DISCRETIONARY RATE RELIEF

Finance Advisory Committee – 29 January 2019

Report of	Chief Finance Officer
Status:	For Decision
Also considered by:	Cabinet - 14 February 2019
Key Decision:	No

Executive Summary:

The Council requires potential recipients of discretionary rate relief to submit a formal application every two years. This report sets out the proposals for awarding discretionary rate relief for 2019/2020 to ratepayers who have made applications or who are expected to make an application before 1 March 2019.

The report also provides an update on the local discretionary rate relief scheme which will be in its third year of operation in 2019/2020 and sets out the proposed approach for the implementation of the Retail Discount Scheme for 2019/2020 and 2020/2021.

This report supports the Key Aims of: Supporting and developing the local economy and providing value for money

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Recommendations to Finance Advisory Committee: members are asked to recommend that Cabinet approve the proposals for granting relief from business rates for 2019/2020 set out in Appendix B.

Members are asked to note the estimated level of local discretionary rate relief to be awarded in 2019/2020 as set out in paragraph 24

Members are asked to recommend that Cabinet approve the proposed approach for implementation of the Retail Discount for 2019/2020 and 2020/2021.

Recommendation to Cabinet: members are asked to approve the proposals for granting relief from business rates for 2019/2020 set out in Appendix B.

Members are asked to note the estimated level of local discretionary rate relief to be awarded in 2019/2020 as set out in paragraph 24

Members are asked to approve the proposed approach for implementation of the Retail Discount for 2019/2020 and 2020/2021.

Reason for recommendations: Relief from business rates provides organisations with valuable support and contributes to the Council's commitment to supporting and developing the local economy.

Introduction and Background

1 Charities and sports organisations that have charitable status currently receive 80% mandatory relief. In order to qualify for the mandatory relief the organisation must be established for charitable purposes only and the premises must be wholly or mainly used for charitable purposes. Sports clubs registered with HMRC as community amateur sports clubs are also entitled to 80% mandatory relief.

Certain types of business in rural villages may qualify for 50% mandatory rate relief subject to the rateable value of the property being under specified limits.

2 Section 47 of the Local Government Finance Act 1988 (as amended by s69 of the Localism Act 2011) provides local authorities with powers to grant discretionary rate relief of up to 100% to any ratepayer.

3 Discretionary rate relief can be awarded in isolation or given to 'top-up' a mandatory award.

4 However, unless one of the following apply, authorities may only grant discretionary rate relief if satisfied that it would be reasonable to do so, having regard to the interests of the council tax payers:

- The ratepayer is a charity or trustees for a charity, and the property is wholly or mainly used for charitable purposes; or
- The ratepayer is a community amateur sports club and the property is wholly or mainly used for the purpose of the club and other such clubs; or
- The ratepayer is entitled to mandatory rural rate relief; or
- All or part of the property is occupied by non-profit making organisations whose main objects are charitable or are otherwise philanthropic or religious or concerned with education, social welfare, science, literature or the fine arts; or

- The property is occupied by a club, society or other non-profit making organisation and it is wholly or mainly used for purposes of recreation.

5 Authorities should have easily understood guidelines for deciding whether or not to grant relief and for determining the amount of relief which should be based on the consideration of the merits of each individual case. However, as the range of bodies that may be eligible for discretionary rate relief is wide, not all the suggested criteria will be applicable in each case.

Introduction

6 The Council currently grants discretionary rate relief over the following categories:

- Discretionary rate relief up to 100% of rates bill (but usual award is 80%);
- Village Shop rate relief at 50% of rates bill;
- Hardship relief up to 80% of rates bill; and
- Discretionary 'top-up' relief to take total relief up to 100% of the rates bill.

7 Members reviewed the criteria for granting discretionary rate relief to charities, not for profit organisations, discretionary rural rate relief and hardship relief in February 2013 and this is attached at Appendix A.

8 The Government announced the intention to double mandatory rural rate relief to 100% from 1 April 2018 onwards. However, this still requires an amendment to primary legislation which cannot be implemented by 1 April 2019. Local Authorities are advised to use discretionary powers to award the additional 50% relief which will be reimbursed by way of a section 31 grant.

9 Officers also recommend the award of discretionary rural rate relief to those businesses offering some or all of the service of a Post Office or General Store which is essential to the community but which don't qualify for mandatory rural rate relief because of the rateable value. These businesses will be entitled to an element of Retail Discount and the recommendation is to award discretionary rural rate relief after application of the Retail Discount so as to give the ratepayers 100% relief from business rates.

10 Applications from ratepayers falling outside of these criteria will be considered on their merits and individual recommendations will be made having regard to the interests of the District's council tax payers.

Approach taken to reviewing applications

11 The full list of applications, together with officer recommendations, is attached at Appendix B. Each application has been considered on its own merits, however in reviewing applications against the criteria, similar organisations were considered together, to ensure consistency of approach.

12 The criteria was applied as follows for discretionary rate relief and discretionary top-up relief:

- Links to Council priorities – the extent to which the activities supported the Council's priorities was assessed, including support/activities for vulnerable or socially excluded groups.

- Evidence of financial need including reserve levels and assets – all organisations were requested to provide financial information and reserve levels were compared to annual expenditure, to assess financial need. The ability to generate income was also considered. In addition, for sports clubs, consideration was given to whether they had applied to become community amateur sports clubs (CASCs).

- Membership within the District – where it appeared that a substantial proportion of the membership was from outside the District, this was taken into account in putting forward a recommendation.

- Membership open to all – where membership is restricted to a particular group or locations, or is dependent on recommendations from existing members this has been taken into account, as not all residents would be able to benefit from the relief granted.

- Membership fee levels – fee levels were assessed to consider whether they were so high that they could exclude some in the local community.

- Bar activity and profits – if the bar is the main activity an organisation was unlikely to be recommended for relief. Any profits are expected to be used to fund club expenses.

13 For discretionary village shop relief, officers considered the benefits of the shop/business to the local community when compared with the cost of the relief. It is recommended that the village shops receive relief due to the benefit they provide to local communities.

14 Where a ratepayer receives 100% small business rate relief the recommendation is for no discretionary rate relief or village shop relief to be granted, since the businesses already receive maximum support.

15 There is no formal appeals process against the Council's decisions on the discretionary reliefs referred to in this report. The current approach is however to re-consider decisions in the light of any representations made by the ratepayers.

Applications for 2019/2020

16 Appendix B contains the details of each applicant to be considered for relief for 2019/2020 and detailed recommendations of the level of relief to be applied. The deadline for applications was 15 November 2018 but many expected applications had not been received by this date. The report therefore recommends relief for ratepayers who have or will have submitted

an application by 1 March 2019. Officers are continuing to press for completed applications.

17 All applicants fall to be considered under the criteria set out in Appendix A.

18 The level of relief is based upon the provisional multipliers announced on 2 November 2018 which are subject to confirmation. In the unlikely event that the multipliers change, a further report setting out the revised relief awards will be submitted.

19 If applications are approved, the estimated total gross relief granted would be £198,219.

20 Members should be aware that the requirement for relief can change during the financial year as a result of rateable value changes, vacations etc. Therefore, some of these awards may not ultimately require full funding.

Other Options Considered and/or Rejected

21 Members have discretion not to grant rate relief or to vary the amount of relief awarded. No recommendation is being made to reduce or remove relief because relief from business rates provides organisations with valuable support and contributes to the Council's commitment to supporting and developing the local economy.

Discretionary Local Business Rate Relief Scheme (Revaluation Relief)

22 In the Budget on 8 March 2017, the government announced that £300m in funding over the period 2017/18 to 2020/21 would be provided to support those businesses most affected by the revaluation of business rates from 1 April 2017.

23 On 14 September 2017 Cabinet approved Sevenoaks' Discretionary Local Business Rates Relief Scheme (Minute. 29) and on 6 February 2018 Cabinet approved changes to the scheme (Minute 72). The changes included provision for delegated authority to be given to the S151 officer to amend the scheme for future years to ensure relief was properly targeted and fully utilised for the benefit of the affected ratepayers.

24 The S151 officer has exercised that delegated power to increase the maximum percentage relief for 2019/2020 from 10% to 12% to ensure that as much of Sevenoaks' funding allocation of £57,000 is passed on to affected ratepayers. On that basis the projected relief for 2019/2020 stands at £45,010.

25 The projected underspend is because some ratepayers who fell within the scheme are no longer liable for business rates on the affected properties and/or rateable values have been reduced.

Retail Discount

26 In the Budget on 29 October 2018, the government announced a new relief scheme for retail properties that have a rateable value of below £51,000. Under the scheme, eligible ratepayers will receive a one third discount of their daily chargeable amount. Relief will have effect for 2019/2020 and 2020/21 and is to be applied from the start of the billing cycle.

27 Local authorities are required to use discretionary powers to grant this new relief in line with the relevant eligibility criteria. Appendix C contains government guidance on the Retail Discount scheme which is broadly similar to the previous Retail Relief scheme in operation for 2014/2015 and 2015/2016.

28 Appendix D contains the Retail Discount Guidelines which set out how Sevenoaks intends to implement and administer this new relief.

29 At this stage indications are that around 450 ratepayers will potentially be eligible for this relief, although some are major chains and relief may be refused due to State Aid restrictions. Potential awards vary from a minimum of £220.00 to a maximum of £8,183.00.

Key Implications

Financial

30 Since 1 April 2013 all discretionary relief granted has come under the provisions of the business rate retention scheme.

31 The cost of relief is initially shared between central government (50%) and local authorities (50%). Of this Sevenoaks District Council is required to fund 40%. However, due to the complexities of business rates retention, the actual impact is likely to be significantly lower.

32 Appendix B only refers to the gross discretionary rate relief proposed.

33 S31 grants will be made to compensate for the top-up to mandatory rural rate relief, revaluation relief and retail discount.

Legal Implications and Risk Assessment Statement

34 There are no legal issues.

Risk Assessment Statement

35 New organisations may request relief after the deadline for receipt of applications and so would not be able to receive discretionary relief until the next annual review. In order to address urgent cases the Chief Finance Officer determines any relief to be awarded under delegated authority. These organisations would then apply in the usual way for the next round.

36 A biennial application process may seem to be an additional burden for businesses, many of whom are small. Officers have taken account of this in designing the application process so as to minimise the administrative burden on applicants.

Equality Assessment

37 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Conclusions

38 There are clear benefits to the business community of awarding discretionary rate relief and therefore the proposals are submitted for endorsement as per Appendix B.

Appendices

Appendix A – Policy for considering applications for Discretionary Rate Relief

Appendix B – List of organisations proposed to receive relief

Appendix C – Retail Discount – Government Guidelines

Appendix D – Retail Discount – Sevenoaks District Council guidelines

Background Papers: None

Adrian Rowbotham

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