



Finance Sub-Committee

26 March 2018

Local Discretionary Relief 2018/19

Purpose of report

To present a Local Discretionary Relief Scheme for 2018/19 to members for consideration.

Attachment

Appendix 1 - Draft amended Discretionary Rate Relief policy.

1.0 Introduction

- 1.1 Business Rates are levied on non-domestic properties which appear in the local rating list. A proportion of the amount collected by the Council is retained locally (the balance being retained and redistributed by the government), and is a significant contributor towards the cost of providing local services. Each non-domestic property has a rateable value (RV) that is set by the Valuation Office Agency and this is used to calculate the level of business rates charged to the occupier. The most recent valuation came into effect on 1 April 2017, the one prior to that being in 2010.
- 1.2 The 2017 revaluation has resulted in the business rates bills for some non-domestic properties in East Northamptonshire increasing when compared with the 2010 valuation. However, many occupiers are already eligible for relief on their business rates so the impact of the revaluation varies from one business to another. Current reliefs available include small business rate relief, empty property relief, transitional relief, relief for charities and voluntary sector organisations, hardship relief and rural rate relief.

2.0 Background

- 2.1 In the 2017 Spring Budget, the Chancellor announced that a new scheme of relief would be made available for those ratepayers facing large increases as a result of loss of small business or rural rate relief due to revaluation. This is known as the '**support for small businesses**' scheme.
- 2.2 Ratepayers losing small business or rural rate relief as a result of the 2017 revaluation will have their increases limited to the greater of either (i) a cash value of £600 per year or (ii) the matching cap on increases for small properties in the transitional relief scheme. This will run for 5 years to 31 March 2022 and ratepayers will receive the support for small businesses relief until this date or they reach what their bill would have been within the transitional relief scheme, whichever is first.
- 2.3 In addition it was announced that 'eligible pubs' with an RV of less than £100,000 will get a £1,000 discount, for 2017/18 only. This is known as the '**support for pubs**' scheme. In the Autumn Budget 2017, the Government extended the scheme for 2018/19.
- 2.4 The Chancellor also announced that the Government would make available £300m of extra funding over 4 years for local authorities to provide discretionary relief to those businesses facing the steepest increase in their bills as a result of revaluation. He also stated that individual authorities are in the best position to determine how these extra monies should be targeted and administered in order to support those businesses with the greatest need. This is referred to as the '**local discretionary relief**' scheme (LDR).

2.5 East Northamptonshire Council's allocation of Government funding is set out below. The amount is a fixed contribution from the Government so it is suggested that the Council should maximise the opportunity to pass this funding on to those in most need of financial support.

Allocation of funding				
2017-18	2018-19	2019-20	2020-21	Total
£100K	£42K	£17K	£2K	£161K

2.6 On 4 September 2017 the Policy and Resources Committee approved an amended Discretionary Rate Relief Policy that included an LDR scheme for 2017/18.

2.7 Businesses qualified for LDR if they met the following criteria:

- the property is occupied and has had an increase in its rate bill
- the property has a rateable value of less than £200K
- the business does not receive a nil bill due to receiving other reliefs
- the business is not a charity already in receipt of 80% mandatory rate relief (which can apply for top-up relief under the present discretionary rate relief guidelines)
- the business is not a major national or multi-national company (which could be subject to state aid rules)
- the property is not occupied by a precepting authority
- the business was liable for the bill in 16/17 and is therefore directly impacted by the revaluation.

2.8 One hundred and seven businesses met the above criteria and received 100% relief on the increase in their bill. The total amount of relief granted for 2017/18 was £88,595.

3.0 Proposed LDR Scheme for 2018/19

3.1 Modelling has been undertaken based on the £42K funding allocation for 2018/19 and the qualifying criteria detailed in 2.4.

3.2 This shows that the qualifying businesses can be awarded 45% relief on the increase in their rate bill due to the 2017 revaluation. The total amount granted would be around £39,900 which is within the funding allocation.

3.4 The discretionary rate relief policy has been amended to include all the above changes, which are highlighted in red in the draft policy attached for consideration (pages 10 & 11).

4.0 Important issues to consider

4.1 Whilst there is no statutory requirement for the council to grant this relief, the government has stated clearly that it expects councils to do so. In addition, it is an effective way to support local businesses at no cost to the council.

4.2 A Discretionary Rate Relief Working Party was established on the 12 February 2018 and will be reviewing the DRR policy in its entirety. However, the application of the above changes is needed to ensure that funding is distributed in a timely manner.

5.0 Equality and Diversity Implications

5.1 An Equality Impact Assessment (EIA) was carried out when the draft policy was being produced and only positive or neutral impacts were identified. There are no other impacts arising from the proposed amendments to the policy.

6.0 Legal Implications

6.1 The government states that it expects billing authorities to grant the reliefs detailed above

using their discretionary powers under section 47 of the Local Government Finance Act (LGFA) 1988.

7.0 Risk Management

Risk	Action/Control
The scheme could cost the Council more than the allocated sums.	Modelling of the rating list has been undertaken to ensure the proposed scheme can be met from the allocated sums.
By paying the £42,000 to businesses affected by the increase for 18/19 there may be an expectation that this funding will continue to be available in subsequent years.	As per the 2017/18 scheme, clear communication will accompany the revised bills to ensure businesses are aware this is for one year and they need to prepare to pay the increase in future years.

8.0 Resource and Financial Implications

- 8.1 The government will fully reimburse the council for the relief it grants under these new schemes (within the limits set out in 2.2 for LDR). This includes an assurance that 'For any year, the funding arrangements will ensure that all authorities are compensated for the loss of income they incur by means of grant payments under S31 of the Local Government Act 2003, or transfer payments between authorities'. This is intended to ensure that, under the developing business rates retention system, authorities do not lose out because of the reduction in business rates receipts resulting from the increased amounts of discretionary relief being awarded.
- 8.2 Customers do not have to apply for reliefs under LDR scheme; however, the awarding of reliefs is a manual process which will be administered from within existing resources.

9.0 Constitutional Implications

- 9.1 There are no constitutional implications arising from the proposals made in this report.

10.0 Implications for our Customers

- 10.1 The proposed scheme will have a positive impact on our customers who have faced an increase in business rate bills following the 2017 revaluation.


11.0 Corporate Outcomes

- 11.1 The amended policy will contribute to the following corporate outcomes:
- Good Quality of Life – Prosperous – the proposed scheme will assist businesses by supporting them financially.

12.0 Recommendation

- 12.1 The Sub-Committee is recommended to:-
1. Resolve to recommend to Policy and Resources Committee to approve the amendments to the council's Discretionary Rate Relief policy, as outlined in sections 2.3 & 3.2.

(Reason: To assist businesses by supporting them financially.)

Legal	Power: Local Government Finance Act 1988 and Local Government & Rating Act 1997				
	Other considerations:				
Background Papers:					
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Date: 08/03/18					
CFO 15/3/18		MO		CX	



East
Northamptonshire
Council

Appendix 1

Business Rates Discretionary Relief Policy



This policy sets out this Council's scheme for charities, institutions, clubs and rural businesses.

If you would like to receive this publication in an alternative format (large print, tape format or other languages) please contact us on 01832 742000.

Document Version Control

Author (Post holder title)	Benefits Manager
Type of document	Policy
Version Number	V 1.6
Document File Name	Business Rates Discretionary Relief Policy
Issue date	
Approval date and by who (SMT / committee)	
Document held by (name/section)	Sue Wadlow
For internal publication only or external also?	internal and external
Document stored on Council website or Eunice?	Eunice / Website
Next review date	2018

Change History

Issue	Date	Comments
V0.2	12062012	Includes CMT comments
V0.3	05072012	Includes P & R amendment to appeal process
V0.4.1	04102012	Includes consultation feedback
V 1.0	04102012	First published version
V 1.1	20022014	Included Clause 69 and section 47 relief
V 1.2	10032014	Includes P & R amendments re 1.6, 4.4 and 4.5
V 1.3	30062014	Includes P & R amendments re 4.6 and 4.6.4
V 1.4	09012017	Include S44A. Review and amend. Approved P&R 09012017
V 1.5	01042017	Includes uprated Rural Rate Relief %s wef 01042017
V 1.6	April 2017	Includes 'Revaluation Reliefs'.
V0.1.7	April 2018	Updated LDR scheme 2018/19

NB: Draft versions 0.1 - final published versions 1.0

Consultees

Internal	External
Business Rates Officer	Business rate customers
S151 Officer	
Head of Customer & Community Services	

Distribution List

Internal	External
Business Rates Officer	Business rate customers
Members	
Head of Customer & Community Services	

Links to other documents

Document	Link
Rural rate Relief - Guidance notes	
Equality Impact Assessment	

Additional Comments to note

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1.0 Introduction

- 1.1 Discretionary Rate relief is available to a variety of organisations. It can be granted in its own right or as a supplement to Mandatory Rate Relief. This policy sets out this Council's scheme for granting discretionary relief.
- 1.2 The policy has been written in such a way as to allow ratepayers to identify how they can maximise their rate relief and see that relief has been granted in a fair and transparent manner.
- 1.3 Mandatory relief is granted to institutions, organisations or trusts established for charitable purposes in respect of property used wholly or mainly for charitable purposes. Mandatory relief is 80% of the rates chargeable.
- 1.4 Discretionary relief can be given to charitable bodies in addition to mandatory relief. Thus, up to 100% relief can be achieved.
- 1.5 Non-profit making bodies (ineligible for mandatory relief) can be granted up to 100% discretionary relief of rates.
- 1.6 From 1/4/2013, where the billing authority grants discretionary rate relief, the cost of relief will be split through the local and central share under the Non Domestic Rating (Rate Retention) Regulations 2013

*** The maximum amount that the Council will contribute in any financial year to an individual ratepayer is £10,000.** This will be reviewed periodically. This limit allows the Council to make more accurate budgetary provision for Discretionary Rate Relief whilst maintaining equality and continuing to support local businesses.

2.0 Scope

- 2.1 This policy relates to the rate relief that the Council has a discretionary power to award under S44A, S47 (as amended by S69 of the Localism Act 2011), S49 of the Local Government Finance Act 1988 (LGFA 1988) and S42A & S42B of the Local Government & Rating Act 1997. The Council cannot grant discretionary relief in respect of 'excepted hereditaments'. An 'excepted hereditament' is one where the Council or another precepting authority would be liable to pay the Rates.

3.0 Policy outcomes

3.1 The outcomes to be delivered by this policy are:

Policy outcomes	Links to corporate outcomes
<ul style="list-style-type: none">• Will ensure ratepayers are treated in a fair, consistent and equal manner.• Will establish a framework to ensure applications are determined in an efficient manner.• Will ensure relief is granted to organisations which contribute to the Council's corporate priorities.• Safeguards the interests of local council tax payers by ensuring funds allocated for the award of discretionary relief are used in the most effective, efficient and economical way.	<ul style="list-style-type: none">• Good value for money.

4.0 Discretionary Rate Relief Policy

4.1 Hardship Relief

The Council will grant rate relief in respect of rates on both occupied and unoccupied properties where it is satisfied that the ratepayer would sustain hardship if it did not do so, and it is reasonable for the council to do so having regard to the interests of its council tax payers.

4.1.1 The 'test' of hardship need not be confined to financial hardship; all relevant factors affecting the ability of a business to meet its liabilities for rates will be taken into account. Likewise, the 'interests' of council tax payers may go wider than direct financial interests. For example, the prospects of an area might be affected by a company going out of business, or an area's amenities might be reduced by the loss of the only village shop.

4.1.2 An application for Hardship relief will be determined by the Chief Finance Officer or, in his absence, by the Finance Manager.

4.2 Charitable and Not-for-profit organisations

4.2.1 The levels of relief that the Council will grant to institutions and organisations within East Northamptonshire are detailed below. ***Note** - these are all subject to the financial limit set out in 1.6 above.

4.2.2 The Council has a duty to consider the cost to its' council tax payers of granting discretionary rate relief. Thus, where there is income from a bar, the relief is restricted. This recognises the potential for a club with a bar to raise its own funds via bar surplus rather than being reliant upon public funds.

Category	Notes	Relief Amount
Halls and Rooms (Including Village shops, Community Halls, Women's Institutions)	Where the principal form of income is from lettings or charitable sources	100%
Youth Organisations	Including Scouts and Guides, Youth Clubs and Sports Clubs provided solely for young people	100%
Voluntary Organisations, associations and bureaux	St Johns Ambulance Brigade, British Legion and W.R.V.S including day centres for the elderly or disabled and hostels. Serve, CAB, Volunteer Centre. Organisations providing Social Welfare	100%
Educational	Colleges and Universities and Academies. Where the organisation supports local industry and the wellbeing of the community through training facilities to the locality	100%
Charity Shops	Shops that are operated by local charities to raise funds which are used for the benefit of the people in the council's district (The shop must sell wholly or mainly donated goods)	

	and the proceeds of the sale must be applied for the purposes of a charity.)	20%
Sporting Organisations	Includes sporting organisations apart from those purely for the young	
	Where at least 50% of the membership is drawn from the council's district and there is no bar income	100%
	Where under 50% of the membership is from the council's district or where the organisation is supported by bar income	25%
	Where organisations have youth involvement, rateable value under £16,500 and a bar run on a self financing basis	50%
	Note: the supply of drinks after a match/game is not classed as bar income	
Theatrical Societies and Preservation Societies	Premises used for theatrical productions and storage of theatrical scenery. Organisations concerned with preserving the past.	50%
	Where supported by bar income	25%
Community Amateur Sports Clubs	Registered CASCs will receive 80% Mandatory relief supplemented by discretionary relief	20%

4.3 Rural rate relief

4.3.1 From 01/04/2017 where the Ratepayer is the occupier of a post office, general store, public house, petrol filling station or food shop, they must, subject to the application of rateable value thresholds, be granted 100% mandatory rate relief. (Subject to the financial limit set out in 1.6 above).

Property Description	Rateable Value	Mandatory Relief
Sole Village Post Office	£8,500 or less	100%
Sole General Store	£8,500 or less	100%
Sole Public House	£12,500 or less	100%
Sole Petrol Filling Station	£12,500 or less	100%
Sole Rural Food Shop	£8,500 or less	100%

4.3.2 Where there is no entitlement to Mandatory relief because the property is in a higher rateable value band, the Council will grant Discretionary Relief as detailed in the following table, and subject to the financial limit set out in 1.6 above.

Property Description	Rateable Value	Discretionary Relief
Sole Post office	£8,501 to £16,500	100% Discretionary
Sole General Store	£8,501 to £16,500	100% Discretionary
Sole Public House	£12,501 to £16,500	50% Discretionary
Sole Petrol Filling Station	£12,501 to £16,500	50% Discretionary
Sole Rural Food Shop	£8,500 to £16,500	100% Discretionary

4.3.3 Section 47 of the Local Government Finance Act (LGFA) 1988, as amended by the Local Government and Rating Act 1997 allows Councils to grant Discretionary Rate Relief to other businesses situated in rural settlements, provided the council is satisfied that a) the property is used for purposes which benefit the local community and b) that it would be reasonable for the council to grant relief, having regard to the interests of the council tax payers of the District. The maximum amount of Discretionary relief that can be granted in these cases is 100% and this is subject to the financial limit set out in 1.6 above.

4.3.4 If the Council receives an application under S47, and the application satisfies the criteria in 4.3 above, the application will be determined by the Chief Financial Officer.

4.4 Local Business Rates Discount under Clause 69 of the Localism Act 2011

4.4.1 Clause 69 of the localism Act 2011 amends section 47 of the Local Government Finance Act 1988 to supplement the limited circumstances in which local authorities can currently give discretionary relief with a power to grant relief in any circumstances.

4.4.2 From 1 April 2012, authorities can grant local discounts entirely as they see fit within the limits of the primary legislation and European rules on state aid. However, the following conditions must be met.

4.4.3 Each application must be made in writing and will be considered on its own merit.

4.4.4 The council's finances must allow for a reduction to be made. ***Note**- This is subject to the financial limit set out in 1.6 and the full amount will be financed by the council taxpayers

4.4.5 It must be in the interests of the council tax payers for the local authority to apply a local discount.

4.4.6 All other eligible discounts/ reliefs have been identified and awarded to the ratepayer.

4.4.7 Discounts will be granted for a fixed period not exceeding 12 months.

4.4.8 If the Council receives an application under S47, and the application satisfies the criteria in 4.4 above, the application will be determined by the Chief Financial Officer in consultation with the Chairman of the Policy and Resources Committee or, if the Chairman is unavailable, the Leader of the Council.

4.5 'Revaluation Reliefs' 2017

4.5.1 In the 2017 Spring Budget, the chancellor announced funding for discretionary rate relief to be granted to support businesses whose rates had increased significantly at the 2017 revaluation. Local Authorities are not legally obliged to grant these reliefs. However, central government has promised that they will be fully funded provided relief is granted according to prescribed conditions. This Council will grant relief to properties affected by the 2017 revaluation, according to the following three criteria.

4.5.2 **Support for Small Businesses** – Businesses with a rateable value (RV) under 15000 and an increase of more than £600 due to loss of Small Business Rate Relief (SBRR) or Rural Settlement Relief (RSR) will be granted relief so that the bill increase is limited to the greater of either (i) a cash value of £600 per year or (ii) the matching cap on increases for small properties in the transitional relief scheme. This will run for five years to 31 March 2022 and ratepayers will receive the relief until this date or they reach what their bill would have been within the relief scheme, whichever is first.

4.5.3 **Support for pubs** –Discretionary Rate relief of £1000 will be granted to any pub with a rateable value of less than £100,000. This measure applies to 2017/18 and 2018/19 only. There is no statutory definition of a pub for the purpose of this relief. However, guidance

provided by DCLG states that it should include premises that are open to the general public, generally allow free entry, allow drinking without the requirement to consume food and permit drinks to be purchased at a bar. Exclusions include restaurants, cafes, nightclubs, hotels, snack bars, guest-houses, boarding houses, sporting venues, music venues, festival sites, theatres, museums, exhibition halls, cinemas, concert halls and casinos.

4.5.4 Local Discretionary Relief Scheme (LDR) – The Government has made available £300m of extra funding over 4 years for local authorities to provide discretionary relief to businesses facing increases in their bills as a result of the revaluation.

In 2018/19 45% relief will be granted to qualifying businesses on the increase payable caused by the financial impact of moving between two rating lists. This policy will be updated to reflect changes to the relief over the next **two** years.

4.5.5 For businesses to qualify for award of Local Discretionary Relief, they must meet the following criteria:-

- the property is occupied and has had an increase in its rate bill
- the property has a rateable value of less than £200K
- the business does not receive a nil bill due to receiving other reliefs
- the business is not a charity already in receipt of 80% mandatory rate relief (which can apply for top-up relief under the present discretionary rate relief guidelines)
- the business is not a major national or multi-national company (which could be subject to state aid rules)
- the property is not occupied by a precepting authority
- the business was liable for the bill in 16/17 and is therefore directly impacted by the revaluation.

5.6 This relief is not subject to the financial restriction under 1.6 above.

4.6 Relief for partly occupied hereditaments under S44A

4.6.1 Section 44a of the LGFA 1988 enables the council to grant relief for business premises that are partly occupied for a short time only. In the context of this relief, the council generally considers 'short term' to mean 3 months for non-industrial properties and 6 months for industrial properties, in line with the statutory periods applicable under the empty property rating regulations.

4.6.2 This relief cannot be granted retrospectively.

4.6.3 The applicant must submit a written request, accompanied by a plan detailing the occupied and unoccupied areas. A visit will be necessary in order to confirm the detail of the occupied and unoccupied areas.

4.6.4 Each application will be considered on its own merit and will be determined by the Finance Manager, in consultation with the Revenue Manager.

4.6.6 If an application for S44a relief is successful, the council will ask the Valuation Office Agency to issue a certificate, apportioning the rateable value between the occupied and unoccupied parts. The relief will be granted in accordance with 4.6.1 above.

4.6.7 The relief ends if the property becomes completely unoccupied, if there is a change in the extent of partial occupation, at the end of a rating period or if a new S44A certificate comes in to effect.

4.6.8 This relief is not subject to the financial restriction under 1.6 above.

4.7 Appeals

4.7.1 There is no statutory right of appeal against a decision made by the Council regarding discretionary rate relief. However the Council recognises that ratepayers should be entitled to have a decision reviewed objectively if they are dissatisfied with the outcome of their application.

4.7.2 An applicant wishing to appeal must write to the Revenue Manager within four weeks of being notified of the outcome of their application.

4.7.3 The applicant's letter must state clearly why the applicant feels the decision should be reviewed. It should also include any additional information that the applicant believes is relevant or helpful to the reviewer.

4.7.4 The appeal, and any additional information, will be reviewed by a panel of members who will be appointed by the Leader of the Council.

4.7.5 Notification of the panel's decision will be sent to the customer within four weeks of receipt of their letter of appeal.