

Executive: 20 August 2008

Discretionary Rate Relief Policy

Report of Revenues & Benefits Service Manager

(This matter is the responsibility of the Executive Councillor Francesca Smith)

Executive Summary

The Council, as billing authority for non-domestic rates, should periodically review its policy for granting discretionary rate relief to ensure alignment with the Council's priorities.

This report seeks approval of the Discretionary Rate Relief Policy set out in Appendix A to be effective from 1 April 2009.

1. Background

- 1.1 Taunton Deane Borough Council is the billing authority for national non-domestic rates. The level of rates is set nationally and the Council pays the income it collects into the National Rates Pool governed by the Department for Communities and Local Government.
- 1.2 The Local Government Finance Act 1988 primarily governs rating and contains provisions for mandatory rate relief in certain circumstances and powers for billing authorities to grant discretionary rate relief in defined circumstances.
- 1.3 It is possible for the Council to award mandatory relief **and** discretionary relief concurrently, or to award just mandatory relief or just discretionary relief.
- 1.4 The two types of relief have different implications for the Council. The National Rates Pool meets the costs of mandatory relief in full whereas local Council Tax payers bear the costs of discretionary relief (either 25% or 75%).
- 1.5 All existing awards of discretionary relief will expire on 31 March 2009 (or sooner if there is change of ratepayer).
- 1.6 The indicative cost to Taunton Deane Borough Council of awarding discretionary rate relief in 2007/08, according to the NNDR3 government return, was £45,600. The total value of discretionary rate relief awarded in 2007/08 was £120,583; £74,982 of this was met by the central government NNDR rating pool. Our contribution toward discretionary rate relief awarded in 2007/08 will be paid by the general fund in 2008/09.

2. Discretionary Rate Relief

2.1 Section 47 of the Local Government Finance Act 1988 contains the provisions of Discretionary Rate Relief. Discretionary Relief falls into three categories:

- (a) Relief can be granted as a “top-up” to mandatory relief, but in these cases the billing authority must bear 75% of the cost of the “top-up” as a charge to the general fund.
- (b) Relief can be granted to non-profit making bodies, not entitled to mandatory relief. These allowances are less costly to the billing authority as the national rate pool meets 75% of the relief with only 25% as a charge to the authority’s general fund. Bodies not entitled to mandatory relief to which discretionary relief can be granted are organisations whose main objects are philanthropic, religious, concerned with education, social welfare, science, literature or the fine arts, and to non-profit making clubs, societies or similar bodies whose premises are used mainly for recreation;
- (c) A discretionary power to grant up to 100% rate relief to any business in a qualifying rural settlement if it has a rateable value of no more than £14,000 and it is in the interests of the council tax payers to grant the relief.
- (d) Section 49 of the Local Government Finance Act 1988 gives a billing authority power to reduce or remit business rates payable on a property if it is satisfied that:
 - the ratepayer would suffer hardship if the authority did not do so;
and
 - it is reasonable for the authority to do so, having regard to the interests of people subject to its council tax.

| Discretionary Relief - Cost Apportionment | | |
|---|-------------------------------|------------------------------|
| | Borne by National Pool | Borne by General Fund |
| Charitable bodies “top up” relief where 80% mandatory relief already awarded. | 25% | 75% |
| Rural Settlement “top up” relief where 50% mandatory relief already awarded. | 75% | 25% |
| Non Profit making bodies discretionary relief | 75% | 25% |
| Sports and Social Clubs (not registered as Community Amateur Sports Clubs) discretionary relief | 75% | 25% |
| Hardship discretionary relief | 75% | 25% |

3. Policy Considerations

- 3.1. In developing a policy for granting discretionary rate relief, we have taken several factors into account:
- (a) The Council should seek to aid those non-profit making bodies that provide facilities of benefit to the local community and have limited resources to raise extra finance.
 - (b) The highest level of mandatory rate relief is 80%. Therefore applying a similar normal maximum for discretionary rate relief ensures some parity.
 - (c) Applying a usual maximum award of discretionary relief of 80% retains an accountability link between the Council and the ratepayer. However, there should be provision for special consideration to allow relief up to 100% in exceptional circumstances or where awarding relief up to 100% clearly links to delivering or supporting the Council's objectives and priorities.
 - (d) Exceptional circumstances include cases where payment of the balance of the rates, after deducting the mandatory relief, will risk the future of the business or the organisation or where payment may prevent continuing occupation of the premises concerned, and where the loss of the facility would be against the interests of the community.
 - (e) The special importance of Post Offices to rural communities may merit an award of discretionary relief of up to 50% in Rural Settlements as well as the 50% mandatory rural rate relief such businesses are already entitled to. This will cancel the rate bill in full. Under current legislation, we cannot grant rate relief to Post Offices in non-rural areas except through Hardship provisions.
 - (f) "Top-up relief" to charities, already entitled to 80% mandatory relief, should normally be limited to charities with a strong identity with the Taunton Deane area, where most of the benefits of its charitable activities are felt chiefly in the Taunton Deane Area.
 - (g) Granting relief aids the viability of businesses, particularly in rural areas, and this helps develop sustainable communities and ensures people have access to goods, services, leisure and other opportunities.

Policy objectives

- 4.1 In formulating a discretionary rate relief policy our aim is to have a policy that:
- (a) Is equitable and balances the wider interests of the community with the resources made available by the Council Tax payer;
 - (b) Is clear and transparent;
 - (c) Sets out, as far as possible, objective criteria rather than subjective judgements for the award of discretionary rate relief;
 - (d) Is straightforward to administer;
 - (e) Supports the delivery of the Council's Objectives and Priorities; and
 - (f) Offers stability to those organisations receiving relief.

4. Likely implications

- 4.1. Awards of Discretionary relief need a written application from the ratepayer. We cannot predict the exact future level of applications.
- 4.2. It is however anticipated that based on current claims, the costs borne by the General Fund would remain around the present levels.
- 4.3. **Shops** run by **national** charities, that receive 80% mandatory relief, may pay **more** towards their business rates (20% rather than 10%) as under the proposed policy they would generally no longer receive 10% discretionary relief unless exceptional circumstances exist.
- 4.4. **Shops** run by **local** charities, that receive 80% mandatory relief, may pay **less** rates (nil rather than 20%) as under the proposed policy they would generally receive a further 20% discretionary relief.
- 4.5. **Other premises** occupied by **locally** based charities, that receive 80% mandatory relief may pay **less** rates (nil rather than 20%) as under the proposed policy they would generally receive a further 20% discretionary relief.
- 4.6. **Rural post offices**, entitled to 50% rural mandatory relief are likely to continue to receive a further 50% discretionary relief under the proposed policy (**no change**).
- 4.7. The only **general stores, food shops, pub and filling stations** in a rural settlement will continue to be supported through this policy. These businesses would generally receive 30% discretionary relief on top of the 50% mandatory relief to which they are entitled. They may pay more than presently (20% of their full rates bill rather than nil). However the opportunity exists for an award to be increased to this important group of business where they can demonstrate that exceptional circumstances exist.

5. Recommendation

- 5.1. The Executive is requested to approve the discretionary rate relief policy as set out in Appendix 1.

Contact Officers:

Heather Tiso, Revenues & Benefits Service Manager
01823 356541
h.tiso@tauntondeane.gov.uk

Paul Harding,
Principal Revenues Officer
01823 356567
p.harding@tauntondeane.gov.uk

Taunton Deane Borough Council

Discretionary Rate Relief Policy

1. Objectives

1.1. The objectives of this policy are to:

- (a) Be equitable and balance the wider interests of the community with the resources made available by the Council Tax payer;
- (b) Be clear and transparent;
- (c) Set out, as far as possible, objective criteria rather than subjective judgements for the award of discretionary rate relief;
- (d) Be simple to administer;
- (e) Support the delivery of the Council's Objectives and Priorities; and
- (f) Offer stability to those organisations receiving relief.

2. Granting of Discretionary Rate Relief

2.1. Granting of discretionary relief is delegated to the Chief Finance Officer.

2.2. Ratepayers must apply for discretionary relief in writing, providing enough supporting evidence (such as memorandum of association, charity registration, accounts etc.) to allow the application to be considered.

2.3. The Senior Non-Domestic Rating Officer will consider all applications and will make recommendations based on this policy, on whether to grant an award and if so at what rate.

2.4. The Chief Finance Officer will make the final decision on whether to award rate relief and at what rate. They will decide each case on its merits.

2.5. The Chief Finance Officer may backdate awards to the start of the financial year, or the date the hereditament became liable for rates in the financial year the application was made, whichever is the later.

2.6. Awards of Discretionary Relief will normally be reviewed annually. Revocation of relief will automatically occur on a change of ratepayer. For any other revocation, the Council will give notice at the point it grants relief on the date the award will end.

2.7. Unless exceptional circumstances apply, awards of discretionary rate relief will normally be made up to the limits shown in the following table. Where an award is made above those limits this will generally be confined to the financial year in which the exceptional circumstances arose.

| | Type of organisation/property | Relief |
|---|--|--|
| 1 | Charitable bodies, already entitled to 80% mandatory rate relief where: (a) the majority of the benefits of its charitable activities are felt predominantly in the Taunton Deane area (b) the majority of the benefits of its charitable activities are felt predominantly outside of the Taunton Deane area (c) Public (fee paying) schools | (a) Up to 20% discretionary relief (b) No discretionary relief unless there are exceptional circumstances (c) No discretionary relief unless there are exceptional circumstances |
| 2 | Post Offices in rural settlements entitled to 50% rural mandatory relief | Discretionary “top up” rural relief of up to 50% |
| 3 | The last general store / village food shop in rural settlements, entitled to 50% rural mandatory relief | Discretionary “top up” rural relief of up to 30%, unless there are exceptional circumstances |
| 4 | The last public house in rural settlements entitled to 50% rural mandatory relief | Discretionary “top up” rural relief of up to 30%, unless there are exceptional circumstances |
| 5 | The last petrol filling stations in rural settlements entitled to 50% rural mandatory relief | Discretionary “top up” rural relief of up to 30%, unless there are exceptional circumstances |
| 6 | Businesses in rural settlements, with a rateable value of less than 14,000 (subject to legislative changes) where the granting of relief would be in the interests of the council tax payers in order to maintain the facility | Up to 50% discretionary rural relief subject to clear evidence of the interests of the local community. Higher awards only where there are exceptional circumstances |
| 7 | (a) Non-profit making organisations whose main objects are philanthropic, religious or concerned with education, social welfare, science, literature or the fine arts not entitled to mandatory relief (b) Charity shops, which are <u>not</u> entitled to mandatory relief due to the nature of their stock (% of donated items being less than 50%). | (a) Up to 80% discretionary relief unless there are exceptional circumstances (b) No discretionary relief unless there are exceptional circumstances |

| | Type of organisation/property | Relief |
|----|---|--|
| 8 | <p>Sports and Social Clubs:</p> <p>(a) Community amateur Sports Clubs (CASCs) eligible to be a registered club for the purposes of Schedule 18 to the Finance Act 2002, entitled to 80% mandatory charity relief</p> <p>(b) Voluntary sports clubs which are devoted specifically to the sports or pastimes concerned and are not registered with Her Majesty's Revenue and Customs (HMRC) as a Community Amateur Sports Club (CASC) (where a licensed bar, if present, is ancillary only to the primary use of the premises)</p> | <p>(a) No discretionary relief unless there are exceptional circumstances</p> <p>(b) Up to 80% discretionary relief unless there are exceptional circumstances</p> |
| 9 | <p>Hardship - special consideration will be given if it appears that payment of the rates would place in jeopardy the future of the body or organisation concerned, or be a determining factor in causing occupation of the particular premises to be foregone, and in the judgement of the Council it would be in the interests of its council tax payers to maintain the facility.</p> | <p>Up to 100% discretionary relief providing it is reasonable to do so, having regards to the interests of Council Tax Payers.</p> <p>Subject to business accounts and personal accounts (in the case of a sole trader or partnership) being provided as well as a business plan demonstrating the actions taken/ to be taken by the ratepayer to ensure the future viability of the business</p> <p>Hardship awards will be made for a maximum of a single financial year without review and is intended to be temporary assistance to a viable business in short term difficulties. Hardship relief is not to be used as a financial prop for a failing business.</p> |
| 10 | <p>Educational establishments (schools, colleges, universities etc) which are not charitable trusts and not entitled to mandatory relief.</p> | <p>No discretionary relief unless there are exceptional circumstances.</p> |