

Cumbria Business Rate Pool

Agreement

This Agreement is made between Allerdale Borough Council, Barrow Borough Council, Carlisle City Council, Cumbria County Council, Eden District Council and South Lakeland District Council (together referred to as 'Pool Members' and /or 'Authorities').

1. Purpose

- 1.1. It is the intention of the Pool Members to improve the well-being of the communities they serve. By working together they can retain a greater proportion of any business rate growth within the Pool area, providing opportunities to promote further economic growth as well as building financial resilience.
- 1.2. The Pool Members have agreed to enter into this Agreement to formalise their commitment and to set out their respective roles and responsibilities.

2. Glossary of main technical terms

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

Agreement	Refers to this document and to Schedule 1 attached thereto.
Base Rate	The prevailing level of interest rate set by the Bank of England.
Baseline Funding	Government's assessment at the outset of BRRS of the income an authority could raise through the BRRS.
Business Rates Retention Scheme (BRRS)	The new system of local government funding implemented in April 2013 which provides for the local retention of a proportion of business rates.
Gross Retained Levy	The total amount of the levies that would have been paid by individual Pool Members had the pool not existed.
Lead Authority	The Pool member (Cumbria County Council) who will act as the lead in administering the pool, in particular receiving shares of tariff, paying top-ups and managing the distribution of Gross and Net Retained Levies and Local Volatility Fund.
Levy	A payment due to central government related to BRRS income above Baseline Funding levels. Calculated using a nationally set formula.

Local Volatility Fund	An element of the Net Retained Levy set aside in a Fund to provide protection for Pool members from falls in business rate income. It is calculated using a local formula.
Memorandum Local Volatility Fund	The amount of the Local Volatility Fund contributed by or paid out to individual Pool members which is to be used as the basis for distributing any retained resources or deciding outstanding liabilities consequent on a change in the Pool's membership.
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 the Levy to be paid by the Pool less any Safety Net funding that would have been due to individual Pool members if the Pool did not exist (and if not able to be supported through the Local Volatility Fund) less the administrative costs of the Pool.
NNDR1	A central government form used to estimate a future year's business rates prepared on an annual basis by all billing authorities and used as the basis for allocating shares of business rates.
Pool	A voluntary arrangement amongst a group of local authorities to pool the business rates generated locally in accordance with the BRRS pooling prospectus published by DCLG in July 2013.
Safety Net	Payment received by an authority from central government under the BRRS if BRRS income falls by more than a specified percentage below the Baseline Funding Level. It is calculated using a national formula.
Schedule 1	Refers to the 'Cumbria Business Rates Pool – Financial Protocol' attached to this document.

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 BRRS income for Pool Members to be used for economic development purposes.

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. Pool Members should be no worse off than if they were outside the Pool – paying the same level of tariff and receiving the same level of top up as they would if outside of the Pool – subject to meeting any Safety Net commitments across the Pool should they arise.

Information sharing

Pool Members will make available all information and analysis required by the Lead Authority to administer the Pool. This also includes sharing data and intelligence outside of the formal reporting mechanisms on any substantive issues relating to business rate retention within their area including the award of any discretionary reliefs.

Reasonableness of Decision-Making

Pool Members agree that all decisions made in relation to this Agreement shall be made by them acting reasonably and in good faith.

4. Status of the Agreement

- 4.1. This Agreement is legally binding.
- 4.2. Pool Members have approved this Agreement 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 Agreement, as outlined in Section 12, will be triggered.

5. Term of Agreement

- 5.1. This Agreement shall continue to be in place unless terminated in accordance with these terms.
- 5.2. This Agreement is subject to a further financial review after publication of the Draft Local Government Finance Report. Any decision not to proceed by an individual member must be made to DCLG within 28 calendar days of the publication of the Draft Local Government Finance Report. This will automatically dissolve the pool. In advance of any Pool Member notifying DCLG of their withdrawal they must give notice to the other Pool Members within 21 days of publication of the Draft Local Government Finance Report.
- 5.3. Any Pool Member can leave the Pool from 1 April of the following financial year providing:
 - Written notice is given to other Pool Members and DCLG in at least sufficient time for the Pool to remain in place for the remaining Pool Members, should they wish it to continue. Sufficient time is taken to be at least two months in advance of the deadlines for renewals / applications specified by DCLG in regulations and/or guidance and no later than 31 August, whichever is the earlier.

- All liabilities to and from the Pool are paid.

6. Decision-Making

- 6.1. The Section 151 Officer in each of their respective Authorities shall 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 Section 151 Officers 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 six weeks of the quarter end of a financial year.
- 6.3. For the avoidance of doubt, any commitment of resources, changes in governance or major operational changes shall be referred to each Pool Member's Section 151 Officer for approval. Such officers will determine the decision making requirements in their own organisations.

7. Dispute Resolution

- 7.1. The Pool Members shall attempt in good faith to negotiate a settlement to any dispute arising between them out of or in connection with this Agreement. If this cannot be resolved by the Section 151 Officers it will be referred to a meeting of all Member Authorities' Heads of Paid Service for resolution. If no resolution results, then an independent mediator will be appointed by a majority vote of the Pool Members. The decision of the appointed mediator will be binding on all Pool members save in the case of manifest error or on a point of law.

8. Resourcing

- 8.1. Each Pool Member will provide the appropriate support and will act with integrity and consistency to support the intention set out in this Agreement.
- 8.2. £30,000 a year is allocated to the Lead Authority in recognition of the additional workload the administration of the Pool places on the Lead Authority, subject to an annual review. This allocation will be paid out of the Gross Retained Levy before any allocations are made. If there is no Gross Retained Levy in any year, the administration fee will be paid from balances within the Local Volatility Fund, pro-rata to the levels of balances held.

9. Lead Authority

- 9.1. Cumbria County Council will act as the Lead Authority for the Cumbria Business Rate Pool.

9.2. The responsibilities of the Lead Authority are:

- With reference to Schedule 1 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 Agreement;
- To prepare quarterly monitoring reports and consolidate intelligence on future resource levels on behalf of the Pool;
- To prepare the annual report of the Pool's activity;
- To co-ordinate the annual review and refresh of the Pool's governance arrangements and the methodology for the allocation of resources;
- To secure the completion of any legal agreements, accounting and audit arrangements required to support the operation of the Pool;
- With reference to Schedule 1 to consult on and administer the schedule of payments between Pool Members in respect of all financial transactions that form part of the Pool's resources;
- With reference to Schedule 1 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; and
- To administer the continuation or the dissolution of the Pool in future years.

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

- With reference to Schedule 1 to make payments to the Pool on time and in accordance with the schedule of payments;
- With reference to Schedule 1 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 Section 151 Officers agree is reasonable and necessary to monitor/forecast the Pool's resources within the timescales agreed;
- To provide such information as the Section 151 Officers agree is reasonable and necessary on the use of the Pool's resources for inclusion in the Pool's annual report; and
- With reference to Schedule 1 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 treasury management 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 in proportion to the balances on the Memorandum Local Volatility Fund.
- 10.4. Any late payment by a Pool Member to the Lead Authority may be subject to a late payment interest charge which shall be at the rate paid by the Lead Authority for an unplanned overdraft (currently 4% per annum above Base Rate).

11. Allocation of Pool Resources

11.1. Principles

The allocation of Pool income will be based on the following principles:

- No authority will receive a lower level of income from the BRRS than they would have received without the Pool; authorities will pay the same level of tariff or receive the same level of top up and / or receive the same level of Safety Net payment as if they were not in the Pool. This is subject to the pool BRRS income not being less than the sum of what Pool Members' BRRS income would have been in the absence of a Pool;
- Any additional BRRS income generated because of the Pool will be shared across the Pool;
- The allocation of any retained resource will reflect where the business rate growth occurred and the Baseline Funding of Pool Members.

The rationale for the Pool is to encourage economic growth; therefore Pool members are encouraged to use the additional resource to promote further economic growth.

Subject to budgetary constraints, each Pool Member will allocate a significant proportion of their allocated Net Retained Levy for activities that support:

- The creation of an environment where it is easy for businesses to start, locate and thrive;
- Acceleration of the growth of the economy in Cumbria through targeted support in the key strategic sectors; and

In making these allocations Pool Members are emphasising their commitment to sustaining their underlying business rate base.

11.2. **Basis of Allocation**

The underlying basis of allocation is half to the authority that would otherwise be paying a Levy and half to be shared across all Pool Members pro rata to their BRRS Baseline Funding. The detailed process through which this will operate comprises three elements:

- The allocation of any Gross Retained Levy and Net Retained Levy - this will be calculated in accordance with the Financial Protocol. See Schedule 1 to this Agreement
- The assessment of when an allocation from the Local Volatility Fund is due and how much any allocation will be. Allocations from the Local Volatility Fund will be made in accordance with the Financial Protocol which is attached as Schedule 1 to this Agreement ; and
- How the Local Volatility Fund will be shared should any authority decide to leave the Pool or the Pool is dissolved. When a Pool member leaves or the Pool is dissolved each authority will refund the Pool or receive from the Pool the balance in their Memorandum Local Volatility Fund which will be calculated in accordance with the Financial Protocol which is attached as Schedule 1 of this Agreement.


12. **Review Arrangements**

- 12.1. A review of this Agreement will be undertaken on an annual basis. It will be co-ordinated by the Lead Authority on behalf of the Section 151 Officers and in sufficient time for any changes in Pool Membership to be in place before the start of the following financial year. Subject to changes to the current pooling timetable, as determined by DCLG, such reviews will conclude by September each year.

13. Signatories of Section 151 Officers on behalf of the Pool Members

On behalf of **Allerdale Borough Council – Sec 151 Officer**

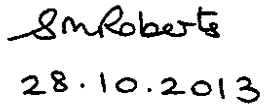
Signed:



Name:
Catherine Nicholson
Date:
29th October 2013

On behalf of **Barrow Borough Council**

Signed:



28.10.2013

Name: Sue Roberts, Borough Treasurer (Section 151 Officer)
Date: 28/10/13

On behalf of **Carlisle City Council**

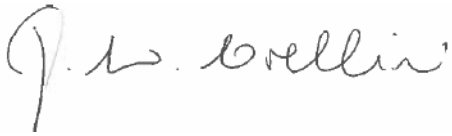
Signed:



Name: Peter Mason, Director of Resources
Date: 23/10/2013

On behalf of **Cumbria County Council**

Signed:



Name: Julie Crellin, Assistant Director (Finance)
Date: 30/10/2013

On behalf of **Eden District Council**

Signed:



Name: David Rawsthorn, Director of Finance
Date: 23/10/2013

On behalf of **South Lakeland District Council**

Signed:



Name: Shelagh McGregor, Assistant Director (Resources) & Chief
Finance Officer
Date: 23/10/2013