

**Name of meeting:** Cabinet  
**Date:** 8<sup>th</sup> March 2022  
**Title of report:** Leeds City Region (LCR) Business Rates Pool arrangements for 2022/23

**Purpose of report**

To ratify the Council's membership, and arrangements for the operation and governance and of the Leeds City Region (LCR) Business Rates Pool for 2022/23

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Yes
Key Decision - Is it in the <a href="#">Council's Forward Plan (key decisions and private reports?)</a>	Yes
The Decision - Is it eligible for call in by Scrutiny?	Yes
Date signed off by <u>Strategic Director</u> & name	Rachel-Spencer Henshall - 28 February 2022
Is it also signed off by the Service Director (Finance)?	Eamonn Croston - 25 February 2022
Is it also signed off by the Service Director for Legal Governance and Commissioning?	Julie Muscroft - 25 February 2022
Cabinet member <a href="#">portfolio</a>	Cllr Paul Davies - Corporate

**Electoral wards affected:** All

**Ward councillors consulted:** N/A

**Public - Public**

**GDPR** – GDPR has been considered and there is no personal data contained in this report

**1. Summary**

- 1.1 Government confirmed its intention to continue Business Rate Pool arrangements for 2022/23, but that all prospective Pools, be it a continuation of existing 2021/22 Pools or new Pools, had to apply to Government no later than 8 October 2021. Government also confirmed that the arrangements for 2022/23 would have the same benefits and risks as 2021/22 Pool arrangements.
- 1.2 The Council's Budget Strategy Update report to Cabinet on 12 October and Council on 13 October 2021 set out a number of Pool options for 2022/23. Through member approved delegation to the Chief Executive and Service Director, Finance, in consultation with the Leader, and Corporate Portfolio-holder, a decision was taken to apply at that stage to be part of a Leeds City Region (LCR) Business Rates Pool for 2022/23, including the 5 West Yorkshire Councils, plus Harrogate and York Councils.

- 1.3 The above option was the preferred option at application stage, following a review by existing 2021/22 North and West Yorkshire Business Rates Pool members.
- 1.4 The decision to apply to be part of an LCR Pool also acknowledged the continuing COVID impact on the economy, and consequential increased volatility on forecast retained levies by the prospective LCR Pool in 2022/23. Further financial modelling would be undertaken by Leeds Council, who administer the regional Pool on behalf of member Councils, before any final decision was taken. Individual Councils had 28 days following the 2022/23 provisional financial settlement release, at the time anticipated mid-December 2021, to confirm their Pool participation for 2022/23. Any prospective member Council could withdraw their participation at this stage, and this would effectively revoke the Pool application.
- 1.5 The Government's provisional 2022/23 financial settlement announcement was made on 16 December 2021, and no prospective member of the LCR Pool indicated their intention to withdraw within the subsequent 28 day consultation period. The final 2022/23 financial settlement was passed by Parliament on 9 February 2022, including confirmation of the LCR Business Rates Pool for 2022/23. The existing North and West Yorkshire Business Rates Pool will be revoked at the end of the current financial year, 31 March 2022.

## **2. Information required to take a decision**

- 2.1 Business Rates Pools have been a feature of the Government's National Business Rates Retention scheme since the national scheme's implementation from 1 April 2013. Kirklees Council has been a member of a regional Business Rates Pool from this date, including the other four West Yorkshire Councils, plus other participating North Yorkshire Councils from time to time. Regional Pools are designated one year at a time. Applications are submitted to Government annually either to renew existing Pools or create new Pools for the following financial year, in accordance with annual Government guidelines and national timetable.
- 2.2 The 'reward' element of the Pool arrangement is that a number of member Councils, including Leeds, Harrogate and York are levying Councils. The Pooled arrangement allows for business rates 'growth' generated by these Councils above a Government calculated baseline, to be retained by the Pool, and spent on regional initiatives agreed by the Pool members. Without a Pool arrangement, levying Councils would otherwise have to hand over a proportion of any levy growth generated to Government; the proportion tending to vary between 50% or 25% depending on prevailing annual Government scheme guidelines.
- 2.3 The risk element of the Pool arrangement is that the Pool is also responsible for a safety net provision at 92.5% for any member Council who sees significant reductions in their income from the baseline Government calculation. If a member Council falls into a safety net scenario in a particular year, the loss of income below the 92.5% would have to be met in the first instance by the retained levies from the Pool. If there is not enough in retained levies, the net loss would be shared amongst all members of the Pool (including those in safety net).
- 2.4 In reality, regional Pools from 2013/14 onwards have benefited Pool members including this Council through annually retained levy contributions into the Pool, ranging between £5m and £29m annually; subsequently invested in a range of regional initiatives, and in some years, including individual payments back to Pool members.

- 2.5 Despite the current underlying difficult economic circumstances due to COVID impact on national, regional and local economies, it is anticipated that none of the Pool Members are likely to fall below their Business Rates safety net thresholds either for the current year, 2021/22, and 2022/23.
- 2.6 Specific proposals for the allocation of any retained levies will be considered through the LCR Business Rates Joint Committee through 2022/23; the draft terms of reference for which are set out at Appendix A, along with the draft memorandum of Understanding (Governance) agreement for the operation of the Pool for 2022/23, at Appendix B.

### **3. Implications for the Council**

- 3.1 **Working with People**
- 3.2 **Working with Partners**
- 3.3 **Place Based Working**
- 3.4 **Climate Change and Air Quality**
- 3.5 **Improving outcomes for children and young people**

Opportunities for investing any growth income retained by the LCR Pool in 2022/23 in accordance with agreed regional priorities, will be considered and agreed through the Joint Committee in due course.

#### **3.6 Other (eg Legal/Financial or Human Resources)**

Financial performance of the LCR Pool through 2022/23 will be monitored at least quarterly through Leeds Council on behalf of all Pool Council members and reported in-year through the Council's established in-year financial monitoring and reporting cycles.

**Section 101(5) of the Local Government Act 1972 (1972 Act) permits local authorities to discharge functions jointly through a joint committee. The functions it will perform relating to the business rate pool are executive functions and so it will be appointed under section 102(1)(b) of the 1972 Act and section 9EB of the Local Government Act 2000.**

### **4 Next steps and timelines**

Terms of reference and memorandum of understanding to be formally confirmed by the LCR Pool Committee member Councils for the forthcoming financial year.

### **5 Officer recommendations and reasons**

That Cabinet agrees the following:

- i) to approve the Council's membership of LCR Business Rates Pool for 2022/23;
- ii) to note the revoking of the existing North & West Yorkshire Pool on 31 March 2022;
- iii) to agree the formation of a new joint committee to oversee the operation of the LCR Pool for 2022/23, and

- iv) to note the draft terms of reference and memorandum of understanding (governance) agreements for the LCR Pool Joint Committee as set out at Appendices A & B attached; and
- v) To delegate authority to the Service director Legal , Governance and Commissioning in conjunctions with the Service director Finance to sign any documents relating to the LCR Business Rates Pool Joint Committee

The reasons for these recommendations are that the LCR Business Rates Pool for 2022/23 offers opportunity for any additional business rates levy payments to be retained by the LCR Pool and invested to support regional initiatives to be agreed by the LCR Joint Committee.

## 7. **Cabinet portfolio holder's recommendations**

The Portfolio-holder agrees with the recommendations set out in this report.

## 8. **Contact officer**

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## 9. **Background Papers and History of Decisions**

[Agenda for Council on Wednesday 13th October 2021, 5.30 pm | Kirklees Council \(Item 9 – Council Budget Strategy Update for 2022/23 and future years\)](#)

[Agenda for Council on Wednesday 16th February 2022, 5.30 pm | Kirklees Council \(Item 6, Budget 2022/23\)](#)

[Final local government finance settlement: England, 2022 to 2023 - GOV.UK](#)

## 10. **Service Director responsible**

Eamonn Croston – Service Director, Finance  
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