

REVENUES AND BENEFITS SERVICE

The Council's Policy on Non-Domestic Rates Discretionary Rate Relief

2018/2019

Sandwell MBC

Policy and Criteria on Discretionary Rate Relief

Introduction

Discretionary Rate Relief (DRR) allows a reduction in National Non Domestic Rates of up to 100% where certain provisions are satisfied. The decision to grant or not grant relief is a matter purely for the authority.

The Revenues and Benefits Service works closely with the Voluntary Sector Funding Team to administer this policy.

The Council recognises the important role played by the Voluntary Sector in Sandwell, not only in the area of service delivery, but also as an indicator of civic engagement and the health of the social fabric of the borough.

The regulations relating to DRR can be found in Section 47 of the Local Government Finance Act 1988 (as amended).

Registered charities, registered friendly societies and community amateur sports clubs automatically qualify for a mandatory reduction to their rates bill of 80%. The Council is able to consider granting DRR to these organisations on the remaining 20%.

DRR enables the Council to support a wide range of voluntary and community groups in Sandwell, providing a significant reduction to an organisation's running expenses.

Charity and non-profit making organisations

Sandwell needs a healthy Voluntary Sector, particularly local voluntary and community organisations. This supports citizens of the borough by providing:

- **Local community based services** – many voluntary and community sector organisations are community based and may therefore be better able to work with harder to reach groups. This complements the Council's town and neighbourhood based approach to service delivery
- **Choice** – by supporting voluntary and community sector organisations the Council hopes to provide a greater choice for local people in terms of the services they are able to access
- **Independence** – voluntary and community sector organisations are independent bodies and are often well placed to take on a campaigning or advocacy role on behalf of local people, providing an important challenge role for the Council

- **Opportunities for people to participate** – as volunteers as well as service users
- **Specialist services** – many voluntary and community sector organisations develop specialism's around the particular needs of a client group

Definition of terms

Voluntary organisation:

A formal organisation run by a management body made up of volunteers who are engaged in that activity for environmental, economic or social good.

Community group:

A community organisation is a less formally organised body run by a management body made up of volunteers who are engaged in that activity for environmental, economic or social good.

Who Can Apply?

The following organisations could apply for DRR:

- Charities (including charity shops that are rate payers, occupying premises used for charitable purposes).
- Non profit organisations (that are not charities but the objectives of which are 'charitable', 'philanthropic' or religious, or concerned with education, social welfare, science, literature or the fine arts' or who use the premises mainly for recreation).

Examples of these organisations include:

- Voluntary organisations
- Community groups
- Tenants and residents groups
- Faith groups
- Housing Associations
- Co-operatives and social enterprises (that are set up to benefit of the public at large rather than its members)
- Sports organisations
- Mutuals
- Grant making trusts.

Eligibility Criteria

To be eligible for DRR organisations must occupy the property for which they are seeking DRR and:

- used for the purposes of delivering the organisations' objectives to benefit citizens of Sandwell.
- be based in or delivering services in Sandwell
- be non-governmental
- be value driven, for the social good
- be non party political
- not use profit that is normally reinvested into the organisation, to pay management a salary
- reinvest at least 50% of their financial surpluses for community benefit in Sandwell. Regional and national organisations will need to reinvest at least 50% of their financial surpluses that arise from their work in Sandwell for community benefit in the borough.
- not be funded directly from taxation by any government department or agency in the provision of any function under any statutory duty

Levels of DRR

Organisations that meet the requirements of this policy and criteria, in receipt of 80% mandatory rate relief, will receive a top up of 20%. All other successful applicants will receive 100% discretionary rate relief.

Effective Date of DRR Award

Organisations have to apply for DRR every year. Applications can be submitted at any point during the financial year 1 April – 31 March. However in order for DRR to be shown on the first bill of the year applications must be submitted prior to 31st January. If an application for the **previous** financial year is received in time for it to be assessed by 30th September, any rate relief granted will be backdated to 1 April of that financial year or the date at which the premises were first occupied if this is later.

For example:

An application for 2015/16 (covering the period 1 April 2015 – 31 March 2016), is received by the Council in time for it to be assessed and approved before 30 September 2015, then DRR would be backdated to 1 April 2015.

How to Apply

Applications for DRR must be made using the authority's application form which is available on the Council's website **www.sandwell.gov.uk**.

All applications under this policy will be considered by the Assistant Chief Executive.

Unsuccessful DRR Applications

There is no legal right of appeal against the Council's use of discretionary powers. However, the Council will accept a customer's request for a re-determination of its decision.

If an application for DRR has been refused, applicants have the opportunity to request a re-determination. All requests must be made in writing, within one month of the Council's decision. Requests will be considered by a panel of 2 officers who were not involved in the original decision.

If an unsuccessful applicant decides to make a request for re-determination they will still need to continue to pay their business rates. If the request is successful, an amended bill will be issued.

Changes Introduced by the Localism Act 2011

Section 69 of the Localism Act 2011 amends Section 47 of the Local Government Finance Act 1988. The changes came into effect from 1st April 2012 and extended the existing provision relating to the granting of DRR.

From 01 April 2012 any ratepayer may apply for this relief. The costs of such relief is borne solely by council tax payers of the borough, therefore it is essential that relief is only given to those ratepayers who will bring significant benefit to the area.

The amount of relief granted is not fixed and will be dependant on the individual circumstances of each application.

To be considered the ratepayer must meet all of the following criteria:

- The ratepayer must occupy the premises
- The ratepayer must be relocating from outside Sandwell, or where already existing within Sandwell must operate within one of Sandwell's priority sectors, namely: -
 - Diversified manufacturing; including high value added engineering, food production, offsite construction and health products
 - Business, financial and customer services
 - Green industries; including environmental technologies, waste recycling and resource management and research Investment
- The ratepayer must provide significant investment in premises and/or capital equipment;
- The ratepayer must provide significant new job creation and/or safeguarding of existing jobs;

- The premises and organisation must be of significant benefit to Sandwell's residents

or

- The premises and organisation must relieve the Borough of providing similar facilities;
- The ratepayer must provide facilities to certain priority groups such as the elderly, disabled, minority groups, disadvantaged groups; or provide the residents of the borough with such services, opportunities or facilities that cannot be obtained locally or are not provided locally by another organisation;

and

- The ratepayer must demonstrate that DRR will only be required short-term and that the business /operation is financially viable in the medium/long term; and
- The ratepayer must show that the organisation will comply with all legislative requirements and operate in an ethical, sustainable and environmentally friendly manner at all times.

Community Benefit Clause

Any businesses benefitting from this relief must engage with the Council's Think Local Recruitment team to assist with the recruitment of any new staff.

Businesses benefitting from this relief must also consider apprenticeships or develop existing employees to gain recognised qualifications e.g. NVQ's,

The business should use www.thinksandwell.co.uk to advertise any supply opportunities resulting from the building of new premises etc.

Relief for Child Care Provision, Shared Workspaces and Local Newspaper Offices

The Government is encouraging local authorities to consider using their local discount powers to provide discretionary relief to childcare providers and to small businesses who share workspace.

Child Care Providers

Child care providers, who do not fully qualify for other reductions, will be considered for this relief so long as they provide quality services that are of a clear benefit to the citizens of the Borough. The amount of relief granted is not fixed and will be dependant on the individual circumstances of each application.

In order to meet those requirements Child Care Providers should be Ofsted rated as 'Excellent' or 'Good' and provide a majority of free places within each establishment.

Shared Workspaces

Shared workspaces typically provide flexible and affordable access to workspace for small and medium sized enterprises, micro-businesses and sole traders.

Shared spaces will be considered for rate relief where there is a clear benefit to the local economy, such as where shared workspaces create economic growth, jobs or provide support to new businesses.

The amount of relief granted is not fixed and will be dependant on the individual circumstances of each application.

Local Newspaper Relief

The 2016 Budget committed to introducing a discount on business rate bills for local newspapers. A business rates discount of £1,500 is to be allowed for office space occupied by local newspapers in England, up to a maximum of one discount per local newspaper title and per hereditament, and up to state aid limits, for 2 years from 1 April 2017.

New Discretionary Reliefs Introduced 01 April 2017

Public House Relief

A one – off payment of £1,000 will be granted for financial years 2017/18 and 2018/19 to all eligible public houses whose rateable value was less than £100,000 on the 01 April 2017. The premises must be used principally for retail sales of alcohol to members of the public for consumption on the premises, and sales must not be subject to the condition that buyers reside at or consume food on the premises.

Supporting small businesses

From 2017 this relief is to provide support over 5 years to small businesses who have lost their entitlement to Small Business Rates Relief as a result of their rateable value increasing through the 2017 revaluation.

This relief ensures small businesses do not have to pay more than £600 increase per year for the next 5 years.

New Discretionary Relief scheme

In March 2017 central government announced funding for 4 years to support businesses suffering steep increases in their business rates payable as a result of the 2017 revaluation.

This new support is to be administered by Local Authorities through their Discretionary Relief powers in accordance with section 47 of the Local Government Finance Act 1988.

Funding is not provided equally over the 4 years but in the following approximate proportions:

Year 1	=	58%
Year 2	=	28%
Year 3	=	12%
Year 4	=	2%

The prescribed elements of the scheme are that businesses must have been in occupation on the 01 April 2017 and their rateable value must have increased through the 2017 valuation.

Relief will be targeted to local businesses and not those businesses that:

- Are national or multi national by nature
- Are owned by Sandwell Council
- Are wholly or mainly used for promoting gambling

Relief will not be awarded where:

- Mandatory relief is awarded; or
- Where the ratepayer has applied for a reduction under section 44a of the Local Government Finance Act 1988; and
- The hereditament has an increase in rateable value after 1st April 2017 which increases the charge to above the 1st April 2017 value

The amount awarded will be as follows:

2017/18 – The total increase in rates payable *less* 5% (meaning every rate payer must pay an increase of up to 5%)

2018/19 – 50% of the amount awarded in 2017/18

2019/20 – 50% of the amount awarded in 2018/19

2020/21 – 10% of the amount awarded in 2019/20

The amount awarded will be recalculated to take account of any changes in circumstances.

Businesses will need to apply for this relief and the Revenues and Benefits Service will contact potential eligible businesses to encourage an application.

State Aid

European Union competition rules generally prohibit government subsidies to businesses. Relief from taxes, including non domestic rates can constitute state aid. The council must bear this in mind when granting discretionary rate relief.

Rate relief for charities and non profit making organisations is not generally considered to be state aid, because the recipients are not in market competition with other businesses. However, if the charities or non-profit making organisations are engaged in commercial activities or if they are displacing an economic operator or if they have a commercial partner, rate relief could constitute state aid.

Where the relief to any one business is greater than the current state aid limit over a three year period, then permission will be needed from the European Commission. In such cases the matter will be referred to the Department for Communities and Local Government for advice and then referred to the Council for consideration.

Equalities

This policy has been produced in line with the Council's obligation to the Public Sector Equality Duty provided by the Equality Act 2010. No adverse impact on any protected characteristic has been identified as a result of this policy.

Policy review

The policy will be reviewed annually, or sooner if appropriate, to take account of operational adjustments, feedback and or changes to legislation.