

National Non-Domestic Rates (Business Rates) Summary Report

Economy PDG

Introduction

Rating in one form or other has been in place since 1601, the current system was brought in by the Local Government Finance Act 1989, known as National Non Domestic Rates, also known as 'Business Rates'.

Rateable Values (RV) are calculated by the Valuation Office Agency (VOA) in many ways but mainly by the open market rental value at a certain date, the current date is 01/04/2015.

Bills are calculated by multiplying the (RV) by the Multiplier (rate in the £) issued by the Government, some organisations may qualify for reductions to help reduce the amount to pay. (refer to table)

Example: £5000 (RV) x £0.499 = £2,495 (business rates payable)

Current Funding Scheme

In April 2013 the Business Rates Retention Scheme commenced, where instead of all business rates being transferred to Central Government for redistribution local authorities would keep 50% of the business rates they collected, plus a share of any additional income received through the growth of new business. The scheme was introduced by Central Government to encourage local authorities to promote economic growth and reduce dependency on Central Government with the added incentive for Councils to keep a share of the business rates collected. Current tier split,

Government 50%, Billing Authority 40%, County Council 9% and the Fire Authority 1%

A Billing Authority such as Mid Devon District Council would also have to pay tariffs and levy it doesn't keep 40% of the net collectable debt. All reductions other than fully funded cost a billing authority currently 40%

Pooling – Mid Devon is part of a Pool

A Business Rate Pool allows the Authorities within the pool to reduce the amount of levy payable to the MHCLG on any business rate growth agreed above a baseline, it also helps to share the risk in income fluctuation..

A pool can be made up of any Authorities, although it does need to include at least one top-up Authority (i.e. the County Council)

Appeals Risk

The large volume of appeals, the time it takes to deal with them and the lack of information made available to authorities by the VOA has made it extremely difficult for authorities to forecast their business rates income to fund local services.

To fund local services they need to make a provision to help smooth the volatility of reducing (RVs). This can be a substantial amount of money, Mid Devon has set aside c£1.4m.

The Billing Authority is also required to look at what might be appealed and try and work out the financial risk this is both complex and time consuming.

Reliefs

Legislation tells us what reliefs can be applied for and how much can be awarded, such as Mandatory Charity Relief, a qualifying organisation would attract an 80% reduction off their bill.

The Government under s47 allow Billing Authorities to agree a 'Discretionary Relief Policy' this helps award further relief based on local rules rather than regulatory. For example a charity receiving 80% relief can apply for a 'top-up' of 20% this would be decided via local policy.

All reliefs other than fully funded come at a cost of 40% to the public purse.

Over the last few years fully funded reliefs have been brought in by the Government our direct cost of 40% is paid back via section 31 grants every year. These schemes are temporary and removed or extended each year. Two examples would be, Revaluation Relief and Retail Relief. (refer to table)

Business Rates: Reform

The Government for several years now have been consulting on rates retention, the rules around appeals and reliefs, basically the fundamentals of the business rates system. Previous consultations have been issued and answered after which progress stopped due to other more significant pressures brought on the Government.

Due to the delays a further consultation may be issued towards the end of quarter 1 2020 – May/June, details are not yet know. However it would be fair to refer to previous papers where it was suggested that 100% retention is likely. To bring this significant change in the funding rules would need to be overhauled as 100%

retention is never really the case, tariff payments are likely reducing the amount that a Local Authority can actually keep.

As part of the overhaul there would be a need to review reliefs both funded and unfunded, questions around section 31 grant would need to be answered.

When the next paper has been received a briefing paper can be issued to give a high level summary of changes being consulted up.

Financial Summary – Taken from NNDR1 Return 2020/21

| <u>Mid Devon Non-Somestic Rates</u> | | |
|--|---------------------|------------------------------|
| Total Properties | 3206 | |
| Gross Rateable Value | £45,278,449 | |
| Gross Rates | £22,593,946 | |
| Est Net Rates | £15,600,410 | |
| Tier Split Funding (Using Net Rates) | | |
| Gov 50% | £7,800,205 | |
| MDDC 40% | £6,240,164 | |
| DCC 9% | £1,404,036.90 | |
| Fire Auth 1% | £156,004.10 | |
| Est Net Rates | £15,600,410 | |
| <u>Reliefs</u> | <u>Count</u> | <u>Relief Awarded</u> |
| <i>Small Business Rate Relief</i> | | |
| 100% Relief RV Below £12k | 1588 | £3,908,236 |
| Tapered Relief RV £12k - £15k | 65 | £227,460 |
| <i>Discretionary Relief(Unfunded)</i> | | |
| Charity Top Up | 130 | £78,171 |
| Non Profit Making | 2 | £18,608 |
| <i>Discretionary Relief(funded)</i> | | |
| Revaluation Relief All Yrs | 109 | £202,000 |
| Supporting Small Businesses | 15 | £28,298 |
| Rural Rate Relief | 20 | £29,878 |
| Retail Relief | 151 | £340,620 |
| <i>Empty Property Relief</i> | | |
| All Types | 234 | £452,343 |
| Total Reliefs | 2314 | £5,285,614 |

Business Rates & the High Street

Concerns around the impact of Business Rates and our High Streets have been and continue to be raised at a 'national' level. The Government have brought in 'temporary relief schemes' (refer to table above), to supplement reliefs awarded by local schemes other reductions can be granted such as;

- Retail Relief – for 2020/21 a 50% can be awarded on qualifying properties to reduce the amount they pay. They may also get, Pub Relief, Revaluation Relief, Transitional Relief, Small Business Rates Relief, help for small businesses relief.
- Pub Relief – those that qualify could get up to £1000 off their bill in 2020/21, they could also get Retail Relief & Small Business Rates Relief
- Rural Rate Relief: those that qualify would get a top up relief of 50% as such nothing to pay

Small Business Rates Relief

This statutory scheme has been in place for many years, qualifying properties with a rateable value of £12,000 or below would receive 100% relief off their business rate bill (refer to table above). Between £12,001 & £15,000 the relief award is on a sliding scale 0-100%, closer to £12k the higher the relief.

More than one type of relief can be awarded depending on the qualifying rules.

Referring to the table above organisations (including those in our high streets) are receiving c£5,285m in reductions that's c2,314 properties of the c3200 on our list, c72%.

Whilst some organisations get little or no relief from business rates it cannot be the only factor that is contributing to our diminishing high streets, other cost pressures such as, rent and service charges, utility bills, wholesale prices are impacting organisations. Not forgetting how customers now want to shop, that being 'on-line'.

The Government recognise that business rates does need to be overhauled as such billing authorities are waiting to be consulted. This work will be very complex and take some time to make sure any changes made will deliver the right results for businesses and local authority income.

Retained Income Table

As noted above a Billing Authority like Mid Devon also pays a 'tariff and levy' back to the Government, this goes towards supporting other Authorities that find themselves in 'safety net' position due to lack of or no growth. The table below shows the movement from standard share to retained funding estimate.

| | 2020/21 £000 |
|--|-------------------------|
| 40% Standard share of net business rates income | -6.240 |
| 100% renewable energy schemes business rates income | -98.00 |
| S31 grant compensation for Government-funded reliefs | -1,528 |
| Tariff payment | 4,030 |
| Levy cost | 625 |
| Safety net income | 0 |
| Net Retained Business Rates Funding | -3,211 |
| Estimated Pooling Gain | -150 |
| Total BRR Funding Estimate | -3,361 |