

NOTICE OF MEETING

CABINET MEMBER SIGNING

**Monday, 20th January, 2020, 12.30 pm - Civic Centre, High Road,
Wood Green, N22 8LE**

Members: Councillor Joseph Ejiofor – Leader of the Council

Quorum: 1

1. FILMING AT MEETINGS

Please note that this meeting may be filmed or recorded by the Council for live or subsequent broadcast via the Council's internet site or by anyone attending the meeting using any communication method. Although we ask members of the public recording, filming or reporting on the meeting not to include the public seating areas, members of the public attending the meeting should be aware that we cannot guarantee that they will not be filmed or recorded by others attending the meeting. Members of the public participating in the meeting (e.g. making deputations, asking questions, making oral protests) should be aware that they are likely to be filmed, recorded or reported on.

By entering the meeting room and using the public seating area, you are consenting to being filmed and to the possible use of those images and sound recordings.

The chair of the meeting has the discretion to terminate or suspend filming or recording, if in his or her opinion continuation of the filming, recording or reporting would disrupt or prejudice the proceedings, infringe the rights of any individual or may lead to the breach of a legal obligation by the Council.

2. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

3. URGENT BUSINESS

The Chair will consider the admission of any late items of Urgent Business. (Late items will be considered under the agenda item where they appear. New items will be dealt with under item 6 below).

4. DECLARATIONS OF INTEREST

A member with a disclosable pecuniary interest or a prejudicial interest in a matter who attends a meeting of the authority at which the matter is considered:

- (i) must disclose the interest at the start of the meeting or when the interest becomes apparent, and
- (ii) may not participate in any discussion or vote on the matter and must withdraw from the meeting room.

A member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Register of Members' Interests or the subject of a pending notification must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal interests and prejudicial interests are defined at Paragraphs 5-7 and Appendix A of the Members' Code of Conduct

5. LONDON BUSINESS RATES RETENTION POOL 2020-21 (PAGES 1 - 30)

6. NEW ITEMS OF URGENT BUSINESS

To consider any items of urgent business as identified at item 3.

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Friday, 10 January 2020

Report for: Leader of the Council

Title: London Business Rates Retention Pool 2020-21

Report authorised by: Jon Warlow, Director of Finance

Lead Officer: Frances Palopoli, Head of Corporate Financial Strategy & Monitoring

Ward(s) affected: All

Report for Key/ Non Key Decision: Key

1. Describe the issue under consideration

This report proposes that Haringey join the GLA and all London boroughs to form a pool of retained business rates from 1st April 2020.

2. Cabinet Member Introduction

Haringey has participated in the London Pilot Pool for the last two years and has benefited financially both from retaining more business rates income but also from three successful projects funded via the Strategic Investment Pot (SIP) which was an agreed feature of the Pilot Pool.

It is disappointing that Government decided not to continue with the London Pilot Pool beyond March 2020 however, it is still beneficial financially for London to Pool business rates from April 2020. The Queens speech restated the Government's commitment to a review of the business rates system and I believe that, by continuing to work collaboratively across London, we will have a stronger voice to influence the outcome of this review.

3. Recommendations

It is recommended that Haringey participates in the London-wide Business Rates Retention Pool for 2020/21 and:

- a) To accept the designation of the London Borough of Haringey by the Secretary of State as an authority within the London Business Rates Pool pursuant to paragraph 34(2) of Schedule 7B Local Government Finance Act 1988 in line with the Memorandum of Understanding at Appendix 1;
- b) agree that the London Borough of Haringey participate in the London Business Rates Pool for the 2020/2021 financial year;
- c) delegate the authority's administrative functions as a billing authority pursuant to the Non-Domestic Rating (Rates Retention) Regulations

2013 to the City of London Corporation (“CoLC”) acting as the Lead Authority these functions to remain delegated to the City of the Corporation of London for subsequent financial years that the London Borough of Haringey decide to participate in the London Business Rates Pool;

- d) authorise the Lead Authority to sub-contract certain ancillary administrative functions (regarding the financial transactions) within the Pool to the GLA as it considers expedient;
- e) delegate authority to the Chief Financial Officer, in consultation with the Cabinet Member for Finance & Strategic Regeneration, to agree the operational details of the pooling arrangements with the participating authorities;
- f) enter into such Memorandum of Understanding (MoU) with the participating authorities to implement and/or regulate the pool and delegate authority to the Chief Financial Officer (in consultation with the Assistant Director Corporate Governance) to negotiate, finalise and execute the same on behalf of the authority for 2020/2021 at Appendix 1 and for any subsequent years any Memorandum of Understanding is required;
- g) authorise the Leader of the Council to represent the authority in relation to consultations regarding the London Business Rates Pool as may be undertaken by the Lead Authority pursuant to the Memorandum of Understanding;
- h) delegate to the Chief Financial Officer the authority to consider such consultative reports as the Lead Authority may circulate and to respond on behalf of the authority with regard to any recommendations.

4. Reasons for decision

The Government designated a pan-London business rates pool in 2018-19, which piloted 100% retention in that year, and was revised to pilot 75% retention in 2019-20. It confirmed in September 2019 its intention not to renew the London pilot in 2020-21, and for London to revert back to the pre-existing 2017-18 67% retention scheme (which was a partial pilot, reflecting the incremental impact of the rolling in of the Greater London Authority’s (GLA) Revenue Support Grant (RSG) and the Transport for London investment grant).

Although this decision by Government means that the **pilot** ceases, under the original business rates retention legislation, groups of authorities can form pools where they deem that there is a financial benefit.

Analysis undertaken by London Councils suggests that by working together and forming a pool, London authorities can retain a greater proportion of business rates growth within London, providing additional resources to support local communities and strengthen financial resilience following a decade of significant funding reductions.

There are also deemed strategic and operational benefits from continuing with pooling business rates across London. The pilot pool was seen as a platform from which to develop further arguments about London Government genuinely retaining 100% of the business rates it collects, while providing an important step towards broader fiscal devolution ambitions, in line with the recommendations of the London Finance Commission in 2013 and 2017. Maintaining a collaborative arrangement for a further year would likely give London Government a more influential voice with regard to the eventual design of the full 75% scheme, now due to be implemented in 2021-22.

The current pilot has provided a platform for greater openness and sharing of information about assumptions regarding those elements of the National Non-Domestic Rates (NNDR) process that authorities have more judgement over. It has enabled stakeholders to improve their technical understanding of how the system works and has raised the level of awareness amongst both members and officers of the key drivers of business rate growth, the importance of accurate forecasting, and the impact that appeals judgements have on the system.

5. Alternative options considered

The alternative option would be to formally opt out of participating in the pool however, Haringey would forego the estimated financial benefit of £0.4m-£0.5m in 2020/21 as well as the non-financial benefits of participating. It is therefore considered that this is not a viable option.

6. Background information

- 6.1 Haringey's participation in the current business rates retention pool pilot provided additional resources of £6.4m in 2018/19 and a further estimated £2.7m in 2019/20. The pool pilot scheme agreed in London also included the creation of a Strategic Investment Pot (SIP), created by top-slicing 15% of the overall financial benefit. All participating authorities could, individually or by joining up, bid for resources to fund schemes designed to promote economic growth and sustainably increase the business rates base in the London region.
- 6.2 The Government's decision to cease the **pilot** in London reduces the financial benefits of continuing as a **pool**. Firstly, there would be less growth retention (67% versus 75% under the current scheme) and secondly, there would be a lower saving on levy payments, as the pool would pay a levy on growth (as all tariff areas would normally do). The financial benefit comes from the pool *overall* paying less in levy than the London tariff authorities would have paid individually.
- 6.3 Modelling undertaken by London Council's suggests a non-pilot pool of all London authorities including the GLA would produce a net financial benefit of approximately £25.4 million in 2020/21. This arises from the pool only paying a levy of £92.9 million on growth of 9% above baselines level, compared to individual payments totalling £118.3 million across the tariff authorities in the pool.

- 6.4 Given the comparatively small scale of financial benefit forecast compared to the existing scheme, the Leader's executive agreed to cease operating a SIP as the value was felt too low to support genuinely strategic investment.
- 6.5 Therefore the proposed operation of the Pool from 01/04/2020 will be:-
- Where there is sufficient retained income in the pool to guarantee it, each of the Participating Authorities shall receive at least as much from the Pool as they would have individually under the non-pooled 67% retention scheme;
 - The distribution of net additional benefit through growth in business rates collected in London arising from the pooling arrangement will be allocated to Billing Authorities on the basis of the following proportions:
 - 18% to incentivise growth by allowing the Billing Authorities where growth occurs to keep a proportion of the additional resources retained as a result of the Pool;
 - 41% to reflect each Billing Authority's share of the total the Settlement Funding Assessment for the London Billing Authorities;
 - 41% according to each Billing Authority's per capita formulation as calculated by the most recent available ONS projection for 2020 at the time of distribution; and
 - The GLA will be included in the 2020-21 pool however, the GLA shall not receive any of the financial benefit arising from pooling, as agreed by London Councils Leaders' Committee and the Mayor of London in October 2019.

Risks

- 6.6 Under a Pooling arrangement, all authorities share both the benefits but also the risks. The benefits arise from collectively paying less levy back to Government, and then sharing this benefit as agreed by the pool.
- 6.7 However, in theory, it is possible that one or more authority's business rates could decline to such an extent that it creates a net financial deficit in which the pool as a whole would collectively be worse off than the individual boroughs would have been in aggregate had the pool not existed.
- 6.8 Modelling suggests that this is very unlikely i.e. it would require a fall in overall rates of around 4.8% (around £400m). This is in the context of annual real terms growth of >2% over the last 6 years. More granular analysis based on the tariff authorities (those that generate a levy payment) has also been explored, which also confirms that the risk is low.
- 6.9 In the event of the Pool being in a worse position than the aggregate position had participating authorities not agreed to pool, any authority who would have qualified for a safety net payment had they not been part of the pool will be guaranteed to retain a level of business rates equal to their safety net level as calculated by government. The remaining net financial deficit will be shared among all Participating Authorities, with the GLA funding 36% and those remaining boroughs not receiving safety net payments funding the remaining 64%. The distribution will reflect the following proportions:

- 50% according each remaining Billing Authority's share of the total the Settlement Funding Assessment for the remaining Billing Authorities not receiving safety net payments;
- 50% according to each Billing Authority's per capita formulation as calculated by the most recent available ONS projection for 2020 at the time of distribution.

Operation of the Pool

- 6.10 The City of London Corporation (COLC) shall continue to act as the accountable body to Government and administer the Pool.
- 6.11 The GLA shall continue to provide transactional support to the COLC, including treasury management issues and making any monetary transfers between billing authorities in respect of the Pool on behalf of the Lead Authority including any sums due to the GLA.
- 6.12 A Memorandum of Understanding (MOU) between participating authorities sets out the terms by which the pool will operate and distribute any financial benefits(Appendix 1).

Dissolution of the Pool

- 6.13 The pool is presumed to continue to operate for 2020-21 only in respect of which the Government Designation Order continues in force. These Designation Orders are made and remain in force until revoked.
- 6.14 Any Participating Authority seeking to leave the Pool should inform MHCLG and all other Participating Authorities as soon as possible. In the event of one or more Participating Authorities leaving the Pool, this Pool would cease to operate at the end of 31st March of that year and the Pool would be dissolved in accordance with the provisions of this MOU.
- 6.15 Once the Pool has been established, any Participating Authority leaving the Pool must notify the other Participating Authorities by 30th September in any year, to allow the remaining Participating Authorities time to seek designation of a new pool for the following year.

7. Contribution to strategic outcomes

Acceptance of the proposed recommendation will support delivery of the following outcomes:

- A growing economy which provides opportunities for all our residents and supports our businesses to thrive
- We will be a council that uses its resources in a sustainable way to prioritise the needs of the most vulnerable residents

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance

There are some minimal costs associated with running and managing the Pool which have been estimated at between £2,000 and £3,000 per year for each authority. This will be topsliced from the forecast benefit (£0.4m) of participating in the scheme.

Although the change from a Pilot Pool to a Pool removes the assurance that no Authority would be worse off from participating, as described above in the Risks section, the likelihood of this happening is judged to be very low. Furthermore, the fact that the expected financial benefit is significantly less than under the Pilot Pool at only £0.4m, the impact of any under delivery is also significantly less material.

As exists under the current Pilot Pool scheme, the actual benefit realised by each authority is a product of the performance of all participating authorities and therefore the estimated benefit figure of £0.4m will not be confirmed until after the year closes. The monitoring of performance across the existing Pilot Pool has become increasingly refined since it's inception and the City of London provide forecasts during the year which will highlight, in a timely fashion, if the estimated benefit looks to be significantly over or under forecast. This will enable Haringey to actively manage any highlighted variance, thereby reducing the risk.

Procurement

There were no procurement implications.

Legal

The 32 London Boroughs and the Corporation of London are the billing authorities for non-domestic rates under the Local Government Finance Act 1988.

The Secretary of State has the power under paragraph 34 of Schedule 7B of the Local Government Finance Act 1988 to designate two or more "relevant authorities" as a pool of authorities. Relevant authorities is defined as a billing authority in England, or a major precepting authority in England (paragraph 45 of Schedule 7B). Schedule 5, Part 1 of the Non-domestic Rating (Rates Retention) Regulations 2013 lists the London Boroughs and the City of London Corporation as billing authorities.

Under paragraph 34 (2) of Schedule 7B, the Secretary of State may make a designation of a pool of authorities only if each authority covered by the designation has agreed to it.

Under section 111 of the Local Government Act 1972, the Council has power to do anything calculated to facilitate, or conducive or incidental to, the exercise of any of the Council's functions. This power is subject to the limitation that the Council may not raise money except in accordance with legislation relating to those matters. In the present case any money to be raised is to be raised in accordance with the relevant legislation. The Business Rates pool is designed

to achieve a better level of business rates income for the Council and is therefore compliant with this power.

The Council has power to enter into arrangements with billing authorities for the purposes of fulfilling the requirements of Schedule 7B for obtaining an order of the Secretary of State authorising the establishment of a business rates pool. The Memorandum of Understanding which it is proposed will be signed by the Director of Finance provides the mechanism by which these arrangements will operate. In order for the Council to participate in the pool it is necessary for the Council to formally approve this proposal and to accept the Secretary of State's designation.

Under paragraph 35 of Schedule 7B, designation of a pool of authorities requires the appointment of a Lead Authority. The City of London Corporation will perform this role and in order for this to happen. The Council needs to delegate its administrative functions as a billing authority pursuant to the Non-Domestic Rating (Rates Retention) Regulations 2013 to the City of London Corporation.

Under the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012 the Council may arrange for the discharge of its executive functions by another local authority or an executive of another local authority. The 2012 Regulations specify the persons with power to make the arrangements. Article 10.04 Part 2 of the Council's Constitution states that the Leader, or the Cabinet with the Leader's agreement, may delegate the Council's executive functions to another Local Authority.

Equality

The Council has a public sector equality duty under the Equalities Act (2010) to have due regard to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
- Advance equality of opportunity between people who share those protected characteristics and people who do not
- Foster good relations between people who share those characteristics and people who do not.

The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

The report proposes that Haringey join the GLA and all London boroughs to form a pool of retained business rates from 1st April 2020.

By working together, local authorities will be able to retain a greater proportion of business rates growth. This will help to provide additional resources to support local communities and strengthen the councils financial resilience.

The proposal to join a pool of retained business rates is not expected to have a disproportionate impact on any group with a protected characteristic. Should this change an Equalities Screening Tool and Assessment will be considered.

9. Use of Appendices

Appendix 1 – Memorandum of Understanding (MoU) on the London 67% business rates retention pool 2020/21

10. Local Government (Access to Information) Act 1985

London Business Rates Retention Pilot – 2018/19 (16/01/2019)

<http://www.minutes.haringey.gov.uk/documents/s98769/London%20Business%20Rates%20Retention%20Pilot%20Dec2017%20ver1.4%20FINAL.pdf>



dated 2020

The Greater London Authority
and
The London Boroughs
and
City of London Corporation
(together the Participating Authorities)

Memorandum of understanding

in relation to Extended London Business Rates Pool 2020/21

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1 **Background**

1.1 This Memorandum of Understanding (**MOU**) and the appendices which form part of the MOU sets out the basis on which the Participating Authorities have collectively agreed to continue to operate a Business Rates Pool across London and distribute the Financial Benefit. No provision within this MOU is intended to create any legal relations between the Participating Authorities.

1.2 The Participating Authorities agree to act collaboratively and to co-operate with each other in utmost good faith.

1.3 The Government designated a pan-London business rates pool in 2018-19, which piloted 100% retention in that year, and was revised to pilot 75% retention in 2019-20 (the Business Rates Pilots). It confirmed in September 2019 its intention not to renew the London pilot in 2020-21, and for London to revert back to the pre-existing 2017-18 67% retention scheme (which was a partial pilot, reflecting the incremental impact of the rolling in of the Greater London Authority's (**GLA**) Revenue Support Grant (**RSG**) and the Transport for London investment grant).

2 **Aim/Rationale of the Pool**

2.1 The Pool continues to aim to improve the well-being of the communities served by the Participating Authorities in London. By working together, they can retain a greater proportion of business rates Growth within London, providing additional resources to support local communities and strengthen financial resilience following a decade of significant funding reductions.

3 **Principles of the Pool**

3.1 The Participating Authorities hereby confirm their agreement to continue to participate in compliance with this MOU and confirm that they have resolved or intend to duly and

properly resolve to accept the Designation Order in satisfaction of Schedule 7B, Paragraph 34(2) of the Local Government Finance Act 1988 (**LGFA 1988**) and to enter into this MoU.

- 3.2 From 1 April 2020 the Participating Authorities shall retain 67% of their Non-Domestic Rating Income. The Participating Authorities shall also continue to receive Section 31 Grant from the Government in respect of changes to the business rates system. Section 31 Grant shall amount to 100% of the value of the lost income so will also be calculated on a 67% retention basis.
- 3.3 In returning to 67% rates retention, the Ministry of Housing, Communities and Local Government (**MHCLG**) will once again pay RSG to the Participating Authorities in 2020-21 with tariffs and top-ups reverting back to the levels calculated by government within the 2020-21 Local Government Finance Settlement that reflect the underlying 50% retention scheme, with a borough share of 30%. The GLA's tariff will be calculated based on its partial pilot of 37% retention, to reach the total 67% retention scheme.
- 3.4 The Safety Net level of the pool will be 92.5% of the aggregate Baseline Funding Level of the pool, and the Levy rate (reflecting the relative scale of the pool's aggregate Business Rates Baseline and Baseline Funding Level) is estimated to be 19 pence in the pound (the Final Local Government Finance Settlement will formally confirm the levy rate).
- 3.5 This Pool shall have no impact on Enterprise Zones or "designated areas" where the designations made by the Secretary of State came into force on or before 1 April 2020, along with other special arrangements, such as the statutory provision to reflect the unique circumstances of the City of London Corporation (**COLC**), as currently contained in Part II of Schedule 7 to the LGFA 1988 and paragraph 1(2) of Schedule 1 to the Non-Domestic Rating (Rates Retention) Regulations 2013/452.

4 **Term of MOU**

4.1 Subject to clause 4.2, this MOU comes into effect for the Non-Domestic Rating Income on 1 April 2020 and terminates on 31 March 2021 (the **Term**), unless otherwise agreed in writing by all the Participating Authorities or unless terminated in accordance with paragraph 9 below ("Dissolution of the Pool") or extended on the same basis for 2021-22.

4.2 Notwithstanding termination or expiry of the MOU Participating Authorities will continue to implement / operate any outstanding Activities agreed for the Term till such time as the Activities are complete, the annual report is issued and the final Reconciliation Payments are settled by the Lead Authority.

5 **Distribution of any Financial Benefit or Deficit**

5.1 This MOU shall constitute the agreement for the operation of the Pool in which:

5.1.1 Where there is sufficient retained income in the pool to guarantee it, each of the Participating Authorities shall receive at least as much from the Pool as they would have individually received under the non-pooled 67% retention scheme;

5.1.2 Any Financial Benefit will be distributed through the Redistribution Pots agreed by Participating Authorities in the former Business Rates Pilots. However, London Councils Leaders' Committee and the Mayor of London agreed to remove the Strategic Investment Pot (**SIP**) as a redistribution pot. The Financial Benefit will therefore be apportioned using the three remaining Redistribution Pots, in in the agreed proportions set out in clause 5.1.3 below

5.1.3 The distribution of Financial Benefit arising from the pooling arrangement will be allocated to Billing Authorities on the basis of the following proportions:

- (a) Incentives Pot: 18% of the Financial Benefit to incentivise Growth by allowing the Billing Authorities where Growth occurs to keep a proportion of the additional funds retained as a result of the Pool. The proportion shall reflect, for authorities with Growth, each Billing Authority's share of the total Growth prior to Levy;
- (b) Needs Pot: 41% of the Financial Benefit to reflect, as proxy for need, each Billing Authority's share of the total the Settlement Funding Assessment for the London Billing Authorities;
- (c) Population Pot: 41% of the Financial Benefit according to each Billing Authority's per capita formulation as calculated by the most recent available ONS projection for 2020 at the time of distribution.

5.1.4 The GLA will be included in the 2020-21 pool. However, the GLA shall not receive Financial Benefit arising from pooling (as discussed at the London Councils Leaders' Committee and with the Mayor of London in October 2019).

5.1.5 In the event of the Pool generating a Financial Deficit (being in a worse financial position than the aggregate position had Participating Authorities not agreed to pool), any Participating Authority who would have qualified for a Safety Net payment had they not been part of the Pool will be guaranteed to retain a level of business rates equal to their Safety Net level as calculated by government. The remaining net Financial Deficit will be shared among all Participating Authorities in accordance with approach agreed, with the GLA funding 36% of the Financial Deficit and the Billing

Authorities who would not have qualified for a Safety Net payment had they not been part of the Pool (the Remaining Billing Authorities) funding the remaining 64% of the Financial Deficit The distribution to the Remaining Billing Authorities of their 64% of a Financial Deficit will reflect the following proportions:

- (a) 50% of the Remaining Billing Authorities' share of a Financial Deficit according to each Remaining Billing Authority's share of the total Settlement Funding Assessment for the Remaining Billing Authorities (Needs Pot);
- (b) 50% of the Remaining Billing Authorities' share of a Financial Deficit according to each Remaining Billing Authority's per capita formulation as calculated by the most recent available ONS projection for 2020 at the time of distribution (Population Pot).

6 Lead Authority

6.1 COLC, as the Lead Authority, shall continue to act as the accountable body to Government and administer the Pool. The Participating Authorities hereby acknowledge that the Lead Authority is carrying out valuable services on behalf of the Participating Authorities, and that it is entitled to reimbursement of its reasonable costs and expenses in providing those services. This MOU makes provision for the reimbursement in the calculation of Financial Benefit.

6.2 The GLA shall provide transactional support to the Lead Authority, including administering and operating treasury management and making any monetary transfers between Participating Authorities in respect of the Pool on behalf of the Lead Authority including any sums due to the GLA.

6.3 These monetary transfers between Participating Authorities will be collected or paid by the GLA on the basis of a schedule of payments which will be determined by the GLA

in consultation with the COLC, reflecting the Government's Payment Requirements and scheduled instalment dates. which are prescribed in secondary legislation. (This reflects the fact that the GLA already has the systems in place to manage payment flows to and from Billing Authorities for the existing business rate retention scheme).

6.4 The GLA shall also transfer any sums required to COLC based on the schedule of instalments agreed with MHCLG so that COLC as Lead Authority can pay the net Tariff payment payable by the Pool as approved in the Local Government Finance Settlement.

6.5 COLC shall also transfer any sums COLC receives from MHCLG in Safety Net payments to the GLA so that the GLA can distribute this to Participating Authorities if applicable.

6.6 The Lead Authority's responsibilities shall include:

6.6.1 all accounting for the finances of the Pool and the balance of SIP funds remaining from prior years including payments to and from the Government;

6.6.2 management and administration of the Pool;

6.6.3 receiving payments from Participating Authorities and making payments to Government on behalf of Participating Authorities on time;

6.6.4 maintaining a cash account on behalf of the Pool and paying Interest on any credit balances;

6.6.5 liaising with and completing any formal Pool returns to central government;

6.6.6 administering the schedule of payments between Participating Authorities in respect of the financial transactions that form part of the Pool's resources;

- 6.6.7 providing the information required by Participating Authorities in preparing their annual statement of accounts in relation to the activities and resources of the Pool;
 - 6.6.8 leading on reporting to understand the Pool's position during and at the end of the financial year;
 - 6.6.9 responsibility for the Pool's net Tariff payment to Government as well as the Tariff and Top up payments to and from the Participating Authorities individually;
 - 6.6.10 all audit requirements in relation to the Pool;
 - 6.6.11 production of an annual report (**Annual Report**) of the Pool's Activities following final allocation of funds for the year, which along with any final reconciliation payments required, concludes the rights and obligations of the Participating Authorities under this MoU (unless it has been extended for a further financial year);
 - 6.6.12 the administration of the dissolution of the Pool;
 - 6.6.13 all communications with the MHCLG including year-end reconciliations;
 - 6.6.14 convening a Technical Group to advise the Lead Authority and Participating Authorities on the implications of the Pool and other proposed changes to business rates retention;
 - 6.6.15 the collation and submission of information required for planning and monitoring purposes.
- 6.7 The Lead Authority may resign from its role on 3 months' written notice to all the Participating Authorities (or longer if required by the Government or where another

Participating Authority is neither ready nor willing to assume the role of Lead Authority).

6.8 Transfers outside the pool relating to retained business rates (e.g. Section 31 Grant Payments, MHCLG's share of individual Billing Authority collection fund surpluses or deficits, MHCLG's share of business rates income and transitional protection payments) will continue to be made between MHCLG and Participating Authorities.

7 **Governance**

7.1 The Participating Authorities have resolved, if required, to delegate Administrative Functions in respect of their Powers in Relation to Business Rates Retention to COLC as the Lead Authority.

8 **Participating Authorities' responsibilities**

8.1 Each of the Participating Authorities shall promptly provide the Lead Authority with full and accurate relevant information (the "**Reporting Information**") in order to enable the Lead Authority to make payments to Government and to and from the Participating Authorities.

8.2 The Lead Authority shall request the Reporting Information and each Participating Authority shall provide timely Reporting Information to the Lead Authority.

8.3 Each Participating Authority shall make or receive payments to or from the Lead Authority based on the schedule of payments dates referred to in paragraph 6.2 and as required after the end of the financial year to settle any outstanding balances under this MOU.

9 **Dissolution of the Pool**

9.1 The pool is presumed to continue to operate for 2020-21 only in respect of which the Government Designation Order continues in force. These Designation Orders are made and remain in force until revoked.

- 9.2 Any Participating Authority seeking to leave the Pool should inform MHCLG and all other Participating Authorities as soon as possible. In the event of one or more Participating Authorities leaving the Pool, this Pool would cease to operate at the end of 31st March of that year and the Pool would be dissolved in accordance with the provisions of this MOU. Once the Pool has been established, any Participating Authority leaving the Pool must notify the other Participating Authorities by 30th September in any year, to allow the remaining Participating Authorities time to seek designation of a new pool for the following year.
- 9.3 The Lead Authority shall make the necessary calculations and submit the required returns associated with the dissolving of the Pool in accordance with paragraph 9.2.
- 9.4 In the event that the Pool is dissolved in accordance with paragraph 9.2, the Lead Authority shall distribute to the Participating Authorities any resources held on behalf of the Pool in accordance with the distribution formula set out at paragraph 5.1.2 above. The final balance of SIP funds shall be allocated in a further round, once the financial year of dissolution is completed and the amount finalised.
- 9.5 Subject to paragraph 6.7, COLC shall continue to act as Lead Authority for as long there are any outstanding responsibilities under this MoU.
- 9.6 The remaining Participating Authorities of the Pool may in their discretion agree to form a new pool and, if they wish, include new members for the following year (subject to a new Designation Order being made by the Secretary of State).
- 9.7 This MOU may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of the MOU.

Appendix 1

Glossary

Activity/ies	the activities and responsibilities of each of the Lead Authority and Participating Authorities as set out in this MOU.
Administrative Functions	the granting by one Participating Authority to another the authority to exercise its powers, pursuant to s101 Local Government Act 1972 or Section 9EA(1) of the Local Government Act 2000 where the Participating Authorities operate executive arrangements.
Annual Report	the annual report of the Participating Authorities' activities produced by the Lead Authority in accordance with clause 6.6.11.
Baseline Funding Level	the minimum funding level required for the relevant year in accordance with the Non-Domestic Rating (Levy and Safety Net) Regulations 2013 as amended.
Billing Authorit(y/ies)	the relevant billing authority, as defined by the Local Government Finance Act 1992 in London for a local area.
Business Rates Baseline	the anticipated business rates to be collected by an Participating Authority for the relevant year in accordance with the Non-Domestic Rating (Levy and Safety Net) Regulations 2013 as amended.
Business Rates Pilot	the pilot programme of Government aimed at increasing the level of business rates retained by local government.
Business Rates Pool	a collection of the combined business rates income and any growth by the Participating Authorities.
COLC	City of London Corporation.
Designation Order	an order made by the Secretary of State pursuant to paragraph 35, Part IX, Schedule 7B of The Local Government Finance Act 1988.

Enterprise Zones	areas designated by the Government across England (and for the purposes of this MOU in London specifically) that provide tax breaks and Government support.
Financial Benefit or Deficit	<p>is the total of:</p> <p>The Lead Authority's reasonable costs of supporting the Pool, accounted for on an accruals basis in accordance with the Code of Practice on Local Authority Accounting.</p> <p>The difference between the total of the Participating Authorities' retained rates income, calculated in accordance with the <i>Non-Domestic Rating (Levy and Safety Net) Regulations 2013 (as amended)</i> (the level they would have had had there been no Pool) and the total applicable to the Pool, similarly calculated.</p>
GLA	Greater London Authority.
Government	Her Majesty's Government in the United Kingdom.
Growth	the amount equal to the difference between a Participating Authority's retained rates income (as defined by the <i>Non-Domestic Rating (Levy and Safety Net) Regulations 2013 (as amended)</i>) and its business rates baseline (as similarly defined).
Interest	interest at such rate as is achieved during the relevant period by the Lead Authority, operating according to the treasury management strategy set by its members.
Lead Authority	COLC or such authority as may succeed COLC following a resignation by COLC pursuant to 6.7.
Levy	the amount (up to 50%) of the Growth due to Government from an authority or pool, calculated according to the <i>Non-Domestic Rating (Rates Retention and Levy and Safety Net) Regulations 2013/737 as amended</i> , and at the rate determined therein.
LGFA 1988	the Local Government Finance Act 1988 (as

	amended).
Local Government Finance Settlement	the annual determination by the Government of funding to local government, published pursuant to Schedule 7B, paragraph 5 of LGFA 1988.
Local Share	as described in Schedule 7B of the LGFA 1988, is the amount of non-domestic rating income retained by billing and precepting authorities in a geographical area, as opposed to returned to MHCLG via the Central Share.
MHCLG	the Ministry of Housing, Communities and Local Government.
Non-Domestic Rating Income	the Participating Authority's business rates income for the purposes of calculating the Safety Net and Levy, as defined in the Non-Domestic Rating (Rates Retention) Regulations 2013 (SI2013/452) (as amended).
Non-Domestic Rating Levy Regulations	the Non-Domestic Rating (Rates Retention and Levy and Safety Net) Regulations 2013/737 as amended.
Non-Domestic Rating (Rates Retention) Regulations 2013	Non-Domestic Rating (Rates Retention) Regulations 2013/452 as amended.
ONS	Office for National Statistics.
Participating Authorities	all the Authorities that are party to this MOU.
Payment Requirements	the schedule of payments described in Regulation 15 to the Non-Domestic Rating (Rates Retention) Regulations 2013/452 (as amended) or agreed between Participating Authorities in accordance with those regulations.
Pool	the specific Business Rates Pool as set out in this MOU.
Powers in Relation to Business Rates Retention	for Billing Authorities, powers under the Non-Domestic Rating (Rates Retention) Regulations 2013 to COLC acting as the Lead Authority; and for the GLA as a major precepting authority

Reconciliation Payment

under s.39(1)(aa) of the Local Government Finance Act 1992.

such payments as are required to adjust the amounts paid based on the GLA schedule as set out in clause 6.3 and the final amounts shown in the Annual Report.

Redistribution Pots

the four elements of the redistribution mechanism agreed between the Participating Authorities for the 2018-19 and 2019-20 Pilots:

- The **Incentives Pot** to incentivise growth by allowing the Billing Authorities where growth occurs to keep a proportion of the additional resources retained as a result of the Pool;
- The **Needs Pot** to reflect relative need for resources, using each Billing Authority's share of the total the Settlement Funding Assessment for the London Billing Authorities as a proxy;
- The **Population Pot** to reflect the size of the communities served by Participating Authorities.
- The **Strategic Investment Pot** to meet the commitment to Government to joint strategic investment by the Participating Authorities.

Remaining Billing Authority

means those Billing Authorities who would not have received a Safety Net payment had they not been in the Pool as set out in clause 5.1.6.

% Retention

is the proportion of non-domestic rating income retained under the *Non-Domestic Rating (Rates Retention) Regulations 2013 (as amended)*. At its outset, this allowed London Billing Authorities to retain 30% and the GLA, as preceptor, to retain 20%, a Local Share of 50%.

Revenue Support Grant or RSG

Revenue Support Grant, pursuant to Part V of

Safety Net

the LGFA 1988.

the amount due from Government to an Authority or Pool, calculated according to the Non-Domestic Rating (Rates Retention and Levy and Safety Net) Regulations 2013/737 as amended, to ensure that the income of the Authority or Pool does not fall below the threshold determined, usually 92.5% of Baseline Funding Level.

Section 31 Grant

the additional funding available for local authorities towards expenditure pursuant to section 31 of the Local Government Act 2003.

Settlement Funding Assessment

the funding assessed as available to an individual authority by Government, published each year as part of the Local Government Finance Settlement.

Strategic Investment

is that which will contribute to the sustainable growth of London's economy or support the delivery of new infrastructure, housing or employment, which leverage funding from other public and private sources (e.g. the local authority, planning obligations etc), and lead directly to or are expected to facilitate an increase in London's overall business rates income.

Strategic Investment Pot / SIP

the pot of funds for Strategic Investment under previous Business Rates Pilots.

Tariff or Top Up

the amount due to or from an authority or pool determined (under Schedule 7B, Paragraph 12 of LGFA 1988) by the Secretary of State, and published in the Local Government Finance Settlement, being the difference between its Baseline Funding Level and its Business Rates Baseline for the year.

Technical Group

a group of primarily finance and revenues professionals, membership to be agreed by the Lead Authority in consultation with the Participating Authorities, convened by the Lead Authority to advise on the implications of the Pool and other proposed changes to business rates retention.

Term

The term of this MOU as set out in clause 4.1.

10 **Signatories for and on behalf of the Participating Authorities below in their official capacity**

Greater London Authority	Name..... Position.....
The Common Council of the City of London	Name..... Position.....

The following London Boroughs:

London Borough of Barking and Dagenham	Name..... Position.....
London Borough of Barnet	Name..... Position.....

London Borough of Bexley	Name..... Position.....
London Borough of Brent	Name..... Position.....
London Borough of Bromley	Name..... Position.....
London Borough of Camden	Name..... Position.....
London Borough of Croydon	Name..... Position.....
London Borough of Ealing	Name..... Position.....

London Borough of Enfield	Name..... Position.....
London Borough of Greenwich	Name..... Position.....
London Borough of Hackney	Name..... Position.....
London Borough of Hammersmith and Fulham	Name..... Position.....
London Borough of Haringey	Name..... Position.....
London Borough of Harrow	Name..... Position.....

London Borough of Havering	Name..... Position.....
London Borough of Hillingdon	Name..... Position.....
London Borough of Hounslow	Name..... Position.....
London Borough of Islington	Name..... Position.....
London Borough of Kensington and Chelsea	Name..... Position.....
London Borough of Kingston upon Thames	Name..... Position.....

London Borough of Lambeth	Name..... Position.....
London Borough of Lewisham	Name..... Position.....
London Borough of Merton	Name..... Position.....
London Borough of Newham	Name..... Position.....
London Borough of Redbridge	Name..... Position.....
London Borough of Richmond upon Thames	Name..... Position.....

London Borough of Southwark	Name..... Position.....
London Borough of Sutton	Name..... Position.....
London Borough of Tower Hamlets	Name..... Position.....
London Borough of Waltham Forest	Name..... Position.....
London Borough of Wandsworth	Name..... Position.....
City of Westminster	Name..... Position.....

