

Non Domestic Rates – Discretionary Relief

A Summary of Findings from the Task and Finish Group

July 2014

Chairman's Introduction

The Task and Finish Group recognises the major contribution made by the voluntary and community sector to the economy and health and wellbeing of the people that live and work in South Somerset. One of our key aims was to ensure that any revised policy met with the needs of the Council Plan and related strategies to support the Council's objectives for South Somerset and to support the essential and widely varied voluntary and non profit making organisations that make South Somerset a great place to live and work in. However, we had to recognise that a proportion of the assistance given through Discretionary Rate Relief is paid by the local taxpayer and as such the Council has a duty to ensure public funds are spent wisely and that there is transparency and accountability in the decisions made.

Our overall aim was to advise on key policy principles and proposals to be included within the revised policy taking into account the impact and risks of doing so. This is an enormously complex and technical subject and my thanks goes to my Task and Finish Group colleagues for their perseverance and dedication over the last year.

Introduction

The Task and Finish Group consisted of the following members (at various meetings):-

Sue Steele (Chairman)

Pauline Lock

Sue Osborne

Carol Goodall

David Norris

Cathy Bakewell

Patrick Palmer

Paul Maxwell

Mike Lewis

David Bulmer

Tim Carroll - observer

The Group set out to review the key principles for applying NDR Relief that met with the Council's own Council Plan 2012 – 2015 and strategies. The key links to the Council Plan are:-

- We want our services to be accessible to all our residents;
- Our district is made up of diverse and dispersed communities. It is therefore important for us to make sure our services are fair and accessible;
- We will do everything in our power to enable employment growth in a balanced and managed way in order to maintain stability, attract new business, and help existing business expand.

We will:

- Provide targeted support for start-ups and small business and those with aspiration to expand.
- Enhance the vitality of town centres and discourage large scale out of town retail development that has a negative impact on local centres.
- Ensuring that we have facilities for culture, sport, swimming, and informal recreation to meet the needs of all age groups is vital to help improve physical and mental health. We will continue to provide country parks, the Octagon Theatre, support local play areas and community buildings.
- Ensure that the strategic priorities of the Somerset Health and Well-being board reflect local needs and align council resources to deliver projects to address those needs.

The Task and Finish group also asked Service Managers what was needed to deliver service priorities and businesses and groups about their needs, requirements, and priorities.

Discretionary NDR Relief (Non Domestic Rate Relief)

Applying NDR relief reduces the amount of NDR (business rates) that a company or group has to pay. Types of businesses and groups that benefit from these reliefs are:-

- Charity Shops
- Village Halls
- Some Village Stores and Pubs
- Animal Sanctuaries
- Pre-schools and Playgroups
- Community Amateur Sports Clubs

- Recreation Facilities
- Theatres

The Government has changed the contribution it makes to those reliefs. Reliefs were 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 for the Task and Finish Group to recognise the financial risk of applying reliefs.

In 2013/14 (as at 2nd September) 315 awards were made totalling £370k. SSDC had to fund 40% of this i.e. £148k in addition to 40% of the mandatory relief applied.

Types of Reliefs Available

- Transitional Relief – this phases in increases and decreases in new rating lists, it is automatically calculated and applied.
- Charity Relief (Mandatory & Discretionary) – for registered charities 80% mandatory relief is awarded provided the premises are used for charitable purposes. This also applies to Community Amateur Sports Clubs (CASCs). It can be applied to empty premises if certain conditions are met.

Up to 20% discretionary top up relief can be awarded in line with the current policy.

- Rural Rate Relief (Mandatory & Discretionary) – 50% mandatory relief for certain types of businesses in a rural settlement with a population of under 3,000.
 - Sole village general store with RV up to £8,500
 - Sole Post Office with RV up to £8,500
 - Food Shop (butchers, bakers etc) with RV up to £8,500
 - Sole public house with RV up to £12,500
 - Sole petrol station with RV up to £12,500

Discretionary relief of up to 100% can be applied if there is a community benefit and in the interest of the local tax payer. RV limit is £16,500.

Some businesses are entitled to other types of Business Rate Relief.

- Small Business Rate Relief - funded fully by central Government. 'Small Business' refers to the premises occupied not the size of the business, it is linked to the rateable value. Premises with a rateable value of up to £6,000 normally receive 50%

relief, but this currently has been extended to 100%. For premises with a rateable value of between £6,001 and £12,000 there is a sliding scale of relief. For premises with a rateable value of between £12,000 and £17,999 they receive the lower multiplier. The business must be in occupation and other mandatory reliefs take precedence.

- Hardship Relief – can be awarded if the business is viable and that granting of the relief would ensure the future of the business, it must be in the interest of the local tax payer and the business must be of community benefit. It should not distort competition nor should the Ratepayer sustain hardship if not awarded. Hardship is not to be awarded for new businesses.
- Retail Rate Relief – we have the discretion to discount business rate bills by up to £1,000 in each of the next two financial years (2014-15 & 2015-16) for retail premises with a rateable value of £50,000 or less. Retail premises must be occupied and wholly or mainly used to sell goods, services or food and drink to visiting members of the public.

As a guide the types of qualifying businesses may include: Shops, for example butchers, bakers, grocers, florists, jewellers, off-licences, chemists, newsagents, opticians, markets, petrol stations, post offices. Premises used to sell food and/or drink to visiting members of the public: restaurants, pubs, takeaways, coffee shops, bars. Premises used to provide the following services to visiting members of the public: hair & beauty services, such as hairdressers, nail bars, tanning shop. Shoe repairs, key cutting, dry cleaners or launderettes, car hire, and travel agents.

- Temporary Re-occupation Relief Scheme – from 1 April 2014 to 1 April 2016 we are able to grant a 50% discount from business rates to those occupying retail premises that have been vacant for at least 12 months. The relief will last for 18 months for those moving into such properties. The expectation is that this will encourage the take up of vacant retail premises.

Ambitions of the Task and Finish Group

The Task and Finish Group sought to agree the key principles that should apply to a revised Discretionary Rate Relief policy. The Group invited officers and external interested parties to meet with them to discuss reliefs. Internal Teams that met with the Task and Finish Group were given some initial questions to consider as follows:

- **Community Health and Leisure**
 - Explain what attracts businesses and organisations to set up or move to a specific area.
 - Explain what, if anything SSDC could provide in the form of Discretionary rate relief or otherwise that could assist the Council in meeting its Health and

Communities related ambitions or result in a greater provision of services and facilities to the SSDC Community.

- Provide example cases where you think rate relief or other business support could have made a difference to attracting or helping businesses/organisations to grow or diversify.
- Help identify what elements if any of the strategies' and policies your team works with need to be reflected or could be complimented by an effective NNDR Discretionary rate relief policy.
- Provide suggestions on how best to assess the community value or need of a particular business or organisation.
- Explain what the impact could be if relief was removed or reduced for some of the organisations and businesses that potentially help us maintain and enhance the South Somerset network of leisure and cultural facilities

- **Area Development**

- Help identify, what elements if any, of the strategies' and policies your team works with need to be reflected or could be complimented by an effective NNDR Discretionary rate relief policy.
- Explain what it if anything, SSDC could provide in the form of Discretionary rate relief or otherwise, that could help attract sustainable businesses/organisations to the area and encourage existing business/organisations to expand appropriately.
- Explain what outcomes you feel could and or should be achieved giving business and organisations assistance in the form of Discretionary rate relief.
- Explain how business and organisations in the area can benefit from alternative financial assistance and other forms of help.
- Provide example cases where you think rate relief or other business support could have made a difference to attracting or helping businesses/organisations to grow or diversify in the area.
- Provide suggestions on how best to assess the community value or need of a particular business or organisation.
- Explain what the impact could be if relief was removed or reduced for some of the organisations and businesses in your area.
- In addition to the above, the group felt it would be helpful if collectively with your Area Development Manager colleagues you could consider the relationship between NNDR Discretionary rate relief and

- Regeneration
- The work of Market Towns Investment Groups
- Yeovil Vision and the town teams
- Rural business/service provision

to provide members with suggestions of how an NNDR Discretionary rate relief policy could recognise and compliment the authorities work in these areas.

- **Economic Development**

- Help identify what elements of the Economic Development Strategy and associated action plan needs to be reflected or could be complimented by an effective NNDR Discretionary rate relief policy.
- Explain what attracts businesses and organisations to set up or move to a specific area.
- Explain what it if anything, SSDC could provide in the form of Discretionary rate relief or otherwise, that could help attract sustainable businesses/organisations to the area and encourage existing business/organisations to expand appropriately.
- Provide example cases where you think rate relief or other business support could have made a difference to attracting or helping businesses/organisations to grow.
- Explain how business and organisations in the area can benefit from alternative financial assistance and other forms of help.

External Groups and interested parties

Included:-

- Somerset Business Agency
- Into Somerset

Both Groups were asked to consider the following questions:-

- Learn what businesses consider and need as a priority when choosing where to locate – is there anything as a council we could do to help attract sustainable business to the area?
- Better understand what existing and potential new businesses commonly need to help them succeed or develop
- Appreciate the set up and running costs of different businesses, specifically with regard to running costs how much of businesses outgoings are required for Business Rates – how might having to pay Business Rates affect the viability of some businesses?

- Understand how rate relief and/or other assistance can help existing and potential new businesses across South Somerset
- Establish what other financial assistance and advice is available to existing and new businesses across South Somerset
- Recognise what most commonly causes businesses to cease trading
- Identify relevant, research information and evidence to inform the policy
- Appreciate what the impact could be for some businesses if relief was reduced or removed
- Consider what and how financial assistance or advice for individual businesses, organisations and charities could distort competition on the high street.

In addition a NDR Relief expert David Airey talked to the Group about what was achievable and the legal requirements for inclusion in any policy.

The Task and Finish Group also reviewed case studies of the various reliefs awarded. It also studied the NDR Relief policies of other Local Authorities.

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 Task and Finish Group 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.

The Principles of the New Policy

Once the Task and Finish Group had considered all of the evidence available it was agreed to consult on the following principles:-

1. Provide assistance when there is evidence of financial need.

The Group took into account that in most cases the ability to pay is not considered and therefore it is questionable as to whether public funds are being used in the best way. It was also agreed that awards of relief should be proportionate to income. The recipient in some cases should demonstrate that appropriate effort was being made to make the business/group sustainable.

2. The policy should support business, charities, organisations and groups that help to retain services in rural areas.

It was agreed that SSDC should support retaining services in rural areas to prevent the potential detrimental effects of rural isolation on business organisations, charities and communities. The Group outlined the importance of enabling services to be locally accessible to residents especially in areas with limited public transport.

3. Help and encourage business, charities, organisations, groups and communities to become self-reliant.

The Task and Finish Group concluded that for some recipients there was an expectation and a dependency on the local authority for NDR Reliefs. Many of these businesses and Groups could become more self-reliant with some advice and assistance. Any recipient should demonstrate that appropriate effort was being made to make the business/group sustainable.

4. Awarding discretionary relief should not distort competition

The Task and Finish Group agreed that it was important to maintain competition on the high street, and there should not be an unfair advantage given to some over others. The Task and Finish Group did take into consideration the advantages of charity shops in that they have filled empty shops, their recycling agenda, and that they have created employment. However, they do currently create a distortion in competition because of their ability over other shops to considerably lower their overheads through NDR Relief. It was also noted that Charity Shops receive 80% mandatory relief at present and it was agreed that this support is sufficient without additional support from SSDC's taxpayers.

5. Every business/ organisation should contribute something towards the provision of local services.

The policy should be fair for all persons liable to pay NDR and considers the interest and needs of the residents/tax payers of South Somerset. This principle also brings businesses, organisations, and charities in line with the principle agreed as part of

the Council Tax Reduction Scheme that every household should contribute to the cost of local services.

The Proposals of the New Policy

In applying the principles the following proposals were consulted upon with recipients and other interested parties:-

1. It is proposed that a sole rural pub in receipt of 50% mandatory relief 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

The principles applied to this were 1,2,3, 4, and 5. The impact of this would be a reduction in relief of between £100.08 and £264.93 for recipients currently receiving 50% discretionary rate relief and currently do not pay. This is assuming they would qualify under both elements to receive 40%. The impact of the reduction in relief for the group currently receiving 25% discretionary rate relief would be between £47.10 and £294.35. This is assuming that they would only receive one element of 20%.

2. A number of sole rural pubs do not receive mandatory relief. However, 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

The principles applied to this were 1,2,3,4, and 5. The impact of this would be a reduction in relief of between £600.60 and £762.30 for this group of recipients if they received the maximum 40% relief. The impact if they received 20% relief would be between £1801.80 and £2286.90.

3. 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 (to be specified in the policy schedule)

- Community Amateur Sports Club (CASC) where the bar is ancillary and is not offering discounted alcohol
- Museum/Heritage or Arts centre,
- Theatres

The principles applied to this were 1,2,3,4 and 5. The impact of this would be a reduction in relief of between £18.00 and £405.96 per annum for this group of recipients

4. 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 (i.e. a maximum of 100% in support) for:-

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

The principles applied to this were 1,2,3,4, and 5. There will be no impact on the groups listed if those groups meet the criteria.

5. 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 (to be specified in the policy schedule);
- Hospice/end of life care provider;
- Lifesaving/rescue organisations.

The principles applied to this were 1 and 2. These are the only organisations/groups/charities that the Task and Finish Group felt should continue to be fully supported and given the nature of their provision to the public and achieving the Council's own aims and objectives and be exempt from principle 5.

6. 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

The principles applied to this were 1, 2, 3, 4 and 5. The impact of this would be a reduction in relief of between £64.76 and £315.57 per annum for this group of recipients

7. 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 not charities or CASCs)

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 (as set out in the policy schedule).

The principles applied to this were 1, 2, 3, 4 and 5. This does not impact currently on any CICs. The impact on Sports and Recreational clubs will be dependent on the agreed sliding scale.

8. 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.

The principles applied to this were 1, 2, 3, and 5. The impact of this would be a reduction in relief of between £800.70 and £1,448.33 per annum for this group of recipients.

9. 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

The principles applied to this were 1, 2, 3, and 5. The impact of this would be a reduction in relief of between £57.10 and £3,391.20 for this group of recipients

10. 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.

The principles applied to this were 1, 2, 3, 4, and 5. The impact of this is unknown as we do not have this data on current recipients.

11. 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.

12. 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

13. 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.

14. SSDC is now able through Localism Act reliefs/ 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 the Somerset and Devon Fire and Rescue Service. The Task and Finish Group agreed that this should be considered on a case by case or through an Economic Development Team incentive (or jointly with the Area Development Teams) 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.”

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.

The consultation that was carried out by the Task and Finish Group 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

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.

15. 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

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.

Recommendations

The Task and Finish Group recommends that Scrutiny Committee:

1. Endorses the principles recommended at 1 to 5 and the importance of the revised policy meeting the aims of the council Plan.
2. Endorses the proposals outlined and numbered 1 to 15.