

SUBJECT:	BUSINESS RATES UPDATE
DIRECTORATE:	CHIEF EXECUTIVE AND TOWN CLERK
REPORT AUTHOR:	CLAIRE MOSES, REVENUES AND BENEFITS MANAGER

1. Purpose of Report

- 1.1 To provide Joint Committee 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 another report before the Joint Committee.

3. Background

- 3.1 The report brought to the last meeting of the Operational Board 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
 - Autumn Budget 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 2018/19 and have benefitted from the scheme as at 30 June 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	18	£24,178
West Lindsey	26	15	£19,926

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.

4.2 Support for Pubs Scheme – 2017/18 to 2020/22

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 so 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 quarter 1 of 2018/19, 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 30 June 2018 were as follows: -

Support for Pubs Scheme – 2018/19

Authority	No. identified	No. awards	Total award
City of Lincoln	63	24	£23,975
North Kesteven	40	30	£28,371
West Lindsey	59	29	£26,118

At the meeting of this Committee, on 20th 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

2018/19 Scheme

Letters were sent to the Chief Financial Officers of each Billing Authority on 28 April 2017 to confirm the grant distributions, and for 2018/19 the grant distributions for the three authorities, is as follows:-

- City of Lincoln £96,000
Council:
- 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 decision regarding the proposed scheme for 2018/19 to be delegated to the Chief Finance Officer for final decision.

During quarter 1 of 2018/19, Officers have undertaken a number of exercises to correctly identify those ratepayers that may be entitled to relief and calculated the cost of relief for all businesses affected by the revaluation, whereby the 2018/19 charge has increased as a result.

Since 2017/18, the number of accounts identified for all 3 districts have decreased, and as a result, the value of relief awarded is as follows: -

- City of Lincoln – this is a banded scheme. The award has remained the same for all bands, with the exception of those facing an increase of between £25 and £500 – the relief to be awarded for 2018/19 has increase from 50% to 70% - providing additional support to those ratepayers.
- North Kesteven – this is a banded scheme. The award has remained the same for the first 2 bands, but all others have reduced to 80% of the 2017/18 award.
- West Lindsey – this is a percentage reduction scheme, with all identified ratepayers receiving a 50% reduction – this is a decrease from 2017/18 of 80%.

Chief Finance Officers have delegated authority to approve the 2018/19 scheme, and as a result, the relief has been awarded to all accounts identified and ratepayers have been issued with a decision notice and letter of explanation. This is much earlier than for the 2017/18 scheme.

In doing this, ratepayers can declare whether any relief awarded would not exceed the state aid limit.

A review of awarded relief will take place during November/December 2018. As a result, the schemes may be adjusted to ensure all funding is awarded up to 30 September 2019.

The table below shows the number of accounts identified and the total cost of relief for both 2017/18 and 2018/19 for comparison purposes.

New Discretionary Relief Scheme – 2017/18 and 2018/19 comparison:

Authority – City of Lincoln	No. identified	Total awards made	Total award (£)	Current not spent (£)
2017/18	675	413	£137,981	£60,019
2018/19	366	359	£81,808	£14,192

Authority – North Kesteven	No. identified	Total awards made	Total award (£)	Current not spent (£)
2017/18	540	339	£127,585	£53,406
2018/19	278	261	£65,075	£25,925

Authority – West Lindsey	No. identified	Total awards made	Total award (£)	Current not spent (£)
2017/18	329	217	£105,004	£52,996
2018/19	197	176	£65,476	£10,524

5. Business Rate Pilot – 100% Business Rates Retention in 2018/19 – 75% in 2019/20

- 5.1 In 2018/19 the both councils along with the other Lincolnshire Districts, Lincolnshire County Council and North Lincolnshire Council successfully bid to become one of ten successful 100% Business Rates Retention Pilots. This means that for 2018/19 both Councils will receive 60% of business rates growth, above the baseline positions, with 40% allocated to the County Council (under 50% retention the funding were 50% Central Government, 40% City of Lincoln Council and 10% Lincolnshire County Council). Crucially the pilot scheme includes a ‘no detriment’ clause meaning that no authority shall receive less than if it was operating under the current 50% retention scheme.
- 5.2 Based on an assessment of the amount of Business Rates that are expected to be collected during 2018/19 the additional resources currently estimated to be retained through the pilot is £18.6m of which £1.4m is attributable to the City of Lincoln and £1.4m attributable to North Kesteven.
- 5.3 Although the pilot bids were only awarded for a one year period the 2018/19 Local Government Finance Settlement promised a further round of new pilots in 2019/20.
- 5.4 Prior to the summer recess the Government took the opportunity to announce it’s plans for the 2019/20 Business Rates Retention Pilots. The main points were as follows:

- All authorities that have not already been awarded pilot status for 2019/20 can apply, including the 2018/19 pilots;
- The 2019/20 pilots will be at 75% Business Rates Retention (i.e. lower than the 100% pilots of 2018/19);
- The 'no detriment' clause applied to 2017/18 and 2018/19 Pilots, will not apply to Pilots set up for 2019/20;
- There will be a Safety Net set at 95%, to reflect the additional risk locally that 75% retention introduces, and this will apply pilot wide and not to individual authorities; and no levy will be paid;
- The Pilot programme in 2019/20 is likely to be smaller than the programme in 2018/19 (i.e. ten pilot areas, plus London plus the original five 2017/18 pilots);
- Successful pilots would last for one year up to the end of March 2020 (i.e. in April 2020 it is intended that 75% is rolled out nationally); and
- Bids are to be submitted by 25th September 2018.

It is worth noting that Devolution Pilot areas and the London Borough Pilot have been automatically allowed to continue on a 100% basis in 2019/20 and with their 'no detriment' clause in place.

- 5.5 The existing 2018/19 Lincolnshire pilot members have assessed the benefits and any risks associated with a 75% pilot and commissioned LG Futures to review the latest publicly available Business Rate projections in order to ascertain whether they were likely to reflect further growth in the business rate base or were predicting a decline in business rate collection (potential to the safety net) which could be a risk to any pilot area. Initial projections of a 75% pilot based on the current pilot member authorities indicates that a further £9.9mm of business rates could be retained in the County during 2019/20. If the pilot bid is approved and these additional funds materialise they will be available to be distributed across Lincolnshire/Greater Lincolnshire on an agreed basis. Without the pilot bid these funds would continue to go back to Central Government as currently.
- 5.6 Following consideration by the Chief Executives and S151 Officers a bid for 2019/20 pilot status, based on the existing pilot authorities was submitted in September.
- 5.7 As part of the bid submission, a request has been made to form a Lincolnshire business rate pool should the 100% BR bid not be approved. The outcome of the pilot bid is expected to be received at the time of the Local Government Finance Settlement, scheduled for 6th December.

6. Autumn Budget 2018

- 6.1 The Autumn Budget 2018 was announced on 29th October 2018. Those announcements affecting Business Rates were as follows: -

- **High Streets:** High streets and town centres are crucial parts of communities and local economies, but the government recognises the challenges they face from changing consumer behaviour and is taking action to help them to evolve. High street businesses are already benefitting from recent reforms and reductions to business rates announced since Budget 2016 worth more than £12 billion over the next five years. To provide upfront support through the business rates system, the government is cutting bills by one-third for retail properties with a rateable value below £51,000, benefiting up to 90% of retail properties, for 2 years from April 2019, subject to state aid limits.
- **Business rates public lavatories relief:** The government will introduce 100% business rates relief for all public lavatories to help keep these important local amenities open
- **Business rates local newspaper discount:** The government will continue the £1,500 business rates discount for office space occupied by local newspapers in 2019-20.
- **Business rates treatment of self-catering and holiday let accommodation:** There is concern that some owners of properties that are not genuine businesses may seek to reduce their tax liability by falsely declaring that the property is available for let. To ensure that second properties are subject to the appropriate tax, the government will consult on the criteria under which self-catering and holiday lets become chargeable to business rates rather than council tax.

6.2 It was further announced local authorities would be fully compensated for the loss of income as a result of the second and third measures. Officers are awaiting further announcements as to how announcement the first and fourth will be funded.

7. Recent Court of Appeal Decision – ATM's

- 7.1 In 2013 a decision was taken by the Valuation Office Agency (VOA) for ATMs built into the front of a shop or petrol station to have a separate business rates bill. This ruling was upheld in 2017. As a result, cash machines were brought into the Valuation Rating List. This was further appealed by large chain Supermarkets.
- 7.2 On 9 November 2018, large chain Supermarkets had their appeal heard by the Court of Appeal. The case was won and the result of the hearing is that cash machines will no longer be given separate business rates bills.
- 7.3 The Valuation Office Agency was refused leave to appeal, though they could petition the Supreme Court to hear the case. The VOA have not yet responded as to the next steps which may be taken.
- 7.4 Officers are currently reviewing those ATM's included within the Rating List to gain an understanding of the financial impact this will have on the business rates base.

8. Strategic Priorities

8.1 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 Council: “Let’s Reduce Inequality”.
- North Kesteven DC: “Our Community and Our Economy”.

8.2 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.

8.3 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.

9. Organisational Impacts

9.1 Finance

No direct financial implications arising from this report.

9.2 Legal Implications including Procurement Rules

No direct financial implications arising from this report.

9.3 Equality, Diversity & Human Rights

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.

10. Risk Implications

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

11. Recommendation

11.1 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?

0

List of Background Papers:

None

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