



Committee and Date

Cabinet

4 July 2018

**REVIEW OF NON DOMESTIC RATES DISCRETIONARY RELIEF AND COUNCIL TAX DISCRETIONARY DISCOUNTS**

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## **1. Summary**

- 1.1 The Authority has responsibility for the collection and administration of Business Rates and Council Tax revenues. There is complex legislation detailing how the amount due from Business Rates and Council Tax is calculated. Within the legislation and government guidelines, the Local Authority has certain discretions to award reliefs and discounts in certain circumstances. The current Business Rate Relief and Council Tax Discretionary Discount Policy was last considered by Council on 14 May 2015. At this time there was a commitment to review the policy every three years.

## **2. Recommendations**

- A. Members are asked to approve the Discretionary Relief Policy set out in appendix A.
- B. The Council Policy for Discretionary Business Rates and Council Tax reductions should be reviewed by every three years.

## **3. Risk Assessment and Opportunities Appraisal**

- 3.1 The authority has a statutory duty to bill and collect business rates. Prior to the introduction of the Rates Retention scheme on 1 April 2013 the way the cost of relief was met by Shropshire Council and the Government depended on the type of relief being awarded. Under the rates retention scheme the Authority bears the cost of 49% of any business rate relief awarded. This is detailed in the policy attached.

## **4. Financial Implications**

- 4.1 With effect from 1 April 2013, under the arrangements for Local Business Rate Retention, the cost of discretionary Business Rate Reliefs is split between the Government (50%), Shropshire Council (49%) and the Fire Authority (1%). The total cost of discretionary relief is currently £1.172m. The cost of discretionary relief awarded in the attached policy is therefore funded 49% by Shropshire Council and the Council Tax payer, at a cost of £0.574m.
- 4.2 The amendments proposed within this report would reduce discretionary Business Rates relief in total by a minimum of £0.277m. One element of the proposed amendments relates to Social Enterprises and the financial implications of this cannot be quantified at this stage. The current cost of this discretion is £0.297m. The proposed amendments would result in a saving to Shropshire Council of approximately £0.136m, excluding the yet to be quantified impact of Social Enterprises.
- 4.3 The Government are proposing increasing rate retention for Unitary Authorities to 75%. The cost of any discretionary relief to Shropshire Council will increase if the percentage of rates collected retained locally increases.
- 4.4 There are no financial implications in any reliefs awarded following Autumn Statement announcements as these are all 100% funded by grants under Section 31 of the Local Government Finance Act 2003.

## **5.0 Background**

- 5.1 The Rate Relief Policy for Shropshire Council was agreed by Cabinet on 21 July 2010. The aim was to bring together the most common award elements from the policies that had been in operation from the previous five districts.
- 5.2 The policy was amended by cabinet on 14 December 2011 to award 100% discretionary rate relief to Social Enterprises under certain conditions, and 20% discretionary top-up relief that Charity Shops that evidence that 90% of their gross profit is invested in the local community.
- 5.3 The policy was last reviewed by Council on 14 May 2015. No further amendments were made to the policy at that time.
- 5.4 A link to the current policy is given below:
- <http://shropshire.gov.uk/committee-services/documents/s7432/12%20Review%20of%20business%20rates%20relief%20-%20FINAL.pdf>
- 5.5 In March 2018 letters were sent out to all businesses that qualified for discretionary business rate relief at that time under the current policy, to advise them that the policy was to be reviewed during 2018. Sending these letters also provided the statutory financial years notice for any changes to

entitlement to discretionary rate relief that may result from the new policy. Members have been made aware of the review, and Cabinet have been presented with current costings and options going forward.

5.6 As a result, the following amendments to the current policy are recommended, which will take effect from 1 April 2019.

- Qualifying criteria for discretionary top up relief (for charities that already receive 80% mandatory relief) that provide a benefit to the local community to be more clearly defined, and awarded in respect of the following types of organisation:
  - o Scouts, guides, cadets and youth clubs
  - o Museums
  - o Drop in/advice centres
  - o Nursery/pre-schools
  - o Sports/community centres providing sporting leisure facilities to the general public with no membership requirement
  - o Organisations that provide care and support to vulnerable people
  - o Organisations providing animal welfare, advancement of religion or the arts.

The net result of this amendment would be to remove the additional 20% top up relief for those Housing Associations that qualify for 80% mandatory relief. The estimated saving would be £97,000 (£47,530 to Shropshire Council).

- Continue to award top up relief to Community Amateur Sports Clubs (CASCs) and Charity Shops (under certain conditions)
- Remove discretionary rate relief to Sports Clubs that are not registered as CASCs. The estimated saving would be £180,000 (£88,200 to Shropshire Council).
- Amend qualifying criteria for Social Enterprises/Community Interest Companies that are non-profit making, to only award relief where there is no provision to remunerate the directors of the company. It is not possible to estimate the cost saving of this change as qualification for relief under the new criteria would have to be established by the Business Rates Team undertaking a full review which would take place in the autumn.
- Continue to award relief to village halls and similar charitable organisations without bars where the emphasis is on recreational activity rather than social activity.

5.7 Shropshire Council's Council Tax Support Scheme was amended in 2018 with the introduction of a minimum 20% payment for all working age claimants. This has led to an increase in requests for discretionary council tax discount (discretionary discounts can be awarded in accordance with Section 13A of the Local Government Finance Act 1992). This element of the policy has been expanded slightly to provide clarification to potential claimants of the process that we will follow when considering requests for discretionary discount, and the appeal process. Discretion to award council tax discounts,

as well as other general discretions, continue to be delegated to the Council's Section 151 Officer.

- 5.8 The full proposed Discretionary Rate Relief policy is at Appendix A. A summary of the award criteria is on page 11 of the policy.
- 5.9 An Equality and Social Inclusion Impact Assessment (ESIIA) has been completed and the result is that this change is not likely to have an adverse impact on any particular group. The ESIIA is at Appendix B.

## 6 Consultation

- 6.1 It is proposed to undertake a consultation exercise over a period of six weeks which would enable a final decision to be taken at the full Council meeting on 20 September 2018. The business rates team would then undertake a full review of entitlement against the agreed criteria during the autumn, to enable bills to show the correct amount of relief for 2019-20 billing in March 2019.

<b>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</b>
N/A
<b>Cabinet Member (Portfolio Holder)</b> Councillor David Minnery
<b>Local Member</b> N/A
<b>Appendices</b>  Appendix A - NNDR Discretionary Rate Relief and Council Tax Discretionary Discount Policy  Appendix B - Equality and Social Inclusion Impact Assessment