



## Report to the Chief Executive

9 January 2018

**Wards Affected: All**

### **Chief Executive Urgent Key Decision - London Business Rates Pool 19/20**

#### **1.0 Purpose of the Report**

- 1.1 To seek agreement that the council continue to be a member of the London Business Rates Pool pursuant to 34(7)(1) of Schedule 7B Local Government Finance Act 1988 and participate in the 75% retention pilot for the 2019-20 financial year.

#### **2.0 Recommendation(s)**

- 2.1 To determine in accordance with Standing Order 14(e) that this matter is urgent and that call in should be disallowed
- 2.2 To continue in the London Business Rates Pool pursuant to 34(7)(1) of Schedule 7B Local Government Finance Act 1988 and to participate in the 75% retention pilot for the 2019-20 financial year from 1 April 2019;
- 2.2 To note that the City of London Corporation, will continue to be the Lead Authority, for 2019-20;

#### **3.0 Detail**

- 3.1 The council agreed to be designated as a member of the London Business Rates Pool and to participate in the 2018/19 100% business rates retention pilot. That pilot ends on 31 March and a new pilot is proposed from 1 April 2019 for the 2019-20 financial year.
- 3.2 The provisional local government finance settlement issued on 13 December confirmed that authorities have 28 days from this date to confirm if they wish to opt out. The government has signalled that should any of the 34 participants not continue in the pool, the 2019/20 pilot will not go ahead.
- 3.3 As any decision to opt out of the pool must be notified by 10 January 2019, this decision is urgent. The Chief Executive is asked to determine in accordance with Standing Order 14(e) that call in should be disallowed. The agreement of the Chair of Resources and Public Realm Scrutiny to this has been obtained.

- 3.4 The primary benefits of the pilot are the ability to retain 75% of local growth in the business rates base across London, and the abolition of the levy on local growth, which outside of the pilot arrangement would see Brent pay 50% of our share of growth to government. London authorities will still pay a tariff based on the new baselines of need, which will be used to provide funding to top-up authorities across the country (whose share of business rates is lower than need).
- 3.5 Indicative figures suggest there would be an overall potential £200m net financial benefit, of which £30m would be top-sliced for the Strategic Investment Pot, the GLA's share would be £61m, and £109m would be distributed to London boroughs and the City of London. The indicative benefit for Brent would be in the region of £4m. This is based on financial modelling of estimates of growth expected from all London boroughs. As the figures are based on estimates they should be regarded as purely illustrative at this stage.
- 3.6 There will also be broader strategic benefits to developing London's governance arrangements, broadening our ability to influence government and the treasury and enhancing our position in future discussions regarding further devolution.
- 3.7 The high level terms under which the pilot will operate were agreed through a memorandum of understanding agreed by Secretary of State for Communities and Local Government, the Mayor of London, the Minister for London, and the Chair of London Councils, and is attached as **Appendix A**. The MOU is produced as a statement of intent and is not legally binding. It confirms that the City of London Corporation (COLC) will be the 'Lead Authority and Accountable Body' and will manage the pool's resources and financial interactions with the government.
- 3.8 The detailed pooling agreement that establishes the terms under which the pool will be governed and operate will be by a further Memorandum of Understanding (MOU) between the 34 pooling authorities, which is yet to be finalised. The authority's executive administrative function as a billing authority pursuant to the Non-Domestic Rating (Rates Retention) Regulations 2013 will remain delegated to the City of London Corporation, as the Lead Authority, for 2019-20.
- 3.9 The final prospectus is anticipated to be drafted on the same basis as the 2018/19 pilot, under which the four objectives proposed to inform the distribution of any aggregate financial benefit that may accrue from the pool are:
- a. **incentivising growth** (by allowing those boroughs where growth occurs to keep some proportion of the additional resources retained as a result of the pool) – 15%.
  - b. **recognising the contribution of all boroughs** (through a per capita allocation) – 35%.
  - c. **recognising need** (through the needs assessment formula) – 35%
  - d. **facilitating collective investment** (through an investment pot designed to promote economic growth and lever additional investment funding from other sources) – 15%.

- 3.10 Revenue support grant will be deleted for participating boroughs in exchange for higher business rates funding baselines in 2019/20, with net nil effect on underlying baseline income.
- 3.11 As set out above 15% of any retained growth will topsliced and allocated to a Strategic Investment Pot, as is the case in the 2018/19 pilot. This fund will be used for pan-London initiatives that contribute to the sustainable growth of London's economy which lead to an increase in London's overall business rates income. As with the pool overall, the COLC will be the Lead Authority for the Strategic Investment Pot. Decisions regarding its use will be taken formally by the COLC after consultation with all parties reflecting voting principles designed to protect mayoral, borough and sub-regional interests. Both the Mayor and a clear majority of the boroughs would have to agree; a majority would be defined as two-thirds of the 33 billing authorities (the 32 boroughs and the City of London), subject to the caveat that where all boroughs in a given sub-region disagreed, the decision would not be approved.
- 3.12 Throughout the council's financial planning it has been clear that the intention and expectation was that the council should remain in the London business rates pool on the basis set out in this report. The report also makes it clear, in line with the council's financial planning assumptions, that there are likely to be significant financial benefits from so doing and that the risk of loss is negligible, and would only occur under circumstances of very substantial and rapid reductions to the business rates base in which case the council would also suffer financially if it were not a member of the pool.
- 3.13 It is therefore clearly in the council's interest to remain in the pool. Moreover, the urgent decision is only required because MHCLG announced the provisional local government finance settlement late, imposing this deadline. The decision should therefore be regarded as an important procedural step, but one that merely confirms what the council has already built in to its financial planning assumptions.

## **4.0 Financial Implications**

- 4.1 This report sets out Brent's plans to participate in a Pan London Pool to pilot 75% Business Rates Retention from 1 April 2019. In moving to 75% business rates retention, Local Authorities will lose their Revenue Support Grant. For Brent this will have been £24.5m in 2019/20. However, each authority will receive at least as much from the pool as they would have individually under the existing retention scheme.
- 4.2 In financial terms, the pilot scheme will mean that London will retain an estimated £200m 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 £4.0m for 2019/20. 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 2020.

## **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 and all London Borough's agreed to the designation for the 2018-19 pilot. The designation remains in place for subsequent years unless an authority notifies the Secretary of State within 28 days of the Provisional Settlement that it wishes its designation to be revoked.
- 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 will remain 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 has been 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 Participation in the London rates pilot pool is not considered to have any implications for equalities.

## **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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### **Record of the decision:**

I have today decided to agree the recommendations set out in section 2 of this report for the reasons set out above.

Signed:

Carolyn Downs  
Chief Executive

Date: