

Report of the Chief Officer – Financial Services

Report to Executive Board

Date: 17th March 2021

Subject: Leeds City Region Business Rates Pool

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the decision be open for call-in?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Summary

1. Main issues

- Leeds City Council is currently a member of the North & West Yorkshire Business Rates Pool. The current Pool came into being on 1st April 2020.
- The purpose of the 2020/21 North & West Yorkshire Business Rates Pool was to maximise the retained rates income in the region from the 50% business rates retention scheme, whilst minimising the risk of losing support from central government should member authorities' experience a sudden reduction in retained rates income
- The business rates pool has a governing body consisting of a Joint Committee made up of the Leaders of all the West Yorkshire metropolitan district councils, the City of York Council, North Yorkshire County Council and three of the North Yorkshire shire district councils.
- Leeds' position on the Joint Committee was agreed at Executive Board on 12th February 2020.
- In April 2020 the Ministry for Housing, Communities and Local Government confirmed plans to introduce 75% business rates retention in 2021/22 would be postponed to allow councils to focus on their response to the COVID-19 crisis.
- Under the Business Rates Retention Scheme (BRRS) authorities with high business rates income relative to their assessed spending needs are more

susceptible to large reductions in retained income, and therefore are at relatively higher risk of requiring safety net payments from central government.

- Following a risk assessment the North Yorkshire authorities, excluding Harrogate, consisting mainly of authorities with relatively high business rates income but low assessed spending needs, decided to withdraw from the North & West Yorkshire Business Rates Pool. This was communicated to the Secretary of State who is required to revoke the pool designation as at 31st March 2021.
- However the remaining authorities, consisting of the West Yorkshire districts, the City of York Council and Harrogate Borough Council, agreed to apply to the Secretary of State for designation as a new pool.
- The authorities of the new Leeds City Region Business Rates Pool are largely characterised by generating relatively low levels of business rates income compared to their assessed spending needs and therefore at lower risk of losing substantial safety net payments compared to the levy payments that could be retained in the region.
- The application to the Secretary of State to designate the 2021/22 Leeds City Region Business Rates Pool was successful and confirmed in December 2020 alongside the provisional Local Government Finance Settlement.
- This report seeks Executive Board's approval to form a new Joint Committee to oversee the new Leeds City Region Business Rates Pool from 1st April 2020, including its associated governance arrangements.

2. Best Council Plan implications (see the [latest version of the Best Council Plan](#))

- The Best Council Plan is the Council's strategic plan which sets out its ambitions, outcomes and priorities for the City of Leeds and the Local Authority.
- The understanding of the Business Rates Pool and associated risk is therefore necessary to ensure the City can deliver on its ambitions.

3. Resource implications

- The funding implications of the new Leeds City Region Business Rates Pool are noted in this report and previously noted at Executive Board on 16th December 2020.

Recommendations

Members are requested to:

- a) Note the update on the new 2021/22 Leeds City Region Business Rates Pool;
- b) Note the revoking of the 2020/21 North & West Yorkshire Business Rates Pool on 31st March 2021 and agree to disband the current North & West Yorkshire Pool Joint Committee on the same date;
- c) Agree to appoint the Leader to a new Joint Committee to oversee the new Leeds City Region Business Rates Pool, such Joint Committee to consist of the Leaders of the authorities specified in Paragraph 3.2.3 and to have the Terms of Reference as set out;

- d) Note and agree the Memorandum of Understanding setting out the governance arrangements for the Leeds City Region Business Rates Pool as shown at Appendix B;
- e) Note and approve the Terms of Reference for the new Leeds City Region Joint Committee as shown at Appendix C;
- f) Give the City Solicitor delegated authority to seek the formal agreement of the other 6 members of the Pool to the new arrangements.

1. Purpose of this report

- 1.1 Following the success of the 7 Leeds City Region authorities to be designated as a 50% retention business rates pool from 1st April 2021, this report will:
 - Update Executive Board on the successful application for a new 2021/22 Leeds City Region Business Rates Pool;
 - Note the revocation of the 2020/21 North & West Yorkshire Business Rates pool;
 - Request that Executive Board approve the Leader's position on this Joint Committee; and
 - Request that Executive Board note and agree the Memorandum of Understanding and Terms of Reference for the 2021/22 Leeds City Region Business Rates Pool.

2. Background information

- 2.1 On the 1st April 2020 the North & West Yorkshire Business Rates Pool was formed consisting of the 5 West Yorkshire metropolitan districts, the City of York Council, North Yorkshire County Council and 6 of the 7 North Yorkshire shire districts.
- 2.2 Under the rules of the 50% Business Rates Retention Scheme this means that the 8 tariff authorities within the Pool make levy payments to the Pool to spend on regional priorities rather than make these levy payments to Government.
- 2.3 The accompanying risk of a pool is that any individual member of the pool that experiences a reduction in retained rates income no longer becomes entitled to a safety net payment from Government and the other members of the pool have to meet this cost.
- 2.4 The spending priorities of the North & West Yorkshire Business Rates Pool are decided by the Joint Committee overseeing the functions of the Pool, consisting of the Leaders of the 5 West Yorkshire districts, the City of York Council, North Yorkshire County Council and three of the North Yorkshire districts.
- 2.5 Leeds City Council acts as lead authority to the North & West Yorkshire Business Rates Pool.
- 2.6 In late April 2020, following the imposition of the national lockdown in response to the COVID-19 public health crisis, the Government announced that it would be delaying the introduction of 75% business rates retention from 2021/22 to allow councils to focus on their response to the COVID-19 crisis. Therefore the rules of the 50% Business Rates Retention Scheme will continue into 2021/22 rather than the introduction of the rules under the 75% retention scheme which would have seen the effective abolition of Business Rates levy payments altogether.

- 2.7 Under the 50% Business Rates Retention Scheme authorities with relatively high business rates income (Business Rates Baseline) relative to their assessed spending needs (Baseline Funding Level) are more susceptible to large reductions in their retained income and therefore are relatively higher risk of requiring safety net payments from central government.
- 2.8 In October 2020 all the member authorities of the Pool carried out a risk assessment of the likelihood of them requiring safety net payments in 2021/22. The North Yorkshire authorities, excluding Harrogate, consisting mainly of authorities with relatively high business rates income but low assessed spending needs, decided to withdraw from the North & West Yorkshire Business Rates Pool. This was communicated to the Secretary of State, who is then required to revoke the Pool as at 31st March 2021.
- 2.9 However the remaining authorities, consisting of the West Yorkshire districts, the City of York Council and Harrogate Borough Council, agreed to apply to the Secretary of State for designation as a new pool.
- 2.10 The authorities of this new Leeds City Region Business Rates Pool are largely characterised as generating relatively low level of business rates income compared to their assessed spending needs and therefore at lower risk of losing substantial safety net payments compared to the levy payments that could be retained in the region.
- 2.11 In December 2020, alongside the provisional Local Government Finance Settlement, the Secretary of State informed members of the new Leeds City Region Business Rates Pool that this application for designation had been successful.
- 2.12 As a consequence of this successful application the Secretary of State will revoke the designation of the 2020/21 North & West Yorkshire Business Rates Pool from the 31st March 2021 and that Pool will cease to exist. On 1st April 2021 the new Leeds City Region Business Rates Pool will come into being.

3. Main issues

- 3.1 Following notification of the successful application for a new Leeds City Region Business Rates Pool, Executive Board gave their agreement that Leeds becomes a member of the Pool and lead authority for the Pool (Executive Board date 16th December 2020).
- 3.2 Governance Arrangements
 - 3.2.1 With the formation of the 2021/22 Leeds City Region Business Rates Pool and its changed membership, the Secretary of State will revoke the designation for the 2020/21 North & West Yorkshire Business Rates Pool and designate the new Leeds City Region Business Rates Pool on 1st April 2021, as shown at Appendix A. Therefore from 31st March 2021 the 2020/21 pool will disband and cease to exist.
 - 3.2.2 In order to provide leadership for the 2021/22 Leeds City Region Business Rates Pool and ensure consistency of approach, it is proposed that the 7 Pool members agree to set up a single-purpose joint committee that will have specific responsibility for leading the Pool.
 - 3.2.3 The 2021/22 Leeds City Region Business Rates Pool will be led by a Joint Committee comprising of the Leaders (or their nominees) of the 7 member authorities. The Joint Committee representation will therefore 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

- 3.2.4 As with the current Joint Committee of the North & West Yorkshire Pool, the new Joint Committee will direct expenditure and be responsible for allocating income arising from the saved levy payments, an estimated £4.8m. This funding will be used for regional projects that support economic growth and regeneration.
- 3.2.5 We therefore ask the Executive Board to agree the formation of a new Joint Committee to oversee the 2021/22 Leeds City Region Business Rates Pool and to approve the Leader sits on this Joint Committee.

3.3 Memorandum of Understanding

- 3.3.1 The draft Memorandum of Understanding, which sets out governance arrangements for a Leeds City Region Business Rates Pool, is attached at Appendix B and the Terms of Reference for the proposed Joint Committee at Appendix C. The Memorandum of Understanding and the Terms of Reference will be formally ratified at the first meeting of the 2021/22 Leeds City Region Business Rates Pool Joint Committee.
- 3.3.2 This Memorandum of Understanding addresses how the Pool proposes to share and use the saved levy payments although, at Paragraph 4, stresses that the principle that no member authority will receive less income than they would if they were not a member of the Pool shall be maintained. Further it explains how member authorities will work together to manage risk and how any residual benefits or liabilities would be dealt with.
- 3.3.3 It should be further noted that if an Authority should have received a safety net payment from Government but cannot because it is a member of the Pool then the Pool will compensate that Authority. At Paragraph 8 the Memorandum of Understanding states that, in the first instance, Pool income from saved levy payments will be used to fund any safety net payments. If this funding is not sufficient, all member authorities will be expected to fund the remainder in proportion to their Baseline Funding Level.
- 3.3.4 Once any losses arising from the principle that no member Authority should have less income than they would outside the Pool have been met and the costs of any projects agreed to by the Joint Committee paid, any residual benefits or liabilities arising from the Pool will be shared amongst all members of the Pool in proportion to their share of the income received from the Pool.
- 3.3.5 We ask Executive Board to note and approve the Leeds City Region Business Rates Pool Memorandum of Understanding and Terms of Reference.

4. **Corporate considerations**

4.1 **Consultation and engagement**

- 4.1.1 This report sets out the proposed governance arrangement for the new Leeds City Region Business Rates Pool. No further consultation or engagement is required.

4.2 Equality and diversity / cohesion and integration

4.2.1 This report has no implications for equality and diversity or cohesion and integration.

4.3 Council policies and the Best Council Plan

4.3.1 Achievement of the priorities identified in the Best Council Plan requires that the Council's financial resources are maximised and associated risk managed appropriately. The understanding of the Business Rates Pool and associated risk is therefore necessary to ensuring the City can deliver on its ambitions.

Climate Emergency

4.3.2 There are no implications for the climate emergency resulting from this report.

4.4 Resources, procurement and value for money

4.4.1 The funding implications of the new Leeds City Region Business Rates Pool are noted in this report.

4.5 Legal implications, access to information, and call-in

4.5.1 Under Schedule 7B of the Local Government Finance Act 1988, the Secretary of State may designate two or more relevant authorities as a pool, subject to conditions requiring the authorities to appoint a lead authority to exercise those functions specified in such conditions and subject to other conditions as the Secretary of State think fits.

4.5.2 The report makes recommendations with regard to the governance arrangements of the new 2021/22 Leeds City Region Business Rates Pool following the revocation of the 2020/21 North & West Yorkshire Business Rates Pool. Each Pool member authority is being requested to approve those arrangements and the appointment of the members of the members as joint committee of the authorities in the 2021/22 Leeds City Region Business Rates Pool, including Leeds City Council.

4.5.3 The revised agreement will need to be approved by each member authority individually, including Leeds. Under Regulation 11(6) of The Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012, where functions are all the responsibility of the executive of the authority, the appointment of the joint committee is to be made under Section 102(1)(b) of the Local Government Act 1972, and the number of members to be appointed, their term of office, and the area (if restricted) within which the committee is to exercise its authority, are to be fixed, under Section 102(2) of the 1972 Act. These matters must all be dealt with, in the case of an authority having a leader and cabinet executive, by the executive leader, or unless the executive leader otherwise directs, by the executive, another member of the executive, or a committee of the executive, of the authority. As matters relating to the Pool are all executive functions, each member authority will therefore need to resolve, as specified above, to appoint the new joint committee on the terms set out in this Report.

4.5.4 Leeds City Council will be lead authority for the Pool.

4.5.5 The report is subject to call in.

4.6 Risk management

- 4.6.1 The report makes recommendations about the leadership of the new Leeds City Region Business rates Pool that are essentially administrative in nature.

5. Conclusions

- 5.1 This report:

- 5.1.1 Updates Executive Board on the successful application to form a new Leeds City Region Business Rates Pool;
- 5.1.2 Notes the revocation of the 2020/21 North and West Yorkshire Business Rates Pool;
- 5.1.3 Requests that Executive Board agree the formation of a new Joint Committee to oversee the new 2021/22 Leeds City Region Business Rates Pool;
- 5.1.4 Requests that Executive Board approve the Leader's position on this Joint Committee; and
- 5.1.5 Requests that Executive Board note and agree the Memorandum of Understanding and Terms of Reference for the 2021/22 Leeds City Region Business Rates Pool.

6. Recommendations

- 6.1 Members are requested to:

- 6.1.1 Note the update on the new 2021/22 Leeds City Region Business Rates Pool;
- 6.1.2 Note the revoking of the 2020/21 North & West Yorkshire Business Rates Pool on 31st March 2021 and agree to disband the current North & West Yorkshire Joint Committee on the same date;
- 6.1.3 Agree to appoint the Leader to a new Joint Committee to oversee the new 2021/22 Leeds City Region Business Rates Pool, such Joint Committee to consist of the Leaders of the authorities specified in 3.2.3 and to have Terms of Reference as set out;
- 6.1.4 Note and agree the Memorandum of Understanding for the 2021/22 Leeds City Region Business Rates Pool as shown at Appendix B;
- 6.1.5 Note and approve the Terms of Reference for the 2021/22 Leeds City Region Business Rates Pool Joint Committee as shown at Appendix C;
- 6.1.6 Give the City Solicitor delegated authority to seek the formal agreement of the other 6 members of the Pool to the new arrangements.

7. Background documents¹

- 7.1 None

¹ The background documents listed in this section are available to download from the council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.