

<b>SUBJECT:</b>	<b>BUSINESS RATES UPDATE</b>
<b>DIRECTORATE:</b>	<b>CHIEF EXECUTIVE</b>
<b>REPORT AUTHOR:</b>	<b>CLAIRE MOSES, REVENUES AND BENEFITS MANAGER</b>

## **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 Autumn Budget in October 2018, which have impacted on funding for reliefs during 2019/20 to 2020/21. The latest position on these previous reliefs are covered in this report.

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 2019/20; and
- Autumn Budget 2018, Budget 2019.

## **4. Spring Budget 2017**

There were a number of reliefs announced in the Spring Budget 2017 which are

still ongoing, and provide challenges for officers to ensure relevant businesses are in receipt of all reliefs available to them.

#### 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 2019/20 and have benefitted from the scheme as at 30 April 2019 for each of the three authorities, is as follows:-

#### **Loss of small business relief – 2018/19**

<b>Authority</b>	<b>No. identified</b>	<b>No responded</b>	<b>Total award</b>
City of Lincoln	8	5	£6,473
North Kesteven	23	17	£23,684
West Lindsey	26	15	£19,926

#### **Loss of small business relief – 2019/20**

<b>Authority</b>	<b>No. identified</b>	<b>No responded</b>	<b>Total award</b>
City of Lincoln	8	4	£6,758
North Kesteven	23	15	£25,535
West Lindsey	26	13	£24,487

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. This is a mandatory relief for which the local authority is compensated for.

#### 4.2 **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

#### **2019/20 Scheme**

Letters were sent to the Chief Financial Officers of each Billing Authority on 28 April 2017 to confirm the grant distributions, and for 2019/20 the grant distributions for the three authorities, is as follows:-

- City of Lincoln Council: £40,000
- North Kesteven DC: £37,000
- West Lindsey DC: £31,000

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 2019/20 to be delegated to the Chief Finance Officer.

During April 2019, Officers have identified those ratepayers that may be entitled to relief and calculated the cost of relief for all businesses affected by the revaluation, whereby the 2019/20 charge has increased as a result.

Relief has been awarded to all accounts identified and ratepayers have been issued with a decision notice and letter of explanation.

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

## New Discretionary Relief Scheme – 2017/18 to 2019/20 comparison:

The table below shows the number of accounts identified and the total cost of relief for all 3 years for comparison purposes.

<b>Authority – City of Lincoln</b>	<b>No. identified</b>	<b>Total awards made</b>	<b>Budget</b>	<b>Total award (£)</b>	<b>Current not spent (£)</b>
2017/18	675	413	£198,000	£196,125	£1,875
2018/19	366	359	£96,000	£86,997	£136
2019/20	359	311	£40,000	£37,436	£2,564

<b>Authority – North Kesteven</b>	<b>No. identified</b>	<b>Total awards made</b>	<b>Budget</b>	<b>Total award (£)</b>	<b>Current not spent (£)</b>
2017/18	540	339	£186,000	£184,430	£1,570
2018/19	278	262	£91,000	£64,916	£184
2019/20	262	87	£37,000	£26,867	£10,133

<b>Authority – West Lindsey</b>	<b>No. identified</b>	<b>Total awards made</b>	<b>Budget</b>	<b>Total award (£)</b>	<b>Current not spent (£)</b>
2017/18	329	217	£158,000	£102,084	£55,916
2018/19	197	176	£76,000	£75,551	£449
2019/20	176	159	£31,000	£24,916	£6,084

A review of the awards will take place in July, and any additional awards will be made prior to the annual deadline of 30 September 2019.

This is a discretionary relief for which the local authority is compensated for.

### 4.3 Retail Discount – Autumn budget 2018

The Autumn Budget 2018 was announced on 29<sup>th</sup> October 2018. One of those announcements affecting Business Rates was regarding high streets.

It was recognised that 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.

With regards to the High Streets, Retail Guidance was issued in November 2018. The guidance confirmed this measure was for 2019/20 and 2020/21 only.

Eligibility criteria has been provided and local authorities will be reimbursed using a grant under section 31 of the Local Government Act 2003.

Retail discount has been awarded for 2019/20 as follows: -

#### **Retail relief – 2019/20**

<b>Authority</b>	<b>No. identified</b>	<b>No responded</b>	<b>Total award</b>
City of Lincoln	703	337	£823,276
North Kesteven	240	113	£265,524
West Lindsey	212	77	£179,050

This is a discretionary relief for which the local authority is compensated for.

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

- 5.1 In 2018/19 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 meant that for 2018/19 both Councils received 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 included a 'no detriment' clause meaning that no authority would receive less than if it was operating under the current 50% retention scheme.
- 5.2 Based on the unaudited NNDR3's submitted by each of the Lincolnshire Pilot authorities, the additional resources generated between being in the previous pool arrangement and being in a pilot is shown in the table below:

#### **Gain from Pilot Status**

	<b>£m</b>
Lincolnshire	10.010
Boston	1.395
East Lindsey	2.386
Lincoln	2.114
North Kesteven	2.633
South Holland	1.141
South Kesteven	1.768
West Lindsey	1.088
North Lincolnshire	7.678
Admin Fee*	0.060
<b>Total</b>	<b>30.274</b>

*\*This fee for consultancy support has been proportionally charged to each Council and will be reimbursed to City of Lincoln Council.*

- 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 2018 recess the Government took the opportunity to announce its plans for the 2019/20 Business Rates Retention Pilots.
- 5.5 The existing 2018/19 Lincolnshire pilot members 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 indicated that a further £9.9m of business rates could be retained in the County during 2019/20.
- 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 2018. As part of the bid submission, a request was made to form a Lincolnshire business rate pool should the 100% BR bid not be approved.
- 5.7 Unfortunately, the pilot bid was not successful and therefore the Lincolnshire pool has been re-established from 1<sup>st</sup> April 2019. This includes the 7 District Councils and the County Council. City of Lincoln will continue to be the lead authority for the pool providing financial and administrative support to the pool. Schedules of payments to the County Council have been issued to each authority and implemented and quarterly monitoring will be undertaken as previously.

## **6. Recent Court of Appeal Decision – ATM's**

- 6.1 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.
- 6.2 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.
- 6.3 The Valuation Office Agency was refused leave to appeal, though they could petition the Supreme Court to hear the case.
- 6.4 On 10 December 2018, the Valuation Office Agency submitted an application for the right of appeal to the Court of Appeals ruling. Information received by Officers indicated the Supreme Court may take up until June 2019 to decide whether to hear the case, adding then a further 18 months to 2 years before a further decision is made.
- 6.5 This continues to have implications for local authorities as the ATM's are now included as an appeal threat, and provision will need to be made for potential refunds. There will also be an impact on ongoing NDR baseline which would need to be considered.

A table showing potential financial impact will be provided at the next meeting of this Committee.

## **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 Council: “Let’s Reduce Inequality”.
- 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 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.

## **9. Risk Implications**

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

## **10. Recommendation**

10.1 Members are requested to note this report.

**Is this a key decision?** No

**Do the exempt information categories apply?** No

**Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?** No

**How many appendices does the report contain?** 0

**List of Background Papers:** None

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