

Systems Design and Implementation Working Group:

Update on Central List work area

Background

1. In December 2018 the Government, as part of the consultation on BRR, published the criteria which it intended to continue to use to decide whether a hereditament should be assessed to the central rating list. Broadly speaking these are that the central list should be used to list hereditaments which are by their nature unsuitable for listing in local lists - typically utility networks spanning several local authority areas. A full description of the criteria is in Annex A to the [consultation](#).
2. We invited views on whether, having regard to these criteria, there were hereditaments currently on the central or local list which should be listed differently. We also signalled that any such changes should be made at the reset to avoid any impact on local authorities' income. As we reported to the systems group in May 2019, the majority of responses agreed with the criteria outlined in the consultation.
3. This paper provides an update on this work and alerts the Group to a new issue in this subject area on 5G mobile small cells.

Likely impact of applying the central list policy

4. Currently the central list policy is applied upon request from ratepayers. As signalled at the consultation, at the reset we would proactively review both the central and local lists to bring them into line with the central list criteria. We asked respondents to identify any hereditaments which, having regard to the criteria, should be moved and their responses, together with an internal paper exercise¹, suggest the following likely scale of changes:
 - a. **Existing telecom networks.** There are in excess of 100 large telecom networks currently assessed on local rating lists which, due to their rateable value, are likely to span several local authority areas. A lot of this is in over 60 assessments under one operator totalling over £200m – all of which we understand spans several lists. In addition we are aware of more than 10 other networks accounting for a further £50m or more which again we understand span several local authority areas. Therefore, without prejudice to future decisions, we can expect application of the criteria to result in many of the local list hereditaments and most of the RV on telecom networks to move to the central list. In this context we may consider applying an RV threshold for the central list for administrative reasons.
 - b. **Railways.** As noted in the consultation paper, the HS1 hereditament is currently assessed on a local rating list and, without prejudice to future decisions, when set against the criteria is likely to merit moving to the central list. In addition, a small number of local railways and metros are assessed on local rating lists - whether these should move to the central list will likely depend on the degree to which they are concentrated in one or just a few local lists which will require more detailed consideration. We understand that parts of the Elizabeth Line (Crossrail) will require a separate assessment for business rates once completed at which point we will consider whether they should be assessed to the central list - but we

¹ This exercise dates from 2018 so some of these networks may have since moved or changed.

understand that only the new central London parts will form a separate assessment so the hereditament will cross only 4 authorities.

- c. **Small Independent Energy Networks.** These are hereditaments comprising small gas and electricity networks operated by independent providers rather than the main gas and electricity distribution companies. They typically operate networks at new commercial and residential developments. Each individual hereditament is normally limited to one local area. Most of these hereditaments are on local rating lists but 8 Independent Gas Transporters are currently assessed on the central list – all of their hereditaments being treated as one. We will have to consider whether these individual networks merit assessment on the central list in their own right.

5. In summary, beyond telecoms we would expect a review of the central list to have limited impact.

5G

6. We expect that in order to accommodate 5G in rating we will have to change the way telecom hereditaments are aligned for business rates. Currently telecom networks pay business rates in the following ways:
 - a. Certain named telecom providers are prescribed by Ministers onto a central rating list and receive one rates bill for their telecommunication network. This includes their fibre, operational buildings, masts and other operational sites, whereas;
 - b. For other providers:
 - i. Their contiguous fibre networks together with buildings, masts and other sites connected to that fibre receive one rates bill for the network. Such networks are assessed on a single rating list (generally the list which appears to contain the largest part of the network by value), whereas
 - ii. Their non-contiguous sites – primarily mast sites which are connected via another operator's fibre network or by wireless means – are assessed individually and separately in the rating list where they are located. Where a mast has several different shares on it then we provide for the mast to form a single assessment in the occupation of the host².
7. 5G will mean the deployment of potentially very large numbers of "small cells" – perhaps up to a million – only a few of which will be connected and occupied with a network. We do not expect these to fall within current central list assessments. Therefore, without changing the way telecoms are assessed for business rates, 5G roll out is expected to lead to many hundreds of thousands of new small value hereditaments. Such an outcome is not sustainable.
8. In light of this the Government has started to consider how hereditaments in the telecoms sector should be assessed to accommodate 5G. This is at an early stage and

² The exception to this are site shares in the occupation of central list ratepayers which are treated as in the central list and not in the single mast assessment.

will require discussions with the sector but from initial analysis we do not think it will be possible to isolate for business rates 5G equipment, infrastructure and networks from the existing telecom system. Therefore, we are likely to need a sector wide common solution – the leading option for which would be moving the entire telecom sector to the central rating list.

9. Moving the telecom sector to the central list would mean the remaining networks and all local list masts leaving local rating lists. As with the central list changes already under consideration, we would want to do this at the reset to avoid direct impacts on local authority income.