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Report to: NORTH AND WEST YORKSHIRE BUSINESS RATES JOINT COMMITTEE

Date: 7th OCTOBER 2019

Subject: NORTH AND WEST YORKSHIRE BUSINESS RATES POOL FINANCIAL REPORT

SUMMARY

This report sets out:

- a) The latest income estimate for the North and West Yorkshire Pool in 2019/20;
- b) The existing and proposed expenditure commitments for the Pool;
- c) An allocation methodology for the remaining balance;
- d) Applications from member authorities, supporting the allocation of funding;

1. Introduction

- 1.1. The North and West Yorkshire Pool was established on 1st April 2019, following a successful application to pilot 75% Business Rates Retention in 2019/20.
- 1.2. The North and West Yorkshire Pool aims to benefit the individual members and further the aims of the region as a whole. The Pool has two complementary objectives:
 - To support regional economic growth by providing support to and working in collaboration with regional partners;
 - To support the financial stability of the member authorities, both at an individual and a regional level.
- 1.3. Overall, the pilot application estimated that it would bring additional funding to the Region of £29m, of which £6.3m would be used by the pool to fund regional projects with the remaining growth being returned to member authorities to enhance their financial sustainability.
- 1.4. On 4th September 2019, the Chancellor of the Exchequer announced the Spending Round 2019, for the financial year 2020/21. Following this announcement and discussions with MHCLG (Ministry of Housing, Communities and Local Government) it is understood that business rates retention pilots at 75% were for one year only and therefore will not roll forward to 2020/21.

2. Latest Estimate Pool Income: 2019/20

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

Table 1: Projected Pool Income 2019/20

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

* Based on projections during Pilot application

** Based on NNDR1 returns

2.2. As can be seen in **Table 1** above, additional growth and consequently the balance retained by the Pool is estimated to be higher than originally calculated during the Pilot application process.

2.3. However, Pool members should remain aware that the additional growth is subject to business rates growth in member authorities being realised. As Members will appreciate, because of the inherent volatility of business rates income, the 2019/20 estimate is, at best, tentative.

3. Existing and Future Commitments

3.1. The Joint Committee will recall that at the Pool meeting on 27th June 2019, commitments, to the value of £1.71 million were agreed. A further £1 million was noted for Welcome to Yorkshire's business plan and £0.18 million for a Screen Yorkshire grant application, both requiring further information to be provided to the Joint Committee. The Welcome to Yorkshire business plan will be presented at **Agenda Item No. 8**. These commitments are shown in Table 2 below.

3.2. Also shown in Table 2 are a number of further additional commitments to be agreed by the Joint Committee:

- Welcome to Yorkshire Subscriptions 2020/21 – Forward funding subscriptions costs for Member Authorities for the financial year 2020/21: **£0.32 million**.
- Secretariat Functions in North Yorkshire and West Yorkshire 2020/21 – Forward funding the LEP Secretariat costs for Member Authorities for the financial year 2020/21: **£0.82 million**.

- Combined Authority Transport Fund 2020/21 – Forward funding the Transport Fund contributions for Member Authorities in the Leeds City Region area: **£0.70 million**.
- Tour de Yorkshire starts/finishes 2020/21 – Forward funding the hosting fee for 2020/21 for Member Authorities. As the route is not yet known this is indicative based on seven starts/finishes: **£0.70 million**.
- Tour de Yorkshire North Yorkshire County Council hosting fee 2019/20 – At the Joint Committee meeting on 27th June, it was raised that NYCC incurred a hosting fee for Tour de Yorkshire, payable to Amaury Sport Organisation. This is in addition to the hosting fee incurred by the individual North Yorkshire Districts. As such, it meets the same criteria as the approved Tour de Yorkshire 2019 commitments for start/finish host authorities, and add this commitment to the Tour de Yorkshire 2019 expenditure: **£0.10 million**.
- Screen Yorkshire 2021/22 – Forward funding a commitment to Screen Yorkshire for 2021/22. Screen Yorkshire made an application to the Leeds City Region Pool to fund the Screen Industries support programme. The LCR Pool funded £0.18 million the first year (2019/20) with the NWY Pool noting the potential commitment of £0.18 million for the second year (2020/21), from the 2019/20 pilot monies. The Screen Yorkshire funding ties in to a three year match funding agreement with the BFI, and as such a third year (2021/22) of funding is included in **Table 2: £0.18 million**.
- Low Carbon 2019/20 – Funding made available from the estimated balance to meet the Pool's Strategic Aim of Low Carbon. WYCA will identify a relevant piece of work that can be used to progress the Pool's aim. This will be presented by colleagues from WYCA at **Agenda Item No.10: £0.10 million**.

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

North and West Yorkshire Pool		£m	£m
2019/20 Estimated Income			-7.91
Commitments agreed 27/06/19			
Welcome to Yorkshire subscriptions	2019/20	0.32	
Tour de Yorkshire	2019/20	0.55	
UCI Cycle Race	2019/20	0.60	
Secretariat Functions (NY)	2019/20	0.20	
Lead Authority Administration Costs	2019/20	0.03	
Subtotal Agreed Commitments:			1.71
Potential Commitments noted 27/06/19			
Welcome to Yorkshire draft business plan	2019/20	1.00	
Screen Yorkshire	2020/21	0.18	
Subtotal Potential Commitments			1.18
Remaining Balance to fund further activities			-5.03
Possible Additional Commitments			
Welcome to Yorkshire subscriptions	2020/21	0.32	
Secretariat Functions (NY+WY)	2020/21	0.82	
Combined Authority Transport Fund	2020/21	0.70	
Tour de Yorkshire starts/finishes (£100k x 7)	2020/21	0.70	
Tour de Yorkshire (NY CC)	2019/20	0.10	
Screen Yorkshire	2021/22	0.18	
Low Carbon	2019/20	0.10	
			2.92
Remaining Balance to be allocated to member authorities			-2.11

4. Allocation of Remaining Balance

- 4.1. Taking into account the above commitments, this leaves a remaining projected balance of £2.11 million to be allocated to member authorities. This remaining balance is subject to business rates growth in member authorities being as expected. There is always an inherent risk around the volatility of business rates, and the actual income to the Pool could fall below the values we are estimating. Should that happen, and if the Pool's commitments exceed the Pool's income, member authorities will be required to fund the difference in accordance with the governance agreement.
- 4.2. Following an informal discussion of the North and West Yorkshire Joint Committee, it is proposed that this residual remaining balance of £2.11 million will be allocated to member authorities, based on population and growth and in accordance with the Pool's governance agreement. Estimated allocated balances are as shown at **Appendix A**. Members are now asked to formally agree this proposal, noting the estimated balance used and potential risk identified at **Paragraph 4.1** above.

4.3. In order to access this funding, member authorities have completed a simple proforma application to identify how this share of the funding would be used to meet the Pool's Strategic Aims. The application process has been used to demonstrate that Pool funds will continue to be used to meet the Pool's Strategic Aims. The application process is shown at **Appendix B**.

4.4. The Member Authority applications will be shown at confidential **Appendix C**. This additional information will be circulated later.

4.5. The Joint Committee are asked to note and approve these applications.

5. Recommendations

5.1. Members are recommended:

- a) To note the latest estimated income to the Pool for 2019/20 at **Paragraph 2** and Table 1
- b) To approve the commitments listed at **Paragraph 3.2** and summarised in **Table 2**, noting the remaining estimated balance;
- c) To approve the method used in allocating the remaining balance, as shown at **Paragraph 4.2** and **Appendix A**;
- d) To note the application process described at **Paragraph 4.3** and **Appendix B**;
- e) To approve the applications submitted by member authorities, referenced at **Paragraph 4.4** and shown at **Appendix C** (information to be circulated later).