

DISCRETIONARY RATE RELIEF

Finance & Investment Advisory Committee – 11 January 2024

Report of: Deputy Chief Executive and Chief Officer – Customer and Resources

Status: For Decision

Also considered by:

- Cabinet 18 January 2024

Key Decision: No

Executive Summary: Formal applications for discretionary rate relief are required every two years, with the last applications being made in 2023/2024. This report sets out the proposals for continuing the awards to current recipients for 2024/2025.

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

Portfolio Holder: Cllr. Maskell

Contact Officer(s): Sue Cressall, Ext. 7041

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Recommendation to Finance & Investment Advisory Committee:

- Members are asked to recommend that Cabinet approve the criteria for granting discretionary rate relief from 1 April 2024, set out in Appendix A.
- Members are asked to recommend that Cabinet approve the proposals for granting relief from business rates for 2024/2025 as set out in Appendix B.

Recommendation to Cabinet:

- Members are asked to approve the criteria for granting discretionary rate relief from 1 April 2024, set out in Appendix A.
- Members are asked to approve the proposals for granting relief from business rates for 2024/2025 as set out in Appendix B.

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

Introduction and Background

- 1 Charities and sports organisations that have charitable status receive 80% mandatory rate relief. 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.
- 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 Prior to 1 April 2024, backdating of discretionary rate relief was restricted and applications could not be considered for any year if made more than six months after the year end.
- 4 This restriction is to be removed, effective from 1 April 2024, and the Council will have the freedom to consider applications for 2023/2024 after 30 September 2024 and backdate any award.
- 5 Discretionary rate relief can be awarded in isolation or given to 'top-up' a mandatory award.
- 6 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
 - 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.

- 7 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.
- 8 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%);
 - Discretionary 'top-up' relief to take total relief up to 100% of the rates bill;
 - Rural rate relief at 50% of rates bill to mandatory rural rate relief recipients;
 - Discretionary rural rate relief at 100% for businesses offering some or all of the service of a Post Office, General Store or food shop which is essential to the community but who do not qualify for mandatory rural rate relief because of the rateable value and
 - Hardship Relief (exceptional cases only and usual award is up to 80%).
- 9 The Non-Domestic Rating Act 2023 and consequential regulations have necessitated changes to the criteria for awarding discretionary rate relief. Revised criteria are set out in Appendix A.
- 10 Since April 2018, in the absence of primary legislation, the Government has required local authorities to use discretionary powers to 'top-up' the 50% mandatory rural rate relief to 100%. Primary legislation has now been amended, meaning that mandatory rate relief cases no longer require a 'top-up'.
- 11 Officers recommend that the revised criteria be approved to take effect from 1 April 2024.
- 12 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

- 13 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.
- 14 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.
- 15 For discretionary rural rate 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.
- 16 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 2024/2025

- 17 Appendix B contains the details of each applicant to be considered for relief for 2024/2025 and recommendations of the level of relief to be applied. All applicants fall to be considered under the criteria set out in Appendix A.
- 18 In the Autumn Statement on 22 November 2022 the Chancellor announced that the small business multiplier would be frozen and the standard multiplier would rise by inflation. Although still subject to final confirmation, it is anticipated that the small business non-domestic rating multiplier will be set at 49.9p and the standard non-domestic rating multiplier will be set at 54.6p.

- 19 The estimated level of relief is based upon the multipliers set out in paragraph 16.
- 20 If applications are approved, the estimated total gross relief granted would be £212,513.
- 21 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

- 22 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.

Key Implications

Financial

- 23 Since 1 April 2013 all discretionary relief granted has come under the provisions of the business rate retention scheme.
- 24 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.
- 25 Appendix B only refers to the gross discretionary rate relief proposed.

Legal Implications and Risk Assessment Statement

- 26 There are no legal issues.

Risk Assessment Statement

- 27 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 Deputy Chief Executive - Chief Officer for Customer and Resources determines any relief to be awarded under delegated authority. These organisations would then apply in the usual way for the next round.
- 28 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

- 29 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.

Net Zero Implications

- 30 The decisions recommended through this paper have a remote or low relevance to the council's ambition to be Net Zero by 2030. There is no perceived impact regarding either an increase or decrease in carbon emissions in the district, or supporting the resilience of the natural environment.

Conclusions

- 31 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

Background Papers

None

Jim Carrington-West

Deputy Chief Executive and Chief Officer – Customer & Resources