

# Southend-on-Sea Borough Council

Agenda  
Item No.

## Report of Corporate Director Support Services

to

Cabinet

On

6<sup>th</sup> November 2012

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Report prepared by: Christine Lynch, Revenues Manager

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### Business Rates Relief Policy 2012/13

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**Economic and Environmental Scrutiny Committee**  
**Executive Councillor: Councillor Nigel Holdcroft**

*A Part 1 Public Agenda Item*

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## 1. Purpose of Report

To brief members on the changes as part of the Localism Act 2011 that impact on the powers we have to award relief to Non Domestic rate payers from 1<sup>st</sup> April 2012 and to consider the Council's position for 2013/14.

## 2. Recommendation

It is recommended that the existing policy for Discretionary relief is retitled "Business Rates Relief Policy" and further updated as follows as in line with Appendix C;

- To include reference to the changes under the Localism Act 2011;
- To include reference to the limitation by budget provision;
- Agree that no additional discretion groups will be defined under the new powers in 2012/13.

## 3. Background

3.1 The Localism Act 2011 introduced a new power for local authorities to be able to grant discounts on business rates as they think fit, provided they are funded locally. Previously relief could only be granted in specific circumstance for example in cases of hardship or topping up mandatory relief for charitable organisations. This paper explains the existing arrangements and the implications of the new powers.

3.2 The existing relief policy is attached at Appendix A.

## **4. Existing relief arrangements**

### **A. Mandatory Relief**

#### **Charities**

4.1 Charities or trustees of a charity are entitled to an 80% reduction in their business rates if the property they occupy is wholly or mainly used for charitable purposes. This is fully funded by Central Government.

4.2 To qualify for Mandatory Rate Relief, the organisation will normally have to be registered as a Charity with the Charity Commission. However some organisations that are exempt from registration may also qualify, such as;

- Scout Groups / Girl Guide Groups.
- Voluntary Aided Schools.
- Societies registered under the Friendly Societies Act.

4.3 Relief can also be granted to charity shops, however the charity will only qualify for relief if:

- the shop sells wholly or mainly donated goods; and
- the proceeds are used for the purpose of the charity

4.4 For unoccupied properties owned by Charities or trustees of a charity, mandatory relief can be awarded where it is evident that when next in use, the property concerned will be used wholly or mainly for charitable purposes.

#### **Community Amateur Sports Clubs (CASC`s)**

4.5 Any sports club that is registered with HM Revenues and Customs as a Community Amateur Sports Club (CASC`s), will be entitled to rate relief for the premises they occupy, provided that those premises are used wholly or mainly for the purposes of the club.

4.6 If the club meets the above criteria, then the annual business rates bill for the club will be reduced by 80%. This is fully funded by Central Government.

### **B. Discretionary Relief**

4.7 This is made under NNDR (Discretionary Relief) Regulations 1989

4.8 There are 2 ways in which Discretionary Rate Relief is granted:

- To “top-up” mandatory relief already awarded to charitable organisations that already receive 80% Mandatory Relief that is fully funded by the Government. This discretionary top up of 20% is 25% centrally funded and 75% funded by Southend-on-Sea BC and approximately 60 Registered Charities receive the relief.

- An award of up to 100%, based on various criteria. This relief is 75% centrally funded and 25% funded by Southend-on-Sea BC. The relief in these cases is 50% of the charge and 6 non profit making organisations currently receive the relief.

4.9 The Council funding is currently met from the budget for Grants to the Voluntary Sector, which contains a defined sum specifically for NNDR discretionary relief. In 2011/12 the Council's actual spend was approximately £45k against a budget of £51k.

### **Hardship Relief**

4.10 This is under section 49 Local Government Finance Act 1988.

4.11 The Council has a discretionary power to remit all or part of the rate bill for a ratepayer who can show the following:

- The business would suffer hardship if relief was not granted.
- It is in the interests of Council Tax payers for relief to be granted.
- It is seen as a temporary measure only.

4.12 The NNDR Pool will bear 75% of any hardship write off and 25% has to be borne by Council Tax Payers.

4.13 The Council has not awarded Hardship Relief in any recent financial year, although 2 requests for relief were considered in 2011/12. There is currently no budget available for Hardship Relief.

### **Small Business Rates Relief**

4.14 It is worth mentioning the assistance that is currently available to business for all those with a Rateable Value below £6k, no rates are payable, and for those with RV up to £18k reduced rates are also payable. This scheme has been fully extended into 2012/13 with reduced bureaucracy linked to applying ie it will more or less be awarded automatically. This will substantially ease rates burden on all small businesses. This relief is also fully funded by Central Government.

## **5. Proposed Changes under Localism Act from 1.4.2012**

5.1 The above arrangements that are partially funded by the NNDR pool will remain unchanged. However, the Localism Act Section 69 amends section 47 of the Local Government Finance Act 1988 to replace the limited circumstances in which local authorities can currently give discretionary relief with a power to grant relief in any circumstances.

5.2 The source of funding which was used to pay for discounts would also be left to their discretion, but, crucially, other things being equal, the total contribution of business rates from any local authority to the national pool would be unchanged by the introduction of a business rates discount. Billing authorities would be given the power to offer discounts and the ultimate responsibility for funding them. However, precepting authorities would be at liberty to propose candidates for discounts and contribute towards the costs where necessary.

## **6. Implications for the Council**

6.1 Since the new policy does not place a requirement on local authorities to provide discounts but simply enables them greater powers over whether or not they do, the extent of the costs is sensitive to the exact use of these powers.

6.2 The actual cost of the relief should it be awarded is very difficult to determine as it would depend of the circumstance that relief is granted and for how long. Given that those with RV below £10k currently receive between 100% and 50% relief and those with RV up to £20K pay at reduced amount, Councils could probably look to offer assistance to those that fall outside of these categories.

6.3 The cost of providing the discounts themselves is met by the local authorities that provide them and transferred to recipient ratepayers directly as a benefit. The local authority will have to pass the costs on to the residents, unless they can either raise enough revenue from other sources e.g. local retention of business rates revenue or through efficiency savings. There would be administrative costs for local authorities as a result of calculating and issuing discounted bills. The cost of providing those discounts would fall entirely on to the local authorities that chose to implement them.

6.4 The scope for passing costs on to residents is limited because the Government has introduced referendums to allow local people to veto excessive council tax increases. Councils who wish to increase their council tax above 2% in 2013/14 will trigger a referendum.

## **7. Conclusion**

7.1 A brief review of other Essex Authorities has indicated that the present spending reviews are prohibitive to allowing further discretionary relief, and many are looking to reduce existing expenditure which is already partly funded. There is therefore likely to be little appetite for a reduction that is fully funded by the Council.

7.2 The Council will have to consider how it intends to both raise the funds and apply the new relief very carefully. There is no provision within the existing budget for additional relief to be granted to any organisations not covered under the existing policy.

7.3 At this stage, in the context of the anticipated tight Government Settlement and the consequent squeeze on the General Fund revenue budget, the existing Policy is deemed sufficiently focused on the Council's priorities, and the recommendation is that no changes are made to the detail of the policy in 2012/13.

7.4 However, it is recommended that a full review of the policy is undertaken in consultation with other Essex authorities once the full details of the Business Rates Retention Scheme are released to the Council for 2013/14. In the meantime, an addendum to the existing policy is inserted to make reference to the immediate changes introduced by the Localism Act from 1<sup>st</sup> April 2012.

## **8. Other Options**

To introduce further categories for discretionary relief as requested to any rate payer that will be fully funded by the Council.

## **9. Reasons for Recommendations**

There is no budget for further relief and there are sufficient provisions with existing legislation for awarding other types of assistance. Furthermore under the Business Rates Retention proposals the financial arrangements for Local Government will be completely changed and the Council will need to review its policy on relief for 2013/14.

## **10. Corporate Implications**

### **10.1 Contribution to Council's Vision & Corporate Priorities**

A Business Rates Relief Policy enables the Council to administer a sound financial arrangement in this area.

### **10.2 Financial Implications**

None if no relief is granted. However, the position on reliefs granted and their consequent financial cost will need to be carefully monitored and addressed as necessary in each year's budget process as relevant.

Appendix B attached shows the different categories of relief and the current funding arrangements in 2012/13.

### **10.3 Legal Implications**

Clause 69 amends section 47 of the Local Government Finance Act 1988 to allow local authorities to reduce the business rates of any local ratepayer (not just those who can currently be granted discretionary relief). Central Government will, however, continue to part fund discretionary reliefs in the same circumstances and to the same degree as in previous years. Local authorities will be responsible for fully funding any other discounts granted.

#### 10.4 People Implications

See main body of report.

#### 10.5 Property Implications

See main body of report.

#### 10.6 Consultation

Unlike the Local Council Tax support scheme there is no legal requirement for public consultation on the scheme.

#### 10.7 Equalities and Diversity Implications

Any changes to the level of relief would be included with the 2013/14 budget process and part of this an Equalities Impact Assessment undertaken.

#### 10.8 Risk Assessment

There are no specific implications as a result of this report.

#### 10.9 Value for Money

There are no specific implications as a result of this report.

#### 10.10 Community Safety Implications

There are no specific implications as a result of this report.

#### 10.11 Environmental Impact

There are no specific implications as a result of this report.

### 11. Background Papers

Localism Act 2011

[www.legislation.gov.uk/ukpga/2011/20/contents/enacted](http://www.legislation.gov.uk/ukpga/2011/20/contents/enacted)

### 12. Appendices

Appendix A - Discretionary Rate Relief Policy – December 2008

Appendix B – Business Rates Relief – Range of Reliefs

Appendix C - Addendum to Existing Policy