
REPORT TO: Cabinet

DATE: 31 March 2021

SERVICE AREA: Finance

REPORTING OFFICER: Financial Services Manager
(*Graham Byrne*)

SUBJECT: **Leeds City Region Business Rates Pool 2021/22**

WARD/S AFFECTED: ALL DISTRICT

FORWARD PLAN REF: N/A

1.0 PURPOSE OF REPORT

- 1.1 To seek approval for the memorandum of understanding and terms of reference associated with the Leeds City Region Business Rates pool, of which Harrogate will be a member authority in 2021/22. To seek approval for the Leader to sit on the Joint Committee of the pool.

2.0 RECOMMENDATIONS

- 2.1 That it is noted that the existing North and West Yorkshire (N&WY) Business Rates pool is to be revoked on 31 March 2021 and the current N&WY Business Rates pool Joint Committee will therefore be disbanded on the same date.
- 2.2 That the memorandum of understanding (Appendix 1) and terms of reference (Appendix 2) for the new Leeds City Region (LCR) Business Rates pool for 2021/22 be approved.
- 2.3 To appoint the Leader to the Joint Committee for the LCR Business Rates pool for the 2021/22 financial year.

3.0 RECOMMENDED REASONS FOR DECISIONS

- 3.1 The council is a member of the LCR Business Rates pool that has been approved by the Ministry of Housing, Communities and Local Government (MHCLG) to operate for 2021/22. In order for the pool to operate, the existing N&WY pool must be revoked. Each member authority must approve the memorandum of understanding and terms of reference for the new LCR pool.

3.2 As part of the governance arrangements, Harrogate is stated as being one of the members of the Joint Committee that will oversee the LCR pool in 2021/22.

4.0 ALTERNATIVE OPTIONS CONSIDERED AND RECOMMENDED FOR REJECTION

4.1 Not to approve the memorandum of understanding and terms of reference. Not recommended as arrangements must be in place for the commencement of the new pool on 1 April 2021.

4.2 Not to approve that the Leader sit on the Joint Committee for the pool. Not recommended as this would contradict the memorandum of understanding and would diminish the Council's influence on the pool.

5.0 THE REPORT

5.1 Since 1 April 2013, the Council has been a member of a Business Rates pool each year; for the past two years as part of an N&WY pool, and before that as part of an LCR pool. The other North Yorkshire authorities did not wish to pool in 2021/22 and, on 16 December 2020, MHCLG confirmed that for 2021/22 approval had been given for an LCR pool to operate. At their meeting of 6 January 2021, Cabinet approved the involvement of the Council in the pool.

5.2 The financial benefits to all authorities involved are likely to be smaller than in previous years and the council's budget for 2021/22 does not therefore include any additional income due to our involvement in the pool. However, levies paid by the tariff authorities within the pool (Leeds, York and Harrogate) will be retained by the pool rather than being paid to central government and will therefore benefit the district and the wider region.

5.3 The current N&WY pool will be revoked on 31 March 2021 and the current N&WY pool Joint Committee will be disbanded. In order to provide leadership for the 2021/22 LCR pool, it is proposed that the 7 member authorities of the pool agree to set up a single-purpose joint committee that will have specific responsibility for leading the pool. It is proposed that the new LCR pool will be led by a Joint Committee comprising the Leaders (or their nominees) of the member authorities making up the pool. As such, a new memorandum of understanding, which sets out the governance arrangements, and terms of reference are required.

5.4 The proposed memorandum of understanding is set out at Appendix 1 and the terms of reference for the Joint Committee are set out at Appendix 2. These will be formally ratified at the first meeting of the 2021/22 LCR Pool Joint Committee.

5.5 The key features of the governance arrangements are:

- The membership and operation of the pool's Joint Committee are set out. Harrogate is included as a representative member of the Joint Committee, along with the other members of the pool.

- The lead authority, responsible for the administration of the pool, will be Leeds City Council, as has been the case under the LCR pool and N&WY pool in previous years.
- The process for dissolving the pool is set out.
- The processes for dealing with potential losses of income and the treatment of residual benefits or liabilities are set out.

6.0 REQUIRED ASSESSMENTS AND IMPLICATIONS

- 6.1 The following were considered: Financial Implications; Human Resources Implications; Legal Implications; ICT Implications; Strategic Property/Asset Management Considerations; Risk Assessment; Equality and Diversity (the Public Sector Equality Duty and impact upon people with protected characteristics). If applicable, the outcomes of any consultations, assessments, considerations and implications considered necessary during preparation of this report are detailed below.
- 6.2 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 such other conditions as the Secretary of State thinks fit.
- 6.3 This report makes recommendations with regard to the governance arrangements of the LCR Business Rates pool for 2021/22 following the revoking of the 2020/21 N&WY pool. Each pool member authority is being requested to approve these arrangements and the appointment of the members as a joint committee of the authorities in the LCR Business Rates pool for 2021/22.
- 6.4 The agreement will need to be approved by each pool member authority individually. 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.
- 6.5 The following risks have been identified:
- The levels of income do not reach the projected amounts (this is most likely to occur because of successful appeals by businesses against their rating valuations).

- Another authority could decide to withdraw from the pool. If this occurs from this point onwards, all LCR authorities will operate independently for 2021/22.

The first of these risks will be mitigated by regular monitoring throughout the year (internally, monitoring is undertaken on a monthly basis; pool-wide monitoring will be undertaken quarterly). The Council has not included any income from the pool in 2021/22, so there should be no budgetary impact of reduced income across the pool. If income drops dramatically across the pool as a whole, there may be a small cost to the Council of providing 'safety net' payments to other authorities, but the risk is considered to be low and the Council's share of these costs would be very small compared to the other members of the pool.

7.0 CONCLUSIONS

- 7.1 The Leeds City Region Business Rates pool has been designated by MHCLG to operate in 2021/22. Each of the member authorities must approve the memorandum of understanding and terms of reference for the pool, and a new Joint Committee must be formed to oversee the operation of the pool.

Background Papers –

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