

<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: -

- Autumn Budget 2018 budget 2019; and
- City of Lincoln Business Rates Growth Policy awards.

#### 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>	<b>Comments</b>
City of Lincoln	8	4	£6,758	No change to figures
North Kesteven	23	15	£24,092	

West Lindsey	26	13	£24,487	since last committee
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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.

Officers have noted that although the number of businesses awarded relief has reduced, the total award has increased. This is due to the increase in rateable value for 2019/20 – as a result of the annual uprating and reduction of transitional relief in year.

#### 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 Chief Finance Officers for a final decision.

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	£95,864	£136
2019/20	359	311	£40,000	£37,299*	£2,701

\*There has been a small reduction of £137 due to a change in rateable value for one of the businesses in receipt of this relief

<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	£90,816	£184
2019/20	262	86	£37,000	£25,617*	£11,383

\*There has been a reduction of £1,251 as one business is no longer entitled to this relief due to closure of the business.

<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	£24,891	£6,109

\*There has been a small reduction of £25 due to a change in rateable value for

one of the businesses in receipt of this relief

#### **Review of 2019/20 awards:**

A review of the awards for 2019/20 will take place in November 2019. The initial banding scheme will be adjusted to allow for further relief to be awarded. The adjusted scheme will be issued to Chief Finance Officers for delegated authorisation. The relief will be awarded onto accounts before new bills are issued for 2020/21.

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>	<b>Comments</b>
City of Lincoln	703	352	£893,060	Increase of 15 awards
North Kesteven	240	135	£306,473	Increase of 15 awards
West Lindsey	212	79	£185,491	Increase of 5 awards

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

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

5.1 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.

- 5.2 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.
- 5.3 The Valuation Office Agency was refused leave to appeal, though they could petition the Supreme Court to hear the case.
- 5.4 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.
- 5.5 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.

### **City of Lincoln**

<b>Business</b>	<b>Potential RV Loss</b>
1	£35,934
2	£5,0723
3	£13,404
4	£21,502
5	£35,933
6	£2,535
7	£37,530
8	£1,875
9	£2,765
10	£26,510
11	£18,845
12	£618
13	£2,875
14	£4,304
15	£4,152
16	£1,692
17	£1,757
18	£11,978
19	£25,343
19	£14,064
20	£7,230
21	£11,978
22	£22,180
23	£37,530
24	£22,475
25	£2,875
26	£45,394
27	£45,394

28	£34,994
<b>Total</b>	<b>£498,739</b>

### North Kesteven

<b>Business</b>	<b>Potential RV Loss</b>
1	£35,933
2	£37,530
3	£18,845
4	£17,212
5	£2,528
6	£15,425
7	£4,201
8	£11,978
9	£18,845
10	£3,615
11	£5,659
12	£5,659
13	£7,049
14	£26,259
15	£11,977
16	£13,815
<b>Total</b>	<b>£236,530</b>

### West Lindsey

<b>Business</b>	<b>Potential RV Loss</b>
1	£4,152
2	£1,402
3	£2,415
4	£9,476
5	£52,701
6	£5,489
7	£11,976
8	£37,530
9	£7,710
<b>Total</b>	<b>£132,851</b>

## 6. City of Lincoln Business Rates Growth Policy – awards

- 6.1 City of Lincoln implemented their Business Rates Growth policy from 1 April 2019.
- 6.2 The policy aims to a time-limited rate relief discount to new and extended business premises within the City, in the interest of building the Business Rates base, supporting economic growth and job creation. This policy supports the Council's open and partnership focussed approach to delivering growth as set out in the Vision 2020 Strategic Plan, particularly the objectives and ambitions relating to economic growth and reducing inequality.
- 6.3 Eligibility for this scheme will be dependent on the extent of the business premises

creation or extension, location and the impact of the new business or expansion plans has on the local economy.

6.4 Since the introduction of the policy, awards have been made as follows: -

Year	No. Businesses awarded	Total value of award (£)
2019	4	£55,123

## 7. North Kesteven Business Rates Growth Policy – awards

7.1 North Kesteven implemented their Business Rates Growth in 2016.

7.2 The rationale for offering businesses incentives to grow and locate in North Kesteven is derived from the **Our Economy** priority published in the Council's *Corporate Plan 2017-2020*.

7.3 Since the introduction of the policy, 6 businesses have been awarded this relief, totalling £411,230. The table below shows the date an award was initially made (the length if award could be for more than 1 year) and the total value awarded per year: -

Year	No. Businesses awarded	Total value of award (£)
2015	2	£152,380
2016	2	£159,360
2017	1	£29,491
2018	1 (1 pending)	£70,000
Total	6	£411,230

## 8. NDR Legislation Changes – 2019 and beyond

8.1 In recent years, there has been a number of changes to NDR Legislation due to the introduction of new reliefs to be awarded to businesses. In addition to this, there are significant legislation changes which are to be in place from 1 April 2020 and beyond.

8.2 The legislation changes have formed part of the 1-1 process with the NDR Team Leader, ensuring the Shared Service is prepared and proactive in undertaking the required work to introduce the new legislation. This will include system changes, training of staff and communication to businesses.

Some of the legislation is still in the early stages of conception, with requirements for Ministry of Housing, Communities and Local Government to engage with Billing Authorities. Details of all legislation is included in **Appendix 1** of this report.

## 9. Strategic Priorities

9.1 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:
- North Kesteven DC:



9.2 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.

9.3 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.

## **10. Organisational Impacts**

### **10.1 Finance**

No direct financial implications arising from this report.

### **10.2 Legal Implications including Procurement Rules**

No direct financial implications arising from this report.

### **10.3 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.

## **11. Risk Implications**

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

## **12. Recommendation**

12.1 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?** One

**List of Background Papers:**

None

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