

TELFORD & WREKIN COUNCIL

CABINET - 27th MARCH 2014

DISCRETIONARY RATE RELIEF / DISCOUNT FOR BUSINESS RATES AND COUNCIL TAX

REPORT OF THE ASSISTANT DIRECTOR: CUSTOMER SERVICES

LEAD CABINET MEMBER – CLLR BILL McCLEMENTS

PART A) – SUMMARY REPORT

1. SUMMARY OF MAIN PROPOSALS

- 1.1 The Local Government Finance Act of 2012 introduced changes in April 2013 to allow 49% of business rates to be retained locally by the Council, 1% by the Fire Authority, and 50% by the Government. Prior to April 2013, the Council billed and collected business rates on behalf of the Government.
- 1.2 The award of discretionary relief was introduced by the Local Government Finance Act of 1988 which permitted the award of a reduction in business rates in limited circumstances at the Billing Authority's discretion. Discretionary Relief Guidelines, introduced in 1988 and last updated in 2010 have been revisited and refreshed as a result of the changes to business rates and the requirement to ensure our current guidelines remain fit for purpose.
- 1.3 Despite the economic climate, which has seen rate relief cut by a number of other councils, we have taken a conscious decision to continue to support our local Charities and community groups who actively contribute to our community by continuing to provide them with rate relief in recognition of the excellent work that they do. The new guidelines also reflect the principles set out in the Council's Business & Development Charter to incentivise and support major business growth and inward investment within our Borough.
- 1.4 These revised guidelines have been written having an appreciation of the discounts, exemptions and reliefs currently available under the existing national legislation and now include the additional changes announced in the recent Autumn Budget Statement. The new reliefs become effective from April 2014 and bring in an estimated £500,000 additional support into our borough benefitting approximately 600 businesses based in Telford & Wrekin. The new reliefs include:-
- An increase in RPI inflation limited to 2%
 - £1,000 discount for all retail, pubs and cafes with rateable value below £50,000 for 2 years
 - A continuation of the doubling of small business rate relief until April 2015, and allowing businesses to keep their entitlement to small business rate relief for a year where they take on another property

- New occupiers of former retail premises which have been unoccupied for a year will receive a 50% discount for 18 months

1.5 The revised guidelines for granting of discretionary rate relief for businesses and awarding discretionary Council Tax Discounts are outlined in both Appendix 1 and 2 of this report. The report also seeks to gain approval for a revised appeals process for those dissatisfied with the outcome of our decision to grant or otherwise outlined in Section 8 of this report.

2.0 RECOMMENDATIONS

- 2.1 That the proposed refreshed guidelines for awarding discretionary Council Tax discount in prescribed circumstances be considered and approved as detailed at Appendix 1 to take effect from April 2014**
- 2.2 That the refreshed guidelines for the granting of discretionary rate relief for businesses be considered and approved as detailed as Appendix 2 to take effect from April 2014.**
- 2.3 That the refreshed process for appeals is approved where a ratepayer or taxpayer is dissatisfied with the decision made.**

3.0 OVERVIEW

- 3.1 Increasing the total value of business rates delivered by supporting our existing businesses to grow and attracting new investment is key to the Council's budget strategy. As a business supporting, business winning Council we are committed to making investment in the Borough as easy and attractive as possible. These revised guidelines reflect the principles set out in the Council's Business & Development Charter and compliment the approach being taken to incentivising and supporting major business growth and inward investment.
- 3.2 In February 2013 the Council published a Business & Development Charter, cutting regulatory red tape and outlining the opportunities for investors arising from the Council's management of all major employment land assets across the Borough. Since these were put in place the Borough has seen a growing number of planning applications and approvals and a significant increase in sales of publically owned employment land to both investors coming in to the Borough and major expansions by existing companies. This has already delivered in excess of 165 new jobs with some 130 more in the pipeline and further new inquiries from within and outside the Borough. Alongside this the Council launched its free, tailored business support service which has already brought in over £400,000 in grant for local businesses, with Business Support Officers working on detailed propositions with over 100 companies at any one time. Through the Talking Business e newsletter, events and calls the Team are in touch with in excess of 2,500 business contacts and growing which is more than double the amount of contacts when compared to 6 months previously.
- 3.3 A recent survey of 2,000 local companies shows a high degree of business confidence with 49% of businesses projecting increasing turnover within the next 2-3 years

4.0 SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Co-operative Council priorities?	
	Yes	Protect and create jobs as part of a “business supporting, business winning council.”
	Will the proposals impact on specific groups of people?	
	Yes	These proposals will have a positive impact on businesses including charitable organisations within the Borough.
TARGET COMPLETION/ DELIVERY DATE	<i>All existing awards to be reviewed by 31st March 2015</i>	
FINANCIAL/ VALUE FOR MONEY IMPACT	Yes/No	<p>The total discretionary relief awarded for Business Rates is £225k. The cost to the Council of this is £110k (49%). Of the total discretionary relief awarded £211k relates to charities.</p> <p>The revised guidelines will limit the award of charitable relief to a maximum of £2000 per organisation.</p> <p>Discretionary discounts awarded for Council Tax result in reduced council tax income for the Authority. The amount of discount currently awarded in respect of this financial year is approximately £2K, although a total of £3.3k has been awarded in previous years. It is not anticipated that the refreshed guidance will result in any major change to the level of discretionary relief awarded each year.</p>
LEGAL ISSUES	Yes	<p>The Council can award discretionary Business Rate relief under the Local Government Finance Act 1988. The guidelines in respect of the same have been updated.</p> <p>Similarly The Council can award Council Tax discount in certain prescribed circumstances under the Local Government Finance Act 1992. The guidelines in respect of the same have been updated.</p>
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	£1,000 discount for all retail, pubs and cafes with rateable value below £50,000 for 2 years (included in the discretionary policy). It is estimated that there are approximately 600 businesses that may benefit from this discount which would result in £500,000 worth of discounts being awarded.
IMPACT ON SPECIFIC WARDS	No	

PART B) – ADDITIONAL INFORMATION

5.0 INFORMATION

5.1 Council Tax

- 5.1.1 The Council has discretion to reduce the Council Tax charge for individual properties or classes of property, and thus allows Councils to introduce local discounts which are not already covered by the national discount and exemption scheme. The loss in Council Tax revenue as a result of the award of such a discount has to be met in full by the Council.
- 5.1.2 The proposed guidelines are a refresh of the existing guidelines which work well alongside the Council Tax Hardship Policy which provides support to taxpayers who are in financial difficulties.
- 5.1.3 The guidelines take into account the following factors:
- A vacation of a property due to an external environmental factor beyond the applicant's control i.e.: flood
 - Significant upheaval as a result of an environmental factor beyond the applicant's control
 - Other exceptional circumstances

5.2 Business Rates

- 5.2.1 Property valuations are undertaken by the Valuation Office and as such the Council has limited control over the setting of business rates. Under existing legislation the Council is able to retain 49% of business rates and business rates growth with 1% going to the Fire Authority and the remainder going to Central Government. The retention of a proportion of business rates locally is intended to encourage Local Authorities to support business growth and replaces grant formally paid directly to Council's to support services. Increasing business rates and their collection is therefore a key element of the Council's budget strategy.
- 5.2.2 We already offer a range of business rate relief and exemptions which are intended to support and incentivise business and protect and maintain services to the community. The proposed changes recognise the economic challenges facing business and the short term impact on productivity from expansion or relocation. The proposals also seek to focus the use of discretionary relief for the charitable and non profit sector for those businesses, who contribute directly to the Council's priorities and to their local community.
- 5.2.3 Relief for empty properties is mandatory for a maximum period of 3 months for non industrial premises, and 6 months for industrial premises. However, relief on partly empty properties, introduced by the Local Government Act 1988, S44a, is available at the Council's discretion. The revised guidelines continue to propose that assistance is awarded to businesses where there is a short term practical or financial difficulty associated with the occupation or vacation of the premises. This might include where a business is (re) locating or expanding and there is a

reduction in productivity or interruption to business due to the move or building/plant upgrade.

5.2.4 Hardship relief, introduced by the Local Government Finance Act of 1988, S49, is a discretionary power available to Councils to relieve short term hardship for a ratepayer. In considering applications the Council must have due regard for the interests of the Council Tax payers of the Authority including the costs to the community and the benefit or disadvantages of awarding Hardship Relief. The guidelines detail the information required to support an application. There must be evidence of hardship i.e.: a severe loss in trade (evidenced by business accounts) however the business must be viable and it must be of benefit to the Borough. This provides for individual discretion; each application being considered on it's own merits.

5.2.5 Registered charities are automatically entitled to 80% mandatory relief from their business rates as per national government regulations. Discretionary powers however were introduced by the Local Government Finance Act of 1988, S47. The previous guidelines for discretionary charitable relief (20% top up, or up to 100% purely discretionary relief) were generously applied within Telford and Wrekin to charitable and not for profit organisations throughout our Borough and will continue despite the challenging financial climate. The proposed guidelines consider applications favourably for organisations where the facilities provided by the organisation will allow the Council to invest in services elsewhere i.e.: the services that it provides enables the Council to divert resources that would have been used in this area into another service. We will also consider favourably where the organisation concerned makes a measurable contribution to the community, for example through training provided to members of the organisation or residents, creation of jobs or investment being made into the Borough.

5.2.6 49% of all discretionary relief is now funded by the Council. Under the current guidelines, the following are currently being awarded in respect of charitable rate relief:

<u>Current Award Category</u>	<u>No. Of Accounts</u>	<u>Amount of relief awarded</u>
Disadvantaged Groups	50	£73,120.40
Public Halls & Community Centres	35	£33,696.30
Credit Halls	3	£3,975.24
Culture	27	£92,643.61
Children and Young people	35	£18,665.76
Misc	2	£18,665.76
Total		£225,071.31

5.2.7 The revised guidelines will limit the award of charitable relief to some national charities who currently benefit from business rate relief limiting the award of relief to £2000 per organisation.

5.2.8 The Charitable Discretionary Relief scheme will not be awarded in the following circumstances:

- Properties used for storage
- Housing Associations
- Schools and other educational establishments

5.2.9 Community Amateur Sports Clubs (CASC's) are also entitled to 80% mandatory relief. An additional 20% is available in discretionary relief, as introduced by the Local Government Act of 2003, S64. The proposed guidelines will now take into account the following factors:

- Extent of membership within the Borough
- Extent of education / training provided
- The benefit of the CASC to the community
- Provision of facilities to others

5.2.10 Mandatory Rural Rate Relief of 50% is awarded to businesses within a defined rural settlement with a population of less than 3000. An additional 50% top up relief can be awarded in discretionary relief, as introduced by the Local Government Finance Act of 1988, S47.

6.0. Under the Localism Act, new powers have recently become available to local authorities to use discretionary relief in the following ways which will be fully reimbursed by the Government for 2014/15 and 2015/16:

- Properties with a rateable value under £50,000 which are used wholly or mainly as shops, restaurants, cafes and drinking establishments will receive up to £1000 relief.
- Retail properties which have been empty for 12 months and become occupied will receive 18 months relief.
- Discretionary relief will also be fully reimbursed by the Government for newly built properties which remain empty for 18 months. This applies until September 2016.

7.0 Appeals

7.1 All unsuccessful applicants will receive a letter detailing the reasons why their application has not been successful. If the ratepayer is dissatisfied with this decision, they can appeal in writing. An appeal should be received in writing within 4 weeks of the date of the decision regarding the award or refusal of a discretionary relief. The appeal letter should detail the reasons for the appeal and also provide any additional supporting information which may assist the decision maker in support of the appeal. Requests for appeals will be considered against unsuccessful applications or against the level of discretionary rate relief awarded where a partial awarded has been granted.

7.2 Appeals will be dealt with by an Assistant Director, and the decision will be notified within 14 days of a decision being made.

7.3 Where the ratepayer or taxpayer remains dissatisfied with the decision, the appeal route is by way of judicial review.

7.4 Rates will remain payable as demanded whilst applications for relief are being considered.

8.0 PREVIOUS MINUTES

Cabinet - NDR Discretionary relief – 11th February 2002

Cabinet – Council Tax Discretionary Discount and NDR Discretionary relief – 23rd March 2010

9.0 BACKGROUND PAPERS

Appendix 1: Council Tax discretionary discount guidelines

Appendix 2: NDR discretionary relief guidelines

Report prepared by Sophie Lane, Revenues Service Delivery Manager. Telephone: 01952 383832