REVENUES AND BENEFITS JOINT COMMITTEE **25 NOVEMBER 2021**

SUBJECT:	**BUSINESS RATES UPDATE**
DIRECTORATE:	**CHIEF EXECUTIVE**
REPORT AUTHOR:	**EMMA-JANE BRODRICK, RECOVERY AND NNDR/BID TEAM LEADER**

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 performance matters, as this is covered in the 'Performance Update' report before this Joint Committee today.

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, – as grants are not directly paid by the Revenues and Benefits shared service, these are not covered in this report. 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 As announced at the Budget on 3 March 2021 by the Chancellor, the government will continue to provide eligible retail, hospitality and leisure properties in England with 100% business rates relief from 1 April 2021 to 30 June 2021. This will be followed by 66% business rates relief for the period from 1 July 2021 to 31 March 2022, capped at £2 million per business for properties that were required to be closed on 5 January 2021, or £105,000 per business for other eligible properties.

4.2 Eligibility criteria was set out by the Department for Levelling Up, Housing and Communities (DLUHC) 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
- Business rates: expanded retail discount 2021 to 2022 - local authority

guidance - GOV.UK (www.gov.uk) .

4.3 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.

4.4 DLUHC 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.

4.5 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 2021/22.

4.6 In terms of Expanded Retail Discount (ERD), the figures below reflect the significant reduction in the amounts awarded during 2021/22 compared to 2020/21 (due to the reduction from 100% to 66% ERD from 1st July 2021):

ERD awarded	City of Lincoln	North Kesteven	West Lindsey
2020/21	£28,002,354	£6,748,970	£5,048,076
2021/22	£9,409,389	£3,823,251	£2,278,720

4.7 In the recent budget there were some announcements regarding Non Domestic Rates although the full details are not known yet –

1. For 2022/23 – the multipliers which are used to calculate the business rates will be frozen for the second year at 49.9p and 51.2p. This will have a financial impact on the income to the Authority. In legislation, the multiplier should go up in line with the inflation figure in September of the previous year. This was originally the RPI but this was changed a few years ago to the CPI. It is expected, but not confirmed, that the council will be compensated for this 'loss of income' under a Section 31 grant as it has been previously when inflation exceeded 2% but the government capped the increase of the multiplier to 2%.

2. A 'new' relief was announced for eligible retail, hospitality, and leisure properties with a 50% relief on rates bills up to £110,000 per business.
   This is similar to the capping level for 2021/22 which was £105,000 for any business that was not mandated to close. There is no differentiation for next year between mandated to close and not mandated to close, therefore this is likely to take all the national chains out of the scheme.
   Additionally, the scope of this discount is noted to 'return to pre-covid 19 eligibility for retail properties'. Hospitality and leisure are to remain in the

scope, which they were not prior to covid 19. However prior to Covid 19, the maximum rateable value to qualify for retail relief was 50,999.
There are other types of business such as estate agents, employment agencies etc that I believe will also fall out of the scope of the new relief as pre covid they were not included, and they are not hospitality or leisure – this includes estate agents, employment agents etc.

5. Nursery Discount

5.1 As announced at the Budget on 3 March 2021 by the Chancellor, the government will continue to provide eligible nursery properties in England with 100% business rates relief from 1 April 2021 to 30 June 2021. This will be followed by 66% business rates relief for the period from 1 July 2021 to 31 March 2022, capped at £105,000 per business for other eligible properties.

5.2 Eligibility criteria was set out by the Department for Levelling Up, Housing and Communities (DLUHC) 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

- Business rates: nursery (childcare) discount 2021 to 2022 – local authority guidance - GOV.UK (www.gov.uk) .

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 2021/22.

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 2021/22.

All potentially affected businesses have been advised in writing that they need to complete a form for the rate relief and payments have not been taken where no business rates would have been due. For the 66% relief, an application form needed to be submitted, these were sent out in March and officers undertook a further mail merge exercise for those accounts where the form has not been received, advising the customer that the amended bill when issued, will be issued without the 66% unless the enclosed form is completed and returned. For late applications, amended bills would have to be issued.

The 3-month Expanded Retail Discount and Nursery discount were applied to accounts on 23 May 2021, following required software being made available.

5.6 In terms of the Nursery Discount, the figures below reflect the reduction in the amounts awarded during 2021/22 compared to 2020/21 (due to the reduction from

100% to 66% from 1st July 2021):

Nursery Discount awarded	City of Lincoln	North Kesteven	West Lindsey
2020/21	£163,935	£169,808	£34,626
2021/22	£115,164	£111,131	£28,727

6. Discount for businesses affected by Covid-19

6.1 On 25 March 2021, central government announced a £1.5 billion package for businesses affected by Covid-19.

The announcement included:

Ministers have today set out plans to provide an extra, targeted support package for businesses who have been unable to benefit from the existing £16 billion business rates relief for retail, hospitality and leisure businesses. Retail, hospitality and leisure businesses have not been paying any rates during the pandemic, as part of a 15 month-long relief which runs to the end of June this year.

Many of those ineligible for reliefs have been appealing for discounts on their rates bills, arguing the pandemic represented a 'material change of circumstance' (MCC).

The government is making clear today that market-wide economic changes to property values, such as from COVID-19, can only be properly considered at general rates revaluations, and will therefore be legislating to rule out COVID-19 related MCC appeals.

Instead the government will provide a £1.5 billion pot across the country that will be distributed according to which sectors have suffered most economically, rather than on the basis of falls in property values, ensuring the support is provided to businesses in England in the fastest and fairest way possible.

Allowing business rates appeals on the basis of a 'material change in circumstances' could have led to significant amounts of taxpayer support going to businesses who have been able to operate normally throughout the pandemic and disproportionately benefitting particular regions like London.

6.2 At the time of writing this report, the required detail regarding the relief nor individual local funding allocations are available – and may not be until November/December 2021.

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

7.1 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.

7.2 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.

7.3 On average reductions will be around 10% on NHS and private hospitals, and 9% on fire stations however this will 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).

7.4 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.

7.5 On 20 May 2021 we received a further notification from the Valuation Office that there was a CPCR Challenge regarding Court Buildings. This has been completed on a representative group of around 30 Courts. The agreed basis results in average reductions of around 18% - 1970's buildings may have higher reductions of around 28%. These reductions could go back to 1st April 2017.

Affected numbers within the shared service, are as below:

Local Authority	No. hereditaments	Charge for 2021/22
City of Lincoln	Combined (x2)	£325,120 £61,952
North Kesteven	0	
West Lindsey	0	

8. Business Rates Review

8.1 The final report for a Business Rates Review was also published at the Budget. The Budget and the Review commits in the longer term, to making improvements to the Business Rates system – these include the following;

More frequent revaluations, moving to a revaluation every three years starting from the next revaluation which comes into force on 1st April 2023, the next being 1st April 2026 and so on.

The process of revaluation starts approximately 2 years before the new valuations come into force. For the revaluation due on 1st April 2023, the rateable value will be assessed based on the rental evidence on 1st April 2021. There will be a new duty on the ratepayer to provide the Valuation Office with the information

A new relief will be provided to support investments in property improvements. It is expected that this will include a 12 month exemption on an increase in the rateable value where a property is improved. However the final detail of this is not known at this time and we will report the finer detail of this as soon as this is known.

There was a new exemption and relief to support green technologies announced. Unfortunately, again, the announcement was made without any of the detail being known and so, we will report the finer detail of this as soon as this is known.

A technical consultation has been announced on these points and we will respond to this when it is available.

9. Strategic Priorities

9.1 Both authorities look to protect the poorest people. The Revenues Team is mindful of the strategic priorities when engaging with business ratepayers as they look to recover the business rate.

10. Organisational Impacts

10.1 Finance

Local Autorities will be compensated in full for the costs of the new business rates reliefs announced as part of the March 2020 and March 2021 Budgets and in response to Covid-19.

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.

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?	None
List of Background Papers:	None

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