

## **Proposed changes to Business Rates Relief Policy**

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### **Purpose of the Report**

1. To request that Full Council approve the proposed amendments to the Council's Business Rates Discretionary Rate Relief Policy (DRR Policy) relating to Discretionary Charity Relief.

### **Public Interest**

2. A range of Mandatory and Discretionary Rate Reliefs exist to reduce (in some cases to Nil) the amount of Non-Domestic Rates (commonly known as business rates) a business or organisation has to pay. The qualifying rules and levels of relief for Mandatory Reliefs are set by Government and are the same throughout the country. The rules and levels of award for Discretionary Rate reliefs are set by each Council and as such may vary from Council to Council. A full review and updating of the policy was undertaken in 2014 with the policy coming in to effect from 1 April 2015. It was subsequently updated with effect from 1 April 2016.

### **Recommendations**

3. That Full Council:
  - (a) approves a change to the DRR Policy on Discretionary 'Top up' Charity Relief to 100% where the rate payer would, apart from entitlement to Mandatory Charity, otherwise qualify for 100% Small Business Rate Relief
  - (b) notes the DRR Policy Overview and Scrutiny Committee Task and Finish Group have considered and support the proposed amendments

That Full Council notes that District Executive:

- (c) approved the use of the Council's local discount powers to grant 100% Rural Rate Relief to eligible ratepayers from 1 April 2017;
- (d) approved the use of the Council's local discount powers to introduce a local discount of £1500 a year for Local Newspapers which would come in to effect on 1 April 2017;
- (e) noted that the Retail Relief which was in place for 2014/15 and 2015/16 has been removed from the policy as the deadline for applications has now passed;

- (f) noted that the Flood Relief which related to premises flooded between 1/12/13 and 31/03/14 has been removed from the policy as the deadline for applications has now passed;
- (g) noted that the temporary Transitional Relief scheme has been removed from the policy as it comes to an end on 31 March 2017. A new national Transitional Relief Scheme is being introduced alongside the new 2017 Rating List.

## **Background**

- 4. The Local Government Finance Bill 2012 introduced the Business Rates Retention Scheme. The scheme is designed to help achieve two of Government's key priorities: economic growth and localism. The scheme enables the retention of a proportion of the business rates revenue generated in a local area by the relevant local authorities. Business rates retention is intended to provide incentives for local authorities to drive economic growth, as the authorities will be able to retain a share of the growth that is generated in business rates revenue in their areas, as opposed to the previous system where all business rates revenues were held centrally. The government has announced that the share to be paid to central government from business rates collected will be 50%. Therefore 50% of business rates will be retained locally (40% District, 9% County, 1% Fire authorities).
- 5. As part of the Retention Scheme Government changed the contribution it makes to the various rate reliefs. Reliefs were previously broken down into mandatory support (support set by central Government) that was repaid to the local authority in full from the Government on the basis that local authorities had no choice but to award it under set criteria. The remaining discretionary relief (support set through SSDC) that the authority had to pay either in full or a proportion of but allocation was based on the authority's own criteria.
- 6. Under the new Government rules SSDC has to contribute 40% towards all reliefs even those that it has no choice about awarding. It has therefore been important to recognise the financial risk of applying reliefs when considering the new policy. The financing of reliefs need to be both affordable and balance the needs of the business and those of the local tax payer.
- 7. This current policy was created after extensive work by the Council's Overview and Scrutiny Committee Task & Finish group and in consultation with both internal and external (business stakeholders). It came in to effect on 1 April 2015 with a transitional period of one year for current recipients, and was updated for the 2016/17 financial year.

## **Proposed Policy changes for 2017/18**

### Autumn Statement 2016 – Mandatory Rural Rate Relief announcement

- 8. In his Autumn Statement the Chancellor confirmed that the Government will double Mandatory Rural Rate relief to 100% from 1 April 2017. However this requires a change to primary legislation. The Government intends to amend the relevant primary legislation to require local authorities to grant 100% mandatory rural rate relief but cannot achieve this in time for the 2017/18 financial year.
- 9. Therefore, before the requirement to grant mandatory relief comes into force in April 2018, Government expects local authorities to use their local discount powers to grant

100% Rural Rate Relief to eligible ratepayers from 1 April 2017. Local authorities will be compensated in full for their loss of income as a result of this change. This compensation will be paid through a section 31 grant and calculated on the basis of the Government returns that councils submit under the rates retention scheme. Note that this is subject to State Aid limits.

#### Budget Statement 2016 - Local Newspapers

10. The Chancellor announced at the Budget that the Government will introduce a £1,500 business rates discount for office space occupied by local newspapers, up to a maximum of one discount per local newspaper title and per hereditament, and up to state aid limits, for 2 years from 1 April 2017. The relief will be delivered through local authority discretionary discount powers under section 47(3) of the Local Government Finance Act. Government will reimburse billing authorities for the actual cost to them under the rates retention scheme of granting this relief.

- There is currently one local newspaper office that would qualify for this discount.

#### Budget Statement 2016 – Small Business Rate Relief announcement

11. At Budget 2016, the Government confirmed that the temporary doubling of the Small Business Rate Relief (SBRR) from 50% to 100% would be made permanent from 1 April 2017. The £6,000 and £12,000 thresholds would be increased as follows, up to £12,000 and up to £15,000 respectively. This means that premises with rateable values below £12,000 or that meet the eligibility criteria for SBRR will receive 100% relief and those businesses with rateable values from £12,000 up to £15,000 will receive a tapered relief.

#### Effect of Small Business Rate Relief announcement on SSDC DRR Policy

12. At that time there was no mention of changes to either Mandatory Rural or Charity Relief. Small Business Rates Relief cannot be awarded where the ratepayer is entitled to Mandatory Rural or Mandatory Charity Relief. Mandatory Rural Rate Relief is awarded at the rate of 50% of the rates payable, while Mandatory Charity Relief is 80% of the rates payable.

13. The Council's Discretionary Rate Relief Policy allows a top up to these reliefs to varying degrees depending on meeting the relevant criteria in the policy. Generally the total of Mandatory and Discretionary Rate Relief does not exceed 90%. The announcement on SBRR in the budget meant that there would be cases where a rate payer in receipt of Mandatory Rural Rate Relief and Discretionary 'top-up' Rate Relief, or Mandatory Charity Relief and Discretionary 'top-up' Rate Relief would receive less support than rate payers not entitled to Rural or Charity Relief in premises with the same rateable value.

#### Review of the DRR Policy

14. An Overview and Scrutiny Task and Finish Group was convened to undertake an annual review of the DRR Policy. The Group considered the above effect along with other elements of the Policy.

15. Prior to the Autumn Statement, the Task and Finish Group members had decided to recommend that the Council's DRR Policy be amended to allow for a 'Better Buy' decision to be made in cases where a rate payer was entitled to Mandatory Rural Rate Relief, or Mandatory Charity Relief. This would have the effect of resolving the anomaly

created by the permanent doubling and increase in the rateable value thresholds of Small Business Rate Relief.

16. The subsequent announcement to grant 100% Rural Relief from 1 April 2017 has removed the anomaly for those rate payers.
17. However the level of Mandatory Charity Relief was not changed, and so for these rate payers the anomaly still exists.
18. A possible measure to resolve this anomaly would be to award additional Discretionary 'top-up' Rate Relief where the rate payer would, apart from entitlement to Mandatory Charity Relief have otherwise qualified for 100% Small Business Rate relief based on the rateable value of their premises.
19. The Table below shows the types of premises receiving Mandatory Charity Relief that would benefit from this measure.

Description	Number	Description	Number
Café	1	Restaurant	1
Car Park	1	School and Premises	2
Club/Clubhouse	8	Shop	9
Day Nursery	5	Sports ground	3
Hall	9	Store	4
Museum	2	Swimming Pool	1
Offices	11	Theatre	2
Other	4	Workshop	2

20. In addition, two Community Amateur Sports Clubs would also benefit from this measure.
21. A report on the work of the Task and Finish group, it's findings and recommendations of the Task and Finish Group are attached at Appendix A

### **Future monitoring and review**

22. The content of the policy will continue to be reviewed annually and brought back before members where further updates are required.

### **Financial Implications**

23. The use of the Council's local discount powers to grant 100% Rural Rate Relief, and the Local Newspaper discount will be reimbursed in full by Government.
24. The use of the Council's local discount powers to grant 100% Rural Rate Relief to eligible ratepayers from 1 April 2017 will reduce the cost of Discretionary 'top-up' Rural Rate Relief by £20,800. This SSDC share of this saving would be £8320 (i.e. 40%).
25. The introduction of the 'Better Buy' award for charities receiving Mandatory Charity Relief will increase the cost of Discretionary 'top-up' Rate Relief by a maximum of £30,318 (assuming they all meet the Small Business rate relief entitlement criteria). The SSDC share of this additional cost is £12127 (i.e. 40%).
26. Taking account of the saving on Discretionary Rural Rate Relief the maximum net cost of these two measures would be £9,518. The SSDC share of this cost is £3,807 (i.e. 40%).

27. This will be absorbed by current budgets.

### **Council Plan Implications**

#### Economy

Supports the “Economy” Priority - To promote a strong economy with thriving urban and rural businesses.

### **Carbon Emissions and Climate Change Implications**

None associated with this report

### **Equality and Diversity Implications**

An equalities impact was carried out as part of the original policy review and there are no implications associated with the proposed policy revisions.

### **Privacy Impact Assessment**

None associated with this report

### **Background Papers**

- SSDC Discretionary Rate relief Policy accessed at [www.southsomerset.gov.uk/business-rates/ndr-relief-policy](http://www.southsomerset.gov.uk/business-rates/ndr-relief-policy)
  - Business Rates Information Letter (BRIL) 3 2016 – Autumn Statement Measures and 2017 Revaluation accessed at [www.gov.uk/government/collections/business-rates-information-letters](http://www.gov.uk/government/collections/business-rates-information-letters)
  - Report to District Executive - March 2016 item 10
  - Report to Council – March 2015 item 5
  - Report to District Executive – November 2014 item 8
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