



Surrey Heath Borough Council Scheme of Delegation of Functions to Officers

Urgent Action Form – Executive Function

Consultation by Chief Executive or Executive Head of Service or Head of Service involved with relevant Portfolio Holder or Leader of the Council and Chairman (or Vice Chairman) of the relevant Scrutiny Committee

To Councillor	Cllr Robin Perry
Portfolio Holder for	Finance
Proposal	<p>To confirm to Surrey County Council our intention to enter into Pooling arrangements for the financial year 2022/23, and</p> <p>Delegate authority to the Council’s s151 Officer, in consultation with the Portfolio holder for Finance, to sign the Memorandum of Understanding governing the Pool arrangements for 2022/23.</p>
Background	<p>On 13th September 2021, the Ministry of Housing, Communities and Local Government (MHCLG) issued an invitation to all lead Councils (in this case, Surrey County Council) to submit proposals for Business Rates Pools for 2022/23. Timescales for submissions were tight with proposals to be submitted by 8th October 2021 in order to comply with statutory deadlines.</p> <p>Consequently, Surrey authorities have been considering the benefits and risks of Pooling arrangements and the optimal financial position for membership of the Pool. The Pool membership is reviewed at each annual submission and while existing Pool arrangements would continue in force year on year unless revoked by the Department, where the Pool wishes to change its membership, the original Pool must be revoked, and a new designation made. Pool Members need to be geographically linked and given that the London Pool is not going ahead in 2022/23, this provided opportunity to reach out to both Croydon (who have previously been a member of the Surrey Pool) and Sutton. Sutton have subsequently confirmed their interest in joining the new Pool.</p> <p>LG Futures have supported the potential Pool Members with financial analysis of the options for Pooling, supported by our own internal data and estimates of business rates. Under this analysis, Surrey Heath Borough Council (SHBC) ranks 3rd among the Surrey Councils being considered for inclusion in the Pool and has therefore been invited by the lead authority, Surrey County Council (SCC), to join a new Pool consisting of SCC,</p>

Runnymede, Mole Valley, SHBC, Woking, Elmbridge and Sutton. The addition of the London Borough of Sutton will bring further financial benefit to the Pool. As the membership is intended to be different to the current year, a submission to dissolve the existing Pool and set up the new arrangement, is required.

Once all Councils who have been invited to participate have confirmed their agreement, SCC will issue a Memorandum of Understanding (MOU) to all parties to sign and will then submit the proposal.

Under the current Business Rates Retention Scheme, SHBC is able to retain a proportion of the growth in business rates generated in its area, paying the balance to central Government as a levy. Pooling allows the Council to retain a greater share of this growth by sharing the rewards across the group by combining the different Top up and Levy arrangements that exist across the different members of the Pool.

Business rate income is normally shared as follows:

- 50% Central govt
- 40% District Councils/lower tier
- 10% County Council/upper tier

Growth is shared in the same proportions as above, but SHBC then pays a 50% levy on our share of the growth, meaning that overall, the Council would retain just 20% of any growth, outside of a Pooling arrangement. The proposed Pooling arrangements allow the Council to retain 30% of any growth.

50% of the net gain from pooling will be allocated to SCC and Sutton, based on their Top up share and the remaining 50% of the gain will be split amongst the participating Districts in proportion to the levy payments that would have been applicable if each had acted individually.

The projected gain across the whole Pool is some £4.2m, with SHBC's share being around £276k, although this will be dependent on the final business rates income achieved in the year and the actual level of growth.

Given that members of the Pool have been selected to allow a wide spread of Surrey and neighbouring authorities to join and to optimise the financial gain for the Pool, there is very low risk of any financial loss via the Pool. This risk has been mitigated by the methodology used to select the partners.

Pooling of business rates for 2022/23 is once again complicated since the Government have not yet determined how business

rates growth achieved since 2013/14 is to be treated and in particular whether there will be reset of baselines in full or in part. Nevertheless, it is widely anticipated that the business rates reset is likely to be deferred again. In addition, the impact of Covid 19 on the economy and business rates remains uncertain. In mitigation of this risk, a key principle of the pooling agreement is that each authority will receive at least the same funding level that they would have received without the Pool. Any additional resources generated will be distributed proportionately as set out above.

In the unlikely event that the Pool makes an overall loss, this will also be apportioned across the Pool so that all Members share the risk. As referred to above, this risk has been mitigated by the rotation of pooling members, by the selection of a limited number of the participants, and inclusion of those typically furthest above their safety net positions. There is sufficient headroom in the estimated Pool receipts to provide a high level of assurance to the Council's funding position as compared to not being a member of the Pool, and significant opportunity for additional financial benefit that would not otherwise be available.

There is an opportunity to dissolve the Pool in January should any member of the Pool wish to do so.

Governance arrangements will be set out in the MOU and will be on the same basis as the existing Pool arrangements.

The main aim of the Pool is to maximise the retention of locally generated business rates and to ensure that it further supports the economic regeneration of the wider County of Surrey and the neighbouring Sutton. The modelling work that has been undertaken by the Pool Members demonstrates that financially the Pool Members would retain a greater share of business rates revenue through pooling than they would otherwise do, as long as the Pool experiences economic growth. This will act as a further incentive for all the pooling authorities to proactively work together to drive economic growth across the pooling area.

Key principles within the MOU are:

- To recognise the fundamental objective to generate increased resources for the area and for individual Pool members
- To mitigate risks associated with business rate income as pooling arrangements should reduce inherent volatility
- To share costs, risks and benefits of business rate retention proportionately

	<ul style="list-style-type: none"> Pool Members should be no worse off than if they were outside the Pool Pool Members will share data and intelligence on substantive issues relating to business rates retention in their area and agree to act reasonably and in good faith
Options	To either agree to join the proposed Pool and delegate the signing of the MOU to the s151 Officer or to decide not to enter Pooling arrangements for 2022/23.
Risk of delaying the decision	If the decision is delayed, the Council will miss the 8 th October deadline set by Government for submission of the request, which has been set in order to meet statutory deadline for the creation of Pools for 2022/23. This would mean that the opportunity to retain locally a higher proportion of any business rates growth, will be lost.
Legal advice	The creation of business rate pools is governed by statute (Part 9, Schedule 7B, Local Government Finance Act 1988). The Council's Monitoring Officer has reviewed the MOU and is satisfied with the proposed governance arrangements.
Resource implication	No additional internal resource is required to support the Pooling arrangements.
Contact Officer for further information	Amanda Fahey – Interim Strategic Director for Finance and Customer Service Amanda.fahey@surreyheath.gov.uk Tel: 01276 707257

Signed by email

Dated 7/10/21

Name: Amanda Fahey

I agree with the above action proposed

Signed by email

Dated 8/10/21

Portfolio Holder for Finance

On behalf of the Scrutiny Committee, I agree with the above action proposed. I recognise that if this decision is taken by the appropriate officer as a matter of urgency, there will be no opportunity for the decision to be scrutinised by the Scrutiny Committee before its implementation.

Signed by email

Dated 7/10/21

Chairman/Vice Chairman of Performance and Finance Scrutiny Committee