

**Memorandum of Understanding - Subject to Contract  
Business Rates Pooling Agreement  
Pilot Arrangements  
Staffordshire and Stoke –on –Trent**

- (a) All Local Authorities are currently obligated to pay a percentage of their Business Rate collection to Central Government. In accordance with the proposed 75% Business Rates Retention Scheme only 25% of Business Rates will be retained by Central Government
- (b) In order to pilot the 75% scheme Members have agreed , subject to designation by MHCLG, to join together the net Business Rates collected and establish a Business Rate Retention Scheme in accordance with the Local Government Finance [Bill July 2012] (“the Pool”).
- (c) The rationale of the Pool is
- (i) to utilise the additional resources available to the pool, resources that would otherwise have been returned to central government, to
- deliver sustained economic growth by building on and strengthening its partnership arrangements reflecting the economic geography of Staffordshire
  - the generation of additional resources for both direct service provision, and preventative, social care
- (ii) to utilise tier splits to manage the risks and rewards across the pool

**1. Membership**

- 1.1 Membership of the pool is open to the following Councils/ authorities;
- Cannock Chase District Council
  - East Staffordshire Borough Council
  - Lichfield District Council
  - Newcastle-under-Lyme Borough Council
  - South Staffordshire District Council
  - Stafford Borough Council
  - Staffordshire County Council
  - Staffordshire Fire and Rescue Service
  - Staffordshire Moorlands District Council
  - Stoke-on-Trent City Council
  - Tamworth Borough council
- 1.2 The Pool Board will review its membership annually and will consider requests for new members to join or existing members to leave provided applications to join or leave are made at least 2 months prior to the Ministry of Housing Communities and Local Government (“MHCLG”) deadline for pre designation of a Pool each year.

- 1.3 The Pool is open to the possibility of accepting additional members to its pooling arrangement. New members, as existing members, will be accepted subject to:
- there being a unanimous decision of the Pool Leaders to accept the new member(s)
  - new membership will begin from 1 April of the following financial year
  - consultation and designation requirements of MHCLG.
  - their full acceptance of the MHCLG's Business rates retention scheme – pooling prospectus and any subsequent amendments to or iterations thereof.

## **2. Duration**

- 2.1 Subject to the pool being designated by MHCLG, the pool will come into effect from 1 April 2019. The period of membership will be for a minimum of the 2019/20 financial year.
- 2.2 The Pool is a voluntary arrangement and Members will be able to review their continuing membership up to [2 months] prior to the annual nomination of the forthcoming year's Pool in accordance with MHCLG's timetable.
- 2.3 Should a Member withdraw from the Pool during the annual settlement consultation period the Pool will be dissolved in accordance with MHCLG rules.

## **3. Governance**

- 3.1 A Pool Board consisting of a representative from each of the Members will be responsible for the Governance arrangements of the Pool.
- 3.2 The Pool Board will be made up of one nominee from each of the Members, being the Leader/Chief Executive or nominated substitute.
- 3.3 Each Member will have equal voting rights and voting will be by a simple majority. If there are an equal number of votes for/against a decision, the Chair will provide a casting vote.
- 3.4 A schedule of meetings will be agreed annually in advance of each financial year and a quorum for meetings will be 50% of the Membership of the Pool Board.
- 3.5 The Board will be hosted in each turn by each Member and chaired by the host Member.
- 3.6 The Pool Board will receive appropriate Legal and Financial support as required as from the Lead Authority.

3.7 The Members shall at its first meeting agree terms of reference for the Pool Board, subject to the clauses as contained in Section 4 of these Heads of Terms.

#### **4. Pooled Fund**

4.1 The Pool will be based upon a “No Loss “basis for each Member.

4.2 “No loss” is determined to be that a Member will be no worse off

- by being a Member of the Pool than they would have been if they had not been a Member of the Pool. Each Member will retain the income they would have received if they were not a member of the Pool.
- No Member will be worse off as compared with previous pool arrangements for Staffordshire and Stoke on Trent Business rates Pool (2012) or Greater Birmingham and Solihull Business Rates Pool.
- No Member will be worse off as a result of the increased retained % arising from the agreed Tier Splits of the Pilot Scheme.

4.3 Each Member will retain the net Business Rates calculated in accordance with the 50% Business Rates Scheme (pre to any Levy Deduction). Member authorities will pay the same level of tariff or receive the same level of top up and receive the same level of safety net payment as if they were not in the pool;

4.4 Tariffs/Top ups for each Member as determined by the Annual Settlement, as adjusted for the consolidation of Revenue Support Grant and Rural Services Grant will be paid into/ received from the Pool via the Accountable Body in accordance with the timetable as approved by the Board. The accountable body will be responsible for payment/ receipt of the net Tariff or Top Up due to/from Central government.

4.5 Additional income in excess of the amount that would have been retained under the 50% Business Rates Scheme will be paid into the pool via the Accountable Body no later than the point at which they would otherwise have been paid to the Government had no pool existed.

4.6 The pool will be distributed in accordance with the following methodology

- The Accountable Body will receive a fixed annual sum of £XX,000
- Each Member Authority will receive a guaranteed payment of £200,000 per annum
- Compensation to a Member arising from the change in tier splits between the 50% and 75% scheme whereby an authority is worse off due to the increased % arising from the pilot.

- 4.7 The residual balance representing “ongoing growth” to 31 March 2019 and new growth thereafter will be split in accordance with the following Tier Splits reflecting the growth achieved by that Member

Two Tier Authorities	Growth to 31 /3/2019	(Growth thereafter 75% Scheme )
Staffordshire County Council	9%	34%
Staffordshire Fire and Rescue Service	1%	1%
District /Borough Councils	40%	40%
Unitary Authority	Growth to 31 /3/2019	Growth thereafter (75 % Scheme )
Stoke-on-Trent City Council	49%	74%
Staffordshire Fire and Rescue Service	1%	1%

- 4.8 The above distribution mechanism will remain in place for the duration of the pool
- 4.9 The distribution of pooled funds will be made by 30 June following the end of the relevant financial year.
- 4.10 Billing authority Members will retain their own collection funds and will retain their existing responsibility for bearing any shortfall in collected business rates.

## 5. Levy Savings

- 5.1 The amount retained by each Member is gross of the 50% levy payments that would have been paid to the Government. Each Member will determine how such Levy savings are distributed and are outside of the remit of the pool. However the pool is to operate on a “no detriment” basis with other partners/stakeholders.
- 5.2 Each Member should agree with the relevant partner or body how/whether existing arrangements are to be addressed

	S&SOT (2012)	GBS Pool
Local Retention- Tariff	40%	32.5%
- Top Up		7.5%
Economic Development	40%	40%
Contingency	20%	20%

## 6. Safety Net/Contingency Fund

- 6.1 If a Member's business rate income drops by more than the Government determined safety net trigger, then a Party will be entitled to receive a Safety Net Payment from the Pool.
- 6.2 The overall Pool, under pilot arrangements, will receive a Safety Net payment that guarantees 95% of its Baseline figure. Individual Members are not protected by the Government Safety Net provision. However in accordance with the “no detriment provision” existing 50% Business Rates Retention safeguards will apply.
- 6.3 Safety Net payments ensuring each authority receives 92.5% of its Business Rates Baseline will be paid from the Pool. The payment will match any safety net payments that would otherwise be made if they were outside the Pool.
- 6.4 At the formation of the pool each Member will be required to transfer to the Accountable Body their proportion of the Contingency Fund held within the Staffordshire and Stoke on Trent Business Rates (2012) Pool or Greater Birmingham and Solihull Business Rates Pool.
- 6.5 In addition, in accordance with previous pooling arrangements, Members will make a contribution amounting to 20% of its Levy Saving to the Contingency Fund.
- 6.6 The amount of the Contingency Fund will be reviewed on an annual basis by the Pool Board.
- 6.7 If in a Financial Year there are insufficient sums in the Contingency Fund then Staffordshire County Council and Stoke-on-Trent City

Council will transfer an amount equal to the shortfall to enable the Contingency Fund to make the Safety Net Payments. This payment will be split on a pro rata basis, based on respective population sizes in the two areas.

- 6.8 Staffordshire County Council and Stoke-on-Trent City Council will be reimbursed for any such payments made from the contingency in the following financial year.
- 6.9 Safety net payments will be made as a first call on sums in the contingency fund, before reimbursements are made.
- 6.10 The Contingency Fund will be reviewed on an annual basis by the Pool board. Where the existing contingency fund is, or is anticipated to be, insufficient, the % of the "levy savings" will be amended to increase the proportion allocated to the contingency fund and to reduce the allocation to the local incentive fund accordingly on a pro rata equal basis as agreed by the Pool Board.
- 6.11 If Staffordshire County Council and Stoke City Council are required to make Payments to the Contingency Fund in two (plus) consecutive Financial Years then they may notify the Members that a Variation to or Termination of the is needed.

## **7. The Lead Authority/Accountable Body**

- 7.1 The Pool Board will nominate the Finance Shared Service for Cannock Chase/Stafford Borough as Lead Authority.
- 7.2 The Lead Authority is responsible for all accounting and administration of the Pooled Fund and the Contingency Fund.
- 7.3 The Lead Authority is responsible for all auditing and accounting requirements as set out in legislation.
- 7.4 Each Member is be required to provide all relevant information to the Lead Authority as required to carry out its responsibilities. [to be determined by MHCLG].
- 7.5 Each Member will transfer the relevant funds to the Lead Authority enabling the Lead Authority to carry out its responsibilities under this agreement.
- 7.6 The Members agree that the Pool will operate on a cash flow neutral basis. Payments should be actioned in accordance with the dates as determined by MHCLG (as reasonably practical) on a net basis.
- 7.7 In addition Members will be required to provide medium term forecasts and monitoring information as determined by the Pool Board.

- 7.8 The Lead Authority will be accountable for producing as a minimum an annual report to the Pool Board or other such reports as required by the Pool Board.
- 7.9 The Lead Authority will be subject to no additional burdens other than those required to meet the normal requirements associated with the administration of the Pool and will receive an agreed fixed annual sum (as determined by the Board) for undertaking the Accountable Body status ..

## **8. Termination**

- 8.1 A Pool will remain in place for each financial year that it has been designated by MHCLG. Once designated, Members are not able to withdraw from the Pool for that financial year.
- 8.2 Prior to designation, the Pool is on a voluntary basis and all members will be able to choose to be a Member of the Pool for the forthcoming year's designation. In considering their continued Membership, Members will need to have due regard to the Pool Fund aims and objectives and the impact on remaining Members.
- 8.3 Members must give a minimum of 2 months' notice of intention to withdraw from the Pool prior to the provisional designation of the Pool in accordance with MHCLG's timetable.
- 8.4 If a Member or Members leave the Pool without the required notice set out in 8.3 and it is not possible for other Members to form an alternative pool for the forthcoming year then the exiting Member or Members shall pay 25% of the lost benefit to the Member Authorities directly affected in accordance with the Tier splits. The lost benefit relates to the additional retained growth as compared to the 50% scheme that would have been available to the Members in the forthcoming year had the Member or Members not exited.
- 8.5 Clause 8.4 of this Memorandum of Understanding shall not apply to the first year of the Pool or if the Pool Board unanimously agrees that it shall not apply.
- 8.6 In the event that the Pool is terminated the Pool Board must unanimously agree how any balances in the Pooled Fund or the Contingency Fund are shared amongst the Members. For the avoidance of doubt this will include both positive and negative balances which will be netted off each other. If the pool board cannot reach a unanimous decision then the matter will be referred to mediation and/or arbitration as per the dispute resolution procedure set out in the pooling agreement.

**9. Other Terms**

- 9.1 The Pooling Agreement will also include other terms standard in xxxxx documents of this type e.g.: Freedom of Information Act provisions, anti-discrimination provisions, Data Protection Act provisions etc.
- 9.2 Each Member will be responsible for its own legal fees in the connection with the drafting, negotiation and completion of the Pooling agreement.
- 9.3 A dispute resolution shall be included in the Pooling agreement.

**Signed (for and on behalf of):.....**

**Name:.....**  
**Title:.....**  
**Date:.....**