

**SUBJECT: NON-DOMESTIC RATE UPDATE**

**DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK**

**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 District Council together with West Lindsey District Council. 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 2017;
  - Discretionary Relief Policy; and
  - Local Government Finance Bill 2017.
- 3.2 Focus for both Government and billing authorities since the last meeting of Joint Committee has been on implementing the measures announced by the Chancellor in the Spring Budget on 8 March 2017, which have impacted on funding for reliefs during 2017/18 through to 2020/21. The latest position on all three measures is covered in this report.
- 3.3 Additional updates are provided in this report and will update on the following non-domestic rate issues: -
- Business Rate Pilot – 100% Business Rate Retention in 2018/19; and
  - Spring Statement 2018.

#### 4. Spring Budget 2017

##### 4.1 Supporting Small Business Relief Scheme – 2017/18 to 2020/21

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 for 2017/18 and have benefitted from the scheme as at 31 March 2018 for each of the three authorities, is as follows:-

##### **Loss of small business relief – 2017/18**

<b>Authority</b>	<b>No. identified</b>	<b>No responded</b>	<b>Total award</b>
City of Lincoln	7	6	£6,060
North Kesteven	24	21	£29,607
West Lindsey	25	16	£22,003

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.

The relief awarded for the period 2018/19 as at 1 April 2018 for each of the three authorities, is as follows: -

## Loss of small business relief – 2018/19

Authority	No. identified	No responded	Total award
City of Lincoln	8	5	£7,007
North Kesteven	23	19	£26,500
West Lindsey	26	15	£20,201

### 4.2 Support for Pubs Scheme – 2017/18

This relief is for pubs that have a rateable value of below £100,000. Under the scheme, eligible pubs receive up to a £1,000 discount on their bill for 2017/18. Billing authorities were expected to use their discretionary powers under Section 47 Local Government Finance Act 1988 to grant the relief. In doing we 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.

During 2017/18, 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 31 March 2018 were as follows: -

#### **Support for Pubs Scheme – 2017/18:**

Authority	No. identified	Total awards made	Total award (£)
City of Lincoln	70	26	£25,427
North Kesteven	41	35	£31,689
West Lindsey	60	34	£29,302

The relief awarded for the period 2018/19 as at 1 April 2018 for each of the three authorities, is as follows: -

#### **Support for Pubs Scheme – 2018/19**

Authority	No. identified	No. awards	Total award
City of Lincoln	63	24	£24,500
North Kesteven	40	32	£31,008
West Lindsey	59	30	£29,014

At last meeting of this Committee, on 20 February 2018, clarification was provided with regards to the percentage of relief awarded against the number of pubs identified. There are a number of factors to be considered when awarding the reliefs, such as whether the pub is subject to state aid. Whilst the number of pubs with a rateable value below £100,000 have been identified, officers will not know whether these pubs will be subject to state aid until forms are returned. If a form has not been returned, officers have sent reminders and encouraged pubs to apply for the relief.

#### 4.3 Discretionary Relief Scheme

A £300m discretionary fund over four years from 2017/18 through to 2020/21, 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 is 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 covers 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

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

During 2017/18, Officers have undertaken a number of exercises to correctly identify those ratepayers that may be entitled to relief and sent application forms. Initial letters and application forms were issued on the scheme had been approved, with two further reminder exercises being undertaken during quarter 3 and 4. As a result of this, the number of awards has increased significantly since the last update to Joint Committee.

In doing this, ratepayers can declare whether any relief awarded would not exceed the state aid limit. The number of application forms returned as at 31 March 2018 were as follows:-

### **New Discretionary Relief Scheme – 2017/18 relief awarded:**

<b>Authority</b>	<b>No. identified</b>	<b>Total awards made</b>	<b>Total award (£)</b>	<b>Current not spent (£)</b>
City of Lincoln	675	413	£137,981	£60,019
North Kesteven	540	339	£127,585	£53,406
West Lindsey	329	217	£105,004	£52,996

The Department for Communities and Local Government (now Ministry of Housing, Communities and Local Government – MHCLG) advised the funding must be fully allocated for 2017/18 by 31 March 2018. Whilst the completion of the NDR3 statutory government return requires spend as at 31 March 2018, this form can further be updated in July 2018 with any adjustments undertaken in 2018/19 for 2017/18. At which point, it is expected the level of relief awarded will have increased further.

### **New Discretionary Relief Scheme 2018/19:**

The grant distribution for the three authorities in 2018/19, is as follows: -

- City of Lincoln Council: £96,000
- North Kesteven DC: £91,000
- West Lindsey DC: £76,000

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 committee process in early 2018/19.

Officers are currently reviewing the number of businesses affected by the change and will be issuing financial modelling proposals to Chief Finance Officers by mid-May 2018. It is anticipated for the scheme to be approved by 31 May 2018, with delegation to the Chief Finance Officer. This is much earlier than for the 2017/18 scheme.

## **5. Business Rate Pilot – 100% Business Rates Retention in 2018/19**

- 5.1 On 1<sup>st</sup> September 2017 the Government (through 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.

- 5.2 Lincolnshire Finance Officers proactively examined this opportunity and 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 was made in December 2017. The Pilot was approved and came into effect on 1 April 2018.
- 5.3 The Pilot is currently expected to run for one year only (1 April 2018 to 31 March 2019) 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.
- 5.4 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 Revenue Support Grant (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.

## **6. Spring Statement 2018**

- 6.1 At the Spring Statement on 13 March 2018, the Chancellor announced that the next business rates revaluation would be brought forward one year to 2021. Following the previous announcement on more frequent revaluations, this means that three-yearly revaluations will take effect from 2024.
- 6.2 The Government has now also published a summary of responses to the discussion paper on more frequent revaluations, which can be found at the following link: <https://www.gov.uk/government/consultations/business-rates-delivering-more-frequent-revaluations> . However, the key responses are details as below: -
- More frequent revaluations would make valuations fairer and more closely aligned to the market;
  - A few businesses noted it would create uncertainty for them, by complicating the system and potentially lead to more reliance on agents;
  - Some respondents noted that there was a risk to there not being enough qualified surveyors to carry out more frequent revaluations;
  - Local authorities were main concerned that the current system would struggle to carry out more frequent revaluations unless the number of outstanding appeals was reduced;
  - Many respondents argued that more frequent revaluations would reduce the incentive to appeal because valuations would be closer to the market;

- Most respondents were concerned that a self-assessment system could impose additional costs and burdens on businesses;
- Some local authorities felt that self-assessment could be workable, especially if it were to significantly reduce the incentive to appeal by giving ratepayers a much bigger role in valuations;
- Many respondents argued that formula-based revaluations would go against the aim of more frequent revaluations of aligning rates bills more closely to market values;
- However, some local authorities noted that a formula option was the most transparent and simple, and would provide increased stability and certainty for local government funding. However, they accepted it would not be the fairest approach.

6.3 To bring forward the next revaluation to 2021, the Government will shortly introduce secondary legislation to set the valuation date for the 1 April 2019. This will allow the Valuation Office Agency (VOA) to start preparing for a 2021 revaluation.

6.4 As a result of the above, the Government also confirmed that to prioritise implementation of an early revaluation, they are delaying the linking of local authority billing systems to HMRC's digital tax accounts to the earliest opportunity after the start of the first three-year revaluation cycle in 2024.

## 7. Strategic Priorities

7.1 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".

7.2 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.

7.3 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.

## 8. Organisational Impacts

### 8.1 Finance

No direct financial implications arising from this report.

8.2 Legal Implications including Procurement Rules

No direct financial implications arising from this report.

8.3 Land, property and accommodation

There are no direct implications arising from this report.

8.4 Human Resources

There are no direct implications arising from this report.

8.5 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.

8.6 Significant Community Impact

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

8.7 Corporate Health and Safety implications

There are no corporate Health and Safety implications.

**9. Risk Implications**

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

**10. Recommendation**

- 10.1 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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