GREATER**LONDON**AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2217

Title: 100% London Business Rates Retention Pilot for the 2018-19 Financial Year

Executive Summary:
In the Spring Budget 2017 the London Devolution Memorandum of Understanding included a commitment by the Government to support the voluntary pooling of business rates in London. The Government confirmed in the 2017 Budget on 22 November that it had accepted the proposal for a 100% business rates retention pilot for the 2018-19 financial year which had been submitted by London Councils and the Mayor of London covering the GLA and the 33 London local authorities. This was based on a prospectus agreed by the London Congress of Leaders on 10 October. The pilot will allow London to retain 100% of the growth in business rates income in 2018-19 excluding revaluation growth.

This Decision seeks formal approval for the GLA to participate in the 100% retention pilot in 2018-19 and enter into a Memorandum of Understanding with the 33 local authorities as set out at Annex B which sets out the administrative and governance arrangements for the pool and the share of business rates income and growth which will be allocated to the GLA. It also delegates authority to the Executive Director Resources to enter into an agreement with the proposed Lead Authority for the pool – the Corporation of London - in relation to the financial administration and treasury management arrangements.

Decision:
The Mayor:

- approves and accepts the designation by the Secretary of State of the Greater London Authority as an authority within the London Business Rates Pilot Pool pursuant to 34(7)(1) of Schedule 7B Local Government Finance Act 1988 in line with the Memorandum of Understanding at Annex A which has been signed with the Government;
- agrees formally that the Greater London Authority shall participate in the London Business Rates Pilot Pool for the 2018-19 financial year and enter into a Memorandum of Understanding with the 32 London Boroughs and the City of London Corporation which specifies the governance and distribution arrangements for the pool as out at Annex B;
- agrees to delegate the GLA's administrative functions as a major precepting authority pursuant to s39(1)(aa) of the Local Government Finance Act 1992 to the City of London Corporation ("COLC") which will act as the Lead Authority for the pool; and
- authorises the Executive Director Resources to enter into an agreement with the Lead Authority for the GLA to undertake certain ancillary administrative functions regarding the financial transactions and treasury management arrangements for the pool.

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:

Date: 18/12/17

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

1.1 In 2017-18 it is estimated that London business ratepayers will pay nearly £8 billion in business rates in respect of the 302,000 non domestic properties in the capital. Of this just under £3 billion is payable to the GLA of which £720 million will be paid over to central government with the balance being available to support GLA group services. In 2018-19 business rates will fund all former general government revenue grant funding for TfL, the GLA and LFEPA and prior year council tax freeze grant funding for MOPAC. Business rates income is therefore the GLA group's second largest source of revenue after transport fares.

1.2 Since the introduction of the business rates retention system in April 2013 local authorities have been able retain a proportion of the real terms growth in business rates income in their local area. From 2013-14 to 2016-17 the locally retained share was 50% - split 20% between GLA and 30% for London billing authorities in the capital. The funding streams rolled in for the GLA included 50% of its former general grant and fire and rescue funding as well as 50% of TfL's operating grant based on 2013-14 funding levels.

1.3 In October 2015 the Chancellor of the Exchequer announced that by the end of that parliament 100 per cent of business rates income would be devolved to local government and core grant funding via revenue support grant would end. As part of a partial pilot of 100% retention the GLA's retention share was increased to 37% in 2017-18 alongside the rolling in of the GLA's £148 million revenue support grant and the £960 million TfL capital investment grant. This increased the locally retained share in London to 67 per cent as no changes were made to the retention shares for the 32 boroughs and the City of London. Five other local authority areas – four combined authorities and Cornwall – also agreed to pilot 100% retention.

1.4 The London Devolution deal signed by the Government with the Mayor and Chair of London Councils in March 2017 committed the Government to supporting the voluntary pooling of business rates across the whole of London government subject to satisfactory governance arrangements being agreed. The Secretary of State for Communities and Local Government confirmed in September 2017 that the Government remained committed to introducing 100 per cent retention subject to enacting the necessary legislation and invited groups of authorities to submit proposals to pilot 100 per cent retention in 2018-19.

1.5 At the London Congress meeting on 10 October the Mayor and the Leaders of the 33 London local authorities agreed a prospectus for a 100 per cent pilot in London. The Chancellor announced in the Budget on 22 November that the Government had endorsed this proposal and would introduce the necessary secondary legislation alongside the 2018-19 local government finance settlement to implement this. This was agreed through a memorandum of understanding (MOU) signed by the Chair of London Councils, the Mayor of London, the Minister for London and the Secretary of State for Communities and Local Government - the text of which is set out at Annex A.

1.6 It is considered that a quasi-contractual approach involving a lead authority in consultation with participating authorities is the most suitable mechanism for administering the pool. The proposed governance arrangements have therefore been documented in a separate non-legally binding Memorandum of Understanding which is set out at Annex B.

1.7 It is necessary for each participating authority under the MOU with the Government to agree within 28 days of the announcement of the provisional local government settlement finance settlement (i.e. mid January 2018) that it will:

- participate in the pool and accept the Secretary of State's designation;
- enter into the memorandum of understanding set out in Annex B (the 'local MOU'); and
- delegate its administrative functions under the Non-Domestic Rating (Rates Retention) Regulations 2013 (as amended) to the City of London as the lead authority.

1.8 It is also proposed that the City of London delegate certain administrative functions such as the transfer of payments between pool members and treasury management of pooled funds to the GLA. This decision asks the Mayor to delegate authority to the Executive Director Resources to enter into an agreement with the City of London Corporation to facilitate this.

1.9 The memorandum of understanding also sets out the arrangements for distributing the growth arising from the pool including the 15 per cent proportion which will be used for a strategic investment pot – the use of which will be determined collectively by the Mayor and the other participating authorities albeit with the Lead Authority taking the legal decisions. The GLA will receive 36 per cent of the remaining incremental growth arising from the pool and it will be for the Mayor to determine how this will be applied subject to an overarching commitment set out in the local MOU that it will be used for strategic infrastructure projects.

2. Objectives and expected outcomes

MOU with Government

2.1 The MOU between London Councils, the Mayor of London and the Government on the London 100% business rates retention pilot set out at Annex A agrees that that:

- The 100% business rates retention pilot in London will be voluntary, but will be a pool comprising all 32 London boroughs, the Corporation of the City of London and the Greater London Authority. Authorities will be required to confirm they have legally approved their participation once 28 days have elapsed from the announcement of the 2018-19 provisional local government finance settlement (i.e. deadline expected to be between 10th and 17th of January);

- From 1 April 2018 the London authorities will retain 100% of their non-domestic rating income. London will not retain 100% of total rates collected, as it will continue to pay an aggregate tariff to government which is estimated to be around 36 per cent or just under £3 billion of the total business rates revenues collected in London. The overall level of collected rates that will be retained therefore is around 64 per cent after the tariff is paid;

- London authorities will also receive section 31 grants in respect of Government changes to the business rates system which reduce the level of business rates income such as the decision to change the annual uprating of the NNDR multiplier from RPI to CPI from April 2018. Section 31 grant will amount to 100% of the value of the lost income. Tariffs and top-ups will be adjusted to ensure cost neutrality;

- In moving to 100% rates retention, the Department for Communities and Local Government will no longer pay Revenue Support Grant (RSG) to the 33 London local authorities in 2018-19. Funding baselines will be increased by the equivalent amount to reflect this transfer of RSG, which overall amounts to £775 million in 2018-19. No additional GLA grants will be rolled in to the GLA's funding baseline for the rates retention system beyond the amounts already in its funding baseline in 2017-18 – which already includes its RSG allocation;

- The London pool will retain 100% of any growth in business rate income above baselines, and will pay no levy on that growth. This is a significant benefit to the GLA which currently pays over 25 per cent of its growth against baseline to the Government. The GLA's levy payment for 2016-17 was £13.7 million and is forecast to be just under £30 million in 2017-18;
- London authorities will 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 existing "67 per cent scheme" in place in 2017-18;
- No "new burdens" will be transferred to London and participation in the pilot will not affect the development or implementation of the Fair Funding Review scheduled for 2020-21;
- In the event that London's business rates income fell, the pool will have a higher "safety net" threshold – 97% rather than 92.5% of the overall baseline funding level – than in the existing system, reflecting the greater reliance local authorities will have on business rates; and
- The piloted approach is to be without detriment to the resources that would have been available collectively to the 34 London authorities under the current local government finance regime, over the four year settlement period taking into account the GLA's existing 37 per cent share and any enterprise zones and designated areas established in London (i.e. the Royal Docks, Battersea/Nine Elms, Brent Cross and Croydon). This "no detriment" guarantee will ensure that the pool, as a whole, cannot be worse off than the participating authorities would have been collectively if they had not entered the pilot pool. In the unlikely event of this arising, the government would intervene to provide additional resources.

MOU between Participating Authorities

2.2 The MOU with the Government establishes the terms of the 100% retention pilot, but the London business rates pool must be set up following the same process as all other business rates pools. Following legal advice, the detailed pooling agreement that establishes the terms by which the pool will operate will be an MOU between the 34 pooling authorities.

2.3 The key principles that underpin the pooling agreement as set out in Annex B are that:

- **No authority can be worse off as a result of participating** - where authorities anticipate a decline in business rates, the first call on any additional resources generated by the pool would be used to ensure each borough and the GLA receives at least the same amount as it would have without entering the pool (this would include the equivalent of a safety net payment were it eligible for one individually under the current 67% system). Where authorities expect to grow, they will continue to retain at least as much of that income as they would under the current system, plus a potential share of the aggregate benefits of pooling assuming the pool grows. Where the pool overall has less income than would have been available collectively under the 67% system, the funding provided by the Government as part of the "no detriment" guarantee would be used to ensure that no individual authority is worse off than it would have been otherwise. Existing agreed Enterprise Zones and "designated areas" (i.e. the Royal Docks, Battersea/Nine Elms, Brent Cross and Croydon), along with the statutory provision to reflect the unique circumstances of the City of London Corporation, will be taken into account in calculating the level of resources below which the guarantee would operate. For boroughs in an existing pool with authorities outside London – the London Boroughs of Barking and Dagenham, Croydon and Havering - DCLG have also indicated that the basis of comparison would include the income due from that pool;

- **The pool in 2018-19 would not bind boroughs or the Mayor indefinitely** – the founding agreement includes notice provisions for authorities to withdraw provided notice is given by 30 September in the previous financial year. Were the pool to continue beyond 2018-19, unanimous agreement would be required to reconfirm a pool from 2020-21 onwards (the expected year in which funding baselines will be updated as a result of the Government's Fair Funding Review which is expected to be implemented in that year).
- **All members will receive some share of any net benefits arising from the pilot pool** – recognising that growing London's economy is a collective endeavour in which all boroughs make some contribution to the success of the whole, all members of the pool will receive at least some financial benefit, were the pool to generate additional resources.

Role of Lead Authority

2.4 It is a statutory requirement that a 'lead authority' acts as the accountable body to government and is responsible for the administration of the pooled fund. The City of London – the accountable body for London Councils - has agreed to be the lead authority for the London business rates pool. The lead authority's standard responsibilities will include, but not be limited, to:

- all accounting for the finances of the pool including payments to and from the Government;
- management of the pool's collection fund;
- all audit requirements in relation to the pool;
- production of an annual report of the pool's activity following final allocation of funds for the year;
- the administration of the dissolution of the pool;
- all communications with the DCLG including year-end reconciliations; and
- the collation and submission of information required for planning and monitoring purposes.

2.5 It will be for the Lead Authority for the pool to determine the distribution of revenues between members of the pool and also pay the net tariff payment to the Government during the year. In practice, this will mean some authorities will receive net payments from the pool in instalments during the 2018-19 financial year and others will make net payments into the pool depending on their top up and tariff positions and estimated business rates income. These transfers through the pool will also incorporate the GLA's share. Reconciliation payments will be undertaken after the financial year end to reflect the actual business rates outturn.

2.6 Under a delegation arrangement, it is proposed that the GLA will manage treasury management issues and undertake all monetary transfers between billing authorities including the GLA's share on behalf of the lead authority. This reflects the fact that the GLA already has the systems in place to manage payment flows to and from billing authorities for business rates retention as well as council tax and the Crossrail Business Rate Supplement. This Decision asks the Mayor to delegate authority to the Executive Director Resources to enter into a delegation agreement with the City of London.

2.7 It is likely that the resources required to perform this function would be 1 FTE post, which would likely be a senior accountant with considerable experience and understanding of collection fund accounting and the business rates retention scheme. Funding for this work will be apportioned between the GLA and the City of London under the delegation agreement and the costs charged to the pool.

2.8 In the case of the London pilot pool, the lead authority will have an additional role in formally taking decisions over the allocation of the Strategic Investment Pot following consultation with all participating authorities.

Net Financial Benefit from Pool

2.9 The net financial benefit to participating in the pool in 2018-19 was estimated at the date the MOU with the Government was signed to be in the region of £240 million, based on modelling using borough forecasts. A more accurate forecast will be expected in February 2018 following the completion of individual forecasts for 2018-19 supplied by 31 January 2018. The actual level of growth will not however be known until the summer of 2019 once the business rates outturn for 2018-19 is confirmed and as a result it would not be prudent to apply all of the estimated growth prior to that date.

2.10 The local pooling agreement between participating authorities at Annex B sets out the principles and method for distributing any net financial benefits that may be generated. The principles are based on four objectives agreed by Leaders and the Mayor:

- **incentivising growth** (by allowing those boroughs where growth occurs to keep some proportion of the additional resources retained as a result of the pool)
- **recognising the contribution of all boroughs** (through a per capita allocation)
- **recognising need** (through the needs assessment formula); and
- **facilitating collective investment** (through an investment pot designed to promote economic growth and lever additional investment funding from other sources).

2.11 The final agreed distribution method recognises all four of these objectives with 15 per cent of any net financial benefit set aside as a 'Strategic Investment Pot'; and the resources not top-sliced for the investment pot being shared between the GLA and the 33 billing authorities (the 32 boroughs and the Corporation of London) in the ratio 36:64, in accordance with the apportionment principle reflecting relative baseline funding shares as previously agreed by London Councils and the GLA in the joint business rate devolution proposals to Government in September 2016. The residual borough shares would then be apportioned between the 33 local authorities using a combination of the latter three apportionment bases above.

2.12 The MOU commits the Mayor to apply the GLA's share of any additional net financial benefit from the pilot for use on strategic investment projects. It will be for the Mayor to determine what those projects are. This restriction does not apply to the share of growth it receives on its existing share and therefore the levels of core general funding already in place to fund the GLA and functional bodies. Decisions on the allocation of the GLA's share of pool gains will therefore be made by the Mayor of London subject to the GLA's normal decision making processes.

Strategic investment pot and pool governance

2.13 The joint Strategic Investment Pot (SIP) - representing 15 per cent of the total additional net benefit - will be spent on projects that meet each of the following requirements:

- 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;
- leverage additional investment funding from other private or public sources; and
- have broad support across London government in accordance with the proposed governance process.

2.14 For these purposes, "strategic investment" is defined as projects that will contribute to the sustainable growth of London's economy which lead to an increase in London's overall business rate income. Including the London wide strategic investment pot and the Mayor's share approximately 50% of net additional benefits arising from the pilot pool will be therefore be spent on strategic investment projects. Proposals will be brought forward for the use of the SIP during the 2018-19 financial year.

2.15 Following legal advice regarding the form of the governance mechanism for taking decisions regarding the SIP, decisions will be taken formally by the City of London - as the lead authority - in consultation with all member authorities, reflecting voting principles designed to protect Mayoral, borough and sub-regional interests, previously endorsed by Leaders and the Mayor in the London Finance Commission (both 2013 and 2017), and set out in London Government's detailed proposition on 100% business rates in September 2016. These are that:

- 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; and
- if no decisions on allocation can be reached, the available resources would be rolled forward within the pot for future consideration at the next decision making round.

Future of the pilot post 2018-19 and Withdrawal Arrangements

2.16 The Government has stated it will undertake a qualitative evaluation of the progress of the pilot 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.

2.17 The MOU between London Government and the Government only commits to the pilot operating for one year. However, subject to the evaluation of the pilot, it also commits the Government to working with London authorities to explore: future options for grants including, but not limited to, Public Health Grant and the Improved Better Care Fund; the potential for transferring properties on the central list in London to the local list where appropriate which could potentially include TfL's operational assessments such as the London Underground network and DLR; and legislative changes needed to develop a Joint Committee model for future governance of a London pool.

2.18 If the pilot were to continue in 2019-20, the Pool will be assumed to continue. Under the local MOU once the pool has been established if one or more Participating Authorities wish to leave the pool at the end of a financial year they will be required to notify the other authorities by 30 September in that financial year. The pool would then be dissolved at the end of that financial year (i.e. 31 March). The 30 September deadline in intended to allow sufficient time for the remaining Participating Authorities to seek the designation of a new pool (excluding the departing authorities) for the following year.

3. Equality comments

3.1 The Mayor must comply with the public sector equality duty under section 149 of the Equality Act 2010, which requires the Mayor to have 'due regard' to the need to (i) eliminate unlawful discrimination, harassment and victimisation; (ii) advance equality of opportunity between people who share a relevant protected characteristic and those who do not; and (iii) foster good relations between people who share a relevant protected characteristic and those who do not.

3.2 Protected characteristics under section 149 of the Equality Act are age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage or civil partnership status (all except the last being 'relevant' protected characteristics). The duty may involve, in particular, removing or minimising any disadvantage suffered by those who have a relevant protected characteristic, taking steps to meet the needs of such people, and encouraging them to participate in public life or in any other activity where their participation is disproportionately low, including tackling prejudice and promoting understanding. Compliance with the public sector equality duty may involve treating people with a protected characteristic more favourably than those without the characteristic.

3.3 There are no direct equality implications for the GLA arising from this Decision as this is purely a mechanism to increase the level of revenues available to the GLA and London government without affecting the bills paid by business ratepayers. The Mayor's budget and subsequent decisions on the application of the Mayor's share of growth from the pool will have regard to equality implications.

4. Other considerations

Links to Mayoral Strategies and Priorities

4.1 Business rates are the largest single source of revenue for the GLA group - excluding Transport for London fares income - and support the delivery of Mayoral strategies and priorities. Seeking to maximise the level of business rates income the GLA receives through entering into the proposed pool is therefore in line with delivering these.

Key Risks

4.2 The no detriment commitment provided by central government in the MOU signed with the Secretary of State and Minister for London at Annex A guarantees that the GLA and other participating authorities can be no worse off than they would have been had they not entered into the pilot in 2018-19. This guarantee may not necessarily continue to apply in future and such risks would be identified through a future Mayoral Decision if it were decided to extend it for a further 12 months or indeed indefinitely. Wider risks relating to business rates retention are managed through the Business Rates Reserve and are addressed through the Mayor's annual budget process and financial monitoring during the year.

5. Financial comments

5.1 The GLA currently receives around £3 billion in business rates revenues under the existing 67 per cent retention system of which around £2.2 billion is applied to fund GLA services. The proposed business rates pool guarantees through the no detriment guarantee that the GLA can be no worse off as a result of participating in the pool and therefore there can only be upside or a net neutral financial impact.

5.2 The net financial benefit to participating in the pool in 2018-19 was estimated at the date the MOU with Government was signed to be in region of £240 million, based on modelling using borough forecasts of which around £74 million would be allocated to the GLA directly and £36 million to the London wide strategic investment pot in line with the methodology set out in the MOU at Annex B.

5.3 The actual level of growth will not however be known until the summer of 2019 once the business rates outturn for 2018-19 is confirmed and as a result it would not be prudent to apply all of the estimated growth prior to that date. The distribution of the GLA's share will be addressed in the Mayor's 2018-19 budget with final decisions on its use being made during the course of that financial year.

6. Legal comments

6.1 The 32 London Boroughs and the Corporation of London are the billing authorities for non-domestic rates in the GLA area under the Local Government Finance Act 1988. The GLA is a major precepting authority under section 39 (1) (aa) of the Local Government Finance Act 1992.

6.2 The Secretary of State has the power under paragraph 34 of Schedule 7B of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 2012) ("Schedule 7B") to designate two or more "relevant authorities" as a pool of authorities. Paragraph 45 (Interpretation) of Schedule 7B defines a "relevant authority" as a billing authority in England, or a major precepting authority in England. 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.

6.3 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.

6.4 Under section 34 of the Greater London Authority Act 1999, the GLA has power to do anything calculated to facilitate, or conducive or incidental to, the exercise of any GLA functions. Taking steps to increase revenue is so calculated. This power is subject to the limitation that the GLA may not raise money by virtue of it, by precepts or otherwise, except in accordance with "the enactments relating to those matters"; in the present case any money to be raised is to be raised in accordance with the relevant legislation. Reasonable expenditure and activities designed to achieve a better level of business rates income for the GLA is therefore within the power of the GLA.

6.5 The GLA 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 rate pool. The proposed local Memorandum of Understanding set out at Annex B provides the mechanism by which these arrangements will operate. In order for the GLA to participate in the pool it is necessary for the Mayor to formally approve this proposal and to accept the Secretary of State's designation.

6.6 Under paragraph 35 of Schedule 7B, designation of a pool of authorities requires the appointment of a lead authority. It is understood that it has been agreed that the City of London Corporation will perform this role and the GLA in order for this to happen the GLA needs to delegate its administrative functions as a major precepting authority (pursuant to s39(1)(aa) of the Local Government Finance Act 1992) to the City of London Corporation. Under section 38 of the Greater London Authority Act 1999, the Mayor may authorise the delegation of functions to, among other bodies and persons, the Common Council (i.e. the City of London Corporation).

6.7 Any formal agreement with any local authority or group of local authorities should in normal circumstances be consistent with the GLA's standard agreement format and should be approved by the Commercial law team. The Memorandum of Understanding at Annex B has been drafted by the legal advisors for London Councils appointed to advise on the development of the pool.

7. Planned delivery approach and next steps

Memorandum of understanding signed with Government	22 November 2017
Government publishes draft baseline figures in the provisional settlement for the pilot	By 20 December 2017
Member authorities take formal decisions to participate in the pool and the framework for its operation within 28 days of the Provisional Settlement	Mid January 2018
Final baselines published in final LGF Settlement	February 2018
Pool commences	1 April 2018

Appendices and supporting papers:

Annex A MOU signed with central government on 22 November by the Mayor and Chair of London Councils

Annex B Proposed MOU for GLA and 33 London billing authorities to sign setting out governance arrangements for the pool for Mayor to approve

Public access to information
Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note**: This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:
Is the publication of Part 1 of this approval to be deferred? NO
If YES, for what reason:

Until what date: (a date is required if deferring)

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION:	Drafting officer to confirm the following (✓)
Drafting officer: Martin Mitchell, GLA Group Finance Manager has drafted this report in accordance with GLA procedures and confirms the following:	✓
Sponsoring Director: Martin Clarke, Executive Director Resources has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.	✓
Mayoral Adviser: David Bellamy, Chief of Staff has been consulted about the proposal and agrees the recommendations.	
Advice: The Finance and Legal teams have commented on this proposal. The proposal originates from Finance.	✓
Corporate Investment Board This decision was agreed by the Corporate Investment Board on 18 December 2017	

EXECUTIVE DIRECTOR, RESOURCES:
I confirm that financial and legal implications have been appropriately considered in the preparation of this report.
Signature M.T.M **Date** 18.12.17
TOM MIDDLETON ON BEHALF OF MARTIN CLARKE

CHIEF OF STAFF:
I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature D. Bellamy **Date** 18/12/2017

Annex A

Memorandum of Understanding With Central Government

Memorandum of Understanding on the London 100% business rates retention pilot 2018-19

Department for Communities and Local Government

LONDON COUNCILS

MAYOR OF LONDON

....

Rt Hon Sajid Javid MP
Secretary of State for Communities and Local government

....

Sadiq Khan
Mayor of London

....

Rt Hon Greg Hands MP
Minister for London

....

Cllr Claire Kober
Chair, London Councils

Department for
Communities and
Local Government

LONDON
COUNCILS

MAYOR OF LONDON

100% Business Rates Retention Pilot 2018-19 Agreement for London

Introduction

1. In the Spring Budget 2017, the London Devolution Memorandum of Understanding[1] included a commitment to exploring options for granting London government greater powers and flexibilities over the administration of business rates, including supporting the voluntary pooling of business rates within London, subject to appropriate governance structures being agreed.

2. This Memorandum of Understanding confirms the commitment by the Government, the Mayor of London and London local government to pilot the principles of 100% business rates retention in 2018-19 through a pan-London business rates pool. It sets out the terms by which the local authorities listed at **Appendix A** will pilot 100% business rates retention.

3. This agreement comes into effect from 1 April 2018 and expires on 31 March 2019.

Pilot principles

4. The pilot pool will be voluntary, but will include all 32 London boroughs, the Corporation of the City of London and the Greater London Authority ["the London authorities"].

5. From 1 April 2018 the London authorities will retain 100% of their non-domestic rating income[2]. They will also receive section 31 grants in respect of Government changes to the business rates system which reduce the level of business rates income. Section 31 grant will amount to 100% of the value of the lost income. Tariffs and top-ups will be adjusted to ensure cost neutrality.

6. In moving to 100% rates retention, the Department for Communities and Local Government will no longer pay Revenue Support Grant to the London authorities in 2018-19. The value of these grants in 2018-19 is set out in **Appendix B**.

7. The London authorities will 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% scheme in place in 2017-18 reflecting the incremental impact of the Greater London Authority's partial pilot as a result of the rolling in of its revenue support grant and the Transport for London investment grant. No "new burdens" will be transferred to London and participation in the pilot will not affect the development or implementation of the Fair Funding Review.

8. Levy and safety net payments due from/to the London business rates pool will be calculated, in accordance with the Non-Domestic Rating (Levy and Safety Net) Regulations 2013 (SI 2013/737) (as amended), as if the London 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%.

[1] https://www.gov.uk/government/publications/memorandum-of-understanding-on-further-devolution-to-london
[2] As defined in the Non-Domestic Rating (Rates Retention) Regulations 2013 (SI2013/452) (as amended).

9. However, notwithstanding the calculation of levy and safety net payments under the Regulations, the Government will calculate levy and safety net payments due from/to the London business rates pool on the basis that it has a "zero" levy rate and "safety net threshold" of 97%, and that the London 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 under SI 2013/737 will be paid to the London business rates pool via a section 31 grant.

10. The piloted approach is to be without detriment to the resources that would have been available collectively to the 34 London authorities under the current local government finance regime, over the four year settlement period. This includes current 67% scheme growth retained under the retention pilot, 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 City of London Corporation.

Distribution of any financial benefit

11. The 34 London authorities will prepare a framework agreement for the operation of a pilot pool in which:

- each authority will receive at least as much from the pool as they would have individually under the existing 67% retention scheme;
- 15% of any net financial benefit will be set aside as a "Strategic Investment Pot" (see paragraphs 13 and 14); and
- the resources not top-sliced for the investment pot will be shared between the GLA and the 33 billing authorities (the 32 boroughs and the Corporation of London) 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 Government in September 2016.

Strategic investment

12. The Mayor of London commits that the GLA's share of any additional net financial benefit from the pilot will be spent on strategic investment projects. Decisions on the allocation of the GLA's share will be made by the Mayor of London.

13. For this purpose, and for the separate joint strategic investment pot, "strategic investment" is defined as projects that will contribute to the sustainable growth of London's economy which lead to an increase in London's overall business rate income. Examples of the kinds of projects the Mayor will seek to support with the GLA's share include supporting the delivery of housing through infrastructure investment and the provision of skills and training to further support housing delivery.

14. The joint strategic investment pot will be spent on projects that meet each of the following requirements:

- 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;
- leverage additional investment funding from other private or public sources; and
- have broad support across London government in accordance with the proposed governance process (see paragraph 16).

15. It is anticipated that approximately 50% of net additional benefits arising from the pilot pool will be spent on strategic investment projects.

Governance

16. Decisions regarding the Strategic Investment Pot will be taken formally by the Corporation of the City of London - as the lead authority - in consultation with all member authorities, reflecting voting principles designed to protect Mayoral, borough and sub-regional interests, previously endorsed by Leaders and the Mayor in the London Finance Commission (both 2013 and 2017), and set out in London Government's detailed proposition on 100% business rates in September 2016. These are that:

- 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 Corporation of the City of London), subject to the caveat that where all boroughs in a given sub-region disagreed, the decision would not be approved;
- if no decisions on allocation can be reached, the available resources would be rolled forward within the pot for future consideration at the next decision making round.

17. It is envisaged that decisions will be taken bi-annually to coincide with meetings of the Congress of Leaders and the Mayor of London.

Evaluation

18. The Government will undertake a qualitative evaluation the progress of the pilot 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.

Next steps

19. As specified in paragraph 3, the pilot will operate for one year. The Government is committed to giving local government greater control over the revenues they raise. Subject to the evaluation of the pilot, the Government will work with London authorities to explore: the options for grants including, but not limited to, Public Health Grant and the Improved Better Care Fund; the potential for transferring properties on the central list in London to the local list where appropriate; and legislative changes needed to develop a Joint Committee model for future governance of a London pool.

20. The Government will prepare a "designation order" establishing a London pilot pool and reflect this in the Provisional Local Government Finance Settlement in December. If any authority decides to opt out within the following 28 days – that is, by 28 days after the Provisional Local Government Finance Settlement – the pool would not proceed.

21. London Government will draft a pooling agreement between the 34 London authorities by which London Government collectively decides how to operate the pool and distribute the financial benefits. Each authority will be required to take the relevant decisions through its own constitutional decision-making arrangements.

Appendix A

<u>Authorities in the London Pilot</u>

Barking & Dagenham
Barnet
Bexley
Brent
Bromley
Camden
City of London
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
Greater London Authority

Appendix B

Grants

The amount of Revenue Support Grant (RSG) to be 'rolled-in' to 100% rates retention for 2018-19 for each authority is set out below. This is in addition to the sums rolled in in 2017-18 in respect of the Transport for London investment grant and the Greater London Authority's RSG under the GLA's partial pilot.

RSG	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

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")

CONTENTS

Contents

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 by the Local Government Finance Act 2012);

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[3]. The Participating Authorities shall also 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.

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.

[3] As defined in the Non-Domestic Rating (Rates Retention) Regulations 2013 (SI2013/452) (as amended).

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 sub-paragraphs (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[4].

7 **Governance**

7.1 The Participating Authorities have resolved to delegate administrative functions in respect of their powers as billing authorities[5] 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.

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[4] http://www.londoncouncils.gov.uk/node/30451.

[5] 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[5] as billing authorities and the GLA is also a precepting authority pursuant to section 39 (1) of the Local Government Finance Act 1992.

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;

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[6] 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.

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[6] 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.

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 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.

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 an 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, 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 respective of Strategic Investment Pot decisions