. The draft 2022/23 Memorandum changes this to the following methodology: -
- 25% in proportion to population, to recognise the most significant driver of need,
 - 25% in proportion to growth above the baseline, to continue to incentivise growth in the business rates tax base in the region,
 - 25% in proportion to the levy payments made to the pool, to recognise the contribution of the 3 levy-paying authorities to the income of the pool,
 - 25% to the 4 top-up authorities in proportion to the top-ups they receive from Government, to recognise that without the participation of top-up authorities levy payments could not be retained within the region.
- 3.5. This methodology was agreed for the purposes of the application to pool in 2022/23 by the Chief Finance Officers of the seven member authorities. Alongside this were changes to provide that the decision to admit new member authorities be taken from the joint committee, instead requiring unanimous agreement of all member authorities, and the addition of a provision to ensure any share of a surplus could be paid to the successor authority of any member authority in the light of the Local Government Re-organisation in North Yorkshire.
- 3.6. The Joint Committee are requested to formally approve the Memorandum of Understanding and Terms of Reference, as attached at **Appendices A and B**.

4. Updated Estimated Leeds City Region Pool Income 2021/22

- 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 2021/22. At that time, January 2021, this led to an updated, latest estimate of slightly over £4.6 million. A monitoring exercise as at 31st August 2021 estimated an increased level of income retained of £5.1m as the economy has begun to reopen since March 2021. However latest figures available, including two out of the three levy-paying authorities' draft outturn NNDR3 returns, which have to be provisionally completed by 30th June 2022, show a dampening of expectations in the recovery of business rates income, and a reduction in income to the Pool to £4.3m. Calculations of income to the pool will not be finalised until NNDR3 returns are externally audited, usually by the 30th September 2022.
- 4.3. **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 31st March 2022 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	Levy payment 31-Mar-22 provisional £m
Harrogate	1.145	1.441	1.421
Leeds	0.619	0.335	0.897
York	2.802	3.297	1.955
Total	4.566	5.073	4.273

5. Updated Estimated Leeds City Region Pool Income 2022/23

- 5.1. During the application process to continue the Leeds City Region Pool into 2022/23 (October 2021) the estimate of the additional funding that could be retained in the region was £5.1m. Since that time the member authorities have submitted to Government their forecast of income for 2022/23 on the NNDR1 return for 2022/23. Using these figures the estimated income to the pool can now be estimated to be £4.1m from the levy payments retained by the 3 levy-paying authorities as shown in **Table 2**.

Table 2: Estimated levy payments to the 2022/23 Leeds City Region BR Pool

Authority	Levy payment NNDR1 2022/23 £m
Harrogate	0.919
Leeds	0.725
York	2.459
Total	4.103

6. Continued Risks to Pool Funding

- 6.1. The 2021/22 and 2022/23 Leeds City Region Business Rates Pools are levy pools 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.
- 6.2. Continued risks to the economy, particularly surrounding the ongoing cost of living crisis post-COVID, 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. 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.
- 6.3. 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.
- 6.4. 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).
- 6.5. 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.
- 6.6. Whilst monitoring will be ongoing throughout the year, the final unaudited position for the 2021/22 Pool will not be known until September 2022, and September 2023 for the 2022/23 Pool, when authorities will be able to finalise their known positions for the year.
- 6.7. Local authorities will need to continue to monitor the ongoing impact of COVID-19 and the cost of living crisis 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.
- 6.8. 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.

7. Proposed Allocation of Leeds City Region Business Rates Pool Funds

- 7.1. Notwithstanding the risks noted in section 6 above, the Pool's current forecasts for 2022/23 indicate that whilst some authorities are close to the safety net threshold, no authority is currently forecast to breach the threshold.
- 7.2. The NNDR1 return forecasts for 2022/23 business rates retained have been received from member authorities. **Table 3** shows how close each authority is to the safety net threshold.

Table 3: Reduction in adjusted BR income possible in 2022/23 before crossing safety net threshold

Authority	Retained Rates income £	Safety Net threshold £	Reduction in BR income possible before threshold
Bradford	141,797,115	128,813,280	22.7%
Calderdale	43,552,594	39,061,386	18.8%
Harrogate	5,580,076	3,461,860	9.8%
Kirklees	87,413,208	76,477,763	25.5%
Leeds	167,162,692	146,551,835	12.3%
Wakefield	85,857,989	66,724,701	30.8%
York	32,042,682	24,563,396	16.8%

- 7.3. In October 2021 the joint committee agreed in principle to the payment of £144,000 to Screen Yorkshire from the 2021/22 surplus. However, the accompanying report to this decision intimated that this payment was made by the Pool to fulfil a pre-existing liability of the member authorities that would have otherwise be met by individual authorities. This was not the case and the payment would actually be a grant payment from the Pool to Screen Yorkshire. The committee will be asked to reconsider this decision again as a grant payment to Screen Yorkshire of £144,000. Details are in the "Grant Funding to Screen Yorkshire's Film Office" report later in today's agenda. The following projections of the redistribution of the remaining surplus to member authorities assumes that the joint committee approves this payment.
- 7.4. If the joint committee were to approve the use of Pool funds to make a grant payment to Screen Yorkshire of £144,000, the projected distribution of funding between member authorities of the 2021/22 surplus. is therefore as set out in **Table 4**. However, these figures will not be finalised until the outturn 2021/22 NNDR3 returns are externally audited and submitted to Government. This is not expected until 30 September 2022. The distribution of this funding follows the methodology of the 2021/22 Leeds City Region Business Rates Pool, that is, 50% in proportion to growth and 50% in proportion to population.

7.5. The re-distribution of the forecast surplus for 2022/23 is as set out in **Table 5**. This currently assumes that the joint committee will not make any decisions to fund regional projects from the surplus, and follows the methodology in the revised draft Memorandum of Understanding for 2022/23 as set out in paragraph 3.

Table 4: Projected re-distribution of Leeds City Region Business Rates Pool surplus 2021/22

Authority	Redistributed levy £m
Bradford	0.611
Calderdale	0.160
Harrogate	0.285
Kirklees	0.359
Leeds	1.225
Wakefield	1.079
York	0.410
Sub-total	4.129
Screen Yorkshire Grant	0.144
Total	4.273

Table 5: Forecast re-distribution of Leeds City Region Business Rates Pool surplus 2022/23

Authority	Redistributed levy £m
Bradford	0.833
Calderdale	0.225
Harrogate	0.340
Kirklees	0.528
Leeds	0.717
Wakefield	0.619
York	0.841
TOTAL	4.103

8. Recommendations

8.1. Members are recommended:

- a) To note the context and structure of the 2022/23 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 and 2022/23 as shown in **Paragraph 4 and 5**;
- d) To note the risks to retained income and of breaching safety net at **Paragraph 6**; and
- e) To note the projected and forecast re-distribution of Pool income to member authorities at **Paragraph 7**.

Leeds City Region Business Rate Pool 2022/23

Memorandum of Understanding

This Memorandum of Understanding is made between the following councils

- 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

(Together referred to as the 'Pool' or 'Pool Members').

1. Purpose

- 1.1. The main aim of the pool is to maximise the retention of locally generated business rates and to ensure that it further supports the economic regeneration of the wider Leeds City Region. The modelling work that has been undertaken by the Pool demonstrates that financially the Leeds City Region would retain a greater share of business rates revenue through pooling than it would otherwise do, as long as it experiences economic growth. This will act as a further incentive for all the pooling authorities to proactively work together to drive economic growth within the Bradford, Calderdale, Harrogate, Kirklees, Leeds, Wakefield and York areas.
- 1.2. It is the purpose of this Memorandum of Understanding to act as a statement of intent that will support the realisation of these benefits. The Pool Members have agreed to enter into this Memorandum of Understanding to formalise their commitment and to set out their respective roles and responsibilities from the 2022/23 financial year.

2. Glossary of Key Terms

- 2.1. There are a number of technical terms used throughout this document. The meanings of these terms are as follows:

Levy

A formulaic mechanism to pay a percentage of additionally raised local business rates income over to central government when a target (set nationally for each billing authority) has been exceeded.

Pool

A voluntary arrangement amongst a group of local authorities to pool the business rates generated locally to ensure at least some of any levy is retained locally.

Net Retained Levy

The amount of levy retained locally. This is calculated as the sum of levies to be paid by individual Pool members if the Pool did not exist less the levy to be paid by the Pool less any safety net funding that would have been due to individual Pool members if the Pool did not exist and less the administrative costs of the Pool.

Safety Net

The additional funding received by an authority, from central government, if, in the government's opinion, the decline in business rates in any year would leave an authority with insufficient resources. Calculated using a national formula.

Lead Authority

The Pool member who will act as the lead in managing the Pool's resources and being the key contact between central government and the Pool

Schedule of Payments

The Lead Authority will prepare an annual schedule that reflects all the financial payments to be processed through the pool, clearly indicating the amount and timings of each payment and who needs to make what and payment to whom.

Residual Benefit of the Pool

Any funding remaining from Net Retained Levy payments once the decisions of the joint committee on how some of those Net Retained Levy payments should be utilised have been fulfilled.

Retained Rates Income

The retained rates income for each member authority had they acted individually as defined by the Non-Domestic Rating (Levy and Safety Net) Regulations 2013, Regulation 4 as amended.

Baseline Funding Level

The Baseline Funding Level for each member authority had they acted individually as published in the Local Government Finance Settlement as laid before Parliament for 2022/23.

Tariff or Top up

The Tariff or Top up for each individual member authority had they acted individually as published in the Local Government Finance Settlement as laid before Parliament for 2022/23.

Business Rates Baseline

The Baseline Funding Level less the Tariff or Top-up (whichever is appropriate) for each member authority had they acted individually as published in the Local Government Finance Settlement as laid before Parliament for 2022/23.

Individual Populations of Member Authorities

The estimate of the population in each member authority's area for 2020 as defined by the Mid-Year Population Estimates published by the Office for National Statistics in June 2020.

3. Key Principles

- 3.1. The Pool Members agree that they will operate the Pool in accordance with the following principles:

Increase in Resources

The Pool Members recognise that the fundamental objective of the Pool is to generate increased resources for the area, and individual Pool Members

Risk Management

The Pool Members agree to protect and mitigate as far as possible the risks associated with the level of business rate income. Income streams to the Pool Members may be more volatile, whether as the result of a one-off event (for example a successful large appeal) or something structural within an area (for example the closure of a major plant). The pooling arrangements should reduce this volatility.

Fairness

The Pool Members agree to share the costs, risks and benefits of local business rate retention proportionately. Pool Members should be no worse off than if they were outside the Pool.

Transparency, Openness and Honesty

Pool Members will be open and trusting in their dealings with each other, make information and analysis available to each other, discuss and develop ideas openly and contribute fully to all aspects of making the Pool successful. It also includes sharing data and intelligence outside of the formal reporting mechanisms on any substantive issues relating to business rate retention within their area.

Reasonableness of Decision-Making

Pool Members agree that all decisions made in relation to this Memorandum of Understanding shall be made by them acting reasonably and in good faith.

4. Binding Memorandum

- 4.1. This Memorandum of Understanding is produced as a Statement of Intent and, with the exception of Sections 5, 10 and 11, is not intended to be legally binding.

- 4.2. Sections 5, 10 and 11 are intended to be legally binding and to create obligations between Pool Members with immediate effect from the execution of this Memorandum of Understanding.
- 4.3. Pool Members have approved this Memorandum of Understanding in advance of the Secretary of State designating the Pool for the purposes of the Business Rates Retention Scheme. If the Secretary of State adds conditions to the designation, either initially or at any point in the future an immediate review of this Memorandum of Understanding, as outlined in Section 12, will be triggered.

5. Term of Memorandum

- 5.1. This Memorandum of Understanding shall continue to be in place unless terminated in accordance with these terms.
- 5.2. Any Pool Member can leave the Pool from 1 April of the following financial year providing:
 - Written notice is given to other Pool Members and MHCLG in at least sufficient time for the Pool to apply to continue for the remaining Pool Members, should they wish it to continue. Sufficient time is taken to be at least the time specified by MHCLG in regulations and/or guidance or 30th September preceding the end of the relevant financial year, whichever is earlier.
 - All liabilities to and from the Pool are paid.

6. Decision-Making

- 6.1. 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
- 6.2. The joint committee shall be responsible for:
 - Any changes to the purposes for which the Net Retained Levy 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;
 - Any of the matters relating to the administration and governance of the Pool including the replacement of the Lead Authority.
- 6.3. The representatives of the member authorities making up the Pool, as noted in subsection 6.1 above, will be the leaders of the members authorities. The representatives of the member authorities will be able to nominate substitutes.
- 6.4. The members of the joint committee will elect a chairperson.
- 6.5. The joint committee will meet as and when required but no less than twice each year.
- 6.6. The quorum for the meetings will be no less than 5 members.
- 6.7. 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.
- 6.8. 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 the joint committee meetings will be published as required by law.

7. Dispute Resolution

- 7.1. The Pool Members shall attempt in good faith to negotiate a settlement to any dispute arising between them arising out of or in connection to this Memorandum of Understanding. If this cannot be resolved by the Chief Finance Officers it will be referred to a meeting of all member authorities' Heads of Paid Service for resolution.

8. Resourcing

- 8.1. Each Pool Member will provide the appropriate resources and will act with integrity and consistency to support the intention set out in this Memorandum of Understanding.
- 8.2. In the event that the Lead Authority needs to incur additional expenditure in order to administer the pool, any reasonable costs agreed by pool members should be the first call on the Net Retained Levy.

9. Lead Authority

- 9.1. Leeds City Council will act as the Lead Authority for the Pool.
- 9.2. The responsibilities of the Lead Authority are:
- to make payments on behalf of the Pool to central government and Pool Members on time and in accordance with the schedule of payments,

- to liaise with and complete all formal Pool returns to central government on behalf of Pool Members,
- to keep Pool Members informed of all communications with central government,
- to manage the resources of the Pool in accordance with this MoU,
- to prepare reports and consolidate intelligence on future resource levels on behalf of the Pool for the consideration of the joint committee,
- to convene an urgent meeting of the joint committee if there is the possibility that the pool could make a loss.
- to prepare the annual report of the Pool's activity,
- to co-ordinate the annual review and refresh of the Pool's governance arrangements and the methodology for the allocation of resources,
- to consult on and administer a schedule of all payments in respect of all financial transactions that form part of the Pool's resources, and
- to lead on the timely provision of the information required, by Pool Members, in preparing their annual Statement of Accounts in relation to the activities and resources of the Pool.

9.3. To assist the Lead Authority in fulfilling this role, the responsibilities of individual Pool Members are:

- to make payments on time and in accordance with the schedule of payments,
- to provide accurate, timely information to the Lead Authority to enable all formal Pool returns to central government to be completed,
- to inform the Lead Authority, as soon as is practical, of any intelligence that may impact on the resources of the Pool either in the current year or in future years,
- to provide such information as the Chief Finance Officers agree is reasonable and necessary to monitor/forecast the Pool's resources within the timescales agreed,
- to provide such information as the Chief Finance Officers agree is reasonable and necessary on the use of the Pool's resources for inclusion in the Pool's annual report, and
- to provide accurate and timely information on the end of year financial performance of the business rates collection fund to enable the Lead Authority to calculate the end of year accounting entries needed.

10. Cash Management

10.1. The governing principle for the cash management of the Pool is that no individual Pool Member, including the Lead Authority, should incur a cash flow gain or loss as a result of the transfer of funds between Pool Members.

- 10.2. The Pool will receive/pay interest annually on any retained resource at the average investment rate of the Lead Authority.
- 10.3. Interest will be calculated on an annual basis and allocated to Pool Members based upon a method agreed by the Chief Finance Officers.
- 10.4. Where the Pool is required to make a payment to the Secretary of State, each authority in the Pool is jointly and severally liable to make that payment.
- 10.5. Any late payment to or from the Secretary of State may be subject to a late payment interest charge at base rate plus 4%.

11. Allocation of Pool Resources

Principles

11.1. The allocation of resources will be based on the following principles.

- Each individual authority, will receive at least the same level of funding they would have received without the Pool. The remaining amount will be the “Net Retained Levy”.
- Any additional resource that is generated will be shared by pool members using the basis of allocation below. This allocation methodology looks to reward members of the pool for achieving business rate growth.
- The rationale for the Pool is to encourage economic growth therefore Pool Members are encouraged to use the additional resource to promote further economic growth.

Basis of Allocation

11.2. The underlying basis of allocation is as follows:

- A - The running costs of the pool, if any, will be initially paid by the lead authority and will be re-imbursed to them from the Net Retained Levy.
- B - If after A, the Net Retained Levy is greater than £0 (i.e. the pool has made an overall gain), then the joint committee will make decisions as to how the Net Retained Levy is used to further regional economic growth.
- C - If after A and B, the remaining Net Retained Levy is greater than £0 (i.e. the pool has more Net Retained Levy than is required for the purposes of the decisions of the joint committee) then it becomes a Residual Benefit of the Pool and it will be shared out using the following apportionments: -
- i) 25% of the Residual Benefit will be allocated to all member authorities in proportion to the growth in Retained Rates Income above the Business Rates Baseline.
 - ii) 25% of the Residual Benefit will be allocated to all member authorities in proportion to the Individual Populations of Member Authorities.

- iii) 25% of the Residual Benefit will be allocated to the Pool's top up authorities – The City of Bradford Metropolitan District Council; The Metropolitan Borough Council of Calderdale; Kirklees Council; and the Council of the City of Wakefield and will be allocated between these councils in proportion to the top ups received from MHCLG in 2022/23.
- iv) The remaining 25% gain will be split among the Pool's remaining authorities (tariff authorities – Harrogate Borough Council, Leeds City Council and the City of York Council) based on business rates growth. This will be achieved by splitting the remaining 50% in proportion to the actual levy payment of the councils, had they acted individually.

D - Where the Residual Benefit of the Pool is less than £0, (i.e. where the Pool makes an overall loss) – the loss will be shared between all member authorities in proportion to their Baseline Funding Level.



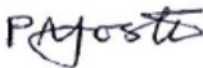



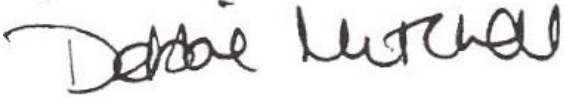
11.3 Where a member authority ceases to exist before a final determination of their allocation from any residual benefit from the Pool is made, the determination will be made as if that member authority existed. If payment is subsequently due to the member the payment will be made to any successor organisation of the member authority.

12. Review Arrangements

12.1. A review and refresh of the Pool's governance arrangements and the methodology for the allocation of resources will be undertaken on an annual basis. It will be co-ordinated by the Lead Authority on behalf of the Chief Finance Officers and in sufficient time for any changes in Pool Membership to be in place before the start of the following financial year.

13. Signatories on behalf of the Pool

[SIGNED BY ALL AUTHORITIES with electronic signatures]

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)	

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2022/23 LEEDS CITY REGION BUSINESS RATES POOL JOINT COMMITTEE

TERMS OF REFERENCE

TO BE AGREED

The 2022/23 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;
- 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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