

NON EXEMPT

HAVANT BOROUGH COUNCIL

Cabinet - Extraordinary

19 September 2018

NNDR Business Rate Pilot Scheme for Hampshire 2019 - 20

FOR DECISION

**Portfolio: Portfolio Holder for Finance
Cllr T Pike**

Report from the Chief Finance Officer

Key Decision: No

1.0 Purpose of Report

1.1 This report is submitted to Cabinet to seek agreement to submit a bid to central government to be part of a Hampshire wide business rate pilot for the financial year 2019-20.

2.0 Recommendation

Cabinet approve that Havant Borough Council be part of a Hampshire wide business rate pilot submission.

3.0 Executive Summary

3.1 The government announced a further roll out of the business rates pilot schemes in July 2018, with bids to be submitted no later than 25th September 2018.

3.2 Hampshire is proposing to make a bid to be one of the 2019-2020 business rate pilots.

3.3 The pilot would include Hampshire County Council, Hampshire Fire Authority, and all the districts councils within the county: Basingstoke and Deane, East Hampshire, Eastleigh, Fareham, Gosport, Hart, Havant, New Forest, Rushmoor, Test Valley and Winchester.

3.4 The pilot would enable council to retain 75% of business rate growth in their area and they will also not be subject to a business rate growth levy as currently imposed on Havant.

3.5 There are some risks to participating councils should the wider pool of rates across Hampshire fall from its current position.

3.6 Initial modelling based on NNDR1 returns would provide an additional £28.1 million and Havant £1.644m.

4.0 Additional Budgetary Implications

4.1 Estimated additional NNDR income:

	2019-20
Additional income	£1.644m

Note – income figures are based on NNDR1 returns for 2018-19 and Hampshire authority estimates of growth in 2019-20

5.0 Background

- 5.1 Since 2013 Central Government has been changing the way that funding is passed onto Local Authorities with less funding being provided directly from Central Government.
- 5.2 The Government has been investigating proposals to move towards 100% of business rates being retained by local government.
- 5.3 There have been several pilot's schemes which have looked to test how this financing model would work
- 5.4 The government has announced a further round of bidding for the financial year 2019-20, these will be for 75% business rates retention within the new pilot areas.
- 5.5 A main difference to this year's pilot bids is that MHCLG have remove the 'no detriment' support which guaranteed in the previous pilots that participating members would not be financially worse off that in the currently 50% scheme.
- 5.6 Following a meeting of the participating authorities s151 officers it is recommended that the bid proposes a model based on the following principles:
- 35% top slice for the strategic share – currently ringfenced to support the Hampshire Housing Deal.
 - Governance of spend allocation from the Strategic Fund if not used towards the Hampshire Housing Deal would as detailed within section 10 of this report.
 - 80:20 District: County split.
 - £300k minimum uplift figure.
 - Split of district shares on a 50:50 basis between business rates growth and baseline funding levels.
- 5.7 The overall pilot could provide an additional £28.1m of funding across Hampshire. The detail of this additional funding can be found within Appendix 1.
- 5.8 It is recommended that 35% (£9.5million) is top sliced from the additional funding and ringfenced within a strategic fund to support the Hampshire Housing Deal. This would align with outcomes that Central Government wish to see from the additional funding (guidelines recommend aligning the additional funding to support accelerating housing, infrastructure and economic development).

- 5.9 The Hampshire pilot is recommending an 80:20 split, this means that the district tier allocation would increase from 40% to 60%, the county tier allocation would increase from 9% to 14% with the Fire Authority remaining on 1% (the county would retain any Fire Authority growth).
- 5.10 Additional funding for Havant is estimated to be

Pessimistic scenario (3% reduction in rates income across all of Hampshire) : £0.763m gain
Optimistic scenario: £1.644m gain

6.0 Options considered and reasons for the recommendation

- 6.1 Do nothing – This has been considered and rejected as the additional £26million of funding in the next financial year is seen as a clear windfall for Hampshire with very little risk attached to the bid. Although there is no guarantee that the bid would be successful it also demonstrates to Central Government cross county working by sharing the financial risks and rewards of the pilot scheme.

For Havant based on the NNDR1 return for 2018 -19, NNDR income to the authority would be £1.353 million with a levy paid to Central Government of £1.353 i.e. 50:50

7.0 Resource Implications

7.1 Financial Implications

There will be some financial implications to provide the necessary administration of the bid if successful but as yet this is not quantifiable but will be met from the additional funding raised by the pilot.

7.2 Human Resources Implications

The lead authority will require to provide administrative support for the pilot scheme, currently the lead authority is Winchester City Council.

7.3 Other Resource Implication

8.0 Legal Implications

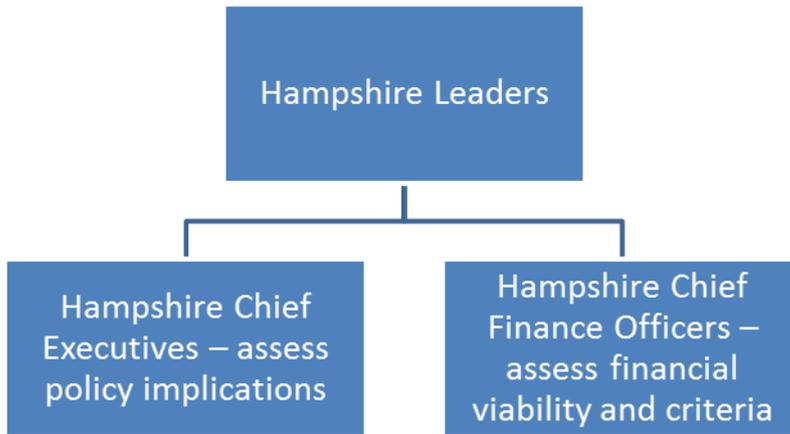
- 8.1 The pooling arrangements will need to be approved by all of the local authorities in the proposed pool. If any of the Councils in the pool were to change their mind, the whole application would be forfeited.

9.0 Risks

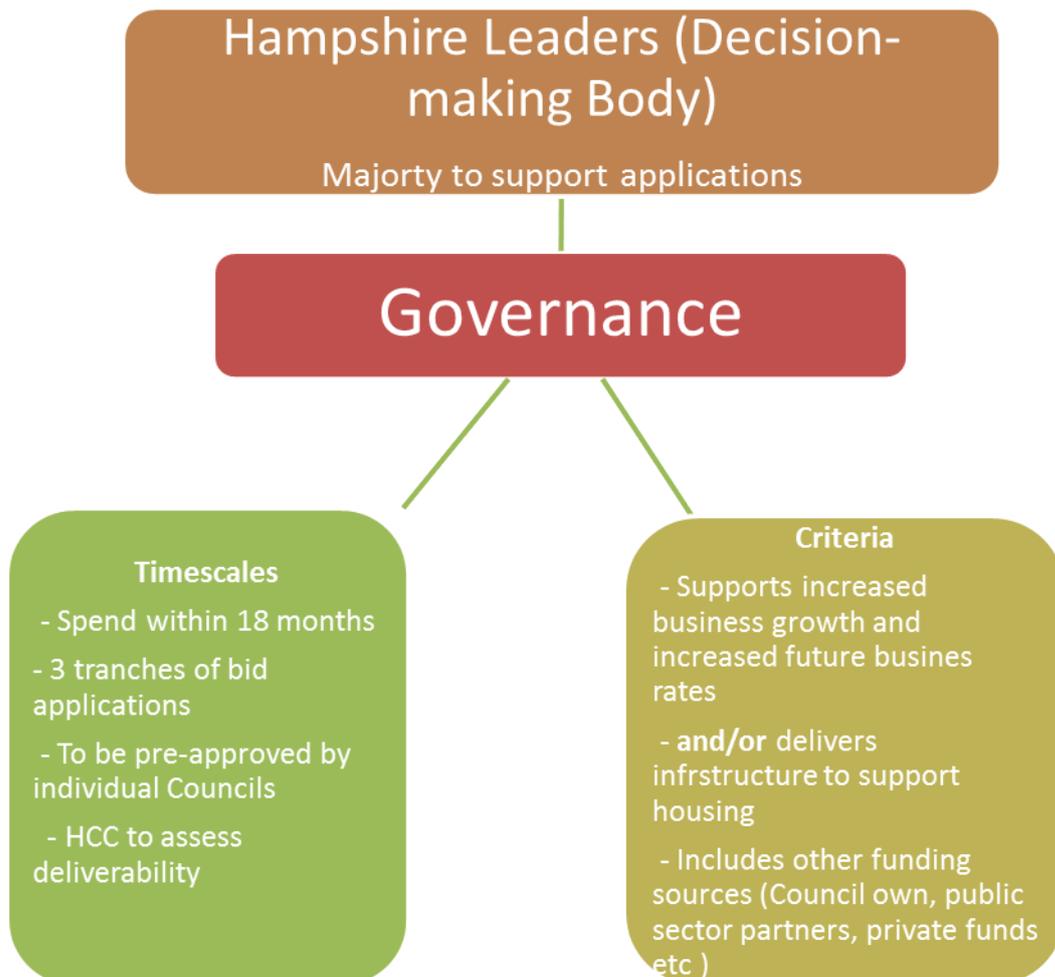
- 9.1 Within the 75% share of income and losses pilot members are potentially exposed to a greater level of financial risk than within their current scheme (75% rather than 50%).
- 9.2 However, there is a greater safety net as any losses are shared across the pilot rather than borne by individual authorities.
- 9.3 The current financial model ensures that each authority receives its MFG equivalent to its financial position within the pool or in the main 50% scheme.
- 9.4 The funding for the MFG will come from other members of the pilot.
- 9.5 If this is insufficient then losses will be distributed proportionally.
- 9.6 Havant has also been extremely conservative in the pilot financial model and included no growth assumptions.

10 Governance

- 10.1 The strong governance arrangements are aimed at establishing a blend between risk and reward. The councils recognise that there are risks to being involved in the pilot bid, but also that there are significant rewards as well, specifically to support joint strategic working across the county area.
- 10.2 The governance arrangements support pooling through a variety of means:
 - Ensuring that there is no net loss to any of the individual councils where an overall business rate growth position is established.
 - If there is an overall loss or gain position from the business rates pilot, then this will be apportioned across the councils according to the share of below baseline growth/loss
- 10.3 The initial group that would monitor the pooling arrangement would be Hampshire CFOs, which is an established group that meets regularly, and includes chief finance officers from across the county area.
- 10.4 The governance for the strategic share and service investment would be through the Hampshire Chief Executives and Leader's groups; again these are well established groups, with support provided by Chief Finance Officers on the financial implications of proposed bids.
- 10.5 There would be a coordinated monitoring of Business Rates income, and the implication for the pool, by individual Councils and this would be coordinated by Winchester City Council with a monthly summary report brought to Chief Finance Officers.
- 10.6 Summary of governance arrangements for bids to be assessed:



10.7 A process has been established per the below that sets out the proposal for bids to come through to Hampshire Leaders as the decision-making body. This is a well establish group, with regular meetings and the ability to consider options:



10.8 The individual bids would be processed through any emerging housing deal framework, as this would fit well in establishing a link between the business rates pilot and funding infrastructure across the functional economic area and supporting the delivery of housing in an area with significant affordability issues and that is a high generator of economic growth.

11 Consultation

11.1 Leaders and Chief Executives of Hampshire and Cabinet Members for each authority.

12 Communication

12.1 None

Appendices:

Appendix 1 Summary of financial implications

Agreed and signed off by:

Legal Services: (date)

Executive Head of Governance & Logistics: date

Relevant Executive Head: (date)

Portfolio Holder

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