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## **ECONOMIC DEVELOPMENT, ENVIRONMENT AND INFRASTRUCTURE SCRUTINY PANEL**

A meeting of the Economic Development, Environment and Infrastructure Scrutiny Panel was held on Wednesday 22 March 2023.

**PRESENT:** Councillors M Saunders (Vice-Chair), D Branson, C Dodds, A Hellaoui and B Hubbard

**ALSO IN ATTENDANCE:** R Ellis, Deputy Chief Finance Officer, Leeds City Council

**OFFICERS:** S Lightwing

**APOLOGIES FOR ABSENCE:** were submitted on behalf of Councillors R Arundale, T Furness, T Mawston and J Thompson

### 22/65 **WELCOME AND EVACUATION PROCEDURE**

The Chair welcomed all present to the meeting and read out the Building Evacuation Procedure.

### 22/66 **DECLARATIONS OF INTEREST**

There were no declarations of interest received at this point in the meeting.

### 22/67 **MINUTES - ECONOMIC DEVELOPMENT, ENVIRONMENT AND INFRASTRUCTURE SCRUTINY PANEL - 15 FEBRUARY 2023**

The minutes of the meeting of the Economic Development, Environment and Infrastructure Scrutiny Panel held on 15 February 2023 were taken as read and approved as a correct record.

### 22/68 **BUSINESS RATES POOLING**

The Deputy Chief Finance Officer from Leeds City Council gave a presentation on Business Rates Pooling.

The Local Government Finance Act 1988, Schedule 7B, Part 9 allowed for Pooling of Authorities for the purposes of Business Rates. The Secretary of State could designate two or more authorities as a Pool. A Pool was treated as one authority for the purposes of Business Rates Retention. Top up and Tariff authorities could come together so that the Pool in totality became the top up authority and Tariff authorities would therefore no longer pay a levy to Government. Instead tariff authorities paid levy payments to the Pool and the funds were retained regionally.

The Pool, under its own governance arrangements, decided how the funding would be used. The key risk was that if one or more authority fell into safety net, there would not be a safety net payment from Central Government, until the whole Pool fell into safety net. (92.5% for Leeds City Region). The Pool would therefore have to meet the safety net payment from levy payments or from member authorities.

Each year around August/September, the Government issued an invitation to Pool. The deadlines to apply were usually very tight. New pools needed to start early to have time to finalise membership.

The Government required notification of the members of the Pool and which authority would be the lead authority. The Government also required details of the Pools' Governance arrangements and how 'residual benefits and liabilities' would be distributed. A return identifying membership and a model Memorandum of Understanding (MoU) for governance and distribution of funding had to be completed and submitted.

Model Memorandum of Understanding was agreed by the Section 151 Officers of all

authorities in the pool, with the Chief Executives settling any disputes. The Leeds City Business Rates (BR) Pool's governance structure was a Joint Committee formed of the Leaders of the seven member authorities (or their nominees) and had its own terms of reference.

The Lead Authority was responsible for:

- Coordinating the application process each year.
- Payment of top up to top up authorities and receipt of tariffs from tariff authorities and receipt of Pool top up from Government.
- Coordinating and administering proper Governance procedures.
- Finalising levy payments and any safety net payments.
- Forecasting and monitoring the key risks and benefits.

Under the Government model MoU the distribution of the additional funding retained regionally was as follows: the first call would be any safety net payments to member authorities. Any residual benefit after this, would be split 50% to top up authorities in proportion to their top ups and 50% to levy paying tariff authorities in proportion to their levy payment into the Pool.

Leeds City Region BR Pool had taken a slightly different approach:

- First call would be any safety net payments to member authorities, any residual benefit was split as follows:
- Joint committee could directly make grants to regional projects, any residual benefit was returned to members and split as follows:
  - 25% in proportion to growth above the baseline
  - 25% in proportion to population
  - 25% to top up authorities in proportion to their top ups
  - 25% to levy paying tariff authorities in proportion to their levy payment into the Pool.

Since its inception in 2013/2014, the additional funds retained regionally by the Leeds City BR Pool totalled approximately £142 million. Regional projects supported by the Pool included:

- Transforming Leeds Events project - £1.6m
- Wakefield Waterfront Arts Event Space project - £1.5m
- Tour de Yorkshire (4 years) - £1.5m
- Bradford District Health & Social Care project - £1.2m
- Adventure Phase 2 project - £563k
- Screen Yorkshire Careers project - £502k
- WY Fibre infrastructure support project - £500k
- York Castle Gateway regeneration project - £410k
- Stalled Housing Site Brokerage project - £350k

Some points to consider prior to setting up a Pool were detailed in the presentation and highlighted.

#### Membership

- The number of members – large enough to make it worthwhile but not so large to make administration unmanageable.
- Consider the nature of membership e.g. Mayoral Combined Authority and areas commensurate with encouraging regional growth.
- Balance of top up and tariff authorities, when all top ups and tariffs are added together it was best to have a 'top up pool' so no levy will be payable to Central Government by the Pool.

#### Risk assessment

- Making sure that no authority in the Pool was close to a safety net payment as this was a loss of funding to the region.

#### Administration costs

- An administration fee for the lead authority.

#### Redistribution

- The redistribution of residual benefits and liabilities. Different methodologies and their impact. There were very tight deadlines in the process so it was best to have an agreement at the start as this had to be included in any application to Pool.

#### The Governance Arrangements for the Pool

- The Leeds City Region Pool had a joint committee arrangement to ensure member involvement in the decision-making process. The model MoU issued by the Government suggested agreement between S151 officers which reduced administrative burdens. Consideration needed to be given as to which approach was preferred as this also had to be included in any application to Pool.

Referring to the annual application and the tight deadline, a Member asked whether extra staff were recruited or whether the work was met from within existing resources. The Leeds pool had been set up largely within existing resources with some additional support. As the administering authority, Leeds City Council had charged approximately £30K and this figure was likely to increase in 2023/204 as the Pool was 10 years old. If it was likely that additional costs would be incurred, the Pool would get agreement to top slice any extra administrative costs.

The Officer suggested that the Council should calculate whether there would be a levy that would be retained in the area and whether there was a business case for creating a pool.

Members agreed that the next step should be to ascertain what the business rates baseline for Middlesbrough and the other Tees Valley Local Authorities was. If the information provided a case for further exploration of a business rates pool, it was suggested that other Tees Valley Authorities could be consulted.

**AGREED** as follows that:

1. the information provided was received and noted.
2. enquiries would be made with the Council's Finance Department regarding business rates baselines.

22/69

#### **OVERVIEW AND SCRUTINY BOARD UPDATE**

The Chair provided a verbal update on matters considered at the meeting of the Overview and Scrutiny Board held on 22 February 2023.

It was highlighted that the Children's Finance Improvement Plan had been considered at the meeting. Scrutiny Panel Members discussed their concerns regarding the resourcing of Children's Services and the number of young people currently in the care of Middlesbrough Council.

22/70

#### **CRUSTACEAN DEATHS WORKING GROUP**

Councillors Branson and Hellaoui provided an update on the latest meeting of the Working Group which had taken place on 3 March meeting. The Working Group had received evidence from an expert from Newcastle University who provided detailed scientific information about the crustacean deaths and was of the opinion they were caused by pyridine.

The next meeting would receive evidence from representatives from Teesworks. The Working Group wanted to establish whether there was a safer way of disposing of the material that was being dredged from the river.

**AGREED** that the information provided was received and noted.

22/71

#### **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE CONSIDERED**

The Vice Chair thanked all Members for their contributions to the Panel during the past year. The Vice Chair agreed to send a card expressing the Panel Members' good wishes to the Chair.

