

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, North Kesteven District Council and 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 focuses on the changes announced as a result of Covid-19 and the support provided to businesses in the form of: -

- Expanded Retail Discount;
- Nursery Discount;
- Small Business Grant Fund;
- Retail, Hospitality and Leisure Grant Fund; and
- Local Authority Discretionary Grants Fund.

3.2 Focus for both Government and billing authorities since the last meeting of Joint Committee has been responding to Covid-19 measures which have been announced since 11th March 2020.

3.3 Additional updates are provided in this report and will update on the following non-domestic rate issues: -

- Discretionary Revaluation Relief; and
- Business Rates Growth Policy awards.

4. Expanded Retail Discount

4.1 The Government announced in the Budget on 29th October 2018 that it would provide Business Rates Retail Discount, to apply in the years 2019/20 (33% discount) and 2020/21 (50%) discount. This would be for businesses with a rateable value up to (but not including) 51,000.

- 4.2 In response to Covid-19, in the Budget on 11th March 2020, Government announced that it would increase the discount for 2020/21 to 100% and extend it to include the leisure and hospitality sectors. On 23rd March 2020, further measures were announced which resulted in the relief being applied to occupied retail, leisure and hospitality properties in the year 2020/21, as well as removing the rateable value limit.
- 4.3 Eligibility criteria was set out by the Ministry of Housing, Communities and Local Government (MHCLG) and issued to Local Authorities on 2nd April 2020. This can be found here: <https://www.gov.uk/government/publications/business-rates-retail-discount-guidance> .
- 4.4 Properties that will benefit from the relief will be occupied hereditaments that are wholly or mainly being used:
- a) as shops, restaurants, cafes, drinking establishments, cinemas and live music venues;
 - b) for assembly and leisure; or
 - c) as hotels, guest & boarding premises and self-catering accommodation.
- 4.5 MHCLG guidance provided further detailed lists of properties which fell into the above categories but made it clear that the list is not intended to be exhaustive. The list was intended to be a guide for Local Authorities (LA's) as to the types of uses that the Government considers for the purpose to be eligible for relief. LA's were required to determine for themselves whether particular properties not listed are broadly similar in nature to those above, and if so, to consider them eligible for the relief.
- 4.6 There have been several changes to the eligibility criteria since the relief was initially announced:
- Version 1 announced and released 18th March 2020;
 - Version 2 announced and released 25th March 2020 to include 'A2 Businesses' – these were employment agencies, estate agents, letting agents, betting shops, wellness centres, spas, massage parlours, casinos, gambling clubs and bingo halls;
 - Version announced and released 2nd April 2020 to update the position on state aid. The Governments assessment is that, given the impact of Covid-19 in the sectors receiving the relief, that it is not subject to state aid.
- 4.7 Government will reimburse LA's that use their discretionary relief powers under Section 47 of the Local Government Finance Act 1988 (amended). LA's had already completed their NDR1 for 2020/21 and as a result, were asked to provide further and separate estimates of their likely total cost for providing the relief. These costs are provided to Government on a weekly basis.
- 4.8 The total awarded under this relief, as at 16th August 2020, for each LA is as follows: -

Local Authority	Total awards made	Value of awards
City of Lincoln	1,018	£26,899,415
North Kesteven	527	£9,163,133
West Lindsey	357	£6,749,196

5. Nursery Discount

- 5.1 In response to Covid-19, Government announced a business rates Nursery Discount on 18th March 2020.
- 5.2 Eligibility criteria was set out by the Ministry of Housing, Communities and Local Government (MHCLG) and issued to Local Authorities on 2nd April 2020. This can be found here:
<https://www.gov.uk/government/publications/business-rates-nursery-childcare-discount-2020-to-2021-coronavirus-response-local-authority-guidance>
- 5.3 The relief was to be applied to hereditaments occupied by providers on Ofsted's Early Years Register and wholly or mainly used for the provision of the Early Years Foundation Stage and which are subject to businesses rates in the year 2020/21.
- 5.4 There is no rateable value limit on the relief and where necessary, Ofsted were able to Local Authorities (LA's) with access to the register to help identify eligible hereditaments.
- 5.5 Government will reimburse LA's that use their discretionary relief powers under Section 47 of the Local Government Finance Act 1988 (amended). LA's had already completed their NDR1 for 2020/21 and as a result, were asked to provide further and separate estimates of their likely total cost for providing the relief. These costs are provided to Government on a weekly basis.
- 5.6 The total awarded under this relief for each LA as at 16 August 2020 is as follows: -

Local Authority	Total awards made	Value of awards
City of Lincoln	16	£173,915
North Kesteven	16	£168,127
West Lindsey	9	£27,254

6. Support for Businesses – Grants

- 6.1 In response to Covid-19, the Government announced there would be support for small businesses and businesses in the retail, hospitality and leisure sectors. The support will take the form of two grant funding schemes in the financial year of 2020/21 – these being:
- Small Business Grant Fund - £10,000 grant; and
 - Retail Hospitality and Leisure Grant Fund - £10,000 or £25,000 grant.
- 6.2 Local Authorities (LA's) were responsible for delivering the funding to eligible businesses with Government reimbursing the payments made by LA's, in line with set criteria.
- 6.3 Government expected the grant scheme to offer a lifeline to businesses who are struggling to survive during Covid-19 lockdown and requested that LA's make payments as quickly as possible to support them.

7. Small Business Grant Fund

- 7.1 This fund is available for all businesses in England in receipt of either Small Business Rates (SBRR) or Rural Rates Relief (RRR). The value of the grant is £10,000.
- 7.2 Eligibility criteria was set out by the Department for Business, Energy and Industrial Strategy (BEIS) and guidance was issued to Local Authorities in March 2020. This can be found here: <https://www.gov.uk/government/publications/coronavirus-covid-19-guidance-on-business-support-grant-funding> .
- 7.3 In order to identify the eligible businesses, the Business Rates team provided a report from their software system of all businesses in receipt of SBRR and RRR. This report was issued to the relevant Grant Teams at each authority and used as a master sheet for checking eligibility of awards.
- 7.4 Each authority set up a grants team – this included officer from various service areas such as Economic Development, Business Support, Finance and Revenues & Benefits. The grants teams mobilised quickly and put the following in place to ensure grants were awarded quickly:
- Online forms produced for business to register for the grant;
 - Check against the online form and the master sheet;
 - If the information match, grants were paid;
 - If there was any discrepancy in the information, this would be queried with the NDR team – to review the information within the NDR system;
 - Both Lincoln and North Kesteven arranged grant review meetings, which included all attendees from the above teams. The review meetings were undertaken to consider more contentious grant requests and those where local discretion may be required;
 - A formal review panel was set up for the purpose of reviewing decisions at appeal stage. The review panel decision was final.

8. Retail Hospitality and Leisure Grant Fund

- 8.1 This fund is available for all businesses in England that would have been in receipt of the Expanded Retail Discount on 11th March 2020 and with a rateable value up to (but not including) £51,000.
- 8.2 The value of grant was dependent upon the rateable value:
- Rateable value of less than 15,000 – grant award is £10,000; and
 - Rateable value of between 15,001 and 50,999 – grant award is £25,000.
- 8.3 Businesses with a rateable value of 51,000 or over were not eligible for this scheme. Businesses which are not ratepayers in the business rates system are also not included in this scheme.
- 8.4 Eligibility criteria was set out by the Department for Business, Energy and Industrial Strategy (BEIS) and guidance was issued to Local Authorities in March 2020. This can be found here: <https://www.gov.uk/government/publications/coronavirus-covid-19-guidance-on-business-support-grant-funding> .

8.5 The Business Rates team had already identified the eligible businesses as part of the award of the Expanded Retail Relief (section 4 of this report).

A report was provided to the relevant Grant Teams at each authority and used as a master sheet for checking eligibility of awards.

8.6 The same grants panel as advised in para 7.4 of this report also undertook reviews for this grant.

8.7 The total grants awarded for each LA as at 16 August 2020 is as follows: -

Local Authority	Total awards made	Value of awards	Original Funding figure
City of Lincoln	1,707	£21,285,000	£22,188,000
North Kesteven	1,919	£20,060,000	£25,035,000
West Lindsey	1,476	£16,575,000	£18,664,000

8.8 The breakdown of these awards are as follows:

	City of Lincoln		North Kesteven		West Lindsey	
	No. awards	Value	No. awards	Value	No. awards	Value
Scheme 1 – small business grant	1,172	£11,720,000	1,454	£14,540,000	1,178	£11,780,000
Scheme 2a – RHL £10k	254	£2,540,000	187	£1,870,000	177	£1,770,000
Scheme 2b – RHL £25k	281	£7,025,000	146	£3,650,000	121	£3,025,000

9. Local Authority Discretionary Grants Fund

9.1 This additional fund is aimed at small and micro businesses who were not eligible for the Small Business Grant Fund or Retail, Leisure and Hospitality Fund.

9.2 Local Authorities will be responsible for delivering the grants to eligible businesses.

9.3 Eligibility criteria was set out by the Department for Business, Energy and Industrial Strategy (BEIS) and guidance was issued to Local Authorities in May 2020. This can be found here:

<https://www.gov.uk/government/publications/coronavirus-covid-19-guidance-on-business-support-grant-funding>

9.4 The cost to LA's of these grant payments will be met in one of two ways:

- Where they have or plan to spend all of the grants fund allocation for the Small Business Grant Fund or Retail, Leisure and Hospitality Fund, they will receive an additional payment of 5% of their funding allocation (using a grant under section

- 31 of the Local Government Act 2003); or
- Local Authorities that, having taken all reasonable steps to provide grants to eligible businesses for the Small Business Grant Fund or Retail, Leisure and Hospitality Fund, still have unspent funding, will use this for the purposes of this grant.

9.5 The level of funding available to each LA is as follows:

- City of Lincoln – £1,207,750
- North Kesteven – £1,035,000
- West Lindsey – £927,500.

9.6 Local Authorities may disburse grants to the value of £25,000, £10,000 or any amount under £10,000. The value of the payment to be made to a business is at the discretion of the LA.

9.7 Local Authorities are required to set out clear criteria for determining their scheme and setting the appropriate level of grant to be awarded.

As a result, all 3 LA's have a different schemes which have been amended and updated throughout the life of the scheme – which are details in the weblinks below:

- City of Lincoln:
<https://www.lincoln.gov.uk/downloads/download/148/discretionary-grant-policy>
- North Kesteven:
<https://www.n-kesteven.gov.uk/business/discretionary-fund-covid-19/>
- West Lindsey:
<https://www.west-lindsey.gov.uk/coronavirus/coronavirus-support-for-businesses/#an-discretionary-grants-fund> .

9.8 The total grants awarded for each LA as at 16 August 2020 is as follows: -

Local Authority	Total awards made	Value of awards	Original Funding figure
City of Lincoln	104	£ 915,000	£1,207,750
North Kesteven	129	£1,035,000	£1,035,000
West Lindsey	102	£ 675,000	£927,500

10. Discretionary Relief Scheme

10.1 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.

10.2 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.

10.3 2020/21 Scheme

10.4 Letters were sent to the Chief Financial Officers of each Billing Authority on 28 April 2017 to confirm the grant distributions, and for 2020/21 the grant distributions for the three authorities, is as follows:-

- City of Lincoln Council: £5,623
- North Kesteven DC: £5,323
- West Lindsey DC: £4,496

10.5 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 2020/21 to be delegated to Chief Finance Officers for a final decision.

During January 2020, for City of Lincoln and North Kesteven, Officers identified those ratepayers that may be entitled to relief and calculated the cost of relief for all businesses affected by the revaluation, whereby the 2020/21 charge increased as a result.

Relief was 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.

10.6 New Discretionary Relief Scheme – 2017/18 to 2020/21 Comparison:

The table below shows the number of accounts identified and the total cost of relief for all 4 years for comparison purposes.

Authority – City of Lincoln	No. identified	Total awards made	Budget	Total award (£)	Current not spent (£)
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	£37,019	£2,981*
2020/21	61	53	£5,623	£5,671	-£48**

*2019/20 – LA’s have until 30th September 2020 to award relief for this year. Officers will monitor this to ensure full relief is awarded.

**2020/21 – is overspent by £48 – however, throughout the year this will change as rateable values change and businesses open/close. The final award figure must be under the budget figure by 30th September 2021.

Authority – North Kesteven	No. identified	Total awards made	Budget	Total award (£)	Current not spent (£)
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	£31,898	£5,102*
2020/21	79	51	£5,323	£4,505	£818**

*2019/20 – LA’s have until 30th September 2020 to award relief for this year. Officers will monitor this to ensure full relief is awarded.

**2020/21 – LA’s have until 30th September 2021 to award relief for this year. Officers will monitor this to ensure full relief is awarded.

Authority – West Lindsey	No. identified	Total awards made	Budget	Total award (£)	Current not spent (£)
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	£30,833	£167*
2020/21	4	3	£4,496	£3,528	£968**

*2019/20 – LA’s have until 30th September 2020 to award relief for this year. Officers will monitor this to ensure full relief is awarded

**2020/21 – LA’s have until 30th September 2021 to award relief for this year. Officers will monitor this to ensure full relief is awarded.

11. Outcome of Supreme Court Decision – ATM’s

11.1 On Wednesday 20th May 2020 the Supreme Court gave its decision on whether Automatic Teller Machines (ATMs) accessed from inside or outside a host retail property should be separately assessed.

The court dismissed the appeals, stating that internal and external ATMs are to be treated the same and should not be separately assessed.

The decision can be found at <https://www.supremecourt.uk/cases/uksc-2018-0225.html>.

The background to this case is as follows:

- 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.

- On 9th 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.
- The Valuation Office Agency was refused leave to appeal, though they could petition the Supreme Court to hear the case.
- On 10th 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.

11.2 What happens next and when will you start to correct the rating list?

A significant number of related appeal cases may now be settled following the Supreme Court decision. However, it is likely to take several months for the Valuation Office Agency (VOA) to carry out the work, as in many cases there remains a number of outstanding matters to be discussed, including the valuation of the host properties.

The VOA is currently in discussions with appellant's representatives and the Valuation Tribunal Service (VTS) to agree timescales that are appropriate, and they will continue to LA's as this progresses.

It is possible that some cases may go beyond just the matters decided by the Supreme Court and therefore like any other case could end up needing to be progressed to the Valuation Tribunal for determination.

The VOA will also consider the implications of the judgment for all cases, but we will not speculate on the outcome of any cases at this stage.

11.3 Identification of ATMs for each LA:

ATM's have been included as an appeal threat for some time, and as a result, provision has been made for potential refunds.

City of Lincoln – total £498,739

Business	Potential RV Loss
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
Total	£498,739

North Kesteven – total £236,530

Business	Potential RV Loss
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
Total	£236,530

West Lindsey – total £132,851

Business	Potential RV Loss
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
Total	£132,851

12. Purpose Built GP Surgeries – Review of Valuations

- 12.1 On 15th May 2020, the Valuation Office Agency (VOA) announced that they were planning to review the valuations for purpose-built GP surgeries, and over the next few months Rateable Value (RV) reductions will be given to these types of surgeries.
- 12.2 Most RVs are expected to reduce by around a third, depending on the age of the property.
- 12.3 Purpose built GP Surgeries are valued on a cost basis, rather than a direct reference to rental evidence. Substantial amount of new build cost evidence was produced, and we reviewed the level of costs adopted. In addition, recent Upper Tribunal (Lands Chamber) litigation (York Museums) has necessitated a review of age and obsolescence allowances to be applied and this has contributed to the overall reductions. The new evidence means the rateable value of purpose-built GP surgeries will be reduced.
- 12.4 The VOA have advised LAs should start seeing these reductions begin to appear on the update schedules over the next few months.
- 12.5 Officers have undertaken a review of and estimate impacts as follows: -

Local Authority	Current annual charge	Potential annual reduction (one-third of charge)
City of Lincoln	£282,854	£94,285
North Kesteven	£233,715	£77,905
West Lindsey	£294,773	£98,258

13. City of Lincoln Business Rates Growth Policy – Awards

- 13.1 City of Lincoln implemented their Business Rates Growth policy from 1 April 2019.
- 13.2 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.
- 13.3 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.
- 13.4 Since the introduction of the policy, 31 businesses have been awarded this relief,

totalling £118,369. 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 awarded	Year award relates to	No. Businesses awarded	Total value of award (£)
2019	2018	13	£46,427
2019	2019	18	£71,942
2020	2020	0	£0
	Total	31	£118,369

14. North Kesteven Business Rates Growth Policy – Awards

14.1 North Kesteven implemented their Business Rates Growth in 2016.

14.2 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*.

14.3 Since the introduction of the policy, 35 businesses have been awarded this relief, totalling £545,341. 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 awarded	Year award relates to	No. Businesses awarded	Total value of award (£)
2015	2015	5	£58,136
2016	2016	5	£63,756
2017	2017	8	£119,726
2018	2018	7	£108,934
2019	2019	7	£92,591
2020	2020	3	£102,198
	Total	35	£545,341

15. Strategic Priorities

15.1 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.

16. Organisational Impacts

16.1 Finance

Local Authorities will be compensated in full for the costs of the new business rates reliefs announced as part of the March 2020 Budget and in response to COVID19.

Central Government are fully funding the cost of the support to businesses grants that have been administered by local authorities.

Each local authority will need to take into consideration the implications arising for ATM's and GP surgeries as part of their provision for appeals calculations when preparing their NNDR3 returns, with a consequent impact on the level of surplus or

deficit to be declared. There will also be an ongoing loss of NNDR which will be accounted for during the preparation of future NNDR1 forecasts.

16.2 Legal Implications including Procurement Rules

No direct financial implications arising from this report.

16.3 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.

17. Risk Implications

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

18. Recommendation

18.1 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?	None
List of Background Papers:	None

Lead Officer:

Claire Moses, Revenues and Benefits Manager
Telephone: 01522 873764