Appendix 2

REVENUES AND BENEFITS JOINT COMMITTEE **28 JUNE 2017**

SUBJECT:	**NON-DOMESTIC RATE UPDATE**
DIRECTORATE:	**CHIEF EXECUTIVE**
REPORT AUTHOR:	**GARY WATSON, INTERIM HEAD OF SHARED REVENUES AND BENEFITS**

DEPARTMENT	CONSULTEE NAME	CONSULTATION START	CONSULTATION COMPLETED
Legal	City Solicitor		
Finance	Chief Finance Officer		

1. Purpose of Report

1.1 To provide Members with an update on a variety of non-domestic rate issues.

2. Executive Summary

2.1 This report provides Members with an update on the following non-domestic rate issues:-

- Revaluation.
- Recent Legislation.
- Spring Budget.
- Discretionary Relief Policy.
- Local Government Finance Bill 2017.

2.2 The report is not intended to include non-domestic rate issues that are covered in other reports before this meeting of the Joint Committee.

3. Background

3.1 Until the 31 March 1990, the non-domestic rate (the general rate) was set by a rating authority based on a rateable value for each hereditament that had been assessed by the Valuation Office Agency (VOA). The rate income was retained by the rating authority, with equalisation effected through the grant system. There were a limited number of reliefs available to the ratepayer, whilst levying a rate on an unoccupied hereditament was at the discretion of the rating authority.

3.2 From 1 April 1990, the general rate was replaced by a national non-domestic rate. The Government sets a multiplier (today we have a standard and a small business multiplier) which is applied to the rateable value for each hereditament, to arrive at the amount payable. Until 31 March 2013, all rate income was pooled by the Government and redistributed based on the population of each local authority. The levying of a rate on an unoccupied hereditament was no longer at the discretion of the billing authority.

3.3 Over the years, there have been a number of changes to the non-domestic rate system. Rural Rate Relief and Small Business Rate Relief have been introduced, whilst the unoccupied rate increased to 100% from 1 April 2008. At the same time, the exemption for unoccupied industrial properties was removed. More recently, the Government introduced 50% business rate retention on 1 April 2013, which completely changed the attitude of Local Government towards non-domestic rate. No longer was it just important to maintain a high collection rate.

3.4 The Government had announced in the last Parliament for 100% business rate retention to be in place from 1st April 2020 although earlier this calendar year, it was brought forward to 1 April 2019. The announcement of the General Election cast doubt as to the timetable for moving towards 100% business rate retention. That said, it is important for Joint Committee to be kept informed on all developments within non-domestic rate and it is possible, officers will have more information to share with Joint Committee at this meeting.

3.5 It is proposed that a ‘stand-alone’ report on non-domestic rate is now included on the agenda for all future meetings of the Joint Committee. This will include reference to City of Lincoln C and North Kesteven DC together with West Lindsey DC. The collection of non-domestic rate across the three authorities will continue to be covered in a separate report to Joint Committee.

4. Current Issues

Revaluation

4.1 All non-domestic properties are subject to non-domestic rate (‘business rate’). Each non-domestic property is assigned a rateable value by the VOA that is then multiplied by a multiplier, to produce the annual business rate bill. Rateable values are subject to regular updating in England, Scotland and Wales; normally every five years. This is done to ensure that they stay broadly in line with properties’ annual rental value.

4.2 The revaluation that has taken effect in 2017/18 is the first revaluation since 2010/11; the revaluation scheduled for 2015/16 having been postponed. This delay has contributed to the scale of increases and decreases faced by ratepayers across the country.

4.3 The number of hereditaments in the rating lists @ 1 April 2017 for each of the three authorities, is as follows:-

- City of Lincoln C: 3,477
- North Kesteven DC: 3,214
- West Lindsey DC: 2,751

4.4 An analysis of the rateable value change from 2008 to 2015 (the tone of the lists being 1 April 2008 and 1 April 2015 respectively), is detailed below:-

- West End: + 31%
- City and Mid Town: + 19%
- Rest of London: - 5%
- South East: - 8%
- North East: - 8%
- East Midlands: - 11%
- Eastern: - 12%
- North West: - 12%
- West Midlands: - 12%
- Yorkshire & Humber: - 13%
- South West: - 13%

4.5 To accompany the revaluation, a new system for appealing against a rating assessment has been introduced entitled ‘Check, Challenge and Appeal’. This is intended to reduce the number of appeals that are unlikely to ever result in a lower rateable value. Until now, these have created a delay in dealing with those appeals that are more likely to succeed. The process is now conducted through the Government Gateway portal, although it has to be said, the technology has come in for considerable criticism from both ratepayers and their agents.

Recent Legislation

4.6 A range of new legislation was introduced earlier this calendar year that took effect on the 1 April 2017. The most significant legislation is summarised below:-

- Multiplier

  The non-domestic rating multiplier for 2017/18 was set at 47.9p (49.7p in 2016/17) and the small business non-domestic rating multiplier at 46.6p (48.4p in 2016/17).

- Transitional Relief

  For those that would otherwise have seen a significant increase in their rate liability following the recent revaluation, the Government put in place a transitional relief scheme to limit and phase in rate bills. To help pay for the limits on increases in bills, there were also limits on reductions in bills. Under the transitional relief scheme, limits continue to apply to yearly increases and decreases, until the full amount is due.

  The scheme applies only to the bill based on a property at the time of the revaluation. If there any changes to the property after 1 April 2017, transitional arrangements will not normally apply to the part of a bill that relates to any increase in rateable value. In addition, new hereditaments not in the 2016/17 local rating list are unlikely to be entitled to any form of transitional relief.

- Small Business Rate Relief

  Ratepayers who occupy a property with a rateable value which does not exceed £50,999 (and who are not entitled to other mandatory reliefs or liable for unoccupied rate) will have their bills calculated using the lower small business non-domestic rating multiplier, rather than the national non-domestic rating multiplier.

  In addition, if the sole or main property is shown on the rating list with a rateable value which does not exceed £15,000, the ratepayer will generally receive a percentage reduction in their rates bill for this property, up to a maximum of 100%. For a property with a rateable value of not more than £12,000, the ratepayer will receive a 100% reduction in their rates bill.

  Generally, this percentage reduction (relief) is only available to ratepayers who occupy either:-

  - One property; or

  - One main property and other additional properties, providing those additional properties each have a rateable value which does not exceed £2,899.

The rateable value of the property in (a) or the aggregate rateable value of all the properties in (b), must not exceed £19,999 outside London or £27,999 in London on each day for which relief is being sought. If the rateable value, or the aggregate rateable, increases above these levels, relief will cease from the day of the increase.

For those businesses that take on any additional property which would normally have meant the loss of small business rate relief, they are currently allowed to keep that relief for a period of 12 months.

The number of hereditaments that attracted small business rate relief @ 1 April 2017 for each of the three authorities, is as follows:-

- City of Lincoln C: 1,150 (1,077 in receipt of 100% relief)
- North Kesteven DC: 1,445 (1,382 in receipt of 100% relief)
- West Lindsey DC: 1,214 (1,163 in receipt of 100% relief)

- Local Newspapers

The Government is providing funding to billing authorities so that they can provide a discount worth up to £1,500 a year for two years, to office space occupied by local newspapers. This is up to a maximum of one discount per local newspaper title and per property.

Billing authorities are expected to use their discretionary powers under Section 47 Local Government Finance Act 1988 to grant the relief. In doing so, they will be compensated for the cost of granting the relief through a Section 31 grant from the Government.

The number of hereditaments currently benefiting from this relief @ 1 April 2017 for each of the three authorities, is as follows:-

- City of Lincoln C: 1
- North Kesteven DC: 0
- West Lindsey DC: 0

- Rural Relief

Certain types of property in a rural settlement with a population below 3,000 may be entitled to relief. The property must be the only general store, the only post office or a food store and have a rateable value of less than £8,500, or the only public house or the only petrol station and have a rateable value of less than £12,500. The property has to be occupied.

An eligible ratepayer was entitled to relief at 50% since the relief was introduced on the 1 April 1997. The billing authority had discretion to award discretionary relief up to 100% if certain conditions were satisfied, although a proportion of any relief awarded needed to be borne by the billing authority. The Government is now encouraging billing authorities to award the additional 50% discretionary relief under Section 47 Local Government Finance Act 1988 by fully compensating authorities through a Section 31 grant.

The number of hereditaments currently benefiting from 100% relief @ 1 April 2017 for each of the three authorities, is as follows:-

- City of Lincoln C: 0
- North Kesteven DC: 23
- West Lindsey DC: 32

- Uprating of Relief Thresholds

As a result of the revaluation, the following thresholds (other than those relating to small business relief) have increased:-

- Empty property threshold from £2,599 to £2,899.
- Stud farm discount from £4,200 to £4,700.

Spring Budget

4.7 The Chancellor announced in his Spring Budget on the 8 March 2017, three measures to assist ratepayers that experienced increases in their rate liability following the revaluation. These are analysed below:-

- Supporting Small Businesses Relief Scheme

This relief is to be made available to those ratepayers facing large increases as a result of the loss of small business or rural rate relief. The transitional relief scheme does not provide support in respect of changes in reliefs. Therefore, those ratepayers who lost some or all of their small business or rural rate relief may have faced very large percentage increases in bills from 1 April 2017.

To assist these ratepayers, the Supporting Small Businesses Relief Scheme will ensure that the increase per year in the bills of these ratepayers is limited to the greater of:-

- A cash value of £600 per year (£50.00 per month). This cash minimum increase ensures that those ratepayers currently paying nothing or very small amounts are brought in to paying something; or

- The matching cap on increases for small properties in the transitional relief scheme.

Billing authorities are expected to use their discretionary powers under Section 47 Local Government Finance Act 1988 to grant the relief. In doing so, they will be compensated for the cost of granting the relief through a Section 31 grant from the Government.

The number of hereditaments that are likely to benefit from the scheme @ 1 April 2017 for each of the three authorities, is as follows:-

- <u>Loss of small business relief</u>
    - City of Lincoln C: 7
    - North Kesteven DC: 24
    - West Lindsey DC: 17
- <u>Loss of rural relief</u>
    - City of Lincoln C: 0
    - North Kesteven DC: 1
    - West Lindsey DC: 0

The DCLG advised Chief Finance Officers in a Business Rates Information Letter (2/2017) on the 9 March 2017 that formal guidance, detailing the operation of the scheme, including more complex cases and future years, would follow. Following the announcement of the General Election, the Government then advised billing authorities on the 21 April 2017 that whilst the DCLG would continue to work on the Budget measures and associated New Burdens Assessment, they did not expect to publish any documents, or make any further announcements about the Budget measures, before the General Election.

However, a letter was sent by the DCLG to Chief Financial Officers on the 15 May 2017 which included guidance on how the scheme would operate. Before receipt of this letter, officers had already identified those ratepayers who would be likely to benefit under the scheme and started to apply any relief. This has proved to be a manual exercise as software suppliers have been unable to write programmes whilst formal guidance was awaited.

With the General Election now behind us, officers are currently waiting for further guidance from DCLG on this measure that was announced in the Spring Budget. Officers will provide Joint Committee with an update at this meeting.

- Support for Pubs Scheme

This relief is for pubs that have a rateable value of below £100,000. Under the scheme, eligible pubs will receive a £1,000 discount on their bill for 2017/18. Billing authorities are expected to use their discretionary powers under Section 47 Local Government Finance Act 1988 to grant the relief. In doing so, they will be compensated for the cost of granting the relief through a Section 31 grant from the Government.

The number of hereditaments that it is anticipated may benefit from this relief @ 1 April 2017 for each of the three authorities, is as follows:-

- City of Lincoln C: 65
- North Kesteven DC: 50
- West Lindsey DC: 60

The DCLG advised Chief Finance Officers in a Business Rates Information Letter (2/2017) on the 9 March 2017 that it intended to publish a consultation on the operation of the scheme shortly. Following the announcement of the General Election, the Government then advised billing authorities on the 21 April 2017 that whilst the DCLG would continue to work on the Budget measures and associated New Burdens Assessment, they did not expect to publish any documents, or make any further announcements about the Budget measures, before the General Election.

The letter sent by the DCLG to Chief Financial Officers on the 15 May 2017 confirmed that final guidance on the operation and scope of the scheme would be issued as soon as possible. Before receipt of this letter, officers had already identified those ratepayers who would be likely to benefit under the scheme, although until final guidance has been issued, no action is being taken by officers to promote and / or award the relief.

With the General Election now behind us, officers are currently waiting for further guidance from DCLG on this measure that was announced in the Spring Budget. Officers will provide Joint Committee with an update at this meeting.

- <u>Discretionary Relief Scheme</u>

  A £300m discretionary fund over four years from 2017/18, to support those businesses that faced the steepest increases in their business rate bills as a result of the recent revaluation, has been established. The intention is that every billing authority will be provided with a share of the £300 million to support their local businesses. Billing authorities are expected to use their share of the funding to develop their own discretionary relief schemes to deliver targeted support to the most hard-pressed ratepayers.

  The £300m would cover the four years from 2017/18; the proposed breakdown being:-

  - £175m in 2017/18
  - £85m in 2018/19
  - £35m in 2019/20
  - £5m in 2020/21

  The DCLG advised Chief Finance Officers in a Business Rates Information Letter (2/2017) on the 9 March 2017 that a consultation paper entitled 'Consultation on proposals on the Design and Implementation of the Locally Administered Business Rate Relief Scheme' had been published that day with a closing date for responses of 7 April 2017.

  Following the announcement of the General Election, the Government advised billing authorities on 21 April 2017 that whilst the DCLG will continue to work on the Budget measures and associated New Burdens Assessment, they did not expect to publish any documents, or make any further announcements about the Budget measures, before the General Election. However, on Monday, 24 April 2017, they announced that they had now considered the responses to the consultation paper and determined that final allocations to local authorities will be made according to the draft allocations published as part of the consultation.

  Letters were then sent to the Chief Financial Officers of each Billing Authority on Friday, 28 April 2017 to confirm the grant distributions for 2017/18. The grant distributions for the three authorities in 2017/18, is as follows:-

  - City of Lincoln C: £99,057
  - North Kesteven DC: £93,167
  - West Lindsey DC: £78,687

The subsequent letter sent by the DCLG to Chief Financial Officers on the 15 May 2017 confirmed that councils should now be proceeding with developing their local schemes. Issues have been raised by Local Government with DCLG (i.e. the ability to flex money between financial years) and further advice and guidance will be provided as soon as possible. That said, the intention of the scheme was set out in the consultation paper and there is an expectation that billing authorities will collaborate with other authorities operating within the area to discuss options with their major precepting authorities and to consult, before adopting any scheme.

Officers have liaised with other authorities (and not just in Lincolnshire), to understand where they are with developing their local schemes. Each authority will want to approve their own scheme and meetings have been arranged with colleagues in Lincolnshire at the beginning of July. It will be for each authority to identify those ratepayers they would want to support under the criteria set out in the consultation paper; mindful of the funding available.

With the General Election now behind us, officers are currently waiting for further guidance from DCLG on this measure that was announced in the Spring Budget. Officers will provide Joint Committee with an update at this meeting.

4.9 As a footnote, it should be stressed that all the measures announced in the Spring Budget are to be awarded under Section 47 Local Government Finance Act 1988. No one relief announced in the Spring Budget can be looked at on its own and this presents a problem when applying relief and developing any scheme.

Discretionary Rate Relief Policy

4.10 The City of Lincoln C and North Kesteven DC have quite different policies for awarding Discretionary Rate Relief; as does West Lindsey DC. It is for each council to determine their own policies, taking in to account their own strategic priorities. At the present time, whilst the Discretionary Rate Relief Policy for North Kesteven DC was reviewed in 2015, the policy for City of Lincoln C has not been reviewed since 2003. The existing policies are in need of review and must reflect the increasing use by the Government of Section 47 Local Government Finance Act 1988, to fully fund reliefs awarded at the discretion of a billing authority.

4.11 It is intended that each council reviews its own Discretionary Rate Policy during 2017/18 with the aim of having a new Policy in place for 2018/19. In doing so, there will need to be full engagement between officers, members and stakeholders. Three key areas of the review will include:-

- Criteria for awarding relief.
- Restriction on amount of relief to be awarded.
- Period for which relief is awarded.

Local Government Finance Bill 2017

4.12 The Local Government Finance Bill 2017 was introduced in to Parliament on the 13 January and had its second reading on the 23 January. There were ten debates on the Bill in Committee; the last being on the 21 February. However, following the dissolution of Parliament on 3 May, all business came to an end and it will be for the next Government to consider bringing a Bill back before Parliament.

4.13 If a new Government is committed to 100% business rate retention, there will be a need for a Bill to be introduced in to Parliament. Should the timetable for implementation remain at 1 April 2019 or 1 April 2020, then a Bill would need to be in the Queen's Speech later this year. In the meantime, officers felt committee may benefit from knowing what was covered in the Bill, before Parliament was dissolved. The Bill was made up of four parts; these were as follows:-

- <u>Part 1: Local Government Finance Settlement</u>
    - Local retention of non-domestic rate
    - Local government finance settlement
    - Council tax referendum principles
- <u>Part 2: Non-Domestic Rate in England</u>
    - Indexation rate for non-domestic rating multipliers
    - Multiplier discounts
    - Rural rate relief
    - Telecommunications infrastructure relief
    - Public toilet relief
    - Central rating: other reliefs
    - Central rating lists administration
    - Electronic billing
    - Rating notices
    - Provision of digital services by HMRC
- <u>Part 3: Infrastructure Supplements</u>
    - Infrastructure supplements

- Part 4: Other Business Rate Supplements

    - Business improvement districts

    - Business rate supplements

5. Strategic Priorities

5.1 Both City of Lincoln C and North Kesteven DC have a number of strategic priorities. Two that have an impact on the Non-Domestic Rate Service are:-

- City of Lincoln C: "Let's Reduce Inequality".

- North Kesteven DC: "Community Wellbeing and a Vibrant Economy".

5.2 Both authorities look to protect the poorest people. The Non-Domestic Rate Service is mindful of the strategic priorities when engaging with business ratepayers as they look to recover the business rate. Digital Inclusion, Channel Shift, Financial Inclusion and Partnership Working are all key priorities for the shared service.

5.3 At the City of Lincoln C, a strategic priority that underpins the authority's vision for 2020 is *'Let's reduce inequality'; w*ithin which, there is the aspiration '*Let's help people succeed'*. To achieve this aspiration, there is to be examination of the Discretionary Rate Relief Policy. This will involve an exploration of how the city council's Discretionary Rate Relief Policy could be used to create employment opportunities for residents.

6. Organisational Impacts

6.1 Finance

The cost of awarding discretionary rate relief changed on the 1 April 2013 with the introduction of 50% business rate retention. Today, the cost of awarding all forms of relief (other than transitional relief) is now split between the Government, billing authorities and major preceptors on a fixed percentage basis. For the three authorities, 50% is borne by the Government, 40% by the billing authority and 10% by the County Council.

6.2 Legal Implications including Procurement Rules

Any appeal against a billing authority's decision to refuse the award of discretionary relief would be by way of an application of judicial review to the High Court. In the first instance, any appeal against a decision of officers to refuse an application for discretionary relief will be considered by a panel of two senior officers; one of whom should be the chief financial officer. There is no further right of appeal to members.

6.3 Land, property and accommodation

There are no direct implications arising from this report.

6.4 Human Resources

There are no direct implications arising from this report.

6.5 Equality, Diversity & Human Rights (including the outcome of the EA attached, if required).

The equality implications have been considered within this report. In bringing forward any change to the existing criteria for awarding discretionary relief, consideration will be given as to whether a full Equality Impact Assessment is required.

6.6 Significant Community Impact

There is no change in policy / strategy or the way the service is being delivered.

6.7 Corporate Health and Safety implications

There are no corporate Health and Safety implications.

7. Risk Implications

7.1 A Risk Register is in place for the Revenues and Benefits Shared Service.

8. Recommendation

8.1 Members are requested to note this report.

Is this a key decision?	~~Yes/~~No
Do the exempt information categories apply?	~~Yes~~/No
Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?	~~Yes/~~No
How many appendices does the report contain?	None
List of Background Papers:	None
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