

**CABINET**16<sup>th</sup> September 2014**NON-DOMESTIC RATES DISCRETIONARY RELIEF POLICY****Report of the Director of Resources**

STRATEGIC AIM	All		
KEY DECISION	YES	DATE ITEM FIRST APPEARED ON FORWARD PLAN	August 2014

**1. PURPOSE OF THE REPORT**

- 1.1 The purpose of this report is to seek approval for an updated Non-Domestic Rates Discretionary Relief Policy.

**2. RECOMMENDATIONS**

- 2.1 That Cabinet approves the updated Non-Domestic Rates Discretionary Relief Policy.

**3. REASONS FOR THE RECOMMENDATIONS**

- 3.1 To ensure that the Council has an up-to-date Discretionary Relief Policy that allows it to support those organisations in greatest need.

**4. BACKGROUND**

- 4.1 Local Authorities have the ability to award Discretionary Rate Relief to charitable and non-profit making organisations or institutes providing that they meet certain criteria. Any relief awarded is used to reduce or fully remit the amount that the organisation has to pay in Non-Domestic Rates.
- 4.2 Any Discretionary Relief awarded was funded in part through the General Fund. This changed following the introduction of local business rate retention with effect from 1 April 2013 with local authorities now generally funding 50% of all reliefs awarded.
- 4.3 A review at this time is necessary for two reasons:
- The existing policy was last reviewed in 1997 following the introduction of rural rate relief. Guidance contained in the policy is vague and limited in some areas and could be strengthened to help both the Council and applicants; and

- Following the introduction of the Localism Act 2011 and Business Rate Retention introduced in the Local Government Finance Act 2012, Councils have greater freedom to award relief in order to achieve local aims and objectives. It is therefore important to ensure that the Council is awarding relief to those who have a genuine need and/or those organisations that help support the Council in meeting its objectives.

## 5. LOCAL DATA

5.1 The table below shows the amount of relief forecast for 2014/15 under the new business rate retention arrangements for the Council (49%) and the Precepting Fire Authority (1%).

Relief	Use	Number	Amount	Cost to the council
20% top-up for registered charities	Village halls, registered sports clubs, scouts groups	40	£36,859	£18,429
80% non profit making organisations	Sports clubs	19	£35,249	£17,624
100% non profit making organisations	Village halls	2	£1,297	£648
50% rural rate relief	Village post offices, Village pubs, Village store	12	£9,756	£4,878
<b>TOTAL</b>		<b>73</b>	<b>£83,161</b>	<b>£41,579</b>

5.3 In addition, where LEA schools become academies they are eligible for mandatory relief and could also apply for discretionary relief. At current rates and assuming all LEA schools become academies, the potential payment for discretionary relief could be in the region of £20,000.

## 6. POLICY OVERVIEW

6.1 The policy review has considered the strategic aims and objectives of the council and guidance notes from central government. The review has also considered some of the issues and problems that the Council has with the current policy and the impact of the localism agenda. The new policy is designed to make the decision making process more effective and efficient and aims to reduce the number of queries and appeals which can be both time consuming and costly. It also provides guidance for potential applicants so that they can make a more informed decision as to whether or not to apply. Resources Scrutiny previously considered the updated policy on 29<sup>th</sup> August 2013, and criteria for a restriction of relief based on turnover has been removed. The draft policy for approval is detailed at appendix A.

6.2 Key factors and considerations:

Item	Problem	Solution
1	Lack of clarity around criteria leading to unexpected applications	A robust policy with defined criteria and request for supporting evidence via application process.
2	Some organisations are not able to demonstrate local benefits to community	Specific criteria are proposed to ensure that evidence is provided on local spend and activity.
3	Organisations that have access to other funding or a high turnover that do not warrant additional support are able to apply	<p>Specific criteria are proposed relating to the Rateable Value of the hereditament as a proxy for turnover and affordability.</p> <p>Organisations with an RV above 25,000 will generally only be considered in exceptional circumstances; organisations with an RV of 9,999 or below will be eligible for 100% discretionary relief and those in between 50%.</p> <p>(NB: such organisations may still get mandatory reliefs)</p>
4	Organisations occupying premises that are far too large for their needs	Specific criteria are proposed to cap the level of Rateable Value of the hereditament as a proxy for turnover, affordability and size.
5	Lengthy appeal process	Revised appeal process detailed in the policy to clarify rights of appeal and details the process and timescales.
6	Overall weak criteria	Explicit and detailed criteria for each type of application are now included.
7	Impact of schools becoming academies	Academies are able to claim mandatory relief but majority would be excluded from discretionary under the new policy.
8	Discretionary awards may impact on the viability of other businesses competing for similar business	Specific criteria are proposed to deter applications from organisations with large turnover, occupying large premises and who have access to other income.
9	Review period is too long to capture changes in circumstances	Awards will be shorter for organisations with higher risks i.e. those intending to occupy new premises. Notice of termination date will be notified at time of award to enable a degree of certainty
10	Incorporate Localism	A new form of relief has been introduced for those businesses that the Council believes will be of importance and value to the local community

6.3 The introduction of the new policy will provide reassurance that discretionary relief is granted to appropriate cases where it can be shown that the community would benefit or gain from the service or facilities offered by the

organisation and reduce or exclude some applications based on the Rateable Value. Organisations with an RV above 25,000 will generally only be considered in exceptional circumstances, i.e. where the organisation is providing services in lieu of the Council, on the basis that they are likely to be able to afford the additional cost. For an organisation whose RV is 25,000 the cost will be c £2,410 per annum.

6.4 The new policy is also consistent with the guidance from central government which states that:

- Council's must assess each application on its own merits rather than have a blanket policy;
- Certain questions should be asked in relation to specific reliefs e.g. takings from a bar for sports clubs; and
- Reliefs should only be awarded to those organisations who meet the needs of the local community.

6.5 Members may be interested to note arrangements in place at other authorities. For example, for a sports club with an RV of 25,000 the situation would be as follows based on current criteria:

- Harborough District Council – potential discretionary top-up would be £2,401 but it would be limited to £2k;
- Corby Borough Council could make an award of up 20% top but if the organisation had a licenced bar with paid employees it is unlikely to receive any relief;
- Oadby & Wigston District Council would be likely to award a 20% top-up but are due to review their policy shortly. It does not have any RV limits.
- Melton Borough Council may make a part award between 0-20% discretionary top-up. For organisations with an RV over 15,000 with bar takings above £4k, full relief would not be granted but a smaller award could be made.

6.6 The application of the new policy will have a financial impact on 9 existing recipients out of 73. However, as the Council is required to give a full financial years notice, organisations will have the opportunity to prepare. Organisations that may be affected by the proposed policy are detailed at Appendix B.

## **7. IMPLEMENTATION**

7.1 The Council is required to give 12 months' notice to all organisations in receipt of Discretionary Relief, therefore, 12 months' notice will be given prior to 31<sup>st</sup> March 2015, with the changes becoming effective from 1<sup>st</sup> April 2016.

7.2 All new applications for Discretionary Relief will be assessed under the new policy following approval by Cabinet.

7.3 Officers will ensure that those organisations most affected by the change understand the implications.

## **8. FINANCIAL IMPLICATIONS**

- 8.1 The cost of Discretionary Relief is met from the Collection Fund and impacts upon the level of Business Rate income we retain.
- 8.2 The updated policy has the potential to reduce the cost of Discretionary Relief by up to £20,000 from 2016/17, based on the current number and amount of the awards.

## 9. RISK MANAGEMENT

RISK	IMPACT	COMMENTS
Time	Low	Written notification will be given to ratepayers.
Viability	Not applicable	Not applicable.
Finance	Medium	It is prudent for the Council to adopt a robust policy that is affordable and that support is directed to those in need.
Profile	Low	Discretionary Relief is only available for a small number of ratepayers, little publicity is expected.
Equality and Diversity	Low	An Equality Impact Assessment Questionnaire has been completed, no issues have arisen and a full EIA is not required.

## 10. REASONS WHY APPENDIX B IS MARKED “NOT FOR PUBLICATION”

- 10.1 This APPENDIX B is marked “Not For Publication” because it contains exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

**Background Papers**  
192/2013  
60/2014

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