

North Yorkshire Council

Shareholder Committee

17 October 2023

Update on Leeds City Region Revolving Investment Fund

Report of the Assistant Chief Executive Legal & Democratic Services

1.0 PURPOSE OF REPORT

- 1.1 To update Shareholder Committee on the decision taken in July 2023 to extend the partnership agreement for Leeds City Region Revolving Investment Fund.

2.0 BACKGROUND

- 2.1 The Leeds City Region Revolving Investment Fund Limited Partnership (the “RIF”) is a legal entity formed of various local authorities within the Leeds area to provide short term, commercial loans to support infrastructure and construction projects which help deliver economic growth within the Leeds City region.
- 2.2 Prior to local government reorganisation in April 2023 (“LGR”), Harrogate Borough Council were a party to the RIF. On 1st April 2023, Harrogate Borough Council’s interest in the RIF transferred to The North Yorkshire Council.
- 2.3 The partnership agreement for the RIF was due to expire in July 2023. However, the parties listed in paragraph 3.1 agreed to extend the partnership for a further 10 years, to July 2033. The Council was asked to enter into a variation agreement to extend the partnership and this was signed in July 2023.
- 2.4 Under the Shareholder Committee terms of reference, changes to company governance documents is listed as a decision which falls within the remit of the Shareholder Committee. However, due to the time constraints it was not possible to get Shareholder Committee approval. The Shareholder Representative approved the decision in accordance with his delegations under the Officer’s Delegation Scheme (paragraph 4.4) given the time constraints and this report is intended to inform the Shareholder Committee of the decision that has been taken.

3.0 APPROVAL OF EXTENSION

- 3.1 Harrogate Borough Council were a party to the Limited Partnership Agreement set up in 2013 between a number of the councils in the region as below:
- Leeds City Council (as the lead partner)
 - City of Bradford Metropolitan District Council
 - The Council of the Borough of Kirklees
 - The Council of the City of Wakefield
 - The Council of the City of York
 - Borough Council of Calderdale

- 3.2 The purpose of the partnership was to “pool cash as a region and provide funding for all local authority areas” to provide loans to construction projects, residential houses, offices etc. and later expand the investment strategy to equity funding.
- 3.3 As part of LGR, the Council became a partner to the partnership agreement. The partnership agreement was originally for a term of 10 years, expiring 31 July 2023. The parties decided to extend the agreement for a further 10 years, to 31 July 2033.
- 3.4 Following internal discussions with Nic Harne (Corporate Director Community Development), David Caulfield (Assistant Director Economic Development, Regeneration, Tourism and Skills) and Trevor Watson (Assistant Director Planning) it was confirmed that the Council should continue with the Partnership Agreement as it stands whilst the Economic Development team considers options going forward (giving consideration to the Mayoral Combined Authority geography). Trevor Watson (Assistant Director Planning) was the board member representing Harrogate Borough Council and subsequently David Caulfield (Assistant Director Economic Development, Regeneration, Tourism and Skills) was appointed by the Council as its representative on the RIF board.

4.0 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Withdrawing from the partnership was considered. However, this was discounted as the RIF was considered to be beneficial for the short term whilst a plan was made to consider the options going forwards for the Council. It is still possible to withdraw from the partnership if the Council does not wish to continue by giving 3 months’ notice.

5.0 FINANCIAL IMPLICATIONS

- 5.1 As at September 2023, 17 loans had been made in total in the RIF region with 2016 being the year of the first loan. We understand that one loan has been provided directly in the Harrogate area for a housing development in Markington. Loans are made on commercial terms to local operators, and no loans have been defaulted upon since the inception of the RIF.
- 5.2 When the RIF was established, all partnership shares of the total capital investment were based on the population size of the different areas. Each party receives a share of returns based on their investment.
- 5.3 The Council’s capital commitment to the RIF is £320,000, with £269,000 already paid by Harrogate Borough Council and a further £51,000 available for the RIF to draw down. This amounts to 1.59% of the total fund. Should the Council wish to leave the RIF, the RIF would return the capital paid to the Council.
- 5.4 Harrogate Borough Council had received a total of £62,000 in interest and share of the partnership surplus (£34,000 interest, £ 28,000 surplus) since the inception of the RIF. This equates to an annualised rate of return of 3.3% on the investment.

6.0 LEGAL IMPLICATIONS

- 6.1 The variation agreement was reviewed and approved by Legal and Democratic Services.
- 6.2 If the Council wishes to withdraw from the RIF, it may do so on 3 months’ notice.

7.0 EQUALITIES IMPLICATIONS

- 11.1 None

8.0 CLIMATE CHANGE IMPLICATIONS

8.1 None

9.0 REASONS FOR RECOMMENDATIONS

9.1 The decision was taken by Richard Flinton, as Shareholder Representative, on 28 July 2023 to approve the variation

10.0 RECOMMENDATION(S)

- i) To note the decision taken by the Shareholder Representative on 28 July 2023 and confirm the Shareholder Committee's approval of the decision.

BACKGROUND DOCUMENTS:

Deed of Variation
Partnership Agreement

Barry Khan
Assistant Chief Executive Legal and Democratic Services
County Hall
Northallerton
(Insert date)

Report Author – *Bethany Bilby, Solicitor*
Presenter of Report – *Barry Khan, Assistant Chief Executive Legal and Democratic Services*

Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.