

Non Domestic Rates (NDR) – Discretionary Rate Relief Policy

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Purpose of the Report

1. To request that the District Executive recommend the Discretionary Rate Relief Policy to Council for approval.

Forward Plan

2. This report appeared on the District Executive Forward Plan for November 2014.

Public Interest

3. 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. The current policy was introduced in 2000 with a number of amendments having been made to it since. A full review and updating of the policy will ensure the key principles for applying NDR Relief continue to meet with the Council's own Council Plan 2012 – 2015 and all relevant strategies.

Recommendation(s)

The District Executive is requested to recommend to Council:

- (a) the attached draft Discretionary Rate Relief Policy and Schedule 1 at Appendix A for approval;
- (b) the policy implementation date of 1 April 2015;
- (c) a transitional period on one year for current recipients to ensure that they have sufficient time to manage any financial impact from the changes;
- (d) to note the recommendations from the Scrutiny Task and Finish Group attached at Appendix C;
- (e) to consider the Equalities Impact Assessment at Appendix D in approving (1) above;
- (f) to consider the public consultation responses at Appendix B in approving (1) above;

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 current system where all business rates revenues are 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). However, in reality only 5% is retained by SSDC once other deductions are made.

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.

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.

A public consultation process was carried out during the summer on the proposed Discretionary Rate Relief Policy.

The Scrutiny Task and Finish Group

5. The findings of the Scrutiny Task and Finish Group are attached at Appendix C and include the notes of the Scrutiny meeting held on the 5th August 2014. The Task and Finish Group is to be congratulated for the excellent detailed work and analysis they have undertaken over the past months in what is a very complex area.
6. The Task and Finish Group set out to ensure that the new policy would:-
 - Work in harmony with the Council Plan, all relevant Council Strategies and subsequent countywide collaborative work;
 - That the policy and application process is accessible and not too complex for both the applicant and officers to administer;
 - Effectively utilise relevant expertise and skill across SSDC;
 - Have adequate measures to provide stability to the recipients of NNDR relief;
 - Have adequate flexibility and could evolve i.e. to meet new requirements, to ensure that it keeps up with any changes Council objectives, and to allocate annual awards;
 - Take into account the financial risks of applying the new policy.

The Proposed Discretionary Rate Relief Policy

7. The Discretionary Rate Relief Policy is attached at Appendix B. It takes into account the key principles agreed as:

- a. Provide assistance when there is evidence of financial need;
- b. The policy should support business, charities, organisations and groups that help to retain services in rural areas;
- c. Help and encourage business, charities, organisations, groups and communities to become self-reliant;
- d. Awarding discretionary relief should not distort competition; and
- e. Every business/ organisation should contribute something towards the provision of local services.

Policy Implementation Date and Transitional Scheme

8. It is proposed that the policy will come into effect from 1 April 2015. This means that all Discretionary Rate Relief applications received on or after this date will be subject to the rules contained therein.

Businesses and organisations in receipt of a Discretionary Rate Relief prior to the annual billing process (March 2014) were given the statutory one full financial year notice period that their award would come to an end on 31 March 2015.

However it is proposed that a transitional scheme be applied to those recipients. The effect of this scheme is that the recipient will receive the same level of award in 2015/16 as in the 2014/15 financial year (unless they cease to qualify for the relief). This will enable recipients to take steps to mitigate any reduction in the level of relief awarded.

Businesses and organisations who have been awarded a Discretionary Rate Relief during the 2014/15 financial year will also have the transitional scheme applied.

Proposed Discretionary Rate Relief criteria

9. In applying the principles the following proposals were consulted upon with recipients and other interested parties:-
 - Sole Rural Pubs
10. It is proposed that a sole rural pub in receipt of 50% mandatory relief (those with a rateable value of up to £8,500) can also receive either or both of the following reliefs potentially awarding the pub 90% support towards business rates:-
 - 20% discretionary relief for the provision of community facilities and activities not provided elsewhere in the community;
 - 20% if they can demonstrate they are making significant efforts to help the business succeed.
11. A number of sole rural pubs do not receive mandatory relief but can receive discretionary relief (those with a rateable value between £8501 and £16,500). It is proposed that they can receive either, or both, of the following which potentially awards up to 40% support:-
 - 20% discretionary relief for the provision of community facilities and activities not provided elsewhere in the community;
 - 20% if they can demonstrate they are making significant efforts to help the business succeed.

12. Provide up to 10% discretionary relief to the following in addition to 80% Mandatory Relief (providing a total of 90% relief from business rates):-

- Village Halls
- Community centres and meeting rooms
- Scout, Guide and Youth Organisations
- Pre-Schools/ Play Groups and Nurseries with charitable status
- Local charity office where charitable service is being provided
- Sports Clubs/recreational facilities where the bar is ancillary and is not offering discounted alcohol
- Community Amateur Sports Club (CASC) where the bar is ancillary and is not offering discounted alcohol
- Museum/Heritage or Arts centre,
- Theatres

13. In addition to the 80% mandatory relief awarded to the following groups the proposal is that further support is awarded of up to 10% discretionary relief for helping to achieve the ambitions of the Council plan and related strategies or up to 10% for helping to retain services in rural areas for:-

- Village Halls, Community Centres, and meeting rooms
- Scout, Guide and Youth Groups
- Rural Pre-Schools, Play Groups and Nurseries with Charitable status

14. The following Organisations receive 80% mandatory relief. It is proposed that SSDC provide up to a further 20% discretionary relief (i.e. 100% in total):-

- Local Charity office that provides a service that SSDC would have to provide if the Charity didn't;
- Sports Club/Recreational facility, no bar, open to all, satisfying community need, run by a committee;
- Hospice/end of life care provider;
- Lifesaving/rescue organisations.

15. In addition to the 50% mandatory relief awarded the proposal is that further support of up to 40% discretionary relief is awarded to the following types of business, organisation and group (i.e. a maximum of 90%).

- Rural Post Office Rateable Value up to £8,500
- Rural General Store Rateable Value up to £8,500
- Rural Post Office and General Store Rateable Value up to £8,500

16. Under the principle Support business, charities, organisations and groups that helps the Council to achieve the ambitions of the Council Plan and related strategies including Health and Wellbeing. The proposal is to award up to 90% discretionary relief to the following:-

- Community Interest Company (or not for profit) where they operate similar to a charity with minimal costs and reinvest profit in the company up to a maximum Rateable Value of £8,500
- Sports Club / Recreational facility which where the bar is ancillary and is not offering discounted alcohol, Rateable Value up to £8,500

Note SSDC's current policy does not accommodate CICs. A CIC can vary from a small "kitchen table" type organisation to multimillion pound turnover organisations employing thousands of people. They must hold their assets for applications for the good of the community and there are limitations applied to the dividend and interest payments made to shareholders.

Sports and Recreational Clubs over £8,500 would be allocated relief on a sliding scale and dependant on meeting set criteria.

17. It is proposed that the 10% discretionary funding for Animal Trusts is removed. This financial aid does not fit with the objectives of the Council Plan or any related strategy.
18. Local Charity Offices receive mandatory relief of 80%. At present a further 10% is awarded for charity administration offices and the proposal is to remove the 10% where the office is solely for administration purposes
19. The Task and Finish Group propose that it is not appropriate for SSDC to financially support any charity or club if the primary source of income is from the sale of alcohol or if there is a bar offering alcohol at discounted or reduced prices to its members or the general public.
20. It is not a statutory duty to provide an appeals process for discretionary rate relief. The proposal is that SSDC include an appeals process in the new policy to demonstrate openness and transparency.
21. The following reliefs were also discussed and consulted upon but have not gone out for public consultation as they do not impact on any current recipients.

TYPE OF RELIEF	DESCRIPTION	NUMBER OF CASES	CURRENT RELIEF %	PROPOSED RELIEF %
Charitable	Schools/education & Academy's with charitable status, including private schools	59	80% Mandatory 0% Discretionary	80% Mandatory 0% Discretionary
Charitable	National charity shop	23	80% Mandatory 0% Discretionary	80% Mandatory 0% Discretionary
Charitable	National charity Administration office	10	80% Mandatory 0% Discretionary	80% Mandatory 0% Discretionary
Charitable	Housing Association Office	5	80% Mandatory 0% Discretionary	80% Mandatory 0% Discretionary
Rural Rate Relief	Petrol filling Station up to £12,500 RV	7	50% Mandatory 0% Discretionary	50% Mandatory 0% Discretionary

Rural Rate Relief	Dentist, hairdresser, up to £16,500 RV	1	Up to 100% Discretionary	Up to 50% Discretionary
Charitable	Religious Groups	7	80% Mandatory 0% Discretionary	80% Mandatory 0% Discretionary

22. SSDC currently operates a Hardship Scheme where businesses in “temporary hardship” can apply for short term support for their business rates. Hardship Relief cannot be used for “start-up companies” as companies must have been trading for at least two years before being able to apply. This ensures that companies that start up show that they are self-reliant and self-sustaining and do not rely on public finances. The feedback that the Task and Finish Group received was that relief should only be awarded as a last resort. They also discussed how hard it was to assess whether a company in difficulty would be able to continue as a going concern through temporary financial support. It was agreed that each case should be assessed and considered by the Economic Development Team. This would utilise the skills of the team and ensure that any relief met with the aims and objectives of Economic Development Strategy. The Task and Finish Group also received feedback that advice in many instances is of greater help than financial assistance.
23. Through the Localism Act SSDC is now able to introduce Local Discounts to reduce the business rates payable either for an individual or through setting up a policy to do so for instance to encourage new businesses to start up in SSDCs area. If SSDC were to agree these local discounts it would have to fund 40% of the costs but the remaining 60% would be funded by the Government, Somerset County Council, and Somerset and Devon Fire and Rescue. The Task and Finish Group agreed that this should be considered on a case by case or through an Economic Development Team incentive based on SSDC’s Economic Development Strategy and the Council Plan. This could include attracting specific types of business, regenerating high streets through incentives such as “Meanwhile Use” and “Pop up Shops.”
24. Evidence from other authorities has shown that those authorities that were quick to adopt a policy are already amending them. Those that we contacted said that they had run out of funds quickly and it was difficult to gauge the success of the scheme. The Task and Finish Group were concerned that if funds were limited there would be a risk of challenge from a business meeting the criteria but the set aside funding had run out. The most successful schemes appeared to be very targeted at very specific issues e.g. regenerating a named street.

Public Consultation

25. The consultation that was carried out by the Task and Finish Group with external groups gave the following feedback:-
- That businesses usually don’t take incentives into account as part of their decision making with regard to where to locate a business or to expand it in an area - transport links and communications i.e. broadband were more important.
 - A package providing relief, advice, and support to bring entrepreneurs to bring something new to the area rather than one specific measure.

- That advice would be of more use to new businesses
 - That long leases required by landlords was considered one of the issues
26. The Task and Finish Group also undertook some internal consultation to gauge members and officers views on the principles and proposals of the new policy before public consultation. This showed that there was broad support for the principles and proposals.
27. The Council received 147 responses to the public consultation, 93.2% of these were from current Discretionary Rate Relief recipients. Not all respondents answered every question. The responses showed broad support for the Principles underpinning the policy and the Proposals for levels of support to be provided. A table showing the response to each of the Principles and Proposals is contained in Appendix A.

Localism Act related discounts

28. Although SSDC would gain in the business rates retained under the Government's new scheme the gain is minimal compared to the discount given. As an example a business that is given £100,000 reduction to locate in South Somerset would cost SSDC £40,000 in relief in the first year. It would gain £9,250 in per annum in additional business rates. If the company was not sustainable and ceased to trade or moved out of the District after the first year SSDC would then lose £18,500 per annum in business rates. It would therefore be key to any future scheme that the businesses receiving the assistance were sustainable and remained in the district over the longer term.

In conclusion the Task and Finish Group agreed that specific project based schemes led by the Economic Development Team would be of greater benefit than a blanket policy approach in achieving the aims of the Council Plan.

Empty Premises

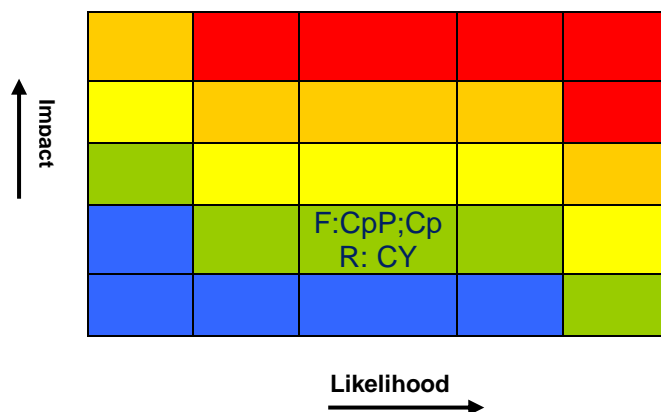
29. The Task and Finish Group also considered empty business properties. The Task and Finish Group assessed that there should be no reliefs given by SSDC (other than the mandatory reliefs currently in place) while a business property was empty to encourage owners to bring the property back into use.

Financial Implications

30. If the recommendations are approved SSDC would reduce its cost for discretionary relief for current recipients by approximately £7,570 per annum. This would go some way to offsetting the risks to the Council of having to fund 40% of mandatory reliefs without any ability to amend the assessment criteria for their award. The loss in assistance to current recipients would be approximately £18,926 per annum. The review of the policy was not led by a requirement to make savings but to ensure that SSDC continues to manage its application of Discretionary Rate Relief in line with its objectives and manage its financial risks. The policy will also look to restrict awards to organisations with over £50,000 RV that currently fall within the current policy.
31. It is proposed to allow a period of transition for those impacted financially by the new policy. They will be given notice that the new policy will take financial effect from April 2016. The saving of £7,570 per annum will be reflected in the NDR budget set for 2016/17.

Risk Matrix

32. This matrix only identifies the risk associated with taking the decision as set out in the report as the recommendation(s). Should there be any proposal to amend the recommendation(s) by either members or officers at the meeting then the impact on the matrix and the risks it identifies must be considered prior to the vote on the recommendation(s) taking place.



Key

Categories	Colours (for further detail please refer to Risk management strategy)
R = Reputation	Red = High impact and high probability
CpP = Corporate Plan Priorities	Orange = Major impact and major probability
CP = Community Priorities	Yellow = Moderate impact and moderate probability
CY = Capacity	Green = Minor impact and minor probability
F = Financial	Blue = Insignificant impact and insignificant probability

Corporate Priority Implications

Council Plan 2012 – 2015

Carbon Emissions and Climate Change Implications

None associated with this report

Equality and Diversity Implications

An equalities impact is included within the Scrutiny papers at Appendix D.

Background Papers

Appendix A - Discretionary Rate Relief Policy and Schedule 1

Appendix B - Public consultation responses

Appendix C - Recommendations from the Scrutiny Task and Finish Group

Appendix D - Equalities Impact Assessment