

Business Rates Pilot

Councillor Robert Strachan, Cabinet Member for Finance & Commissioning

Date: 12 September 2023

Contact Officer: Lizzie Barton/ Nicola Begley



Tel Number: 01543 308060

Email: lizzie.barton@lichfielddc.gov.uk

nicola.begley@lichfielddc.gov.uk

**Cabinet Member
Decision**

Key Decision? **NO**

Local Ward Members N/a

The Decision will be made on or after 12 September 2023, unless called-in for Scrutiny.

1. Executive Summary

- 1.1 In emerging and expanding business parks, such as Fradley Business Park, businesses often expand and grow their units/floorspace in creative ways – for example adding mezzanine floors – which are then not easily captured on the Valuation Office Agency’s list, so business rate charges may not be appropriately levied.
- 1.2 Whilst the revenues team does its best to track and trace any new businesses in the area, it does not have a mechanism for identifying new spaces within existing rated units and does not have the capacity to actively pursue businesses to determine whether such new rateable value exists within the district.
- 1.3 The council is keen to work with a company called Capacity Grid to carry out a pilot to determine whether an active approach to identifying new rateable value within the district could generate positive results.
- 1.4 Long-term any new rateable value added to the list would benefit the district council, which retains a percentage of business rates it collects. It will also benefit other precepting authorities including the county, police, fire and parish councils. Any additional revenue can then be used to fund local services.
- 1.5 Capacity Grid charge a percentage fee for their work. The pilot will be limited to a maximum spend of £75,000 with Capacity Grid. This spend will be met by the additional business rates revenue generated.
- 1.6 Approval is sought to progress the pilot within this financial year (2023-24).

2. Recommendations

- 2.1 That the Cabinet Member for Finance and Commissioning approves the pilot on the basis that this will maximise business rates revenue to the district council and other precepting authorities, up to a maximum spend of £75,000.

3. Background

- 3.1 Business rates are payable by all hereditaments (land or building) in the district that appear in the valuation list.
- 3.2 The valuation list is compiled by the Valuation Office Agency (VOA). The VOA assign a rateable value (RV) to each hereditament generally based on the size and use of the assessment.
- 3.3 Central Government then set a multiplier each year and the business rates are calculated by multiplying the RV by the nationally set multiplier for that financial year.

- 3.4 The RV of a property can be amended anytime there has been a material change of circumstances between each new valuation list, such as a change of use or additional space added to the property.
- 3.3 The revenues team carry out inspections, but these are mainly from the roadside, and the team does not have a mechanism to identifying new spaces within existing rated units, nor have the capacity to actively pursue businesses to determine whether such new rateable value exists within the district.
- 3.4 Fradley Business Park is a major industrial hub within the district. It is an area that has seen regular expansion and growth from large new warehouses to interior adaptations. It is feasible the council has not captured all this growth and maximised the business rates income available.
- 3.5 A company called Capacity Grid, who were awarded first place in the IRRV performance awards (excellence in non-domestic rates) are keen to work with the council and carry out a desk-based assessments of the business within Fradley business park and identify any new growth and additional RV on existing hereditaments.
- 3.6 Capacity Grid have carried out 72 such pilots through which they have identified an average of £950k additional RV per review.
- 3.7 Capacity Grid's services can be procured via a direct award through GCloud for the pilot period.
- 3.8 Capacity Grid charge on a success basis and charge a one-off percentage-based fee of 10% for any new rateable value that is successfully added to the list.
- 3.9 The pilot would work as follows:
- The council defines a geographical boundary for the pilot¹
 - The council identifies any rateable value it is aware of that is due to come into the list within the set boundary. This is then disregarded for the purposes of the review.
 - Capacity Grid carry out desk-based assessments of businesses within the set boundary and identifies target companies.
 - Capacity Grid contacts the target companies on behalf of the council and requests information about the business premises.
 - Capacity Grid carries out visits on behalf of the council where additional potential RV is identified.
 - Capacity Grid provide the information to the council who report it to the VOA.
 - Capacity Grid monitor the VOA website for returns.

¹ If the set geographical boundary does not provide sufficient potential for a sound pilot, the team will include the opportunity to extend to wider areas or RV types including advertising sites.

Alternative Options	<ol style="list-style-type: none"> 1. Not to complete the pilot 2. Complete a full tender process to acquire an on-going programme of reviews. The aim of the pilot is however to demonstrate the potential benefit of a longer-term procurement.
Consultation	<ol style="list-style-type: none"> 1. No consultation has taken place. There is no requirement to consult with its partners in ensuring the valuation list is correct.
Financial Implications	<ol style="list-style-type: none"> 1. In year one the fee for the activity would match any additional business rates income achieve by the council. 2. In year 2 onwards the council and other precepting bodies will benefit from any additional rates it collects in line with the current business rated retention model, as shown at Appendix 1. 3. Capacity Grid are available through GCloud on a pre-tendered contract price, so have been price tested for best value.
Approved by Section 151 Officer	Yes

Legal Implications	None
Approved by Monitoring Officer	Yes
Contribution to the Delivery of the Strategic Plan	The proposal to hold a pilot supports the council's strategic ambition of <i>'being a good council that is financially sound, transparent and accountable as well as being responsive and customer focused'</i> by maximising the revenue we are able to collect.
Equality, Diversity and Human Rights Implications	N/a
EIA logged by Equalities Officer	Equalities officer has confirmed not required.
Crime & Safety Issues	No specific issues
Data assessment	The data the council currently holds does not identify any missing rateable value. This pilot will enable the council to secure this data in order to levy appropriate rateable value charges.
Environmental Impact (including Climate Change and Biodiversity).	No specific impacts
GDPR / Privacy Impact Assessment	No specific impacts

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	Businesses complain about approaches from Capacity Grid	Likelihood: Yellow Impact: Yellow Severity of Risk: Green	Work with Capacity Grid to review communications approaches to ensure we are comfortable with their methods and technique. Update website so companies can check validity of the pilot review. Brief ward members, so they are aware of the pilot.	Likelihood: Green Impact: Green Severity of Risk: Green
B	Pilot identifies no new RV	Likelihood: Green Impact: Green Severity of Risk: Green	Chosen approach means no charges will be levied by Capacity Grid.	Likelihood: Green Impact: Green Severity of Risk: Green

C	Pilot identifies too much potential RV and exceeds procurement levels	Likelihood: Yellow Impact: Yellow Severity of Risk: Green	An agreed maximum charge will be set with Capacity Grid (up to £75,000), so once Capacity Grid has identified a potential of £750,000 new RV, they will stop their activity. This will then provide a break point to assess the success of the activity and propose a longer-term solution.	Likelihood: Green Impact: Green Severity of Risk: Green
D	Business rates reset removes any benefit of the work	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow	If growth is added pre a business rates reset (current timeline 2025/26) then there is a risk that some or all the growth more than the government set baseline is redistributed.	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow
E	Businesses successfully appeal a reduction to the rateable value after the pilot has completed	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow	Appeals are required to go through the Check, Challenge and Appeal process with costs involved for the business during this process. Appeals must be backed by evidence. The VOA aim to limit appeals by getting the RV right first time. Appeals can not be predicted or challenged by the council	Likelihood: Yellow Impact: Yellow Severity of Risk: Green

Background documents	Appendix 1 – how business rates are distributed under the government set regime.
----------------------	--

Relevant web links	https://www.gov.uk/introduction-to-business-rates
--------------------	---