

Cabinet

3 March 2015

Report of the Director of Customer and Business Support Services

Portfolio of the Leader of the Council

Leeds City Region Governance Arrangements – Business Rates Pool

Summary

1. The Leeds City Region Business Rates Pool was officially designated by the Department for Communities and Local Government on 14th December 2012 and came into being on 1st April 2013. The Business Rates Pool is made up of seven authorities: the City of Bradford Metropolitan District Council, Calderdale Council, Harrogate Borough Council, Kirklees Council, Leeds City Council, Wakefield Council and the City of York Council.
2. The Pool exists to further economic development activities within the region and allows Business Rates “levies” that would otherwise be paid over to central government to be retained locally.
3. The governance arrangements for the Pool are set out in a “Final Proposal” which was agreed by each member authority in November 2012 and which forms part of the Department of Communities and Local Government designation. Under the Proposal, the Pool is led by a sub-committee of the Leeds City Region Leaders’ Board which comprises the leaders of the seven member authorities. Leeds acts as lead authority for the Pool.
4. With the establishment of the West Yorkshire Combined Authority, the Leaders’ Board, a joint committee appointed by the Leeds City Region authorities to discharge economic development functions, is being wound up. Consequently the Business Rates Pool sub-

committee, which was appointed as a sub-committee of that joint committee, cannot continue in its present form. It is therefore proposed that the sub-committee is replaced by a new joint committee of the seven Pool authorities.

5. It is also proposed that the terms of reference of the new joint committee should be broadened to make explicit that pool receipts can be used to further economic growth and regeneration across the Pool area.
6. This report seeks Cabinet approval to the new arrangements. Similar approvals are to be sought from the executives/cabinets of the other six Pool authorities.

Recommendations

7. Members are requested to:
 - agree to appoint the Leader of the Council to a new joint committee in relation to the Leeds City Region Business Rates Pool from 1st April 2015 until the 2016 Annual Meeting such joint committee to consist of the Leader of each Pool authority, and to have the terms of reference set out in Annex 1;
 - approve the revised governance agreement for the Business Rates Pool as set out in Annex 2 ;

Reason: To enable appropriate governance arrangements to be in place following the winding up of the Leader's Board.

Background

8. The current Business Rates Retention scheme was introduced in April 2013. Under the scheme business rates receipts are shared equally between central and local government. However, receipts of business rates in each individual local authority area may or may not match the amount the government believes the authority needs to spend, so, at the outset of the scheme, amounts were equalised through a system of "tariffs" and "top-ups". Authorities that collect more than the government believes they need to spend pay over a "tariff" to government and those that collect less receive a "top-up" to make up the difference.

9. Tariff authorities that are successful in growing their rates are also liable for “levies” which scale back the rewards of growth – by as much as 50% in some cases. Levies are used to help fund “safety-nets” to other authorities that would otherwise see reductions in their retained rates income of more than 7.5%.
10. The Business Rates Retention scheme allows groups of authorities to join together to form business rates pools. Pooling is seen by government as a useful tool to encourage collaborative working, but for a group made up of “tariff” and “top-up” authorities there can be direct financial advantages in that levy payments can be retained locally rather than paid over to government. This is the case for the Leeds City Region Pool which has three “tariff” authorities (Harrogate, Leeds & York) and four “top-ups” (Bradford, Calderdale, Kirklees and Wakefield).
11. Thus far, the Leeds City Region Pool has operated successfully, with £1.532m being retained locally for 2013/14, although York did not make any contribution. The projected totals for 2014/15 and 2015/16 are £3.9m in both years, of which York is expected to contribute around £1.3m in 2014/15 and £1.5m in 2015/16. If the Pool had not been created these sums would have been paid to central government as “levies”.
12. The Leaders’ Board Business Rates Pool sub-committee has to date agreed to use £1m of retained levies to support the Grand Départ and in 2015/16 funds are being allocated to support economic development and promotional activities across the region, including the proposed Tour of Yorkshire.
13. **Governance Arrangements for the Pool**
14. The governance agreement for the Pool which formed part of the Department of Communities and Local Government official designation provided that the Pool should be led by a sub-committee of the Leeds City Region Leaders’ Board comprising the leaders of the seven Pool members.
15. With the formation of the West Yorkshire Combined Authority, the Leaders’ Board (joint committee) is being wound-up and will be formally dissolved on 31st March 2015 (see the related item on this Agenda). It follows, therefore, that the sub-committee which was appointed as a sub-committee of the joint committee, will also be

dissolved and can no longer provide leadership for the LCR Pool. In order to ensure continuity, it is proposed that the seven Pool authorities agree to set up a new, single-purpose joint committee that will have specific responsibilities for decision-making in as specified in the proposed terms of reference set out in Appendix 1. The new joint committee will have the same membership as the Sub Committee it replaces i.e. the leaders of the seven Pool authorities.

16. The existing designation of the Pool by the Secretary of State will not be affected. However, the change of arrangements will require amendments to be made to the governance agreement. In essence, this means deleting the references to the “sub-committee of the Leaders’ Board” and replacing them with the “Leeds City Region Business Rates Pool Joint-Committee” plus minor consequential changes to the wording.
17. Section 4.2 of the current governance agreement states that “Any excess income arising from reductions in levy payments will, after allowing for agreed expenses, be allocated to the Investment Fund established by the Leeds City Region”. However, section 5.1 allows the sub-committee to make “changes to the purposes for which the income received by the Pool should be used...” and the sub-committee has used this provision to provide support for the Grand Départ, and for a range of planned economic development and regeneration activities including the Tour of Yorkshire.
18. The use of funding to support economic growth and regeneration is consistent with Government guidance which states:

“Under the business rates retention scheme local authorities are able to come together, on a voluntary basis, to pool their business rates, giving them scope to generate additional growth through collaborative effort and to smooth the impact of volatility in rates income across a wider economic area.”¹

and

“Moreover, pooling the rates income from growth across a wider and economically coherent area ensures that all authorities can benefit from economic growth across the wider area.”²

¹ Pooling Prospectus 2015-16, DCLG, July 2014; Page 4.

² Ibid; Page 5.

19. It is therefore proposed that the governance agreement be amended to make the use of Pool receipts to fund activities that support economic growth or regeneration more explicit.
20. The revised governance agreement (with the proposed amendments highlighted and underlined), is attached as Annex 2.

Options

21. Cabinet may accept or reject the proposal. If the proposal is rejected and the Joint Committee is abolished there would be no means to administer the business rates pooling arrangement after 31st March.

Analysis

22. The analysis is contained in the body of the report.

Consultation

23. As the governance agreement formed part of the Department of Communities and Local Government designation, that department has been consulted about the proposed changes. Although they have asked to be kept informed, they take the view that the governance agreement and how funding is used are internal matters for the Pool members and that once a Pool is established no further Government approvals need be sought unless or until a re-designation is required to accommodate a change in membership.
24. Similar reports to this one are being considered by the six other Pool members. No further consultation or engagement is considered appropriate.

Council Plan

25. The report has no specific implications for Council plan priorities

Implications

26. The implications are:
 - Financial – none flowing directly from the report. The impact of the pooling system is, however, described in the body of the report
 - Equalities - none

- Legal - The pool has been designated by the Secretary of State under Schedule 7B of the Local Government Finance Act 1988. Leeds City Council is the lead authority in accordance with the existing designation and will remain as such under the proposed arrangement. The proposals would not affect the operation of the Pool itself.

The revised agreement will need to be approved by each member authority individually, including York. As matters relating to the Pool are all executive functions the appointment of the Joint Committee is also an executive function and, in York, falls to be determined by the Cabinet.

Risk Management

27. The report makes recommendations about the Pool that are essentially administrative in nature. The membership will be unchanged and there are no specific risk implications.

Author:
Andy Docherty
Assistant Director
Tel No. 01904 551004

Chief Officer responsible for the report
Ian Floyd
Director of Customer and Business
Support Services
Tel No. 01904 551100

Report
Approved



Date 20 February 2015

Wards Affected:

All



For further information please contact the author of the report

Background Papers:

None

Annexes

Annex 1 - Terms of Reference

Annex 2 - Revised Governance Agreement January 2015