

Thurrock, Barking & Dagenham, and Havering Business Rate Pool 2024/25

Memorandum of Understanding

This Memorandum of Understanding is made between the following councils.

- Thurrock Council
- London Borough of Barking & Dagenham
- London Borough of Havering

(Together referred to as the 'Pool' or 'Pool Members').

1. Purpose

- 1.1. The main aim of the pool is to maximise the retention of locally generated business rate, building on the existing relationship that is in place between the members through the Thames Freeport. The modelling work that has been undertaken by the Pool demonstrates that financially the Pool would retain a greater share of business rates revenue through pooling than it would otherwise do, as long as it experiences economic growth.
- 1.2. It is the purpose of this Memorandum of Understanding to act as a statement of intent that will support the realisation of these benefits. The Pool Members have agreed to enter this Memorandum of Understanding to formalise their commitment and to set out their respective roles and responsibilities for the 2024/25 financial year.

2. Glossary of Key Terms

- 2.1. There are a number of technical terms used throughout this document. The meanings of these terms are as follows:

Levy - A formulaic mechanism to pay a percentage of additionally raised local business rates income over to central government when a target (set nationally for each billing authority) has been exceeded.

Pool - A voluntary arrangement amongst a group of local authorities to pool the business rates generated locally to ensure at least some of any levy is retained locally.

Net Retained Levy - The amount of levy retained locally. This is calculated as the sum of levies to be paid by individual Pool members if the Pool did not exist less any safety net funding that would have been due to individual Pool members if the Pool did not exist and less the administrative costs of the Pool.

Safety Net - The additional funding received by an authority, from central government, if, in the government's opinion, the decline in business rates in any year would leave an authority with insufficient resources. Calculated using a national formula.

Lead Authority - The Pool member who will act as the lead in managing the Pool's resources and being the key contact between central government and the Pool.

Schedule of Payments - The Lead Authority will prepare an annual schedule that reflects all the financial payments to be processed through the pool and clearly indicating the amount and timings of each payment and who needs to make what and payment to whom.

3. Key Principles

- 3.1. The Pool Members agree that they will operate the Pool in accordance with the following principles:

Increase in Resources - The Pool Members recognise that the fundamental objective of the Pool is to generate increased resources for the area, and individual Pool Members

Risk Management - The Pool Members agree to protect and mitigate as far as possible the risks associated with the level of business rate income. Income streams to the Pool Members may be more volatile, whether as the result of a one-off event (for example a successful large appeal) or something structural within an area (for example the closure of a major plant). The pooling arrangements should reduce this volatility.

Fairness - The Pool Members agree to share the costs, risks, and benefits of local business rate retention proportionately. Providing the pool does not make a loss, Pool Members should be no worse off than if they were outside the Pool.

Transparency, Openness and Honesty - Pool Members will be open and trusting in their dealings with each other, make information and analysis available to each other, discuss and develop ideas openly and contribute fully to all aspects of making the Pool successful. It also includes sharing data and intelligence outside of the formal reporting mechanisms on any substantive issues relating to business rate retention within their area.

Reasonableness of Decision-Making - Pool Members agree that all decisions made in relation to this Memorandum of Understanding shall be made by them acting reasonably and in good faith.

4. Binding Memorandum

- 4.1. This Memorandum of Understanding is produced as a Statement of Intent and, with the exception of Sections 5, 10 and 11, is not intended to be legally binding.

- 4.2. Sections 5, 10 and 11 are intended to be legally binding and to create obligations between Pool Members with immediate effect from the execution of this Memorandum of Understanding.
- 4.3. Pool Members have approved this Memorandum of Understanding in advance of the Secretary of State designating the Pool for the purposes of the Business Rates Retention Scheme. If the Secretary of State adds conditions to the designation, either initially or at any point in the future an immediate review of this Memorandum of Understanding, as outlined in Section 12, will be triggered.

5. Term of Memorandum

- 5.1. This Pool will be for the financial year 2024/25 only and will come into force only if Pool Members agree to commence and the designation is made by the Secretary of State and comes into force.

6. Decision-Making

- 6.1. The statutory finance officers (Chief Finance Officer) from each Pool Member shall collectively be responsible for overseeing the operation of the Pool and making recommendations to their respective authorities about the way forward.
- 6.2. The Lead Authority shall ensure that reports are sent to the Chief Finance Officer of each Pool Member at least on a quarterly basis updating them of the performance of the Pool and advising them of any issues. These reports should be available within four weeks of the quarter end.
- 6.3. The Lead Authority is able to appoint external support and incur reasonable internal costs in order to assist with the undertaking of its responsibilities (as per section 9 below) on behalf of the pool. The costs incurred by the lead authority will be shared across the group, as outlined in section 11 below.
- 6.4. For the avoidance of doubt, any substantive decision e.g. commitment of resources, changes in governance or major operational changes shall be referred to each Pool Members' decision-making regime.

7. Dispute Resolution

- 7.1. The Pool Members shall attempt in good faith to negotiate a settlement to any dispute arising between them arising out of or in connection to this Memorandum of Understanding. If this cannot be resolved by the Chief Finance Officers, it will be referred to a meeting of all member authorities' Heads of Paid Service for resolution.

8. Resourcing

- 8.1. Each Pool Member will provide the appropriate resources and will act with integrity and consistency to support the intention set out in this Memorandum of Understanding.
- 8.2. In the event that the Lead Authority needs to incur expenditure in order to administer the pool, any reasonable costs agreed by pool members should be the first call on the Net Retained Levy.

9. Lead Authority

9.1. Thurrock Council will act as the Lead Authority for the Pool.

9.2. The responsibilities of the Lead Authority are:

- to make payments on behalf of the Pool to central government and Pool Members on time and in accordance with the schedule of payments,
- to liaise with and complete all formal Pool returns to central government on behalf of Pool Members,
- to keep Pool Members informed of all communications with central government,
- to manage the resources of the Pool in accordance with this MoU,
- to prepare quarterly reports and consolidate intelligence on future resource levels on behalf of the Pool,
- to convene an urgent meeting of the Chief Finance Officers if there is the possibility that the pool could make a loss.
- to co-ordinate the annual review and refresh of the Pool's governance arrangements and the methodology for the allocation of resources,
- to consult on and administer a schedule of all payments in respect of all financial transactions that form part of the Pool's resources, and
- to lead on the timely provision of the information required, by Pool Members, in preparing their annual Statement of Accounts in relation to the activities and resources of the Pool.

9.3. To assist the Lead Authority in fulfilling this role, the responsibilities of individual Pool Members are:

- to make payments on time and in accordance with the schedule of payments,
- to provide accurate, timely information to the Lead Authority to enable all formal Pool returns to central government to be completed,
- to inform the Lead Authority, as soon as is practical, of any intelligence that may impact on the resources of the Pool either in the current year or in future years,
- to provide such information as the Chief Finance Officers agree is reasonable and necessary to monitor/forecast the Pool's resources within the timescales agreed,
- to provide such information as the Chief Finance Officers agree is reasonable and necessary on the use of the Pool's resources for inclusion in the Pool's annual report, and

- to provide accurate and timely information on the end of year financial performance of the business rates collection fund to enable the Lead Authority to calculate the end of year accounting entries needed.

10. Cash Management

- 10.1. The governing principle for the cash management of the Pool is that no individual Pool Member, including the Lead Authority, should incur a cash flow gain or loss as a result of the transfer of funds between Pool Members.
- 10.2. The Pool will receive/pay interest annually on any retained resource at the average investment rate of the Lead Authority.
- 10.3. Interest will be calculated on an annual basis and allocated to Pool Members based upon a method agreed by the Chief Finance Officers.
- 10.4. Where the Pool is required to make a payment to the Secretary of State, each authority in the Pool is jointly and severally liable to make that payment.

11. Allocation of Pool Resources

Principles

- 11.1. The allocation of resources will be based on the following principles.
- Each individual authority will receive at least the same level of funding they would have received without the Pool. The remaining amount will be the “Net Retained Levy.”
 - Any additional resource that is generated will be shared by pool members using the basis of allocation below.

Basis of Allocation

- 11.2. The underlying basis of allocation is as follows:
- A - The running costs of the pool, if any, will be initially paid by the lead authority and will be re-imbursed to them from the Net Retained Levy.
- B - If after A, the net retained levy is greater than £0 (i.e. the pool has made an overall gain), then it will be shared out using the following apportionments.
- 50% of the net retained levy (gain) will be allocated to Barking & Dagenham and Havering on equal share (25% each).
 - The remaining 50% gain will be paid to Thurrock Council.
- C - Where the Net Retained Levy is less than £0, (i.e. where the Pool makes an overall loss) – the loss will be shared in the following proportions:
- 50% of the loss will be allocated to the Barking & Dagenham and Havering on equal share (25% each).
 - The remaining 50% gain will be allocated to Thurrock Council.

12. Review Arrangements

- 12.1. It is not expected that these arrangements will be reviewed, with the pool only in operation for 2024/25 only. However, if such a need is required, it will be co-ordinated by the Lead Authority on behalf of the Chief Finance Officers.

13. Signatories on behalf of the Pool:

Name
Thurrock Council

Name
London Borough of Barking & Dagenham

Name
London Borough of Havering