SHARED REVENUES AND BENEFITS JOINT COMMITTEE **27 JUNE 2023**

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

1. Purpose of Report

1.1 To provide Shared Revenues and Benefits Joint Committee with an update on current issues within non-domestic rate.

2. Executive Summary

2.1 This report provides Shared Revenues and Benefits 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. 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 Shared Revenues and Benefits 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 At the Budget on 27 October 2021, the Chancellor announced that the Government would provide a package of business rates measures to support businesses in England.

For 2022/23 the Chancellor set out:

- A new relief for eligible retail, hospitality and leisure properties with 50% relief on rates bills up to £110,000 per business
- A freezing of the multipliers at 49.9p (small business multiplier) and 51.2p (standard multiplier)
- The Transitional Relief and Supporting Small Business Schemes would be extending into 2022-23 as a discretionary scheme
- The scope of the discount for 2022/23 will return to pre-Covid-19 eligibility retail

properties. Hospitality and leisure properties will continue to remain in scope, and the Rateable Value continues to be uncapped.

4.2 Eligibility criteria for the Expanded Retail Relief was set out by the Department for Levelling Up, Housing and Communities (DLUHC) and issued to Local Authorities on 20 December 2021. This can be found here:

- Business Rates Information Letter 9/2021 (publishing.service.gov.uk)

- . Business rates guidance: 2022/23 Retail, Hospitality and Leisure Relief Scheme - 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).

4.6 In terms of Expanded Retail Discount (ERD), the figures below reflect the significant reduction in the amounts awarded in the last three years with an estimate on the award to be granted in 2023/24.

ERD awarded	City of Lincoln	North Kesteven	West Lindsey	Annual reduction
2020/21	£28,002,354	£6,748,970	£5,048,076	100%
2021/22	£9,544,369	£3,890,932	£2,288,599	66%(apr-jun) 100%(jul-mar)
2022/23	£2,840,236	£1,691,974	£1,032,508	50%
2023/24 **Estimated on NDR1**	£3,906,616	£2,383,359	£1,486,748	75%
2023/24 End Apr 2023	£4,056,415	£2,516,678	1,398,322	75%

Capping applies to all years with exception of 2020/21

4.7 For the year 2023/24 the Chancellor has set out the following –

- The retail, hospitality and leisure relief will increase from 50% to 75% up to £110,000 per business

- A freezing of the multipliers for a further year at 49.9p (small business multiplier) and 51.2p (standard multiplier)

- Historically at the beginning of every new Rating List there has been a transitional scheme which phases in large increase in liability for the Non Domestic Rates and this is offset by phasing in large decreases in liability. However, the transitional scheme for 2023, phases in large increases but there is no phasing of decreases and those customers will feel the benefit of any reduction in their rateable value immediately.

- The Supporting Small Business Relief scheme will cap increases at £600 a year for any business losing eligibility for some or all Small Business Rate Relief or Rural Rate Relief at the 2023 revaluation.

- The scope of the discount for 2023/24 will return to pre-Covid-19 eligibility retail properties. Hospitality and leisure properties will continue to remain in scope, and the Rateable Value continues to be uncapped.

5. Discount for Businesses Affected by Covid-19

5.1 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.

5.2 The details of this scheme were announced on 15th December 2021 and the amounts for each authority were also announced –

- City of Lincoln Council – Funding £2,711,060

- North Kesteven District Council – Funding £1,719,343

- West Lindsey District Council – Funding £1,408,044.

Any relief not ‘spent’ must be returned to the Government.

5.3 There is some brief guidance from the Government which states that Local Authorities will be responsible for designing the discretionary relief schemes that are to operate in their areas. However, in developing and implementing their schemes local authorities:-

a. must not award relief to ratepayers who for the same period of the relief (period from the 1st April 2021 to the 31st March 2022, or any part of this period) either are or would have been eligible for the Extended Retail Discount (covering Retail, Hospitality and Leisure), the Nursery Discount or the Airport and Ground Operations Support Scheme (AGOSS),

b. must not award relief to a hereditament for a period when it is unoccupied (other than hereditaments which have become unoccupied temporarily due to the government’s advice on COVID-19), and

c. should direct their support towards ratepayers who have been adversely affected by the pandemic (in a way that prevents success or development; harmfully or unfavourably) and have been unable to adequately adapt to that impact.

5.4 Following discussions, guidelines for Lincoln, North Kesteven and West Lindsey Covid Additional Relief Fund (CARF) schemes were agreed. Application forms were sent out in February 2022 to those account holders which officers identified may be eligible for this rates relief, and due to a low response, a reminder was issued in March 2022.

Round 1 application closed on the 31st March 2022 and those accounts that meet the criteria of losses of 30% or more have been awarded 100% CARF relief for their 2021/2022 liability.

Due to the low take up in Round 1, round 2 of the application process was opened and this was advertised on the social media inviting businesses to claim if they had 20% or more in losses. The closing date for Round 2 was 31st July 2022. Those accounts that met the criteria of losses of 20% or more have been awarded 100% CARF relief for the 20212/22 liability.

Over the months February – September 2022, the Non-Domestic Rates (NDR) team in the Shared Service encouraged ratepayers to apply where they were able to evidence losses for the year 2021-22. The CARF scheme was advertised on social media and each of the Local Authority websites. Ratepayers were also contacted directly by the NDR team, helped by the Business Development teams.

Nationally, local authorities reported that they found it difficult to allocate this relief to ratepayers that may meet the scheme criteria, despite best efforts to identify and promote the scheme.

The final figures as at 30th September 2022, are shown below.

	City of Lincoln	North Kesteven	West Lindsey
Amount of CARF	£852,032	£1,635,867	£1,396,878
No. of Accounts	89	149	236

The figures at 31st March 2023 , are shown below;

	City of Lincoln	North Kesteven	West Lindsey
Amount of CARF	£852,032	£1,567,214	£1,364,615.37
No. of Accounts	89	142	228

6. Potential Reductions to Rateable Value

Fire Stations and Hospitals

6.1 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.

6.2 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.

6.3 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).

6.4 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.

6.5 **Court Buildings**

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. The reductions in rateable value for the Court buildings were received in December 2021 and are reduced as shown below. There have been no further reductions since December 2021. Any further appeals would be against the 2023 NDR list.

Affected numbers within the shared service, are as below:

Local Authority	No. hereditaments	Charge for 2021/22	Charge for 2022/23	Charge for 2023/24
City of Lincoln	Combined (x2)	£325,120 £61,952	£271,360 £57,344	£302,080 £71,168
North Kesteven	0			
West Lindsey	0			

Rateable Value was 635,000 now 530,000 from 1.4.2017
(590,000 from 1.4.2023)
Rateable Value was 121,000 now 112,000 from 21.11.2017
(139,000 from 1.4.2023)

6.6 **Museums**

On 8 June 2020, the Upper Tribunal (Lands Chamber) in the case of Stephen G Hughes (VO) vs Exeter City Council determined that the rateable value of the Royal Albert Memorial Museum was £1. The Court of Appeal have refused to allow the Valuation Office to Agency to appeal against this decision. This decision has been applied to other museums and we have seen the effects of this decision in our rating lists.

7. Business Rates Review

7.1 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.

7.2 For each revaluation, the Government introduces a Transitional Relief scheme. Transitional relief limits how much a bill can change each year. As the Ndr system is self financing, historically these limits have limited both large increases and large decreases. In the Budget, the government announced a change to the Transitional relief scheme so that only increases were limited. For any reduction in the rateable value, a ratepayer will receive the full benefit of the reduction immediately.

7.3 **The Transitional Relief Scheme – limitations on increases for the following years -**

For 2023

Rateable Value	2023-24	2024-25	2025-26
Up to £20,000	5%	10% plus inflation	10% plus inflation
£20,001 to £100,000	15%	25% plus inflation	40% plus inflation
£100,001 +	30%	40% plus inflation	55% plus inflation

7.4 Draft lists were provided by the Valuation Office to Local Authorities on 11 November 2022. These continue to be maintained with weekly updates and the Local Authority can use this draft list with amendments to run the annual bills for 2023-24.

On 31st March 2023 , the Rateable values are as shown below

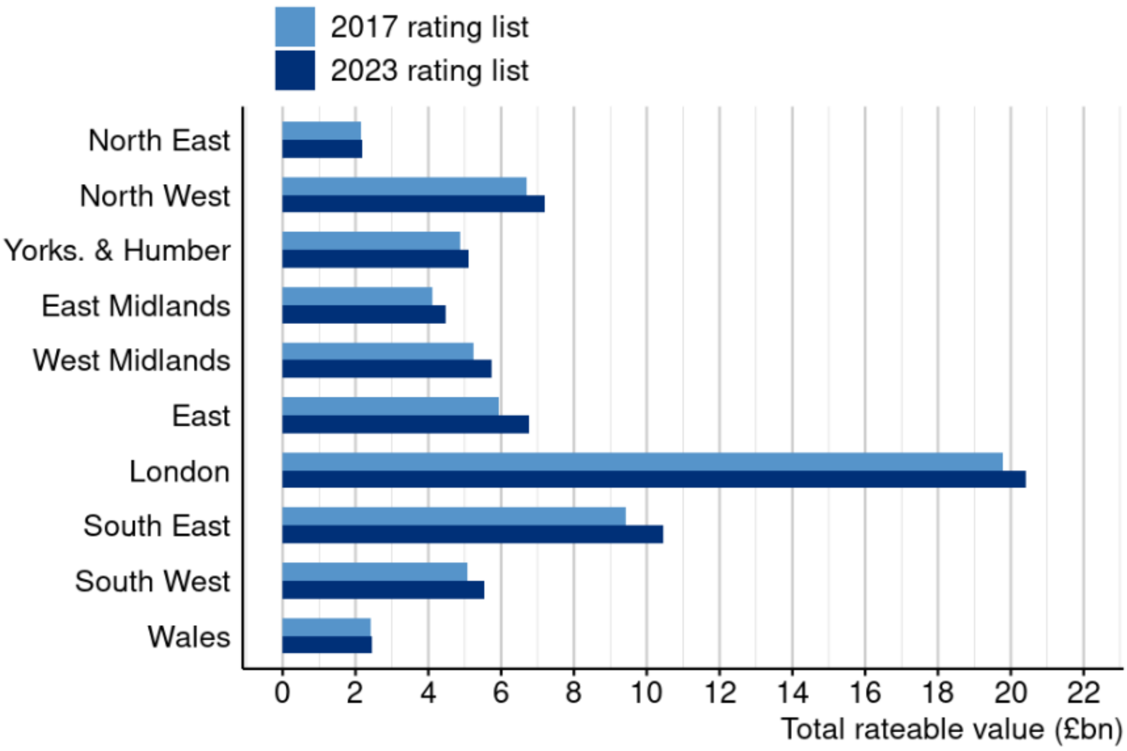
Total RV	City of Lincoln	North Kesteven	West Lindsey
2017 list – RV	111,657,102	76,676,924	49,669,995
Hereditaments	3589	3458	3051
2023 draft list – RV	109,146,624	84,565,162	53,638,108
Hereditaments	3589	3457	3051
		Reduction is due to one assessment entering the Central Listings	
Changes to RV from 2017 to 2023	-2,510,478 -2.25%	7,888,238 10.3%	3,968,113 8.0%

7.5 The following tables are taken from
[Non-domestic rating: Reval 2023 draft list statistical commentary and background information - GOV.UK (www.gov.uk)]

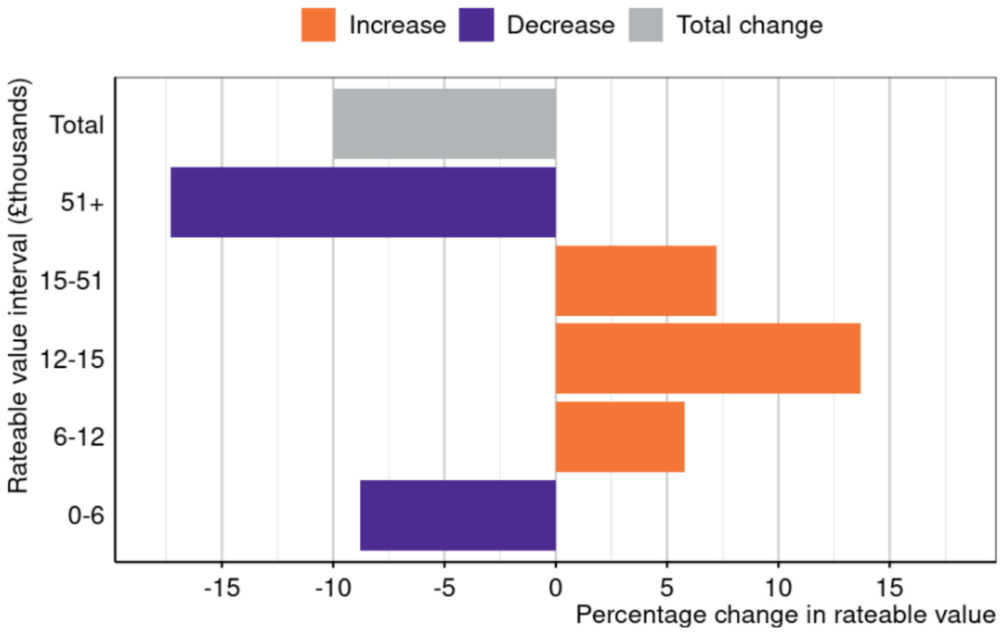
The headline figures nationally can be found on the Valuation Office website – as shown below (England only)

Sectors	Percentage change
Industry – storage and distribution	+32
General industrial	+27
Industry – other	+26
Other_Storage and Distribution	+21
Utilities	+19
Other-Other	+17
Health	+16
Education	+15
Other – Retail	+14
Other- offices	+11
Offices	+10
Transport	+8
Non-Residential institutions	+7
Residential Institutions	+1
Assembly and Leisure	-2
Financial and Professional Services	-9
Shops	-10
Hotels, Guest & Boarding, Self catering	-28
England Average	**+7.3**

Total rateable value on the 2017 and 2023 rating list by region(England and Wales)



Banded Percentage change in rateable value for the retail sector (England and Wales) Showing that the larger retail properties have had a higher reduction in rateable value.



A new relief will be provided to support investments in property improvements, 2023-2028 in the first instance. 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 this as soon as this is known.

There was a new exemption for eligible low carbon heat networks that are listed as separate properties on the rating list, to be available from 2023 to 2025. 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.

8. Strategic Priorities

8.1 Both authorities look to protect those who may be experiencing final hardship. The Revenues Team is mindful of the strategic priorities when engaging with business ratepayers as they look to recover the business rate.

9. Organisational Impacts

9.1 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 has to make a provision for appeals against the Rateable Value of the NDR list for the following 12 months when completing their NNDR1 forecast in January of each year. Historically, we have had a number of different factors which must be taken into consideration when attempting to provide for appeals – including estimates for reductions to the rateable value of Museums, RAF Stations, Fire Stations, hospitals, GP Surgeries and ATMs (as reported to this Committee previously) . There are other factors that can also affect the Rateable Value of a Hereditament such as the smoking ban a number of years ago which resulted in an approximate 6% reduction of all public houses nationally. The local authority must calculate a provision for appeals calculation for the NNDR1 at the beginning of the year and the NNDR3 at the end of the year including the impact this might have on the level of surplus or deficit to be declared. There will also be an ongoing loss of NNDR which was accounted for during the preparation of future NNDR1 forecasts.

9.2 Legal Implications including Procurement Rules

No direct financial implications arising from this report.

9.3 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.

10. Risk Implications

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

11. Recommendation

11.1 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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