

**NON DOMESTIC RATES – DISCRETIONARY RATE RELIEF POLICY**

Relevant Portfolio Holder	Cllr John Fisher
Portfolio Holder Consulted	Yes
Relevant Head of Service	Amanda de Warr
Ward(s) Affected	All
Ward Councillor(s) Consulted	None Specific
Key Decision / Non-Key Decision	Key Decision

**1. SUMMARY OF PROPOSALS**

- 1.1 This policy applies to Non Domestic Rates discretionary relief awarded under the Local Government Finance Act 1988, and subsequent amending regulations.
- 1.2 The Policy aims to set out a fair and transparent approach to the award and review of discretionary relief in Redditch Borough Council, whilst also balancing the needs to protect the interests of local Council Tax and Rate payers.

**2. RECOMMENDATIONS**

**The Executive Committee is asked to RECOMMEND that**

**the Non Domestic Rates – Discretionary Rate Relief Policy and Guidance is adopted.**

**3. KEY ISSUES**

**Financial Implications**

- 3.1 Local Authorities have the power to grant discretionary rate relief to charitable and other non-profit making organisations which meet specific criteria, on top of the mandatory relief that is available.
- 3.2 Following the move to local retention of 50% of non-domestic rates, half of the costs of mandatory, discretionary and hardship relief are now borne by Redditch Borough Council (40%), Worcestershire County Council (9%) and the Fire Authority (1%).
- 3.3 The costs of relief under the Localism Act, excluding all small business rate reliefs which are funded by central Government through Section 31 grants are fully met by Redditch Borough Council.
- 3.4 It is therefore vital that we have a clear policy in place to ensure most appropriate use of funds.

- 3.5 There is no set budget for relief as the cost of awards is based on number and type of applications but the cost to Redditch Borough Council in 2014/15 is estimated to be in the region of £36k.
- 3.6 The costs of mandatory relief and discretionary rate relief are broadly shared between central and local government. In order to manage the financial impact of increases in mandatory and discretionary rate relief we will seek to ensure that the overall costs of mandatory relief do not usually rise from year to year by more than inflation.
- 3.7 The Small Business Rate Relief multiplier is increase on an annual basis by the rate of inflation, the overall yield from Non-Domestic Rates in the council's area will broadly increase by this inflation rate. When the council carry out the annual review of discretionary relief we will profile the predicted costs of mandatory and discretionary rate relief in the forthcoming rates year –excluding any relief for part occupied premises or reliefs under the localism act.
- 3.8 Where the percentage increase in costs of relief is greater than the increase in the small business rate relief multiplier then we may make a proportional reduction to all organisations award of discretionary rate relief.

**Legal Implications**

- 3.9 The policy applies to Non-Domestic Rates discretionary relief awarded under the Local Government Finance Act 1988 and subsequent amending regulations. When making a decision on discretionary rate relief the Council is required under to have regard to any guidance issued by the Secretary of State.
- 3.9 Mandatory Rate Relief can be awarded to Charitable Organisations or Community Amateur Sports Clubs if the property that they occupy is used wholly or mainly for charitable purposes. The relief is currently 80% of the rates payable. The Council has a discretionary power to top up this relief to 100% by awarding up to 20% discretionary relief.
- 3.11 The Council is also allowed to award up to 100% discretionary relief to any organisations which meet prescribed criteria.
- 3.12 The Council is prohibited from awarding discretionary rate relief to a precepting authority or to itself as a billing authority.
- 3.13 Premises that are partly occupied can receive discretionary relief.. This is a process whereby a request can be made to the Valuation Officer to apportion the rateable value of a property so that the occupier may benefit from any exemption for the unoccupied area.
- 3.14 There is relief available for certain rural premises to include; for the sole; post

office, general store, public house, or petrol filling station within a rural settlement, or for any food store within a rural settlement.

- 3.15 European Competition rules prohibit Government subsidies to businesses and for this reason relief from taxes, including relief from Non-Domestic Rates, can constitute State Aid. Consideration as to whether the award of a relief constitutes State Aid must be made when any discretionary relief is awarded. Relief for charities and non-profit making bodies would not normally constitute state aid because the recipients are not normally in market competition with other businesses. However, if the charities or non-profit making bodies are engaged in commercial activities, or if they are displacing an economic operator, or if they have a commercial partner, then rate relief could constitute State Aid and European Union rules will apply.

**Service / Operational Implications**

- 3.16 Councils are required to give at least 12 months' notice of any variation of a Discretionary Rate Relief award. As such all recipient organisations were advised In March 2013 that a review of all awards would be taking place in 2014/15, giving them the opportunity to re-apply.
- 3.17 Non Domestic Rates bills were issued excluding any potential award and advice provided that awards would be determined as soon as possible in the new financial year.
- 3.18 Delays in guidance resulted in a delay in producing the revised policy. However, transitional arrangements are proposed for 2014/15 where a reduction in relief occurs.
- 3.19 The Policy sets out clear criteria for relief and levels of relief to ensure transparency

**Customer / Equalities and Diversity Implications**

- 3.20 No specific group is adversely affected by this policy.
- 3.21 There is likely to be some changes to the level of relief provided to some organisations and officers will provide advice and guidance to those effected to establish whether there are other options available.

**4. RISK MANAGEMENT**

- 4.1 Failure to have a clear, equitable and transparent Discretionary rate relief Policy in relation to Non Domestic Rates increases the risk of challenge through Judicial Review.

- 4.2 The policy aims to mitigate the financial risks and helps to ensure that funds available for the awards of relief are used in the most efficient manner and that organisations receiving relief support the Council's Strategic Purposes.
- 4.3 The Policy reduces the risk of inconsistencies in the awarding of relief.
- 4.4 Failure to have a clear policy risks reputational damage

**5. APPENDICES**

Appendix 1 - Non Domestic Rates – Discretionary Rate Relief Policy and Guidance

Appendix 2 - Comparison of Potential Levels of Relief Following Changes to Rate Relief Guidance

**6. BACKGROUND PAPERS**

Local Government Finance Act 1988

Local Government Finance Act 1997

Localism Act 2011

European Competition rules.

**AUTHOR OF REPORT**

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