Local Government Association

Resources Board

23 September 2021

Business rates revaluation 2023: the central rating list

Purpose of report

For information and direction

Summary

This report provides a summary of the current consultation on changes to the Central Rating in time for the 2023 revaluation and summarises key points that the LGA could make in response to the consultation.

Recommendations

Members of the Resources Board are asked to consider the LGA's existing lines on movements between central and local rating lists and suggest any other points they wish to include in the LGA's response.

Action

Officers to draft the response in line with Resources Board recommendations.

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Background

1. Most business properties (technically known as a hereditament) are included on local lists and the business rates are collected by billing authorities. If a hereditament crosses boundaries of billing authorities it is assessed in the billing authority where the largest part of the rateable value is located. However, there is some property, mainly network utilities such as rail, water, telecommunications undertakings and cross country pipelines, which crosses many boundaries and have been considered to be unsuitable to be on local lists. These hereditaments constitute the Central List.

2. Business rates on Central List properties are collected by the Government. A sum is then paid into the national non-domestic rates account for the use of local government. In the year 2020/21, according to the accounts published in July 2021 by MHCLG, £1.8 billion was paid into the national non-domestic rate account, which is consistent with the published rateable value of the Central List taking account of the relevant multiplier (51.2p in the £). Comparing with the £25 billion, which was due to be collected in business rates on local lists before the pandemic, means that the Central List is around 7 per cent of total business rates yield.

The current consultation

3. On 16 August 2021 the Government published a consultation on the central rating list. This closes on 8 November 2021. The consultation does not have individual questions but is divided into the following sections.

   3.1. The current principles of the central rating list;
   3.2. Hereditaments suitable for moving to the central rating list for the 2023 revaluation;
   3.3. Interaction with the Business Rates Retention Scheme; and
   3.4. Next steps.

Principles

4. The principles set out in the consultation are not new but were confirmed by the Government as part of the consultation on further business rates retention in 2018. They are:

   - the nature and use of a property (for example networks)
   - its size and geographical spread (so that only larger networks should be included in the central list); and
   - the suitability or otherwise for assessment of the property on local non-domestic rating lists (for example where it would be difficult to assess which was the best local rating list for the property to be situated it might be fairer for it to go on the central list).

Proposed hereditaments suitable for moving

5. The consultation proposes, at the time of the revaluation in April 2023, expanding the central rating list to include several large, fixed line telecom networks, the Channel Tunnel Rail Link (HS1) and mobile phone networks.

6. The reasons for this are as follows:

    6.1. **Telecom Networks.** Around 30 to 50 telecommunications networks, of the 300 currently on local lists, would be transferred to the Central List because it is occupied by companies providing telecom services on large networks likely to span a great many billing authority areas. Smaller networks would stay on local lists.

    6.2. **Rail networks**. Network Rail is already on the Central List. The consultation proposes that HS1 (the Channel Tunnel Rail Link) should be moved from one authority's list to the central list as it crosses a large number of billing authority areas.

    6.3. **The mobile telecom sector**. With the roll out of 5G networks, which could lead to the creation of up to a million 'small cells' the Government consider it would be better to prescribe a single hereditament for each mobile telecom operator covering their operational rateable equipment such as their masts, poles, towers, fibres and their sites and move them to the central rating list. Mobile telecom operators will then pay one business rates bill for England for all of their operational rateable land and equipment.

7. The consultation does not give the total rateable value of the property to be transferred but it could amount at most to £620 million although this includes the total rateable value of the telecoms categories above and is therefore likely to be an overestimate. This would represent an increase in the central list of around 14 per cent but only around 1 per cent of local lists.

Interaction with the Business Rates Retention Scheme

8. According to the consultation, the Government will ensure that, as far as is practicable, retained business rates incomes are unaffected by any changes it makes by moving ratepayers from local lists to the central rating list at the 2023 revaluation. The Government will work with local government on the details of this adjustment and consult upon it ahead of the 2023/24 settlement.

Next steps for the Government

9. The consultation says that the government will make final decisions, in light of the responses to this consultation and discussions with the ratepayers concerned, in the autumn and then soon after make any necessary changes to the regulations to have effect from 1 April 2023. It does not say whether there will be a further public consultation on each individual hereditament.

LGA response

10. In response to the 2018 consultation and to a previous consultation in 2017, we agreed that the Central List should only include property which is genuinely non-local and that any adjustments should be made so they do not have an impact on the business rates retention position of councils. That would imply that we would support the proposals in the MHCLG consultation in principle. We could suggest that there is engagement with each affected authority where hereditaments are to be moved from the local to the central list.

11. In our 2017 response, we added that the Government should consider properties currently on the central list which might be split (for example Network Rail stations) and which could go on local lists. The current consultation does not suggest that the Government is taking this forward so we could include it again in this response.

12. As far as business rates retention is concerned; making the changes at the time of the 2023 revaluation means that any adjustments can be made at the same time to the adjustments to top-ups and tariffs to ensure that councils do not suffer from gains or losses solely as a result of either the revaluation or the changes to the Central List. This would mean that at the point of the transfer it would be revenue neutral as far as councils are concerned. This is important in order to avoid situations such as that a few years ago when one company proposed a merger of their hereditaments into one and affected councils stood to lose. (In the event this proposal was withdrawn).

13. However, transferring properties to the central list would mean that councils would no longer stand to gain from any future business rates retention gains on these transferred properties, although the proceeds of the central list as a whole, including any retention gains, would continue to fund local government as a whole.

14. A further issue is that of transparency. Unlike local lists, where the national non-domestic rate income of councils is reported in detail to MHCLG and published, there is no detailed account of the central list in the public domain, although it can be seen through the Main Non-Domestic Rating Account for 2020/21 that the contribution of the Central List to the Account is what would be expected on the basis of the rateable value and the multiplier. We might propose that the Government provide more detail for the Central List at the same time as the publish the local list expenditure and outturn returns.

Next steps

15. Members of the Resources Board are asked to consider the LGA's existing lines on movements between central and local rating lists and suggest any other points they wish to include in the LGA's response.

Implications for Wales

16. The Central List consultation only affects England as there is a separate Central List for Wales. Officers will keep in touch with the WLGA for developments that might affect both countries.

Financial Implications

17. The work covered in this paper is included as part of the LGA's core budget.