

## LONDON BOROUGH OF CROYDON

To: Croydon Council website  
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### **STATEMENT OF EXECUTIVE DECISIONS MADE BY THE LEADER OF THE COUNCIL ON 5 JANUARY 2018**

This statement is produced in accordance with Regulation 13 of the Local Authorities (Executive Arrangements) Meetings and Access to Information) (England) Regulations 2012. Further to the associated public notice of key decisions no scrutiny call-in has been received, and therefore the following decisions can be implemented.

The following apply to the decisions listed below:

**Reasons for these decisions:** are contained in the attached Part A report

**Other options considered and rejected:** are contained in the attached Part A report

**Details of conflicts of Interest declared by the Cabinet Member:** none

**Note of dispensation granted by the head of paid service in relation to a declared conflict of interest by that Member:** none

**DECISION REFERENCE NO.: 0118LR**

**Decision Title: Entry into London Business Rates Retention Pooling Pilot – 2018-19**

Having carefully read and considered the attached Part A report, including the requirements of the Council's public sector equality duty in relation to the issues detailed in the body of the report, the Leader of the Council has agreed the following:

**Establishment of Governance Arrangements**

1.1 approve and accept the designation by the Secretary of State as an authority within the London Business Rates Pilot Pool pursuant to 34(7)(1) of Schedule 7B Local Government Finance Act 1988, as detailed in Appendix 1 of the report

1.2 participate in the London Business Rates Pilot Pool with effect from 1 April 2018 [to 31 March 2019];

1.3 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;

1.4 authorise the Lead Authority to sub-contract certain ancillary administrative functions regarding the financial transactions 'payment of tariffs and top-ups' within the Pool to the Greater London Authority (GLA) as it considers expedient;

#### Entry into the Memorandum of Understanding

1.5 delegate authority to the Chief Finance Officer [in consultation with the Cabinet Member for Finance and Treasury,] to agree the operational details of the pooling arrangements with the participating authorities;

1.6 authorise the Chief Finance Officer, [in consultation with the Council Solicitor to make any amendments to the Memorandum of Understanding (MOU), attached at Appendix 2 to the report, as may be required by the Secretary of State, and to enter into the final MOU on behalf of the authority;

#### Operation of the Pool:

1.7 represent the authority in relation to consultations regarding the London Business Rates Pilot Pool consultative as may be undertaken by the Lead Authority pursuant to the Memorandum of Understanding (MOU);

1.8 consider such consultative reports as the Lead Authority may circulate and to respond on behalf of the authority with regard to any recommendations and in particular, proposals for projects to be approved for funding from the Strategic Investment Pot (SIP);

1.9 delegate to the Lead Authority the functions of assessment, due consultation and approval of projects eligible for funding from the Pool's Strategic Investment Pot (SIP) following consultation with the participating authorities (provided that at least two thirds of such participating London Boroughs are (including the City of London Corporation) in favour of the relevant recommendation as well as the Mayor of London, and that no entire sub-region is in disagreement with the decision) on such terms and conditions as shall ensure value for money and compliance with the law.

Notice date: 01 February 2018

## For General Release

<b>REPORT TO:</b>	<b>LEADER OF THE COUNCIL, 5<sup>th</sup> January 2018</b>
<b>SUBJECT:</b>	<b>Entry into London Business Rates Retention Pooling Pilot – 2018-19</b>
<b>LEAD OFFICER:</b>	<b>Ian Geary, Head of Finance- Resources and Accountancy</b>
<b>CABINET MEMBER:</b>	<b>Councillor Simon Hall, Cabinet Member for Finance &amp; Treasury</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT/ AMBITIOUS FOR CROYDON:</b> Membership of the London Business Rates Retention pilot will bring significant opportunity for the Council to retain growth in business rates, helping to deliver services and achieve the council's policy objectives.	
<b>FINANCIAL IMPACT</b> The proposed London Business Rates Retention Pool pilot could yield significant financial gains to the council, whilst being protected from loss in the pilot phase.	
<b>KEY DECISION REFERENCE NO.: 0118LR</b>	

**The Leader of the Council has the power to make the decisions set out in the recommendations below:**

### **1. RECOMMENDATIONS**

Having carefully read and considered this report, the requirements of the Council's public sector equality duty and all other relevant matters, in relation to the issues detailed in the body of the report, the Leader of the Council is recommended to:-

#### Establishment of Governance Arrangements

- 1.1 approve and accept the designation by the Secretary of State as an authority within the London Business Rates Pilot Pool pursuant to 34(7)(1) of Schedule 7B Local Government Finance Act 1988, as detailed in Appendix 1
- 1.2 participate in the London Business Rates Pilot Pool with effect from 1 April 2018 [to 31 March 2019];
- 1.3 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;
- 1.4 authorise the Lead Authority to sub-contract certain ancillary administrative

functions regarding the financial transactions 'payment of tariffs and top-ups' within the Pool to the Greater London Authority (GLA) as it considers expedient;

#### Entry into the Memorandum of Understanding

- 1.5 delegate authority to the Chief Finance Officer [in consultation with the Cabinet Member for Finance and Treasury,] to agree the operational details of the pooling arrangements with the participating authorities;
- 1.6 authorise the Chief Finance Officer, [in consultation with the Council Solicitor to make any amendments to the Memorandum of Understanding (MOU), attached at Appendix 2 to the report, as may be required by the Secretary of State, and to enter into the final MOU on behalf of the authority;

#### Operation of the Pool:

- 1.7 represent the authority in relation to consultations regarding the London Business Rates Pilot Pool consultative as may be undertaken by the Lead Authority pursuant to the Memorandum of Understanding (MOU);
- 1.8 consider such consultative reports as the Lead Authority may circulate and to respond on behalf of the authority with regard to any recommendations and in particular, proposals for projects to be approved for funding from the Strategic Investment Pot (SIP);
- 1.9 delegate to the Lead Authority the functions of assessment, due consultation and approval of projects eligible for funding from the Pool's Strategic Investment Pot (SIP) following consultation with the participating authorities (provided that at least two thirds of such participating London Boroughs are (including the City of London Corporation) in favour of the relevant recommendation as well as the Mayor of London, and that no entire sub-region is in disagreement with the decision) on such terms and conditions as shall ensure value for money and compliance with the law.

## **2. EXECUTIVE SUMMARY**

- 2.1 This report sets out a significant change to the method by which National Non Domestic Rates (business rates) income is distributed to Councils within London.
- 2.2 This pool will also coincide with a pilot scheme for Councils and the GLA to retain of 100% of business rates income.
- 2.3 These arrangements provide scope for councils in London to gain from growth around London through a direct sharing of funds, as well as additional funding for infrastructure to promote future growth. Gains across London are estimated at £240m in the first year (2018/19).

- 2.4 The mechanism for sharing growth is set out in a Memorandum of Understanding (MOU) that will be signed by all participating councils upon approval (Appendix 2).

### **3. BACKGROUND INFORMATION**

- 3.1 A business rates pool is formed by a designation from the Secretary of State. It allows all authorities within the pool to be treated as a single entity from the point of view of the Department for Communities and Local Government (CLG).
- 3.2 The current rates retention regime adopted in 2013/14, allows Councils in London to retain 30% of business rates, along with a decreasing amount of Revenue Support Grant (RSG), and a “top up” amount, calculated so that Croydon remains funded at a pre-determined baseline. The GLA receive 37% of the business rates collected, with the remainder (33%) being paid to the CLG.
- 3.3 In the current system, Councils are divided into either: tariff authorities, where their baseline is below their share of actual business rates collected; or a top up authority, where the baseline is above the share of actual business rates collected. Where a tariff authority sees business rates growth above their baseline, 50% of any growth is paid back to the government in the form of a levy.
- 3.4 The proposed pooling pilot will see Councils in London retain 100% of business rates collected, but more importantly, growth above the baseline amount will be retained, and shared across London instead of being repaid to the CLG as a levy.
- 3.5 The proposal will see Croydon’s RSG rolled up into the 100% retention, and the top up grant reduced. Table 1 shows the indicative changes to the Council’s funding in 2018-19 as a result of the 100% rates retention pilot:

**Table 1 – changes to funding baselines**

Funding Baseline	2017/18 £m	2018/19 £m
Revenue Support Grant	32.577	0.000
NNDR Baseline Funding Level	69.148	94.526
<b>Headline Settlement Funding Assessment</b>	<b>101.725</b>	<b>94.526</b>
<i>NNDR funding made up of:</i>		
Baseline Business Rates Share	37.191	82.413
Top Up Grant	31.956	12.114

Note: this table includes a planned reduction in core funding, as previously set out in the Local Government Funding Settlement.

- 3.6 This report sets out the specifics of this proposal, the mechanics of operating it as well as details of how benefits will be shared across London

#### **4. POOLING DESIGNATION**

- 4.1 The Secretary of State has power to designate two or more relevant authorities as a pool of authorities for the purposes of the provisions of the Local Government Finance Act 1988 Schedule 7B. A 'relevant authority' is defined as (a) a billing authority in England or (b) a major precepting authority in England.
- 4.2 Appendix 1 contains the Designation Order dated 19 December 2017, which has been made in respect of the 32 London boroughs, as well as the City of London Corporation (COLC) and the Greater London Authority (GLA). This report recommends that Croydon Council approve and accept that the designation by the Secretary of State continue, and so become a part of the London Business Rates Pool in 2018/19. The Designation Order has effect for the 2018/19 financial year only.
- 4.3 The Lead Authority for the pool will be the City of London Corporation (COLC).
- 4.4 The proposed designation will come into effect on 1 April 2018 unless any Councils decide not to join. If an authority does decide to withdraw before 16 January 2018, the pooling proposal will not be able to continue.

#### **5. LEGAL FRAMEWORK AND GOVERNANCE OPTIONS**

- 5.1 There is nothing in legislation (except as may be included in a condition by the Secretary of State under a Designation Order), which would require a pooling arrangement to assume a particular legal structure or corporate form. Five potential options were considered for managing the governance arrangements around the proposed pooling arrangement and decision making process. They were:

- 1) Establishing a Joint Committee under the Local Government Act 1972, sections 101/102
  - 2) Delegation of functions as a billing authority to the City of London Corporation (COLC) under the Local Government Act 1972, section 101 in consultation with participating authority members – operated by a non-legally binding Memorandum of Understanding (MOU)
  - 3) Delegation of our functions as a billing authority to the COLC, in consultation with participating authority officers – operated by a non-legally binding MOU
  - 4) Establishing a separate corporate vehicle, such as a limited company, or
  - 5) Establishing an Economic Prosperity Board.
- 5.2 Under current legislation a Joint Committee Structure (Option 1) could not accommodate voting other than by simple majority. A decision making forum of participating authority officers (Option 3) would disenfranchise elected members from due consideration and involvement in the decisions of the pool regarding the allocation of Strategic Investment Pot (SIP) to individual projects. An Economic Prosperity Board (EPB) model (Option 5) would not appear to be viable at this stage, as it would require an order from the Secretary of State, and its area would overlap with the existing West London EPB. Nor would an incorporated structure (Option 4) appear a viable option, as it has no precedent and is likely to take too long to agree within the timescale available.
- 5.3 Option 2 is therefore considered the most appropriate, as it affords more flexibility and would appear to have the most support based on discussions held to date via London Councils.
- 5.4 Under Option 2 the arrangement would be documented by a non-legally binding MOU. It would involve individual local authorities delegating authority to the City of London Corporation (COLC), as the Lead Authority, to take decisions on the allocation of the Strategic Investment Pot (SIP) in consultation with the other 33 participating authorities. As some London Boroughs and the COLC do not currently operate the executive arrangements, those authorities cannot lawfully delegate decisions to single elected members. Therefore a meeting comprising of elected members would need to be consultative in nature, to enable all participating authorities to participate in the same way.
- 5.5 The Lead Authority would consult with all individual participating London Authorities, including the GLA, before making any decisions to allocate funds from the SIP to projects. The Lead Authority would only decide to approve projects for the SIP funding where both the GLA and two thirds, or more, of the other participating authorities had (assuming no sub-region unanimously disagreed) already voted in favour of the project.
- 5.6 Currently the only governance model which could incorporate this level of approval and enable all participating authorities elected members to participate in the same way, whilst accommodating participating authorities' diverse constitutional structures is Option 2.

## **6. THE MEMORANDUM OF UNDERSTANDING (MOU)**

- 6.1 Appendix 2 contains the draft Memorandum of Understanding (MOU) in relation to the London Business Rates Pool and sets out the basis on which the participating authorities have collectively agreed to operate the Pool and distribute the financial benefits. Recommendation 6 of this report is that Croydon Council agree to this, without which the pool will be unable to operate effectively, to authorize the Chief Finance Officer to enter into the MOU on behalf of the Council and to make any amendments as may be required by the Secretary of State.
- 6.2 The Designation Order (Appendix 1) provides that the 100% Business Rates Retention pool across London authorities will have effect for the financial year beginning 1 April 2018 only, unless revoked. If the Designation Order is revoked, the dissolution arrangements set out in paragraph 11 of the MOU will apply.
- 6.3 In the event that the Pilot is continued beyond the financial year 2018/19 and a further Designation Order made by the Secretary of State, the MOU provides that the Pool will continue up to 31 March 2020.
- 6.4 If the Council wished to leave the Pool notice must be given to the CLG and all other Participating Authorities. The Pool would then cease to operate on the 31 March of that year.
- 6.5 Notice must be sent to other participating authorities by 30 September in any year to allow the remaining authorities' time to seek designation of a new Pool for the following year (paragraph 11.2 of the MOU).

#### **Distribution of any financial benefit**

- 6.6 The agreement provides that Croydon shall receive at least as much from the Pool as we would have under the 67% retention scheme (see paragraph 6.1.1 of Appendix 2) – 67% being Croydon's current 30% share, and the GLA's 37% share.
- 6.7 The distribution of net additional benefit through growth in business rates collected in London is to be allocated to Croydon and other participating authorities on the basis of the proportions set out in Appendix 2, paragraph 6.1.2 (a) – (d)
- (a) 15% to incentivise growth
  - (b) 35% to reflect the Settlement Funding Assessment
  - (c) 35% according to our per capita formulation calculated by the Office of National Statistics projection for the relevant year
  - (d) 15% for the Strategic Investment Pot (SIP) (paragraph 6.1.2)
- 6.8 To ensure resources are not top sliced for the SIP the GLA will be allocated 36% of each of the sums falling within (a) – (c) above to be shared between the GLA and the London authorities in the ratio 36:64 (paragraph 6.1.3).

#### **Delegation of executive functions, and role of the lead authority**

- 6.9 The proposed arrangement requires the Council to delegate its functions and



powers as billing authority under the Non Domestic Rate Retention (NDRR) Regulations 2013 to the City of London Corporation (COLC), who will act as Lead Authority (paragraph 7)

- 6.10 As Lead Authority the COLC will be accountable to the government and administer the Pool and provide a secretariat for assessing SIP applications (paragraphs 8.1, 8.3, 8.4, 8.5)
- 6.11 Transitional support will be provided by the GLA including treasury management and making monetary transfers between billing authorities (paragraph 8.2)
- 6.12 The COLC may resign from the role of Lead Authority on 3 months written notice to all participating authorities or longer if the government requires or another authority is neither willing nor ready to assume the role (paragraph 8.6).

### **Croydon Council's responsibilities**

- 6.13 In signing this MOU, the Council agrees to provide full and accurate information to the Lead Authority.
- 6.14 The Council also agrees to make and receive payments on the basis of a schedule of payments to be determined by the City of London Corporation in agreement with the Pool (Paragraph 8.2).

### **Strategic investment pot (SIP)**

- 6.15 The City of London Corporation shall decide which projects shall be allocated SIP funding following consultation with the GLA and the London Boroughs.
- 6.16 Criteria for spending of the SIP is set out in the agreement in paragraph 10.3. The criteria is defined as projects which:
  - Contribute to the sustainable growth of London's economy
  - Leverage additional investment funding from other private or public sources; and
  - Have broad support across London government
- 6.17 Board support across London is defined in paragraph 10.4 as follows:
  - Both the GLA and the 'majority' of the London Local Authorities shall have agreed to recommend a SI Project for approval
  - "majority" constitutes 2/3 of the London Authorities save that where all participating authorities in a single sub-region disagree the decision shall not be deemed agreed
  - If no majority consensus on allocation of the SIP to SI Projects can be agreed to enable the Lead Authority to make a decision then the available resources in the SIP shall be rolled forward for future consideration.
- 6.18 Therefore decisions are based on a majority vote across the Pool however there is a sub-regional veto which for the purposes of Croydon Council

includes:

- Croydon Council, Kingston upon Thames, Merton, Richmond upon Thames and Sutton.

6.19 Decisions on SIP allocation will be taken twice a year to coincide with meetings of the Congress of Leaders and the Mayor of London.

6.20 It is proposed that the Cabinet Member for Finance and Treasury represent the Council in relation to consultation by the Lead Authority under the MOU and to respond on behalf of the Council with regard to any recommendations and in particular proposals for projects to be approved for funding from the SIP.

## 7. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

7.1 Revenue and Capital consequences of report recommendations

	Current year	Medium Term Financial Strategy – 3 year forecast		
	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
<b>Revenue Budget available</b>				
Expenditure				
Income				
<b>Effect of decision from report</b>				
Expenditure				
Income				
<b>Remaining budget</b>	0	0	0	0

7.2 The effect of the decision

The decision to enter into the London Business Rates Pool and 100% rates retention pilot will enable the Council to share in the business rates gains across the capital, estimated at £240m in the first year.

These gains will be split on the basis set out in paragraph 6.2. It is not possible to state the exact amount that Croydon Council will receive, as benefits will be distributed upon finalization of 2018/19's collection fund (Summer 2019). Benefits will be both direct payments to the authority from pool gains, as well as potential access to the strategic investment pot. The current estimate is £4.4m based on growth estimates for 2018/19 across London. There is a high degree of uncertainty in these estimates.

It should be noted that Croydon's proposed growth zone will not be affected by the 100% rates retention proposal, and will continue to retain gains in business rates over the life of the growth zone.

7.3 Risks

Authorities are currently exposed to 30% of the risk on changes in the business rates base (i.e. demolitions, reductions in ratable value, appeal losses, bad debt) which adversely impact the authority's revenue position. Moving to 100% retention heightens this risk, as the CLG will no longer absorb a share of the risk.

This risk is offset by the safety net threshold being raised. Currently councils receive safety net support if their business rates funding falls below 92.5% of their baseline (protects against losses over 7.5%). The Pilot proposals reduced this threshold to 97%, protecting against a 3% loss.

However, the authority is protected against financial risk of being a pool member as a key principle of the pool is that no authority will be worse off than they would have been were they not to be within the pool. Therefore, there is no risk in 2018/19 regarding the Council's membership of the pool: but not being in the pool would see the Capital lose the opportunity to share the estimated growth.

#### 7.4 Future savings/efficiencies

It is anticipated there will be significant gains across London arising from the 100% retention of Business Rates.

Approved by: Ian Geary, Head of Finance – Resources & Accountancy

## 8. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

### 8.1 Executive function

The decision to participate in a business rates pool pilot, entry into a MOU and appointment of a representative for consultative purposes are Executive functions under the Local Government Act 2000 section 9D(2) and section 9E.

Authorisation is required:

- to participate in the pilot as a billing authority under the Non-Domestic Rates (Rates Retention) Regulations 2013;
- to delegate the Council's functions as a billing authority under the Non-Domestic Rates (Rates Retention) Regulations 2013 to the City of London Corporation (COLC);
- enter into the MOU;
- delegate to the City of London Corporation as Lead Authority the function of assessment, due consultation and approval of projects eligible for funding from the Strategic Investment Pot (SIP) and to;
- authorise the Cabinet Member for Finance and Treasury to represent the authority in relation to consultations by the Lead Authority.

### 8.2 Key decision

A 'Key Decision' is defined in Article 13.3(d) Part 2 of the Constitution as a decision which is likely to:

- (i) Result in the Council incurring or making savings of more than £1m or such smaller sum which the decision taker considers is significant having regard to the Council's budget is significant having regard to the Council's budget for the service or function in which the decision relates; or
- (ii) Be significant in terms of its effects on communities living or working in an area comprising 2 or more Wards in the Borough.

This is a Key Decision.

### 8.3 Notice period

Article 30 provides that a Key Decision cannot be taken unless 28 days' notice has been given of the proposed decision. Notice of the Council's intention to make the decisions recommended by this report was given on 8<sup>th</sup> December 2017.

### 8.4 Call in

Key Decisions are subject to call in after they have been made but before they are implemented. This would prevent implementation of the decision until after 13:00 hours on the 6<sup>th</sup> working day following the day upon which the decision was taken unless referred to the Scrutiny and Overview Committee.

### 8.5 Leader and Cabinet decision making

The Executive Procedure Rules provide in Part 4D that Executive decisions can be made by the Leader who may delegate to Cabinet as a whole, the appropriate Cabinet Member, the Chief Executive or an Executive Director.

Para 1.1 specifically provides in relation to Key Decisions that they may only be taken by the Leader, the Cabinet, a Cabinet Committee, the Chief Executive in case of urgency, or by a Cabinet Member or Officer using powers as specifically delegated by the Leader.

The Leaders Scheme of Delegation is set out in Part 6C of the Constitution.

### 8.6 Governance arrangements

There is nothing in legislation (except as may be included in a condition by the Secretary of State under a Designation Order) which would require a pooling agreement to assume a particular legal structure or corporate form.

The Cabinet Member will see from paragraph 5, five options were originally considered. The recommendation is to proceed with Option 2 involving delegation of the Council's administrative functions as billing authority under the Non-Domestic Rating (Rates Retention) Regulations 2013 to the City of London Corporation (COLC) under the Local Government Act 1972 section 101, operated by a non-legally binding Memorandum of Understanding (MOU) under the Local Government Act section 111, setting out arrangements for the implementation/regulation of the pool and consultation with participating authorities in relation to distribution arrangements and decision making.

## 8.7 Memorandum of Understanding (MOU)

A pooling arrangement can be operated by agreement between the relevant authorities, whether as a non-legally binding MOU; a more detailed formal legally binding contract or possibly, a hybrid arrangement where some provisions are expressed to be legally/contractually binding and others are included as expressions of general intent as to the protocols to be followed. Given the constrained timescale a MOU is the most realistic option for documenting the governance arrangements and it also has precedent in other pools.

Local authorities have the power to enter into a MOU to record the governing arrangements between them including under the Local Government Act 1972 section 111.

Approved by: Sandra Herbert Head of Litigation and Corporate Law and Deputy Monitoring Officer on behalf of the Director of Law and Monitoring Officer.

## 9. **HUMAN RESOURCES IMPACT**

9.1 There are no Human Resources implications arising directly from this report.

Approved by: Colin Chadwick, on behalf of Sue Moorman, Director of Human Resources

## 10. **EQUALITIES IMPACT**

10.1 Public Sector Equality Impact Assessment (EIA) has not been necessary as the public sector equality duty (PSED) is not engaged. However, it is anticipated that the PSED may be engaged on individual projects, included by the SIP where EIAs will be a condition of project approval and allocation.

## 11. **ENVIRONMENTAL IMPACT**

11.1 None

## 12. **CRIME AND DISORDER REDUCTION IMPACT**

12.1 None

## 13. **REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

13.1 To ensure available funding is passed to Croydon businesses effectively.

## 14. **OPTIONS CONSIDERED AND REJECTED**

14.1 **Option 1- choose to with draw from the pool and not agree to the MOU**

This would see Croydon, and the capital lose the opportunity to gain from additional business rates. This option is not recommended.

**Option 2 – agree to the pooling proposal and MOU**

This option is recommended, as there is no direct financial risk in year 1, but brings considerable opportunity to gain from retained business rates.

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**CONTACT OFFICER:** [Ian Geary, Head of Finance – Resources & Accountancy, Ext. 63046]

**APPENDICES TO THIS REPORT**

Designation Order dated 19 December 2017 (Appendix 1)

Memorandum of Understanding (Appendix 2)



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



**dated 12 December 2017**

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

**Memorandum of understanding**  
in relation to London Business Rates Pool

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**trowers & hamlins**

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# London Business Rates Pool

## Memorandum of Understanding

**THE GREATER LONDON AUTHORITY  
and  
THE LONDON BOROUGHS  
and  
THE CITY OF LONDON CORPORATION  
(together the "Participating Authorities")**

### 1 Legal Effect and Definitions

1.1 This Memorandum of Understanding is produced as a Statement of Intent by the Participating Authorities and shall not be legally binding.

**COLC** means the City of London Corporation, acting by the Common Council in its capacity as a local authority and billing authority;

**DCLG** means the Department for Communities and Local Government;

**Designation Order** means the designation order made by the Secretary of State for Communities and Local Government pursuant to his/her powers under Schedule 7B, Paragraph 34 of the LGFA 1988 a draft of which is annexed at Appendix 1;

**Government** means Her Majesty's Government of the United Kingdom;

**Lead Authority and Accountable Body** means the City of London Corporation acting in its capacity as a local authority and a Participating Authority who shall act as the Accountable Body and lead in managing the Pool's resources, day-to-day financial management of the Pool and the financial interactions with the Government in relation to the Pool and shall constitute the key contact between the Government and the Pool;

**Leaders** mean the leaders (including elected Mayors where applicable) of the Participating Authorities or, in the case of the COLC, the Chairman of the Policy and Resources Committee of the Common Council;

**LGFA 1988** means the Local Government Finance Act 1988 (as amended);

**London Boroughs** means the 32 London boroughs as set out at Appendix 2;

**London Local Authorities** means the London Boroughs and the City of London Corporation in its capacity as a local authority;

**NDR Levy Regulations** means Non-Domestic Rating (Levy and Safety Net) Regulations 2013 (SI 2013/737) (as amended);

**NDRR Retention Regulations** means Non-Domestic Rating (Rates Retention) Regulations 2013 (SI 2013/452) (as amended);

**ONS** means Office for National Statistics;

**Participating Authorities** means the London Boroughs, the City of London Corporation (**COLC**) acting in its capacity as a local authority and the Greater London Authority (**GLA**) (and **Participating Authority** shall be construed accordingly);

**Pool** means the London business rates pool for 2018-19 between the Participating Authorities in accordance with this Memorandum of Understanding;

**Section 31 Grant** means grant paid by a Minister of the Crown to a local authority in England in accordance with section 31 of the Local Government Act 2003;

**Strategic Investment Pot (SIP)** means the funds made available for strategic investment pursuant to top slicing in accordance with paragraph 6.1.3 which shall be used by the Participating Authorities following the Lead Authority's approval to fund projects that will deliver economic growth for London;

**Strategic Investment Projects** means projects which are potentially eligible for strategic investment from the SIP.

## 2 **Background**

2.1 This Memorandum of Understanding (**MOU**) between the Participating Authorities sets out the basis on which the Participating Authorities have collectively agreed to operate the Pool and distribute the financial benefits. No provision with this MOU is intended to create any legal relations between the Participating Authorities.

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

2.3 Autumn Budget 2017 confirmed government commitment to the London Business Rates retention pilot for 2018/19. This was formally confirmed in a Memorandum of Understanding on the London 100% business rates retention pilot 2018/19 signed by the

Mayor, the Chair of London Councils, the Minister for London and Secretary of State for Communities and Local Government.

- 2.4 The Government has prepared the draft Designation Order attached at Appendix 1 to this Memorandum of Understanding, which establishes the Pool, and shall reflect this in the Provisional Local Government Finance Settlement in December 2017.
- 2.5 The Government is committed to giving the Participating Authorities greater control over the revenues they raise. Subject to the evaluation of the Pilot, the Government will work with London Local Authorities and the GLA to explore the options for grants including, but not limited to: Public Health Grant and the Improved Better Care Fund being transferred to the Pool; the potential for transferring properties in London on the central list to the local list where appropriate; and legislative changes needed to develop a joint committee model for future governance of a London pool.
- 2.6 The Government shall undertake a qualitative evaluation of the progress of the Pool based on the current research programme for the existing business rate retention pilots, with additional focus on the governance mechanism and decision-making process, and the scale of resources dedicated to strategic investment.
- 2.7 Subject to an evaluation of the governance mechanism for the Pool (see paragraph 7), the Government shall explore legislative changes needed to develop a joint committee model in future.

### **3 Aim/Rationale of the Pool**

- 3.1 The Pool will aim to improve the well-being of the communities the Participating Authorities serve in London. By working together, they can retain a greater proportion of business rate growth within London, providing opportunities to further economic growth as well as building financial resilience.

### **4 Principles of the Pilot Pool**

- 4.1 The Participating Authorities hereby confirm their agreement 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 LGFA 1988.
- 4.2 From 1 April 2018 the Participating Authorities shall retain 100% of their non-domestic rating income<sup>1</sup>. The Participating Authorities shall also receive Section 31 Grant from the

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<sup>1</sup> As defined in the Non-Domestic Rating (Rates Retention) Regulations 2013 (SI2013/452) (as amended).

Government in respect of changes to the business rates system. Section 31 Grant shall amount to 100% of the value of the lost income.

- 4.3 In moving to 100% rates retention, the DCLG shall not pay Revenue Support Grant (**RSG**) to the London Local Authorities in 2018/19. The equivalent value of the notional RSG in 2018/19 is set out in Appendix 3. Tariffs and top-ups will be adjusted accordingly to reflect both the 100% retention of rating income and higher funding baselines.
- 4.4 The Participating Authorities shall not be subject to more onerous rules or constraints under the 100% rates retention Pilot than they would have been if they had remained subject to the 67% retention scheme in place in 2017-18 (which reflects the incremental impact of the GLA's partial pilot as a result of the rolling in of the GLA's RSG and the Transport for London investment grant). No "new burdens" will be transferred to the Participating Authorities and participation in the Pilot will not affect the development or implementation of the Fair Funding Review.
- 4.5 Levy and safety net payments due from/to the Pool shall be calculated in accordance with the NDR Levy Regulations, as if the Participating Authorities were not 100% pilots, but instead were operating under the 50% rates retention scheme adjusted for the GLA's partial pilot for 2017-18 which is continuing as part of the Pool and increased the locally retained share to 67%.
- 4.6 However, notwithstanding the calculation of levy and safety net payments under the NDR Levy Regulations, the Government shall calculate levy and safety net payments due from/to the Pool on the basis that it has a "zero levy rate" and "safety net threshold" of 97%, and that the Participating Authorities will be retaining 100% of London's business rates income. The difference between any sums due under this calculation and the levy/safety net due shall be paid to the Pool via a Section 31 Grant.
- 4.7 This Pool shall be without detriment to the resources that would have been available collectively to the Participating Authorities under the current local government finance regime, over the four-year settlement period. This includes current 67% scheme growth, and reflects Enterprise Zones and "designated areas" where the designations made by the Secretary of State came into force on or before 1 April 2018, along with other special arrangements, such as the statutory provision to reflect the unique circumstances of the COLC, as currently contained in Part II of Schedule 7 to the Local Government Finance Act 1988 and paragraph 1(2) of Schedule 1 to the Non-Domestic Rating (Rates Retention) Regulations 2013.

5 **Term of MOU**

5.1 This MOU comes into effect from 1 April 2018 and shall continue to be in place unless terminated in accordance with paragraph 5.2 and 11 below ("Dissolution of the Pool").

5.2 Were the Pilot to be revoked or the Government to decide that the Pilot should cease after one year (such year commencing on 1 April and ending on 31 March), then the Pool shall lapse at the end of that year and shall be dissolved in accordance with the provisions contained in paragraph 11 below. However, were the Pilot to be continued, the Pool shall continue up to 31 March 2020 unless otherwise agreed in writing by all the Participating Authorities or unless any Participating Authority should choose to leave the Pool in accordance with paragraph 11.2 below.

5.3 The Pool will not continue beyond 31 March 2020 without the unanimous written agreement of all Participating Authorities.

6 **Distribution of any financial benefit**

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

6.1.1 each of the Participating Authorities shall receive at least as much from the Pool as they would have individually under the previously applicable 67% retention scheme;

6.1.2 the distribution of net additional benefit through growth in business rates collected in London will, subject to paragraph 6.1.3, be allocated to Participating Authorities on the basis of the following proportions:

(a) 15% to incentivise growth by allowing the Participating Authorities where growth occurs to keep a proportion of the additional resources retained as a result of the Pool;

(b) 35% to reflect the Settlement Funding Assessment;

(c) 35% according to each Participating Authority's per capita formulation as calculated by the ONS projection for the relevant year (starting with 2018); and

(d) 15% for the SIP (see paragraph 10 below).

6.1.3 the GLA shall be allocated 36% of each of the sums falling within the subparagraphs (a) to (c) above, in order to ensure that such resources as are not top-sliced for the SIP shall be shared between the GLA and the London Local



Authorities in the ratio 36:64, in accordance with the principle previously agreed by London Councils and the GLA in the joint business rate devolution proposals to the Government in September 2016<sup>2</sup>.

## 7 **Governance**

7.1 The Participating Authorities have resolved to delegate administrative functions in respect of their powers as billing authorities<sup>3</sup> under the NDRR Retention Regulations to COLC acting as the Lead Authority and pursuant to s101 Local Government Act 1972 or Section 9EA(1) of the Local Government Act 2000 where the authorities operate executive arrangements to COLC as the Lead Authority and Accountable Body.

7.2 The GLA has resolved to delegate administrative functions as a major precepting authority under s.39(1)(aa) of the Local Government Finance Act 1992 to COLC.

## 8 **Lead Authority**

8.1 COLC shall act as the accountable body to Government and administer the Pool and provide a secretariat with the assistance of the GLA and London Councils for assessing the Participating Authorities' applications for the SIP against the criteria set out in 10.3.

8.2 The GLA shall 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. 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 COLC in agreement with the Pool, reflecting the Government's payment requirements and scheduled instalment dates. 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. The GLA shall also transfer any sums required to COLC based on the schedule of instalments agreed with DCLG so that COLC as Lead Authority can pay the net tariff payment payable by the Pool as approved in the Local Government Finance Settlement. COLC shall also transfer any sums it receives from DCLG in safety net payments to the GLA so that it can distribute this to eligible authorities if applicable.

8.3 The Lead Authority's standard responsibilities shall include but not be limited to:

8.3.1 all accounting for the finances of the Pool and the SIP including payments to and from the Government;

<sup>2</sup> <http://www.londoncouncils.gov.uk/node/30451>.

<sup>3</sup> Paragraph 45 (Interpretation) of Schedule 7B defines a "relevant authority" as a billing authority in England, or a major precepting authority in England. The list of billing authorities at Schedule 5, Part 1 of the Non-domestic Rating (Rates Retention) Regulations 2013/452 includes the GLA and the London Boroughs<sup>3</sup> as billing authorities and the GLA is also a precepting authority pursuant to section 39 (1) of the Local Government Finance Act 1992.

- 8.3.2 management of the Pool's collection fund;
  - 8.3.3 receiving payments from Participating Authorities and making payments to central government on behalf of Participating Authorities on time;
  - 8.3.4 maintaining a cash account on behalf of the Pool and paying interest on any credit balances;
  - 8.3.5 liaising with and completing all formal Pool returns to central government;
  - 8.3.6 administering the schedule of payments between Pool members in respect of the financial transactions that form part of the Pool's resources;
  - 8.3.7 providing the information required by Participating Authorities in preparing their annual statement of accounts in relation to the activities and resources of the Pool;
  - 8.3.8 leading on reporting to understand the Pool's position during and at the end of the financial year;
  - 8.3.9 responsibility for the net tariff payment to central government as well as the internal tariff and top up payments to the Pool Authorities;
  - 8.3.10 all audit requirements in relation to the Pool;
  - 8.3.11 production of an annual report of the Pool's activity following final allocation of funds for the year;
  - 8.3.12 the administration of the dissolution of the Pool;
  - 8.3.13 all communications with the DCLG including year-end reconciliations;
  - 8.3.14 the collation and submission of information required for planning and monitoring purposes.
- 8.4 The Lead Authority's role in relation to the SIP shall include but not be limited to:
- 8.4.1 maintenance and support of the Pool's governance arrangements and the methodology for the allocation of resources;
  - 8.4.2 assessment and preparation of reports on applications for the SIP supported by London Councils and the GLA in accordance with the agreed criteria.

8.5 The Lead Authority shall prepare reports with proposed recommendations as to SIP allocations and shall circulate the reports to the Participating Authorities for consultation at least 6 weeks in advance of Congress meetings and each Participating Authority shall decide in its absolute discretion and in accordance with its own governance process and scheme of delegation whether that Participating Authority wishes to recommend to the Lead Authority that a Strategic Investment Project is supported or rejected and if rejected together with its reasons for such recommendation. The Lead Authority shall pay due regard to each of the Participating Authorities' responses and may only decide to approve any Strategic Investment Project which meets the majority decision-making arrangements detailed below at paragraph 10.4.

8.6 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).

## 9 **Participating Authorities' responsibilities**

9.1 The Lead Authority on behalf of the Pool will need full and accurate relevant information (the "**Reporting Information**") from each of the Participating Authorities in order to enable the Lead Authority to make payments to Government and to and from the Participating Authorities. The Lead Authority shall request the Reporting Information and each Participating Authority shall provide timely Reporting Information to the Lead Authority.

9.2 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 8.2.

## 10 **Strategic investment**

10.1 The GLA commits that the GLA's share of any net financial benefit as calculated using the formula at paragraph 6.1.2 shall be spent on strategic investment.

10.2 The combination of the GLA share and the SIP shall as a result of the formula set out in paragraph 6.1.2 make up approximately 50% of the net additional benefits arising from the Pool.

10.3 The SIP shall be spent on projects that:

10.3.1 contribute to the sustainable growth of London's economy and an increase in business rates income either directly or as a result of the wider economic benefits anticipated;

10.3.2 leverage additional investment funding from other private or public sources; and

- 10.3.3 have broad support across London government in accordance with the proposed governance process (see paragraph 10.4 below).
- 10.4 The COLC as Lead Authority shall decide which projects shall be allocated SIP funding following prior consultation with the GLA and the London Boroughs, reflecting decision-making principles designed to protect Mayoral, borough and sub-regional<sup>4</sup> interests, previously endorsed by Leaders and the Mayor of London. These are that:
- 10.4.1 both the GLA and the majority of the London Local Authorities shall have agreed to recommend a Strategic Investment Project for approval; and
- 10.4.2 for these purposes the "majority" shall constitute two-thirds of the London Local Authorities save that where all Participating Authorities in a single sub-region disagree the decision shall not be deemed agreed;
- 10.4.3 if no majority consensus on allocation of the SIP to Strategic Investment Projects can be agreed to enable the Lead Authority to make a decision then the available resources in the SIP shall be rolled forward for future consideration until the resources are spent.
- 10.5 The COLC decisions on Strategic Investment Project allocation shall be taken twice a year to ensure that reports back on Strategic Investment Project allocation decisions coincide with meetings of the Congress of Leaders and the Mayor of London.
- 10.6 Each Participating Authority agrees that it shall ensure that any Strategic Investment Project which it proposes to implement shall be within its powers as a local authority, compliant with public procurement and state aid law, the public sector equality duty and all other legal requirements and proper accounting practices.

## 11 **Dissolution of the Pool**

- 11.1 The Pilot is presumed to operate for 2018-19 only in respect of which the Government will make the Designation Order. Were the Pilot to continue, the Pool will be assumed to continue but any Participating Authority may give notice to leave during the operation of the Pool in accordance with paragraph 5.2 above.
- 11.2 Any Participating Authority seeking to leave the Pool should inform DCLG 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 31<sup>st</sup> March of that year and the Pool would be dissolved in accordance with the provisions of this MOU.

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<sup>4</sup> London Councils' map of sub-regions is annexed at Appendix 4. For these purposes, the sub-regions are defined as the Central, West, South and Local London sub-regions as defined for devolved employment support arrangements. If in the future, boroughs wished to change the initial groupings that could be achieved by agreement of the Pool member authorities.

Once the Pool has been established, any Participating Authority leaving the Pool must notify the other Participating Authorities by 30<sup>th</sup> September in any year, to allow the remaining Participating Authorities time to seek designation of a new pool for the following year.

11.3 The Lead Authority shall make the necessary calculations and submit the required returns associated with the dissolving of the Pool and shall deal with all outstanding applications in relation to the Pool's SIP following dissolution of the Pool in accordance with paragraph 11.2 above.

11.4 In the event that the Pool is dissolved in accordance with paragraph 11.2, 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 6.1.2 above, subject to holding back funds required for the resolution of any outstanding appeals relating to the period of the Pool's operation.

11.5 COLC shall continue to act as Lead Authority for as long there are any outstanding Pool responsibilities.

11.6 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 for Communities and Local Government).

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

Greater London Authority	Mayor of London.....
The Common Council of the City of London	Chairman Policy and Resources .....

The following London Boroughs:

London Borough of Barking and Dagenham	Leader.....

London Borough of Barnet	Leader.....
London Borough of Bexley	Leader.....
London Borough of Brent	Leader.....
London Borough of Bromley	Leader.....
London Borough of Camden	Leader.....
London Borough of Croydon	Leader.....
London Borough of Ealing	Leader.....
London Borough of Enfield	Leader.....
London Borough of Greenwich	Leader.....
London Borough of Hackney	Mayor.....
London Borough of Hammersmith and Fulham	Leader.....
London Borough of Haringey	Leader.....
London Borough of Harrow	Leader.....
London Borough of Havering	Leader.....
London Borough of Hillingdon	Leader.....
London Borough of Hounslow	Leader.....
London Borough of Islington	Leader.....
London Borough of Kensington and Chelsea	Leader.....
London Borough of Kingston upon Thames	Leader.....

London Borough of Lambeth	Leader.....
London Borough of Lewisham	Mayor.....
London Borough of Merton	Leader.....
London Borough of Newham	Mayor.....
London Borough of Redbridge	Leader.....
London Borough of Richmond upon Thames	Leader.....
London Borough of Southwark	Leader.....
London Borough of Sutton	Leader.....
London Borough of Tower Hamlets	Mayor.....
London Borough of Waltham Forest	Leader.....
London Borough of Wandsworth	Leader.....
City of Westminster	Leader.....

## Appendix 1

### Draft Designation Order



## Department for Communities and Local Government

Dear ----,

Further to the announcement in the Budget that the Greater London Authority, the Common Council of the City of London and the 32 London Boroughs are to pilot 100% business rates retention in 2018-19, in accordance with paragraph 34(1) of Schedule 7B to the Local Government Finance Act 1988 (the "1988 Act"), the Secretary of State herewith designates the following authorities as a pool for the purpose of the relevant provisions of 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 Pilot pool have agreed to this designation.

The designation has effect for the year beginning 1st April 2018 and for each subsequent year, 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 Pilot 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 Pilot pool as determined by the governance agreements.
- Administration (including the operation of the dissolution arrangements) of the Pilot 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 Pilot pool's governance agreement.

Local authorities in the Pilot 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 Pilot pool. Provided that no authority within the Pilot pool requests the Secretary of State to make a revocation during that period, the Pilot pool will come into effect on 1 April 2018, meaning that all local authorities covered by the designation will remain in the Pilot pool for the full financial year.

If a member of the Pilot pool decides it no longer wishes to be designated as part of a Pilot 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 date of publication of the Provisional Local Government Finance Settlement 2018-19, the rest of the Pilot pool cannot continue. The Secretary of State will then revoke this designation and the local authorities identified as part of this Pilot pool will revert to being considered as individual authorities for the purposes of the business rates retention scheme.

As a consequence of the designation of the London Boroughs of Barking and Dagenham, Croydon and Havering in the above Pool, in accordance with paragraph 34(3) of Schedule 7B to the Local Government Finance Act 1988, the Secretary of State herewith revokes the designations under which, the London Boroughs of Barking and Dagenham, and Havering were part of the South Essex/East London Business Rates Pool and the London Borough of Croydon was part of the Surrey-Croydon Business rates Pool. Accordingly, the following pools will cease to exist from the end of the current financial year.

South Essex / East London Business Rates Pool

- Thurrock
- Basildon
- Havering
- Barking and Dagenham

Surrey – Croydon Pool Business Rates Pool

- Surrey
- Spelthorne
- Elmbridge
- Croydon
- Guildford
- Mole Valley
- Surrey Heath

If there are any questions about the content of this letter and the enclosed designation please contact Mark Barnett on 0303 444 4217 or at [Mark.Barnett@Communities.gsi.gov.uk](mailto:Mark.Barnett@Communities.gsi.gov.uk), as soon as possible.

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

Alex Skinner

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

-- December 2017

**Appendix 2**  
**London Boroughs**

Barking & Dagenham

Barnet

Bexley

Brent

Bromley

Camden

Croydon

Ealing

Enfield

Greenwich

Hackney

Hammersmith & Fulham

Haringey

Harrow

Havering

Hillingdon

Hounslow

Islington

Kensington & Chelsea

Kingston upon Thames

Lambeth

Lewisham

Merton

Newham

Redbridge

Richmond upon Thames

Southwark

Sutton

Tower Hamlets

Waltham Forest

Wandsworth

Westminster

## Appendix 3

### Notional RSG

The amount of former notional revenue support grant to each constituent authority to be "rolled-in" to 100% rates retention for 2018/19 shall be:

#### Former RSG Amount

Authority	Amount (£m) for 2018/19
Barking & Dagenham	23.3
Barnet	14.9
Bexley	8.5
Brent	33.7
Bromley	4.3
Camden	31.9
City of London	7.5
Croydon	23.3
Ealing	26.2
Enfield	25.7
Greenwich	33.3
Hackney	45.0
Hammersmith & Fulham	23.4
Haringey	30.2
Harrow	7.3
Havering	6.8
Hillingdon	13.1
Hounslow	15.7
Islington	32.6
Kensington & Chelsea	16.3

Kingston upon Thames	1.5
Lambeth	42.8
Lewisham	36.9
Merton	10.1
Newham	46.4
Redbridge	16.8
Richmond upon Thames	0.0
Southwark	47.0
Sutton	11.8
Tower Hamlets	43.8
Waltham Forest	26.1
Wandsworth	30.2
Westminster	38.1

## Appendix 4

### Illustrative sub-regional groupings for the purposes of the "sub-regional veto" in respect of Strategic Investment Pot decisions

