

SUBJECT:	NON-DOMESTIC RATE UPDATE
DIRECTORATE:	CHIEF EXECUTIVE
REPORT AUTHOR:	CLAIRE MOSES, REVENUES AND BENEFITS MANAGER

1. Purpose of Report

1.1 To provide Members with an update on current issues within non-domestic rate.

2. Executive Summary

2.1 This report provides Joint Committee with an update on non-domestic rate to include reference to City of Lincoln Council and North Kesteven DC together with West Lindsey DC. The report is not intended to include non-domestic rate issues (for example, performance matters) covered in other reports before the Joint Committee.

3. Background

3.1 The report brought to the last meeting of the Joint Committee provided Members with an update on the following non-domestic rate issues:-

- Business Rates Pilot
- Spring Budget.
- Discretionary Relief Policy.
- Local Government Finance Bill 2017.

3.2 Focus for both Government and billing authorities since the last meeting of Joint Committee has been continuing to implement the measures announced by the Chancellor in the Spring Budget on 8 March 2017. The latest position on all three measures is covered in this report. An update on the review of the Discretionary Relief Policies at all three authorities will be provided at the meeting.

3.3 Future reports will provide Joint Committee with an update on Government plans for 100% business rate retention. There was no Local Government Finance Bill in the Queen's Speech on 21 June 2017. However, Government remains committed to moving forward with their plan for 100% rate retention although has no plans to bring forward any Bill that provides for changes to the Local Government Finance Act 1988.

4. Business Rate Pilot – 100% Business Rates Retention in 2018/19

- 4.1 On 1st September the Government (DCLG) published an ‘Invitation to Local Authorities in England to pilot 100% Business Rates Retention in 2018/19 and to pioneer new pooling and tier-split models’. The Government is looking to expand on the six Pilots that it agreed for 2017/18, in order to inform options for the future design of local government finance and, in particular the move to 100% Business Rates Retention.
- 4.2 Lincolnshire Finance Officers have proactively examined this opportunity and have assessed the implications on current arrangements, the Lincolnshire Business Rates Pool (LBRP), and the opportunity to develop a pilot pool for the Greater Lincolnshire area. Following discussions with Leaders and Chief Executives and individual Authority approval the submission of a Pilot has been made.
- 4.3 The Pilot is currently expected to run for one year only with the key requirements being to promote financial sustainability and coherent decision making across functional economic areas and use some of the additional retained income invested to encourage further growth.

The pilot would operate in a similar way to the existing 50% business rate retention system and pooling arrangements, but with a number of key differences:

- The Pilot would operate with a zero levy, therefore retaining locally a greater proportion of any Business rates growth;
- The safety net would be at pilot level, but will be set at 97% of Baseline rather than the current 92.5% for individual councils / business rate pools;
- Councils would forgo RSG & Rural Services Grant with revised tariffs and top ups being calculated;
- It has been proposed that any gains are split on the same basis as the existing Business Rates Pool.

- 4.4 A decision was made in December 2017 and the Lincolnshire pilot bid was successful.

5. Spring Budget 2017

5.1 Supporting Small Business Relief Scheme

This relief was made available to those ratepayers who faced a large increase 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 support these ratepayers, the Supporting Small Businesses Relief Scheme ensured that the increase per year in the bills of these ratepayers is limited to the greater of:-

- A percentage increase p.a. of 5%, 7.5%, 10%, 15% and 15% from 2017/18 to 2020/21; all plus inflation. Unlike the transitional relief scheme, for the first year of the scheme, the percentage increase is taken against the bill for 31 March 2017 after small business rate relief or rural rate relief; or
- A cash value of £600 per year (£50.00 per month). The cash minimum increase ensures that those ratepayers paying nothing or very small amounts in 2016/17 after small business rate relief are brought in to paying something.

Billing authorities were 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 Government.

The number of hereditaments that have been identified and have benefitted from the scheme @ 1 April 2017 for each of the three authorities, is as follows:-

Loss of small business relief

Authority	No. identified	No responded	Total award
City of Lincoln	7	6	£6,060
North Kesteven	24	20	£26,821
West Lindsey	25	16	£22,637

Once this relief had been announced, officers manually adjusted accounts – this has ensured those ratepayers who faced large increases as a result of the loss of small business or rural rate relief, are not left waiting for relief to be awarded.

5.2 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 up to 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 Government. If the balance outstanding is less than £1,000 the amount awarded will be for the full amount outstanding.

Officers identified those ratepayers that may be entitled to relief and sent application forms. By doing so, ratepayers can declare whether any relief awarded would not exceed the state aid limit. The number of application forms returned as at 3 January 2018 were as follows: -

Support for Pubs Scheme:

Authority	No. identified	Total awards made	Total award (£)
City of Lincoln	70	27	£26,016
North Kesteven	41	36	£33,602
West Lindsey	60	33	£28,445

5.3 Discretionary Relief Scheme

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. Every billing authority was provided with a share of the £300 million to support their local businesses. Billing authorities were 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 breakdown being:-

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

Letters were sent to the Chief Financial Officers of each Billing Authority on 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 £198,000
Council:
- North Kesteven DC: £186,000
- West Lindsey DC: £158,000

Following successful consultation with Lincolnshire County Council and the Police and Crime Commissioner, the Discretionary Relief Schemes for City of Lincoln and North Kesteven District Council were approved on 25 September and 7 September 2017 respectively. West Lindsey District Council approved their scheme on 9 November 2017.

City of Lincoln's scheme is shown in **Appendix 1** and North Kesteven's scheme is shown in **Appendix 2** and West Lindsey's scheme is shown in **Appendix 3**.

Officers identified those ratepayers that may be entitled to relief and sent application forms. By doing so, ratepayers can declare whether any relief awarded would not exceed the state aid limit. The number of application forms returned as

at 3 January 2018 were as follows:-

New Discretionary Relief Scheme:

Authority	No. identified	Total awards made	Total award (£)
City of Lincoln	675	191	£44,008
North Kesteven	540	100	£32,412
West Lindsey	N/A	119	£35,459

As agreed by City of Lincoln Executive, and North Kesteven Executive Board, reminder letters started to be issued in January 2018 for those who have not yet responded and returned their forms.

The Department for Communities and Local Government has advised the funding must be fully allocated for 2017/18 by 31 March 2018. There is currently a large underspend, however, business can still make an application for this funding until 30 September 2018. Officers are analysing the allocation of funding for 2017/18 and the bands in which the funding has been provided. A verbal update will be provided at Joint Committee on 20th February 2018.

It had been proposed that the agreed Option for 2017/18 be applied to future years but with lower amounts to be used in the 'award column'. It had also previously been agreed for the proposed scheme for 2018/19 to be included as part of the main budget reports, with delegation to the Chief Finance Officer for final decision. However, due to the large underspend for 2017/18, Officers will recommend a revision to the allocation of funding, which will require the scheme to go through the full committee process in early 2018/19.

6. Strategic Priorities

6.1 Both City of Lincoln Council 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 "Let's Reduce Inequality".
Council:
- North Kesteven DC: "Our Community and Our Economy".

6.2 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.

6.3 At the City of Lincoln Council, a strategic priority that underpins the authority's vision for 2020 is '*Let's reduce inequality*'; within 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.

7. Organisational Impacts

7.1 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.

7.2 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.

7.3 Land, property and accommodation

There are no direct implications arising from this report.

7.4 Human Resources

There are no direct implications arising from this report.

7.5 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.

7.6 Significant Community Impact

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

7.7 Corporate Health and Safety implications

There are no corporate Health and Safety implications.

8. Risk Implications

8.1 A Risk Register is in place for the Revenues and Benefits Shared Service and is monitored by the Shared Service Senior Management.

9. Recommendation

9.1 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? 3

List of Background Papers: None

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