

## LEEDS CITY REGION BUSINESS RATES POOL JOINT COMMITTEE

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Meeting to be held on Friday, 28th July, 2023 at 10.00 am  
in the Civic Hall, Leeds

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### MEMBERSHIP

#### Councillors

Councillor Susan Hinchcliffe - City of Bradford MDC

Councillor Jane Scullion – Calderdale MBC

Councillor Shabir Pandor – Kirklees Metropolitan Council

Councillor James Lewis – Leeds City Council

Councillor Denise Jeffery – City of Wakefield MDC

Councillor Claire Douglas – City of York Council

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# A G E N D A

Item No	Ward	Item Not Open		Page No
1			<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>	
2			<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>	
3			<p><b>EXEMPT INFORMATION - POSSIBLE EXCLUSION OF THE 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>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><b>APOLOGIES FOR ABSENCE</b></p> <p>To receive apologies for absence (if any).</p>	

Item No	Ward	Item Not Open		Page No
5			<p><b>DECLARATIONS OF INTEREST</b></p> <p>To disclose or draw attention to any interests in accordance with Leeds City Council's 'Councillor Code of Conduct'.</p>	
6			<p><b>MINUTES OF THE PREVIOUS MEETING</b></p> <p>To approve as a correct record, the minutes of the previous meeting held on 17<sup>th</sup> March 2023.</p>	5 - 8
7			<p><b>2023/24 LEEDS CITY REGION BUSINESS RATES POOL FINANCIAL REPORT</b></p> <p>To consider the report of the Chief Officer Financial Services, Leeds City Council which sets out the context in which the 2023/24 Leeds City Region Business Rates Pool has been set up and includes the governance arrangements and Memorandum of Understanding for the Leeds City Region Pool, and the Terms of Reference for the governing Joint Committee. The report also presents the current position of the 2023/24 Business Rates Pool, including the latest income projections for 2023/24; and the proposed allocation of funding for 2023/24, including a £50,000 administration fee to Leeds City Council.</p> <p><b>Third Party Recording</b> 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>Use of Recordings by Third Parties– code of Practice</p> <p>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.</p> <p>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.</p>	9 - 26

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## LEEDS CITY REGION BUSINESS RATES POOL JOINT COMMITTEE

FRIDAY, 17TH MARCH, 2023

**PRESENT:** Councillor S Hinchcliffe in the Chair

Councillors: P Davies (Kirklees MC)  
S Dacre (Calderdale MBC)  
J Lewis (Leeds CC)  
and Mr N Warren (Wakefield MDC)

**In Attendance:** R Colley (LCC), D Moore (LCC) R Ellis (LCC) and H Gray (LCC)

**20 Election of the 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 it was **RESOLVED** – That Councillor S Hinchcliffe be elected as Chair for the duration of the meeting.

**21 Appeal against refusal of inspection of documents**

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

**22 Late Items**

There were no late items of business.

**23 Exempt Information - Possible Exclusion of the press and public**

The agenda contained no exempt information.

**24 Apologies for absence**

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

Councillors S Pandor (Kirklees MC), T Swift (Calderdale MBC), and D Jeffery (City of Wakefield MDC)

Councillors P Davies (Kirklees MC), S Dacre (Calderdale MBC), and N Warren (Wakefield) were in attendance as substitutes.

Apologies were also received from Councillor R Cooper (Harrogate BC) and Councillor P Widdowson (City of York), R Tuddenham, J Gedman, T Riordan, V Bradshaw and D Mitchell.

**25 Declarations of Interest**

No declarations of interest were made.

**26 Minutes of the Previous Meeting**

**RESOLVED** – That the minutes of the previous meeting held on 16<sup>th</sup> September 2022 be agreed as a correct record.

Draft minutes

## 27 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:

- The context in which the 2022/23 Leeds City Region Business Rates Pool was set up;
- The current position of the Leeds City Region Pool, including the provisional 2021/22 financial outturn and the latest income projections for 2022/23;
- The proposed allocation of funding for 2021/22 and 2022/23;
- The process required to close down the 2021/22 and 2022/23 Leeds City Region Business Rates Pools following the winding up of the current Joint Committee.

Additionally, the Joint Committee was reminded of the following matters:

- The contents of the Memorandum of Understanding (MoU)
- That retained funding was used at the direction of the Joint Committee seeking to promote inclusive growth in the region, with residual benefit returned to member authorities based on the following formula for 2022/23
  - 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.

The report contained the following information:

- The projected levies as at 31<sup>st</sup> March 2022 were based on the provisional NNDR 3 returns detailing outturns for 2021/22 at £4.289m.
- During the application process to continue the Business Rates Pool into 2022/23, the estimate of additional funding that could be retained was estimated at £5.1m, however this had been updated as at January 2023 to £6.279m.
- The impact of the continued risks to the economy in the form of the cost of living crisis, risks to growth, Empty Rate Relief and bad debt costs which pose a risk to business rates and general fund income streams.
- Noted the MoU reflected the Government's pooling prospectus which stated the nature of the pooling arrangement was to provide a safety net at 92.5% for authorities who see significant reductions from the rates retention scheme. The MoU therefore reflects that if an authority falls into the safety net position, the loss of income should be met by the retained levies from other authorities.

- The final audited position would become known when all 2021/22 member accounts are audited.
- For the 2022/23 Pool, the provisional NNDR3 returns will be submitted in June 2023.

The Joint Committee received assurance that whilst some authorities are close to the safety net threshold, no authority is currently forecast to breach the threshold.

The report also acknowledged that the 2021/22 and 2022/23 Leeds City Region Business Rates Pools will close on 31<sup>st</sup> March 2023, with Harrogate Borough Council withdrawing from the Pool following a Local Government Re-organisation in North Yorkshire. The intention to form a new 2023/24 Leeds City Region Business Rates Pool from 1st April 2023 comprising of the six remaining members was noted.

Additionally, as the new Joint Committee will not have authority to dispose of the funds generated in 2021/22 or 2022/23, the report outlined proposals to give delegated authority to the Chief Officer (Financial Services), Leeds City Council, as the lead authority, to ascertain any surplus or deficit generated by the 2021/22 and 2022/23 business rates pools and to distribute, or require payment, from the member authorities of those pools, or their successor organisations, in order to distribute any residual benefit or meet any outstanding liabilities in accordance with the respective MoU and with the agreement of the section 151 officers of those authorities.

**RESOLVED -**

- a) That the context, structure and governance of the 2022/23 Leeds City Region Business Rates Pool as described in Paragraphs 1, 2 and 3 of the submitted report be noted;
- b) That the provisional outturn Pool income for 2021/22 and projected Pool income for 2022/23 as shown in Paragraphs 4 and 5 of the report be noted;
- c) To note the risks to retained income and of breaching safety net as detailed in Paragraph 6 of the report;
- d) To note the provisional outturn re-distribution of residual benefits from the 2021/22 Pool and the projected re-distribution of 2022/23 Pool income to member authorities as detailed at Paragraph 7 of the report;
- e) That approval be given to the payment of the £30,000 administration costs of the lead authority, Leeds City Council for 2022/23 as detailed in the Memorandum of Understanding and illustrated at Table 5 of the report;
- f) That approval be given for the Chief Officer, Financial Services at the lead authority, Leeds City Council, to have delegated authority to finalise the final income and expenditure account of the 2021/22 and 2022/23 Leeds City Region Business Rates Pools and distribute any surplus or deficit between member authorities or their successor authorities in accordance with the respective Memoranda of Understanding and with the agreement of the section 151 officers of

the member authorities or their successor organisations as explained in Paragraph 8 of the report.



Originator: Victoria Bradshaw 0113 378 8540
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**Report to:** 2023/24 LEEDS CITY REGION BUSINESS RATES POOL JOINT COMMITTEE

**Date:** 7<sup>th</sup> July 2023

**Subject:** 2023/24 LEEDS CITY REGION BUSINESS RATES POOL FINANCIAL REPORT

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## SUMMARY

This report sets out:

- a) The context in which the 2023/24 Leeds City Region Business Rates Pool has been set up;
- b) The governance arrangements and Memorandum of Understanding for the Leeds City Region Pool, and the Terms of Reference for the governing Joint Committee;
- c) The current position of the 2023/24 Leeds City Region Business Rates Pool, including the latest income projections for 2023/24;
- d) The proposed allocation of funding for 2023/24, including a £50,000 administration fee to Leeds City Council;

## 1. Introduction

- 1.1. The 2023/24 Leeds City Region Business Rates Pool was designated by Government from 1<sup>st</sup> April 2023 under the 50% Business Rates 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 paid to central government.
- 1.2. Levy payments restrict the relative gains made by tariff authorities from the 50% of business rates growth above the Business Rates 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 2022, the five West Yorkshire authorities plus the City of York Council agreed to make an application to pool business rates in 2023/24. These member authorities have been in successive pools since 1<sup>st</sup> April 2013, but at the end of 2022/23 Harrogate Borough Council, a member of the 2022/23 Leeds City Region Business Rates Pool, ceased to exist following a Local Government Re-organisation in North Yorkshire. A new business rates pool therefore had to be formed in 2023/24 with a changed membership. In December 2022 the Government announced that the application for the remaining members to form a pool had been successful and designated the 2023/24 Leeds City Region Business Rates Pool from 1<sup>st</sup> April 2023.
- 1.5. This report is written at a time of continued uncertainty about business rates income and the associated section 31 grant income retained by local authorities. The continued impact of the cost-of-living crisis on the region's businesses, and therefore the tax base, remains unclear, particularly on factors such as growth, collection rates and the level of reliefs such as Empty Rate Relief. The level of collection of arrears as recovery action was reintroduced after the pandemic, and the reducing level of additional funded reliefs brought in to support businesses during the pandemic, also continue to be areas of concern. 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 as they would have if they were being treated individually under the Business Rates Retention Scheme (BRRS). 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
- 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, or their nominated representatives.
- 3.2. The draft Memorandum of Understanding (MOU) for a Leeds City Region Pool for 2023/24 is attached at **Appendix A** and the Terms of Reference for the Joint Committee for 2023/24 at **Appendix B**. These will remain in draft until ratified by the Joint Committee.

- 3.3. The draft MOU states that pooled levy payments must first meet any safety net payments due to individual member authorities. Any surplus pooled levy payments are then known as the Net Retained Levy and can be used at the direction of the Joint Committee to be used in the following ways: -
- A. The running costs of the pool, if any, will initially be paid by the lead authority and will be reimbursed 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 first £200k of Net Retained Levy will be paid to the City of York Council recognising that this member is the largest contributor of funding to the Pool. If there is any further Net Retained Levy, then the joint committee may make decisions as to how it can be used to further regional economic growth.
  - C. If after A and B, the remaining Net Retained Levy is greater than £0, that is the Net Retained Levy is more than that required for the administration fee, for the purposes of the decisions of the joint committee and the £200,000 payment to York, then it becomes a Residual Benefit of the Pool and it will be returned to all member authorities using the following apportionments: -
    - 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 2 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.
- 3.4. This methodology was agreed by the Section 151 Officers of the six member authorities for the purposes of making an application to the Secretary of State to pool in 2023/24.
- 3.5. The Joint Committee are requested to formally approve the Memorandum of Understanding and Terms of Reference, as attached at **Appendices A and B**.

#### **4. Estimated Leeds City Region Pool Income 2023/24**

- 4.1. During the application process to continue the Leeds City Region Pool into 2023/24 (October 2022) the estimate of the additional funding that could be retained in the region was £3.2m, based on 2022/23 levels of income. Since that time the member authorities submitted to Government their forecast of income for 2023/24 on the NNDR1 return in January 2023, and a number of authorities provided the lead authority with updated forecasts in April 2023, at which time total income to the pool was forecast to be slightly higher, at £3.7m, largely driven by improved forecasts for Leeds City Council.

**Table 3: Estimated levy payments to the 2023/24 Leeds City Region BR Pool**

<b>Authority</b>	<b>Levy payment NDR1 £m</b>
Leeds	1.162
York	2.582
<b>Total</b>	<b>3.744</b>

## **5. Continued Risks to Pool Funding**

- 5.1. The 2023/24 Leeds City Region Business Rates Pools 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 business rates income across a wider economic area.
- 5.2. Continued risks to the economy, particularly surrounding the ongoing cost of living 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 elevated. 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) in proportion to their Baseline Funding Levels.
- 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 combined 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. 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.

5.7. In January 2023 the member authorities submitted their NNDR1 return to central government forecasting levels of business rates income in their area. From this a calculation can be made to measure the risks of individual authorities falling into safety net, and some member authorities provided updates on this position in April 2023. **Table 4** shows how close each authority is to the safety net threshold using current forecasts.

**Table 4: Reduction in adjusted BR income possible in 2023/24 before crossing safety net threshold**

Authority	Retained Rates income £	Safety Net threshold £	Reduction in BR income possible
Bradford	149,567,954	133,633,735	10.7%
Calderdale	47,470,728	40,523,143	14.6%
Kirklees	91,640,546	79,339,716	13.4%
Leeds	185,882,424	152,036,104	18.2%
Wakefield	93,501,976	69,221,675	26.0%
York	34,286,855	25,482,609	25.7%

5.8. Notwithstanding the risks noted in **paragraph 5** above, the Pools current forecasts for 2023/24 indicate that whilst some authorities are significantly closer to the safety net threshold than others, no authority is currently forecast to breach the threshold with any resultant loss of income from the Government to the region.

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

6.1. At this time, there have been no further requests to fund regional projects by the Leeds City Region Business Rates Pool and therefore, following the Memorandum of Understanding rules as laid out **paragraph 3.3**, it is assumed that all the projected retained levy payments will be used to meet the Pool administration fee to Leeds City Council of £50,000, pay the City of York Council its £200,000 top-slice and then redistribute the remainder using the formula.

6.2. Therefore as at 30<sup>th</sup> April 2023, the projected income to the Pool will be redistributed back to member authorities as set out in **Table 7** below.

**Table 7: Forecast re-distribution of Leeds City Region Business Rates Pool surplus 2023/24**

<b>Authority</b>	<b>Net Redistributed Levy (30-April-2023) £m</b>	<b>Pool administration fee £m</b>	<b>Agreed Top Slice £m</b>	<b>Total Redistributed Levy £m</b>
Bradford	0.747			0.747
Calderdale	0.213			0.213
Kirklees	0.430			0.430
Leeds	0.854	0.050		0.904
Wakefield	0.482			0.482
York	0.767		0.200	0.967
<b>Total</b>	<b>3.494</b>	<b>0.050</b>	<b>0.200</b>	<b>3.744</b>

## 7. Recommendations

7.1. Members are recommended:

- a) To note the context and structure of the 2023/24 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 2023/24 as shown in **Paragraph 4**;
- d) To note the risks to retained income and of breaching safety net as described at **Paragraph 5**;
- e) To approve the payment of a £50,000 administration fee to the lead authority, Leeds City Council as shown at **paragraph 6** and,
- f) To note the projected and forecast re-distribution of Pool income to member authorities at **Paragraph 6**.

# Leeds City Region Business Rate Pool 2023/24

## 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
- 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, 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 2023/24 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 when not a member of a pool, 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 2023/24.

### 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 2023/24.

### 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 2023/24.

#### 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 DLUHC (Department of Levelling-Up, Housing and Communities) 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 DLUHC in regulations and/or guidance or 30<sup>th</sup> 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
  - 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 4 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 first £200k of Net Retained Levy will be a top-slice amount to City of York Council. If there is any further Net Retained Levy following this, then the joint committee will make decisions as to how it 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 DLUHC in 2023/24.
- iv) The remaining 25% gain will be split among the Pool's remaining authorities (tariff authorities – Leeds City Council and the City of York Council) based on business rates growth. This will be achieved by splitting the remaining 25% in proportion to the actual levy payment of the councils, had they acted individually.





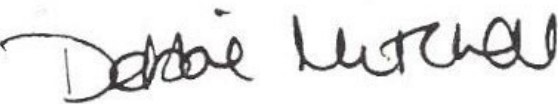
D - Where the Residual Benefit of the Pool is less than £0, (i.e. where the Pool makes an overall loss) – the loss will be shared between all member authorities in proportion to their Baseline Funding Level.

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 success 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	Chris Forrester Head of Finance	
Kirklees Council	Eamonn Croston Service Director, Finance and s151 Officer	
Leeds City Council	Victoria Bradshaw Chief Officer Financial Services	V. f. Bradshaw
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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## **2023/24 LEEDS CITY REGION BUSINESS RATES POOL JOINT COMMITTEE**

### **TERMS OF REFERENCE**

#### **TO BE AGREED**

The 2023/24 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% Business Rates 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 4 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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