

SUBJECT:	BUSINESS RATES UPDATE
DIRECTORATE:	CHIEF EXECUTIVE
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. 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 relief and grants. The report also focuses on the financial impact of recent appeals and reductions to rateable values.

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

4. Expanded Retail Discount

4.1 The Government announced in the Budget on 29 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 11 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 23 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 2 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 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.

4.7 The total awarded under this relief, is shown in the table below, and details the number and value as at the last meeting of this Committee and as at 18 January 2021: -

City of Lincoln	Total awards	Value of awards
10.09.20	1,018	£26,899,415
09.11.20	1,029	£26,976,268
18.01.21	1,049	£26,987,892

North Kesteven	Total awards	Value of awards
10.09.20	527	£9,163,133
09.11.20	542	£9,276,621
18.01.21	547	£9,320,542

West Lindsey	Total awards	Value of awards
10.09.20	357	£6,749,196
09.11.20	366	£6,770,734
18.01.21	369	£6,852,459

4.8 At the time of writing this report (28 January 2021), the relief for 2021/22 has not yet been announced. Officers expect this announcement as part of the budget on 3 March 2021. A verbal update will be provided.

5. Nursery Discount

5.1 In response to Covid-19, Government announced a business rates Nursery Discount on 18 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 2 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 provide 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, is shown in the table below, and details the number and value as at the last meeting of this Committee and as at 18 January 2021: -

City of Lincoln	Total awards	Value of awards
10.09.20	16	£173,915
09.11.20	15	£168,302
18.01.21	15	£163,935

North Kesteven	Total awards	Value of awards
10.09.20	16	£168,127
09.11.20	17	£169,729
18.01.21	17	£168,947

West Lindsey	Total awards	Value of awards
10.09.20	9	£27,254
09.11.20	9	£27,254
18.01.21	9	£27,254

6. Support for businesses – Lockdown grants

- 6.1 On 4 January 2021, the Prime Minister announced that from 5 January 2021 there would be a period of new national restrictions which require certain businesses and venues to close - or restrict how they provide goods and services. In addition to the grants previously provided, the Government announced the following would also be available from 5 January 2021:
- Local Restrictions Support Grant (LRSB) (Closed) Addendum; and
 - Closed Businesses Lockdown Payment
- 6.2 Local Authorities have been issued with their funding allocations and grant offer letters are to be received.
- 6.3 Local Authorities (LA's) are responsible for delivering the funding to eligible businesses with Government reimbursing the payments made by LA's, in line with set criteria.
- 6.4 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.

- 6.5 Grants covered by this policy will be issued in accordance with government guidance dated 5 January 2021 in respect of the Business Support Package for January Lockdown – from 5 January 2021 onwards. Any updated guidance or FAQs subsequently published by Government in respect of these schemes will also apply. Guidance can be accessed via the following link.

[Business Support Package for January Lockdown: 5 January 2021 onwards - LA guidance \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/guidance/business-support-package-for-january-lockdown-5-january-2021-onwards)

- 6.6 The report does not include an update for West Lindsey District Council grants as these are not administered by the shared service.

7. Local Restrictions Support Grant – Closed Addendum payment

- 7.1 This scheme is an extension of the LRSG (Closed) scheme but has been adapted for the period of the national restrictions. The principal feature is that the payment period is initially extended to 42 days from 5 January 2021 rather than the 14-day payment cycle for tier lockdown.

- 7.2 Local Authorities will receive a 42-day allocation and will be expected to pay eligible businesses the full 42-day allocation as soon as possible after receipt of the funding. Grant funding will be issued to Local Authorities at the beginning of each payment cycle.

The level of funding provided for this grant is as follows

Local Authority	Grant Allocation
City of Lincoln	£3,272,346
North Kesteven	£1,967,193

- 7.3 Business that are eligible are those that have been mandated to close by Government and include non-essential retail, leisure, personal care, sports facilities and hospitality businesses.

- 7.4 For the first 42-day payment made in January 2021, the application closure date is 31 March 2021 and final payments must be made by 30 April 2021.

8. Closed Businesses Lockdown Payment (CBLP)

- 8.1 This payment will be in addition to LRSG (Closed) Addendum. Local Authorities will receive a one-off lump sum payment to deliver a one-off payment for businesses that have been required to close from 5 January 2021 due to the introduction of national restrictions. This funding is not retrospective.

- 8.2 The funding will be provided as a one-off payment. The scheme will close for applications on 31 March 2021, but it is expected Local Authorities will identify and pay all relevant businesses as soon as possible once the funding is received.

The level of funding provided for this grant is as follows:

Local Authority	Grant Allocation
City of Lincoln	£6,543,000
North Kesteven	£3,933,000

- 8.3 Eligibility for the CBLP is the same as the LRSG (Closed) Addendum.
- 8.4 Each local authority is currently using their own judgement about whether they need an application process for the new mandatory grants. It may be the previous grant rounds have resulted in an accurate list of those businesses that need to be paid during the January national lockdown.
- 8.5 The scheme will close on 30 April 2021, so final payments will need to be made by this date.

9. Fire Stations and Hospitals – potential reduction to rateable value

- 9.1 On 4 December 2020, the Valuation Office Agency (VOA) contacted all Local Authorities to advise they may start to see changes in the rateable values of hospitals and fire stations. These categories have been in discussion under the VOA's Group Pre-Challenge Review (GPCR) procedure.
- 9.2 Rating agents have requested GPCR discussions in early 2020 and submitted checks against a representative sample of properties within each class. The GPCRs facilitated the provision and exchange of evidence culminating in agreed valuation schemes.
- 9.3 On average reductions will be around 10% on NHS and private hospitals, and 9% on fire stations however this will be subject to wide variation dependant on the age of the properties.

Most reductions are needed to reflect the application of new age and obsolescence scales for non-industrial properties, following guidance given in the Upper Tribunal decision *Hughes v York Museum*. Larger reductions, in the region of 23%, are likely on:

- hospitals built after 2010 (further building costs were produced by the agents to support this); and
- older 1960s/70s built hospitals (particular those of a 'tower block design'; these having greater functional obsolescence).

- 9.4 Whilst the initial reductions will flow from GPCR Challenges, the scheme reductions the VOA have agreed will likely be actioned on any existing and future Check cases; these can be actioned as soon as the VOA have confirmation all physical factors they hold in their surveys are correct.
- 9.5 The impact of the changes are currently being reviewed and will be included in the budget process as part of the completion of the NDR1 budget return.

10. Strategic Priorities

- 10.1 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.

11. Organisational Impacts

11.1 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 COVID 19.

Central Government is 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 fire stations and hospitals when preparing their NNDR1 returns, as well as ATM's and GP surgeries (as reported to this committee previously) 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.

12.2 Legal Implications including Procurement Rules

No direct financial implications arising from this report.

12.3 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.

13. Risk Implications

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

14. Recommendation

14.1 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

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