



**Report to the Chief Finance Officer  
January 2018**

**Wards Affected: All**

**Officer Key Decision - London Business Rates Pool**

**1.0 Purpose of the Report**

- 1.1 To obtain from the Chief Finance Officer a decision in respect of the Designation Order issued by the Secretary of State designating the Council as an authority within the London Business Rates Pilot Pool pursuant to 34(7)(1) of Schedule 7B Local Government Finance Act 1988, which was delegated to him by Cabinet on 11 December 2017.

**2.0 Recommendation(s)**

- 2.1 To agree the Designation Order in Appendix A issued by the Secretary of State designating the Council as an authority within the London Business Rates Pilot Pool pursuant to 34(7)(1) of Schedule 7B Local Government Finance Act 1988;

**3.0 Detail**

- 3.1 On 11 December 2017 Cabinet decided in respect of participation by the council in the London Business rates Pilot Pool to:
- i. Agree, in principle, to participate in the London Business Rates Pilot Pool for one year with effect from 1 April 2018.
  - ii. Delegate to the Chief Finance Officer the decision whether to agree the Designation Order to be issued by the Secretary of State designating the Council as an authority within the London Business Rates Pilot Pool pursuant to 34(7)(1) of Schedule 7B Local Government Finance Act 1988;
  - iii. Authorise the Chief Finance Officer to enter into such Memorandum of Understanding with the participating authorities as may be necessary to implement and/or regulate the pool;
  - iv. 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, subject to agreement of the Designation Order by the Chief Finance Officer;

- v. Agree that the Leader of the Council will represent the authority in relation to consultations regarding the London Business Rates Pilot Pool as may be undertaken by the Lead Authority pursuant to the Memorandum of Understanding and that he will respond to the consultations.
- vi. Note that the Lead Authority may sub-contract certain ancillary administrative functions within the Pool to the GLA as it considers expedient.

3.2 This report seeks a decision from the Chief Finance Officer in respect of item ii.

3.3 Members will already be aware that Government funding for the Local Government sector is changing. There are currently three areas of focus for the Government in terms of core funding reform – the introduction of 100% business rates retention, consultation on a new fair funding formula which is now planned for 2020/21 and most recently the proposal for a Pan London business rates pool from April 2018. In terms of progress to date, a decision was taken by the Leader of the Council on 11 September that Brent would express an interest in participating in the Pan London business rates pool. At a meeting on 10 October 2017 of the London Councils Leaders' Committee and Congress of Leaders it was unanimously agreed by the GLA and all 33 London Boroughs that discussions with Government on a Business Rates Pool should commence. Since this date, discussions have continued and an agreement on both participation and the sharing of the financial benefits has now been reached. Confirmation of the proposal for a pilot of a Pan London Pool was subsequently announced as part of the 2017 Autumn Statement on 22 November.

3.4 A Pan London pool will mean that £470m of business rates income will be retained in London, which is £240m higher than the same assumptions that would result under the current scheme. This will mean that London will have greater control over the level of business rates that is generated in the Capital – sharing the risk locally but also sharing the benefits that growth generates. The latest modelling indicates that the net financial benefit to Brent of participating in the Pool is estimated to be £4.9m for 2018/19. This is based on estimates using forecasts from London Boroughs and therefore are illustrative and a lower set of figures is entirely possible. However, the example serves to illustrate the potential direct financial benefit of joining a pool on the pilot basis being offered.

3.5 The decision must be taken by individual authorities and in line with local decision making processes. All decisions to participate must be taken by 16 January 2018, which is 28 days after publication of the Provisional Local Government Finance Settlement on 19 December 2017. If any of the 33 authorities or the GLA decide to opt out within the 28 day time period then the pool will not proceed. As a result of the tight timescales and Brent's timetable of meetings, the decision will be taken by the Chief Finance Officer by way of this report. The final details will be confirmed in the 2018 Local Government Finance Settlement that will be published in February 2018. An update on progress will be included in the Budget Report 2018/19 to be presented to Cabinet on 12 February 2018.

#### **4.0 Financial Implications**

- 4.1 This report sets out Brent's plans to participate in a Pan London Pool to pilot 100% Business Rates Retention from 1 April 2018. In return for retaining 100% of the rates, Local Authorities will lose their Revenue Support Grant. For Brent this will have been £33.7m in 2018/19. Although earlier discussions had suggested that the dedicated Public Health Grant and the Improved Better Care Fund would also be rolled into the business rates retention scheme, it has now been confirmed that this proposal has been withdrawn at this stage and the Council will continue to receive these separate funding streams.
- 4.2 In financial terms, the pilot scheme will mean that London will retain an estimated £240m in business rates in the capital for strategic investment and for sharing across the 33 London Boroughs and the GLA. Brent's share of the benefit is estimated at £4.9m for 2018/19. This is based on estimates using forecasts from London Boroughs and therefore are illustrative and a lower set of figures is entirely possible. Members are asked to note that for financial planning purposes the additional income will not be confirmed until the Statement of Accounts for the Pool Collection Fund, managed by The City of London Corporation, has been finalised and audited in the summer of 2019.

## **5.0 Legal Implications**

- 5.1 The Secretary of State has the power to designate two or more "relevant authorities" as a pool of authorities for the purposes of the provisions of Schedule 7B of the Local Government Finance Act 1988. The authorities covered by the designation have to agree to the designation (para 34, sub-para (2)).
- 5.2 Local authorities have the power to enter into a Memorandum of Understanding (MOU) to record the governing arrangements between them including under section 111 of the Local Government Act (LGA) 1972. Approval of the MOU has been delegated to the Chief Finance Officer.
- 5.3 Although the functions of assessment, due consultation and approval of projects eligible for funding from the Pool's Strategic Investment Pot is delegated to the COLC it is important to note that this power can only be exercised if, following consultation with the participating authorities, at least two thirds of such participating London Boroughs (including the City of London Corporation) and the Mayor of London in favour of the relevant recommendation as agreed by the authorised representatives from each authority (in the case of the London Borough of Brent, this will be the Leader of the Council) and provided that no entire sub-region is in disagreement with the decision.

## **6.0 Equality Implications**

- 6.1 Under the Public Sector Equality Duty (PSED) of the Equality Act 2010, Brent Council is required in the exercise of its functions, to have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act,

- advance equality of opportunity between people who share a protected characteristic and those who do not, and
- foster good relations between people who share a protected characteristic and those who do not.

6.2 The nine protected characteristics are: age, disability, gender, gender identity, ethnicity/race, religion/belief, sexual orientation, pregnancy and maternity, marriage and civil partnership.

6.3 There are no equalities implications with regards to this decision.

**7.0 Consultation with Ward Members and Stakeholders**

7.1 Not applicable

**8.0 Human Resources/Property Implications (if appropriate)**

8.1 Not applicable

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Department for  
Communities and  
Local Government

Dr Peter Kane  
Chamberlain  
City of London Corporation  
P.O. Box 270  
Guildhall  
London  
EC2P 2EJ

19 December 2017

Dear Peter

Further to your application to form a 100% Business Rates Pilot, this is to confirm that, accordingly, the Secretary of State has agreed to invoke the London Business Rates Pool for the purposes of administering your pilot.

In accordance with paragraph 34 of Schedule 7B to the Local Government Finance Act 1988 ("the 1988 Act"), the Secretary of State designates the member authorities listed below as a pool of authorities for the purposes of the scheme for local retention of non-domestic rates under Schedule 7B to the 1988 Act:

- The Greater London Authority
  - The Common Council of the City of London; and
- The London Boroughs of:

- Barking and Dagenham
- Barnet
- Bexley
- Brent
- Bromley
- Camden
- Croydon
- Ealing
- Enfield
- Greenwich
- Hackney
- Hammersmith and Fulham
- Haringey
- Harrow

- Havering
- Hillingdon
- Hounslow
- Islington
- Kensington and Chelsea
- Kingston upon Thames
- Lambeth
- Lewisham
- Merton
- Newham
- Redbridge
- Richmond upon Thames
- Southwark
- Sutton
- Tower Hamlets
- Waltham Forest
- Wandsworth
- Westminster

All members of the pool have agreed to this designation and subject to the paragraphs below those authorities will be members of the pool for the financial year 2018/19.

The designation has effect for the year beginning 1st April 2018, for the 2018/19 financial year only, unless revoked.

This designation is made subject to the conditions below.

1. The authorities to which this designation relates must appoint a lead authority to exercise the following functions:
  - To make and receive, on behalf of the pool members, payments in respect of any top ups and tariffs, levy and safety net and safety net on account payments to and from the Department.
  - To make and receive payments between members of the pool as determined by the governance agreements.
  - Administration (including the operation of the dissolution arrangements) of the pool in accordance with the governance arrangements.
2. If this designation is revoked, the authorities covered by this designation must take the following step before the revocation takes effect:
  - Comply with the dissolution arrangements established in the pool's governance agreement.

Local authorities in the pool will have 28 days beginning with the date on which the draft Local Government Finance Report is published to consider if they wish to continue to be designated as a pool. Provided that no authority within the pool requests the Secretary of State to make a revocation during that period, the pool will come into effect on 1 April 2018, meaning that all local authorities covered by the designation will remain in the pool for the full financial year.

If a member of the pool decides it no longer wishes to be designated as part of a pool for 2018-19 it must notify DCLG using the e-mail address in the following paragraph. If a local authority exercises this option to request revocation of the designation before the cut-off date the rest of the pool cannot continue. The Secretary of State will then revoke this designation and the local authorities identified as part of this pool will revert to being considered as individual authorities for the purposes of the business rates retention scheme.

If there are any questions about the content of this letter and the enclosed designation please contact David Bull on 0303 444 1725 or at [David.Bull@communities.gsi.gov.uk](mailto:David.Bull@communities.gsi.gov.uk), as soon as possible.

Signed by authority of the Secretary of State for Communities and Local Government:



Sophie Broadfield

A member of the Senior Civil Service in the Department for Communities and Local Government

19 December 2017

