



## LEEDS CITY REGION BUSINESS RATES JOINT COMMITTEE

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Meeting to be held in Room 410, Wellington House, Leeds, LS1 2DE on Thursday, 1st December, 2016 at 10.00 am

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### MEMBERSHIP

Susan Hinchcliffe	-	City of Bradford MDC
Tim Swift	-	Calderdale MBC
Richard Cooper	-	Harrogate Borough Council
David Sheard	-	Kirklees Metropolitan Council
Judith Blake	-	Leeds City Council
Peter Box CBE	-	City of Wakefield MDC
Keith Aspden	-	City of York Council

## A G E N D A

Item No	Ward/Equal Opportunities	Item Not Open		Page No
1			<p><b>APPEAL AGAINST REFUSAL OF INSPECTION OF DOCUMENTS</b></p> <p>To consider any appeals in accordance with Procedure Rule 15.2 of the Access to Information Rules (in the event of an Appeal the press and public will be excluded)</p>	
2			<p><b>LATE ITEMS</b></p> <p>To identify items which have been admitted to the agenda by the Chair for consideration.</p> <p>(The special circumstances shall be specified in the minutes)</p>	
3			<p><b>EXCLUSION OF THE PUBLIC</b></p> <p>To identify items where resolutions may be moved to exclude the public</p>	
4			<p><b>APOLOGIES FOR ABSENCE</b></p> <p>To receive apologies for absence (if any)</p>	
5			<p><b>DECLARATIONS OF INTEREST</b></p> <p>To disclose or draw attention to any disclosable pecuniary interests for the purposes of Section 31 of the Localism Act 2000 and paragraphs 13 -18 of the Members' Code of Conduct. Also to declare any other significant interests which the Member wishes to declare in the public interest, in accordance with paragraphs 19 -20 of the Members' Code of Conduct.</p>	
6			<p><b>MINUTES OF THE PREVIOUS MEETING</b></p> <p>To approve as a correct record the minutes of the previous meeting held on 28<sup>th</sup> July 2016.</p> <p>(Copy attached)</p>	1 - 4

7

**MATTERS ARISING FROM THE MINUTES**

To consider any matters arising from the minutes.

8

**LEEDS CITY REGION BUSINESS RATES POOL  
PROGRESS REPORT**

5 - 10

To consider a report by the Deputy Chief Executive, Leeds City Council, which provides progress on the Leeds City Region Business Rates Pool in particular; the final outturn for the LCR Pool for 2015-16, proposed allocation of funding for host towns for the Tour de Yorkshire 2017, an update on the financial position of Welcome to Yorkshire, an update on the implications of the Government's 100% rates retention proposal and the proposed continuation of the LCR Pool into 2017-18.

(Report attached)

9

**POTENTIAL FOR A BUSINESS RATES PILOT  
ACROSS THE LEEDS CITY REGION BUSINESS  
RATES POOL AREA**

11 -  
14

To consider a report by the Deputy Chief Executive, Leeds City Council, which seeks the views of Members on the potential for a Business Rates pilot across the Leeds City Region Business Rates Pool area.

(Report attached)

10

**ANY OTHER BUSINESS**

To consider any other business (If any)

11

**DATE AND TIME OF THE NEXT MEETING**

To determine a date and time for the next meeting of the Joint Committee (If considered necessary)

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## LEEDS CITY REGION BUSINESS RATES JOINT COMMITTEE

THURSDAY, 28TH JULY, 2016

**Present:** Councillor S Hinchcliffe (City of Bradford MDC),  
Councillor T Swift (Calderdale MBC), Councillor D Sheard (Kirklees MC),  
Councillor R Cooper (Harrogate BC), Councillor P Box (Wakefield MDC)  
Councillor J Blake (Leeds City Council) and Councillor K Aspden (City of York  
Council)

**In Attendance:** A Gay (LCC), J Grieve (LCC)

### 1 ELECTION OF CHAIR

In the absence of a Chair, nominations were sought for the position of Chair.

Councillor Tim Swift was nominated, the nomination was also seconded.

Upon being put to the vote.

**RESOLVED** – That Councillor Tim Swift be elected as Chair of the Leeds  
Business Rates Joint Committee

### 2 APPEALS AGAINST REFUSAL OF INSPECTION OF DOCUMENTS

There were no appeals against the refusal of inspection of documents.

### 3 LATE ITEMS

There were no late items of business

### 4 EXCLUSION OF THE PUBLIC

**RESOLVED** – That, in accordance with Regulation 4 of The Local Authorities  
(Executive Arrangements) (Meetings and Access to Information) (England)  
Regulations 2012, the public be excluded from the meeting during  
Consideration of the following parts of the agenda designated as exempt on  
the grounds that it is likely, in view of the nature of the business to be  
transacted or the nature of the proceedings, that if members of the public  
were present there would be disclosure to them of exempt information so  
designated as follows:-

Report entitled “Leeds City Region Business Rates Pool – Progress Report”  
as referred to in Minute No.9 was designated as exempt under Access to  
Information Procedure Rule 10.4(3) because it contained information relating  
to the financial or business affairs of any particular person (including the  
authority holding that information). It was considered in these circumstances  
that the public interest in maintaining the exemption from publication  
outweighs the public interest in disclosing the information.

## **5 APOLOGIES FOR ABSENCE**

There were no apologies for absence.

## **6 DECLARATIONS OF INTEREST**

Although not a disclosable pecuniary interest, Councillor Cooper as a Member of the Welcome to Yorkshire Board declared an interest in respect of the proposed funding to Welcome to Yorkshire.

## **7 MINUTES OF THE PREVIOUS MEETING**

**RESOLVED** – That the minutes of the previous meeting held on 28<sup>th</sup> January 2016 were approved as a true and correct record.

## **8 MATTERS ARISING FROM THE MINUTES**

There were no issues raised under matters arising.

## **9 LEEDS CITY REGION BUSINESS RATES POOL PROGRESS REPORT**

The Deputy Chief Executive of Leeds City Council submitted a report which set out the provisional outturn for the LCR Pool 2015 -16, provided an update on the financial position of Welcome to Yorkshire (WtY), put forward proposals for funding specific activities to be carried out on behalf of Pool Members by WtY over the course of 2016-17; and the possible implications for the Pool of the 2017 business rates revaluation and the longer-term implications of the Government's 100% rates retention proposals.

A discussion ensued on the funding of the Tour de Yorkshire, in particular the principal of providing additional funding for cities hosting the start/ finish of the event.

Members requested a report be prepared for the next meeting on the financial commitments for cities hosting the Tour de Yorkshire event and whether sufficient funding could be made available from the Pool

### **RESOLVED –**

- (i) To note the provisional outturn for 2015/16 as outlined in paragraph 2.2 of the submitted report, and the implications for future expenditure as detailed in paragraph 2.6;
- (ii) To note the actions to date with respect to contributions to Welcome to Yorkshire in 2016/17;

- (iii) To agree in principle the distribution of £2m in 2017/18 from the Pool for economic development activities within each Council, shared on the basis of population;
- (iv) To note the implications for the Pool of the 2017 revaluation and the longer-term implications of the 100% rates retention proposals as set out in section 4 of the submitted report
- (v) To agree that further report(s) be presented to the Joint Committee later in the year, when the 2016/17 levies are confirmed and the potential for 2017/18 levies had become clearer.
- (v) That a report be prepared for the next meeting on the financial commitments for cities hosting the Tour de Yorkshire event and whether sufficient funding could be made available from the Pool
- (vi) That Ron McMillan, Chair of Welcome to Yorkshire be invited to a future meeting of this Joint Committee

## **10 ANY OTHER BUSINESS**

There were no issues raised under any other business

## **11 DATE AND TIME OF THE NEXT MEETING**

**RESOLVED** – To note that a date, time and venue for the next meeting of the Joint Committee would be determined at a later date.

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Originator: Alan Gay  
0113 247 4226

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**Report to:** LEEDS CITY REGION BUSINESS RATES JOINT COMMITTEE

**Date:** 1<sup>ST</sup> DECEMBER 2016

**Subject:** LEEDS CITY REGION BUSINESS RATES POOL PROGRESS REPORT

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## SUMMARY

This report sets out:

- a) the final outturn for the LCR Pool: levies retained for 2015-16 total £3.1m, £300k lower than the provisional outturn reported on 28<sup>th</sup> July 2016;
- b) the implications of the 2017 revaluation on tariffs and top-ups for Pool members and on future Pool income;
- c) the proposed use of funds generated by the Pool to support Pool members who are host towns for the 2017 Tour de Yorkshire;
- d) following on from the meeting of 28<sup>th</sup> July 2016, a brief update on the financial position of Welcome to Yorkshire (WtY), prior to the payment of the final instalment of grant funding in January 2017;
- e) a brief update on the implications of the Government's 100% rates retention proposals;
- f) a recommendation that the LCR Pool should continue into 2017/18.

## 1. INTRODUCTION

- 1.1 The Pool generates income because it is allowed to retain the levies on business rates growth that would otherwise be paid over to Government by the three tariff authorities: Harrogate, Leeds and York. The potential downside of Pooling is that if any member's income declined significantly, the Pool would not receive a safety-net payment from Government and the shortfall would have to be made up by the other Pool members. No Pool member has required a safety-net payment for 2015-16.

## 2. FINAL OUTTURN 2015/16

2.1 At the July meeting it was reported that the provisional outturn for the LCR Pool for 2015-16 was £3.37m, but that the final figure would not be available until the end of September, when 2015-16 accounts had been audited and final returns had been submitted to DCLG.

2.2 The final total is now available and is £3.110m, £258k lower than the provisional figure reported in July:

	<b>January 2016 Estimate £m</b>	<b>May 2016 Provisional Outturn £m</b>	<b>September 2016 Final Outturn £m</b>
Harrogate	0.30	0.311	0.311
Leeds	1.60	0.692	0.411
York	2.18	2.365	2.388
<b>Total</b>	<b>4.08</b>	<b>3.368</b>	<b>3.110</b>

2.3 There has been a minor correction to the figure for York, but the main reason for the reduction is the ongoing impact in Leeds of:

- back-dated business rates appeals on office accommodation on the edge of Leeds city centre; and
- appeals by retailers following the opening of the Trinity Shopping Centre in 2013.

## 3. FUTURE INCOME AND EXISTING COMMITMENTS

3.1 The Valuation Office Agency has recently completed a revaluation of business premises for rating purposes which will come into effect on 1<sup>st</sup> April 2017. The effect of the revaluation will be to change rates bills for individual ratepayers, and also the business rates generated in each billing authority. For each billing authority the revaluation is designed to be neutral (before allowances for inflation and appeals) and, in order to achieve that, top-ups and tariffs will be adjusted.

3.2 Under the revaluation the four “top-up” Pool members, Bradford, Calderdale, Kirklees and Wakefield will remain “top-ups”, and the three “tariff” authorities, Harrogate, Leeds, and York will remain “tariffs”. This means that the Pool should remain viable into 2017-18, but all three tariff authorities will see reductions in their tariffs, which will reduce the levies they pay into the Pool and hence the funding available for distribution.

3.3 The current commitments for the Pool are summarised below. The table includes projections of income for 2016-17 and 2017-18, a new estimate for 2018-19 income and assumes that the commitments entered into for 2016-17 are repeated in 2017-18. The income projection for

2016-17 has been increased by £0.5m from that reported in July, but the estimate for 2017-18 has been reduced to reflect the effect of the 2017 revaluation. However, because of the inherent volatility of business rates income, the projection for 2016-17 is still uncertain and the estimates for 2017-18 and 2018-19 are very tentative.

	<b>2015/16 Final Outturn £m</b>	<b>2016/17 Updated Projection £m</b>	<b>2017/18 Updated Estimate £m</b>	<b>2018/19 Initial Estimate £m</b>
<b>Income</b>				
Balance b/f	2.544	1.689	2.704	1.286
2015/16 Levies (Final Outturn)	3.110			
2016/17 Levies (revised estimate)		3.161		
2017/18 Levies (updated estimate)			2.928	
2018/19 Levies (initial estimate)				3.000
Balance available to fund 2015/16 activities	<b>5.654</b>			
<b>Balance available to fund 2016/17 activities</b>		<b>4.85</b>		
<i>Potential Balance available to fund 2017/18 activities</i>			<b>5.632</b>	
<i>Potential Balance available to fund 2018/19 activities</i>				<b>4.286</b>
<b>Commitments</b>				
Leeds City Region Secretariat	-0.620	-0.620	-0.620	
Combined Authority Transport Fund	-0.696	-0.696	-0.696	
Tour de Yorkshire	-1.123		-0.200	
Tour de Yorkshire (additional costs incurred by York)	-0.012			
Welcome to Yorkshire subscriptions	-0.167	-0.167	-0.167	
Welcome to Yorkshire grant funding	-0.663	-0.663	-0.663	
Contributions towards Economic Development	-0.684		-2.000	
<b>Balance c/f</b>	<b>1.689</b>	<b>2.704</b>	<b>1.286</b>	<b>4.286</b>

Summary of LCR Pool Income and Commitments 2015-16 to 2018-19

- 3.4 Under the Pooling arrangements levy income generated for any year does not become available until the following year. This has short-term cash flow implications which are currently being met by Leeds on behalf of the other Pool members.
- 3.5 At the 28<sup>th</sup> July meeting, members discussed the potential use of funds to support Bradford and Harrogate as host towns for the 2017 Tour de Yorkshire. Members will recall that Pool funding of £1.1m was provided to member authorities in 2015 to support delivery of that year's event, however no funds were allocated for the event in 2016. In response to the request at the last meeting an allocation of £100k for Bradford and Harrogate is proposed in this report which represents the staging fee for the event.
- 3.6 The table shows that, should the Tour de Yorkshire expenditure be approved and after the £2m contribution towards economic development agreed at the July meeting, on the current projections there could be almost £1.3m available for further funding opportunities during 2017/18. If the £1.3m is carried forward to 2018-19, there could be £4.3m available for distribution during that year. However, it is important to emphasise that the income projections for 2017-18 and 2018-19

remain very tentative, so it is recommended that no further commitments are made until next summer when the 2016-17 outturn is available and the projections for 2017-18 and 2018-19 can be reviewed.

#### **4. WELCOME TO YORKSHIRE FUNDING**

4.1 Members will recall that at the meeting of the Joint Committee on 30<sup>th</sup> November 2015, members agreed to provide funding to WtY for 2016-17 of up to £200,000 for members' subscriptions and £630,000 for specific activities. Subscriptions for 2016-17 have been held at 2015-16 levels (£167,000) which gives headroom to confirm grant funding of up to £663,000 (the same as for 2015-16).

4.2 Members will also recall that the monitoring of both WtY's financial position and their activities against the 2016-17 grant agreement was delegated to a Steering Group of officers from the sub-region. The group consists of the Deputy Chief Executive of Leeds (Chair), the Head of Visitor Economy and Inward Investment (Leeds) and the Director of Communities and Service Support (Calderdale). In addition, because the North Yorkshire Business Rate Pool also contributes to the funding of Welcome to Yorkshire, the Corporate Director of Strategic Resources from North Yorkshire County Council is a member of the group.

4.3 At the 28<sup>th</sup> July meeting of the Joint Committee, it was reported that the Steering Group had reviewed the WtY budget and savings plan and had agreed to release the normal annual subscriptions and the first instalment of the 2016/17 grant funding. The Steering Group have met again and are continuing to review the company's performance against their 2016/17 budget and savings plan. On the basis of progress to date, the Steering Group agreed to release the second instalment of grant funding in October, and, subject to ongoing monitoring, the final payment is expected to be released at the end of January 2017.

#### **5. THE 2017 REVALUATION AND THE IMPLICATIONS OF 100% RATES RETENTION**

5.1 The new rateable values resulting from the national revaluation of business rates were published on 29<sup>th</sup> September 2016 and will come into effect on 1<sup>st</sup> April 2017. The revaluation means that business rates baselines and tariffs and top-ups will change for each billing authority including those within the LCR Pool. The final details will not be confirmed until later in December but it appears that Harrogate, Leeds and York will continue to be tariff authorities, so, providing growth can be maintained, there is no immediate threat to the viability of the LCR Pool.

5.2 With regard to 100% retention, a first round of consultation on the new scheme has now closed and the technical groups set up by DCLG and the LGA are continuing to work up detailed proposals to put to ministers. The start date for the new system is still unclear (either 2019-20 or 2020-21) but DCLG officials have indicated that ministers are firm in their intention to abolish levies on growth. Assuming that remains the case, it will remove the financial benefits of Pooling, and it may be appropriate to collapse the LCR Pool as the new system starts.

5.3 In relation to that, DCLG are keen to encourage 100% Business Rates pilots, to test how the new system will work before the official start date. The emphasis is on combined authority areas that have committed to having elected mayors, but it is possible that other areas, such as the LCR Pool, could be considered for pilot status. The options for taking this forward are set out in a separate report on this agenda.

## **6. RECOMMENDATIONS**

6.1 Members are recommended:

- a) to note the final outturn for 2015-16 as set out in 2.2, above, and the implications for future expenditure in 3.6, above;
  - b) to approve the allocation of £200k to Bradford and Harrogate, host towns for the 2017 Tour de Yorkshire, discussed in section 3.5, above;
  - c) to note the actions in relation to funding for Welcome to Yorkshire as set out in section 4, above;
  - d) to note the implications for the Pool of the 2017 revaluation and the longer-term implications of the 100% rates retention proposals as set out in section 5; and
  - e) to confirm the continuation of the LCR Pool into 2017-18.
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## POTENTIAL FOR A BUSINESS RATES PILOT ACROSS THE LEEDS CITY REGION BUSINESS RATES POOL AREA

### 1. **Background**

- 1.1 Leaders will be aware that the Government is planning to increase the proportion of business rates retained locally by councils from 50% to 100%. The 100% rates retention scheme will be accompanied by reduction in grants and, possibly, some transfers of responsibilities, so that the overall funding for councils remains neutral. The new scheme is expected to come into effect in either 2019/20 or 2020/21.
- 1.2 The changes will be complex to implement and there are still many uncertainties about how the new system will work in practice. In order to explore some of the options, at the 2016 Budget the Government committed to piloting approaches to 100% retention in three areas: London, Manchester and Liverpool. Some elements are to be piloted from 2017/18 onwards, with others piloted from 2018/19.
- 1.3 The Government also indicated that pilots would be available to other city regions with ratified devolution deals. Sheffield, the West Midlands, the West of England and Cornwall all came forward and DCLG officials are working with them to explore options. Piloting 100% retention would involve a degree of additional risk in advance of the roll-out of the full system, so it has been agreed that the pilots will be run on a “no detriment” basis. Some other areas are believed to have expressed interest in piloting aspects of the scheme, but any discussions are still at a very early stage.

### 2. **Potential for a LCR Pool Pilot**

- 2.1 During informal discussions with officers, senior DCLG officials have indicated that ministers may be prepared to consider a pilot across the LCR Pool area, and this report has been prepared so that members can consider whether to pursue the idea further. The following sections outline some of the issues to consider in more detail:

#### 2.2 **What would be the benefits of participating in a pilot?**

- 2.2.1 The most obvious benefit is that it would allow the pilot area to retain 100% of any business rates growth above the baseline rather than the current 50%. Of course, this would come with some strings attached. We would forego Revenue Support Grant and would be expected to fund some other grants such as Public Health Grant and perhaps some transport grants from our increased share of business rates. However, the self-funding would be cost neutral, and would not eat into the extra 50% of growth that would be retained.
- 2.2.2 DCLG are planning to use the pilots to test mechanisms for managing appeals under 100% rates retention. Loss of income from successful business rates appeals is a serious issue across the region, so any mechanism that could mitigate the current losses would be welcome.

2.2.3 The additional growth that could be retained across the region is very difficult to estimate, not least because of the effect of the recent revaluation which has depressed rateable values across the region. However, in 2015/16 the Pool authorities generated over £22m in growth of which £11m was retained locally. It seems reasonable to assume that if the Pool authorities can maintain similar growth levels, then for 2018/19 around £11m extra could be generated from participating in a pilot. However, that growth cannot be guaranteed and it is possible that the actual amount retained could be much less than this.

## 2.3 **Would there be a benefit from the Government's perspective?**

2.3.1 At first sight it is difficult to see how the LCR Pool would provide a different model for testing 100% retention. Other areas are already business rates pools, and other areas also consist of a combined authority with non-constituent members. Perhaps we could indicate our willingness to test a different aspect of system; otherwise, we would need to fall back on arguing that a LCR pilot would provide a high-profile example to test how 100% retention would work without an elected mayor being in place. We would certainly need to agree a comprehensive plan setting out how the extra funding would be used.

## 2.4 **Elected Mayors**

2.4.1 Five of the six pilots outside London have committed to having an elected mayor. The only pilot where the Government has agreed that an elected mayor will **not** be required is Cornwall, which, as a single unitary council, is very different to the other city-focused pilots. All of the others are facing mayoral elections in May 2017.

2.4.2 Although there seemed to be a softening of the stance on elected mayors immediately following the Brexit referendum, the Prime Minister has since indicated that areas seeking significant devolution deals will have to adopt the mayoral model<sup>1</sup>. It is not clear at this stage how far a commitment to an elected mayor is a prerequisite for a pilot or whether ministers would agree to an LCR pilot without such a prior commitment. It is not clear either how the on-going debate within Yorkshire about the geography of a devolution deal would impact upon the ministerial decision<sup>2</sup>.

## 2.5 **Start Date for the Pilot**

2.5.1 As indicated earlier, the three pilots in London, Liverpool and Greater Manchester are to begin, at least in part, on 1<sup>st</sup> April 2017. For the other four pilots: Cornwall, the West of England, Sheffield and the West Midlands, negotiations with Government have still not concluded, and it is by no means certain that any of them will be in a position to start next April. Given their experience, it is probably more realistic to aim to get an LCR pilot up and running for April 2018. This would give the opportunity to identify specific elements to test and to agree how the extra funding should be utilized.

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<sup>1</sup> *No mayor, no deal, May tells councillors*, Local Government Chronicle , 4<sup>th</sup> October 2016

<sup>2</sup> See comments by Lord Wallace and Lord Bourne during Oral Questions, Hansard, 31<sup>st</sup> October 2016



## 2.6 Loss of Levy Income

2.6.1 The LCR business rates pool was established to retain locally levies on growth that would otherwise be payable to central government. Under 100% retention levies will no longer be payable and if the LCR Pool authorities participate in a 100% retention pilot, no levies will be generated across the Pool. Instead, all seven authorities would keep 100% of any growth they generated. As noted in 2.2.3 above the extra funding could amount to over £11m which is considerably higher than the estimated £3m in levies that would otherwise have been paid over to the Pool by the three tariff authorities, Harrogate, Leeds and York.

## 2.7 Governance issues

2.7.1 The pilots already under consideration are proceeding on a “no detriment” basis; that is, by committing to piloting 100% retention, the participating authorities would not be any worse off by taking part in the pilot whatever the level of growth achieved. This is important because future growth cannot be guaranteed and, indeed, it is possible that one or more authorities taking part in the pilot could see negative growth. If, for example, there was a major closure or rateable values were to fall across the pilot area, instead of expecting us to bear 100% of the cost, the Government would provide additional funding so that the losses would be limited to what would have been suffered under 50% rates retention, i.e. as if the pilot had not been in place. It is anticipated that a LCR pilot would include a similar “no detriment” clause.

2.7.2 Assuming that growth does occur, there would need to be agreement across the region on how the extra funding is used. Options could include:

- Each authority keeps 100% of any growth it generates;
- Each authority keeps the growth it generates except for a top-slice equivalent to the levies that would have otherwise been payable to the Pool;
- The whole or an agreed proportion of the extra growth is used to meet a set of agreed spending priorities across the Pool area.

2.7.3 There would be significant resource implications in getting a pilot up and running. A formal governance arrangement would need to be negotiated with DCLG and endorsed by each member authority individually. Once the pilot was established, performance would need to be monitored, but this could be done by Leeds as lead authority, in a similar way to how the Pool is currently managed.

## 3. Recommendations

- Leaders are requested to consider the issues set out in Section 2 of this report and to indicate whether they wish to pursue a pilot across the LCR Pool area at this time.

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