

CABINET

Agenda Item: 8

Ward: All

Portfolio: Finance

**Report Author(s): Cllr. John Parham,
Portfolio Holder,
Finance**

**Meeting Date:
5 December 2016**

SUBJECT: Discretionary Business Rate Relief Policy 2017/18

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	Seen by:	Name	Date
Report Sign off	Chief Executive/ Deputy Chief Executive(s)	All	2/11/16
	Legal	Lesley Dolan	16/11/16
	Finance	Paul Deal	1/11/16
	Group Manager	n/a	
	Portfolio Holder	Cllr. John Parham	2/11/16
	Ward Member(s)	n/a	
	Summary:	<p>Discretionary business rate relief can be awarded by the Council to certain businesses and organisations. The government defines the categories where that is possible (<i>see Appendix 1</i>) and in previous policies Mendip has decided which of those types meets its corporate priorities.</p> <p>Members have approved a policy and budget since 2011/12 that is distributed fairly and consistently amongst local businesses and organisations and is in line with corporate priorities.</p> <p>Feedback strongly supports the view that this relief has been very successful in assisting local businesses and organisations to reduce their business rates. It supplements the mandatory reliefs and discounts provided by Central Government, such as small business rate relief and relief for registered charities, which means we can lower business rates whilst maximising central government contributions. The scheme is straightforward and businesses can obtain facts and application is by on line or paper via our business support pages on the Mendip website.</p> <p>It is proposed that this discretionary policy continue for 2017/18 although it should be noted that with the extension of the central</p>	

	<p>government funded small business rates scheme, we should find that some of the “not for profit” businesses and organisations that previously received discretionary relief, will gain under the small business rates scheme. This will reduce our expenditure on Mendip’s discretionary scheme.</p> <p>This policy is part of a wider package of business support to deliver Mendip’s corporate priority of economic development.</p>
<p>Recommendation:</p>	<p>Cabinet is asked to approve the recommendations to:</p> <ol style="list-style-type: none"> 1. Set a level of discretionary rate relief expenditure up to £140,000 for 2017/18 at an estimated cost to Mendip of £56,000. 2. Continue the level of award to the specified categories of organisation as from 1 April 2017, subject to the over-riding criteria listed. 3. Continue with a cap of £9,000 on any discretionary rate relief for any one account. 4. Continue with a rate relief limit so that any rate relief meets a maximum of 95% of the business rates liability. 5. Set a cut off date (30 April 2017) for applications for 2017/18 but to consider applications after this cut off date for any eligible new business starts or eligible businesses that may relocate into Mendip provided any awards would not exceed the expenditure budget. 6. Reserve the right to review the decision should a change in legislation involve the Council in additional cost.
<p>Direct and/or indirect impact on service delivery to our customers and communities:</p>	<p>Provides effective support for local businesses and organisations to lower their business rates bills, helping ensure our local economy is kept buoyant. Many of the local businesses and organisations provide great benefit to Mendip residents – as the list of businesses and organisations we help includes rural shops, rural pubs, not for profit organisations, registered charities and community amateur sports clubs.</p>
<p>Contribution to Corporate Priorities:</p>	<p>The recommendations are based on the following Corporate Priorities.</p> <ul style="list-style-type: none"> • Supporting economic development and growth • Improve the health and wellbeing of the residents and communities of Mendip
<p>Legal Implications:</p>	<p>The proposals set out in this report comply with legislation relating to national non-domestic (business) rates discretionary relief. The intention to retain an element of individual assessment (in considering hardship applications) is important, as we cannot adopt blanket policies or rules that prevent us from considering the merits of individual cases.</p>

Financial Implications:	<p>It is proposed that expenditure on discretionary rate relief be limited to £140,000 for 2017/18. This is slightly lower than the current amount of relief paid (£140,835 as at 31 October 2016). Due to the changes in Rateable Values as part of the national 2017 Revaluation and the extension of the central government funded small business rate relief scheme our latest estimate (October 2016) for discretionary relief, assuming no change in Policy, is £125,992. As such we feel £140,000 should be sufficient to maintain the same policy in 2017/18.</p> <p>Under current rates retention rules, the estimated cost to Mendip of awarding this relief is 40%. On £140,000 this is a cost of £56,000. This expenditure is part of our rates income, of which the cost to Mendip is monitored through the Collection Fund.</p>
Impact on Service Plans:	None
Value for Money:	<p>The award of rate relief where possible in the legislation is regarded as a cost effective method of helping local businesses and organisations take advantage of lower business rates bills. This applies to local businesses and organisations that meet Mendip's corporate priorities.</p>
Equalities Implications:	N/A
Risk Assessment and Adverse Impact on Corporate Actions:	None
Scrutiny Recommendation (if any)	Report presented to Scrutiny on 28 November 2016.

INTRODUCTION

1. Section 47 of the Local Government Finance Act 1988, as amended, sets out the general categories of business eligible for discretionary relief. The legislation sets out the categories and amount of relief that are available through mandatory relief (funded by central government) or discretionary funded by local taxpayers. A fuller description is provided in *Appendix 1*.

Table 1 Eligibility for Discretionary Rate Relief

Type	Type of relief	Amount of relief
Registered charities	Mandatory Discretionary	80% Up to a further 20%
Community Amateur Sports Clubs (CASC's)	Mandatory Discretionary	80% Up to a further 20%
Non profit making organisations	Discretionary	Up to 100%
Hardship	Discretionary	Up to 100%
*Rural settlements (Rateable Value under £12,500)	Mandatory Discretionary	50% Up to a further 50%
*Rural settlements (Rateable Value £16,500 or less that are of benefit to the local community)	Discretionary	Up to 100%

* Rural settlement relief – in Mendip, a rural area is defined as anything outside of the five main settlements as all the settlements have less than 3,000 residents.

BACKGROUND

Table 2 Applications awarded

	2011/12	2012/13	2013/14	2014/15	2015/16
Applications	138	149	168	187	173

Table 3 Relief awarded by type

	Amount awarded
Registered Charity and Community Amateur Sports Clubs	£54,701
Hardship	£2,385
Non-Profit Making	£44,203
Rural	£39,546
Totals	£140,835

2. At present the cost to Mendip in awarding these reliefs – before 100% rates retention starts (anticipated from 2019/20) – is 40%. That is based on the current split of 50% of rates income to central government, 50% retained locally of which Mendip's share is 40% - the other 10% being for the precepting authorities. So as a guide we can say that the cost to Mendip of these awards is 40% of £140,835, i.e. £56,334. As such, in previous years we have estimated £60,000 to be Mendip's "budget" on this expenditure. However, the cost of discretionary relief is considered as part of our monitoring of the Collection Fund. As rates retention develops it will be important to more clearly identify and review the real cost of discretionary relief and assess its cost effectiveness.
3. As a result of the national 2017 Revaluation all businesses will have a different rateable value from April 2017. This will almost certainly mean a new rates liability. As such all Mendip businesses have recently been sent out a leaflet inviting businesses to go on-line and review their draft rateable value. There is also a substantial extension to the central government funded small business rates relief scheme from April 2017. Our initial estimates show that 1,771 (out of 4,170) businesses in Mendip will have no rates to pay in April 2017 and we calculate that a number of "not for profit" businesses / organisations that currently benefit from discretionary rate relief will be better off with small business rate relief. This means in all likelihood that we can retain the same discretionary relief policy but at a lower cost.

OPTIONS CONSIDERED

4. No changes are proposed in those businesses eligible or the amount of relief from 2017/18.

5. Organisations / businesses that are eligible for discretionary rate relief

Based on the national definition set out in paragraph 1, the following types of business have been considered as likely to meet Mendip's corporate priorities. As such applications will be considered from:

- Community Amateur Sports Clubs / recreational organisations
- Locally registered charities
- Youth organisations
- Village community halls / community centres
- Rural post offices / general stores / public houses / petrol stations
- Educational organisations including pre-schools / museums (where dealing with special needs)
- Community care organisations
- Advice organisations
- In exceptional circumstances, other organisations that can demonstrate meeting one of Mendip's corporate priorities.

All businesses / organisations will have their application considered, along with supporting evidence, individually and also against the following "over-arching criteria":

6. Over-arching criteria

- Some organisations would qualify for different categories of relief. A sports club could be a registered charity, a registered “Community Amateur Sports Club (CASC) and be in a rural settlement. In such cases, the organisation will be entitled to the award with the highest rate relief.
- No award will be made where organisations discriminate against any sectors of the community whether on financial or equality grounds.
- No award will be made to international, national or regional charities or organisations where there is no evidence that it would predominantly benefit local residents, except for recognised Mendip strategic partners such as the Citizens Advice. Predominantly this will usually mean that at least 60% of the people that use the organisation reside in the Mendip District Council area.
- Continue with a cap of £9,000 on any discretionary rate relief for any particular premises.
- Continue with a rate relief limit so that any rate relief meets a maximum of 95% of the business rates liability.
- Retain a cut off date (to be 30 April 2017) for applications but to consider applications after this cut off date for any eligible new business starts or eligible businesses that may relocate into Mendip provided any awards would not exceed the current budget.
- Reserve the right to review the decision should a change in legislation involve the Council in additional cost.
- Although, the Policy’s aim is to reduce the amount of interpretation and subjectivity to enable organisations to understand whether they are eligible for discretionary rate relief, applications for Hardship Relief are considered on their individual merits. To achieve this all applications for Hardship Relief will require a completed application plus supporting evidence e.g. financial accounts as requested. The legislation states, hardship awards can only be considered where:
 - The ratepayer would sustain hardship if the Authority did not grant a remission;
 - It would be reasonable for the Authority to grant remission having regard to the interests of council taxpayers in Mendip.
- Hardship relief is awarded for one year only and normally retrospectively, based on the submission of audit financial accounts.
- All applications will be individually assessed at Officer level, based on the application and supporting evidence. A recommendation will be made to Mendip’s Rate Relief Member Panel who will decide the application.
- There is no right of appeal against discretionary relief although Mendip procedures allow the Rate Relief Panel to review the decision if material evidence is provided to support a review.

Table 4 Proposed levels of Discretionary Rate Relief (DRR) for 2017/18

Type of business /organisation	Mandatory award	DRR 2016/17	Proposed DRR 2017/18
Charities and CASC's	80%	15%	15%
Rural settlements – Low RV	50%	45%	45%
Rural settlements – High RV	0%	45%	45%
Not for Profit	0%	75%	75%
Hardship	0%	Up to 95%	Up to 95%

Notes

- By maintaining levels of awards at the same levels as the past 5 years, this assists businesses to plan their budgets and provides valuable financial relief on business rates
- Awards will be subject to the expenditure limit. If the total value of awards would exceed this budget, the Rate Relief Panel will reduce all awards by the required percentage to meet this limit.
- Irrespective of our Policy, all awards have to be made by 30 September after the end of that financial year. So for 2017/18 awards, the award has to be applied for and awarded by 30 September 2019 otherwise under the Local Government Finance Act, 1988, they are invalid.
- This Policy is based on the existing situation regarding rates relief and other than the known extension in small business rate relief; there will be no change in mandatory awards or Rating Law in respect of Discretionary Rate Relief.

RECOMMENDATIONS

Cabinet is asked to approve the recommendations to:

1. Set a level of discretionary rate relief expenditure up to £140,000 for 2017/18 at an estimated cost to Mendip of £56,000.
2. Continue the level of award to the specified categories of organisation as from 1 April 2017, subject to the over-riding criteria listed.
3. Continue with a cap of £9,000 on any discretionary rate relief for any particular premises.
4. Continue with a rate relief limit so that any rate relief meets a maximum of 95% of the business rates liability.
5. Set a cut off date of 30 April 2017 for applications but to consider applications after this cut off date for any eligible new business starts or eligible businesses that may relocate into Mendip provided any awards would not exceed the current budget.
6. Reserve the right to review the decision should a change in legislation involve the Council in additional cost.

REASONS FOR RECOMMENDATIONS

A discretionary rate relief policy, as set within the national legislation, is an effective means for local businesses and organisations that meet Mendip's priorities to receive reduced business rates bills.

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List of Background Papers

A full list of ratepayers that currently receive discretionary rate relief is available on request.

Types of organisation that can receive discretionary rate relief under Rating Law

Type of Organisation
<p>Charities</p> <p>If the property is wholly or mainly for charitable purposes, an automatic 80% reduction of the bill is made. This is mandatory and has no financial cost to the Council. The Council has discretion to give a further reduction up to 20%.</p>
<p>Community Amateur Sports Clubs (CASC's)</p> <p>If a sports club is registered with HMRC as a CASC and is wholly or mainly used for the purposes of that club or other registered clubs, there is an automatic 80% reduction of the bill. This is mandatory and has no financial cost to the Council. The Council has discretion to give a further reduction up to 20%.</p>
<p>Non Profit making organisations that are not Charities</p> <p>These organisations are not entitled to any automatic, mandatory relief but the Council has discretion to grant up to 100% relief. To qualify, the organisation must be charitable, religious or concerned with education, social welfare, science, literature or the fine arts. Or the property must be used wholly or mainly for the purpose of recreation.</p>
<p>Businesses in a designated rural settlement area</p> <p>In Mendip, all parishes are considered rural settlement areas except those in Frome, Glastonbury, Shepton Mallet, Street and Wells. These areas are based on a relevant valuation list reference. The types of businesses that qualify for rural rate relief are:</p> <ul style="list-style-type: none"> • The only general store • The only post office or any food store with a rateable value of up to £8,500 • The only village public house or petrol filling station with a rateable value up to £12,500 <p>These properties are entitled to a 50% reduction in their rates bill. This has no financial cost to the Council. Councils can give a further reduction of up to 50%. Other businesses in the qualifying rural settlement may also be granted up to 100% rate reduction although all this has to be funded by the local Council. The criteria are that the property rateable value does not exceed £16,500 and that the business is of benefit to the local community.</p>
<p>Hardship</p> <p>Any business / organisation can apply for Hardship relief, which can be paid up to 100% of business rates liability. All applications are considered on their individual merits. To achieve this all applications for Hardship Relief will require a completed application plus any supporting evidence e.g. financial accounts as requested. The legislation states, hardship awards can only be considered where:</p> <ul style="list-style-type: none"> • The ratepayer would sustain hardship if the Authority did not grant a remission; • It would be reasonable for the Authority to grant remission having regard to the interests of council taxpayers in Mendip.
<p>Localism Act 2011</p> <p>Local Authorities can award local discounts to other types of business or areas of business if they meet local corporate priorities, subject to certain restrictions and funding conditions. This includes setting up of local enterprise zones / areas.</p>

