

	Policy and Resources Committee 16 December 2015
Title	Business Rates - Discretionary Rate Relief Policy
Report of	Director of Resources
Wards	All
Status	Public
Urgent	No
Key	Yes
Enclosures	Appendix 1 - Draft Discretionary Rate Relief Policy
Officer Contact Details	Jonathan Wooldridge - Jonathan.wooldridge@barnet.gov.uk 020 8359 2824

Summary

Barnet council is responsible for collecting Business Rates which is then shared between itself, the Government, and The Greater London Authority. This report sets out the current basis for granting discretionary rate relief to business rate payers in the borough and the need to review this policy.

The council recognises through its “Entrepreneurial Barnet” approach that a thriving, growing and competitive business sector can have a range of positive benefits on the wider economy and community. For instance by creating new employment opportunities, increasing business and resident satisfaction, and growing the size of the local tax base.

It also recognises that there are a range of costs associated with operating a business, one of which is business rates. The council can offer a range of business rates reliefs, which can act as useful policy tools to support small businesses by giving them the space they need to establish themselves, or to enable groups who have a community focus to minimise their costs and remain viable.

Although many ratepayers don’t receive any help with their rates, some ratepayers are entitled to reliefs based on the property they occupy, the organisational make up and their objectives. The council has the authority to award relief on a discretionary basis – within

a legislative framework. This applies as a top up to some charities and amateur sports clubs, and other not for profit organisations. The Localism Act empowered reductions for any ratepayer, subject to award by the authority in accordance with an agreed policy.

This report proposes a draft policy to cover the discretionary rate relief (including government financed or incentivised), the use of localism powers to create a local discount, and hardship relief and to propose that the Chief Operating Officer be delegated authority for awarding relief as set out in Appendix 1.

There is currently some uncertainty of the impact of the government's reforms to business rates. A response to the recent consultation is due in the spring and a recent announcement of the Government's plans to change the way rates are distributed. A review as a result of the more fundamental reforms the government is making to business rates will be undertaken.

Recommendations

That the Committee approve the Draft Discretionary Rate Relief Policy for consultation.

1. WHY THIS REPORT IS NEEDED

- 1.1 The business rates service is administered through the Customer Support Group (CSG) delivery unit. Business rate is administered through a shared service centre in Bromley, with discretionary decisions passed back to the council for final approval.
- 1.2 The current policy for awarding Discretionary Rate Relief (DRR) was established in the Best Value Review of Working with the Voluntary and Community Sector (VCS) Cabinet Report of 4 September 2006. In summary the report recommended to "Align in-kind support allocation with other financial support by developing policies for allocation of ... discretionary rate relief ... that accord with VCS grants and procurement policies."
- 1.3 This has meant restricting DRR awards to those organisations that are commissioned by Barnet, or from which we are procuring services. Whilst this means that we align our support and don't issue competing grants, it could mean in some circumstances that some organisations are not awarded relief, who we might otherwise consider as working with the community.
- 1.4 By re-establishing a new policy of DRR, the process of application and award will be much simpler. It will allow charities and not for profit organisations that support council values and meet the conditions to claim relief. Currently some organisations may be assisted in neighbouring boroughs but find they are not able to receive the same reductions within the London Borough of Barnet.

2. REASONS FOR RECOMMENDATIONS

- 2.1 Current policy is difficult for officers to interpret and the definition of procured or commissioned is not clear.
- 2.2 The relief awarded is business rate income foregone to the council, the GLA and the Government. Accordingly the tax payer is ultimately funding any reduction awarded and therefore it is appropriate to consider the contribution that organisation has to the community. The draft revised policy referred to in Appendix 1 is broadly similar to the policy that existed pre 2006. The relief would only be available to organisations that
- predominantly serve the needs of residents;
 - contribute to the area and provides benefits to the community
 - provide facilities that satisfy a local need or indirectly relieve the Council of the need to do so, or enhance and supplement those services the Council does provide
 - has a membership that is open to all sections of the community (not unduly restricted) and that is mainly drawn from persons resident in borough; and
 - provide training, education or schemes for its members or encourages participation from particular groups in the community, such as young people, the elderly, the disabled, minority groups, etc.
- 2.3 Exclusions to organisations such as charity shops would also apply, which are detailed in Appendix 1.
- 2.4 In addition, through the Localism Act 2011 the council may determine a policy that can agree a local discount to incentivise and stimulate certain businesses or areas of the borough, by reducing rate liability. The government has directed that the council use this authority for certain purposes and has directly reimbursed the council with relief. In 2014/15 and 2015/16 the government has supported retail businesses, and introduced an 18 month reduction for businesses that move into premises that had been long term empty.
- 2.5 The Entrepreneurial Barnet strategy outlines the council's vision to make Barnet 'the best place in London to be a small business' and support for the economy to grow.
- 2.6 During 2015 HMRC has announced changes to the way that Community and Amateur Sports Clubs (CASCs) must be operated to retain their tax free status. Clubs may no longer be registered as CASCs if they fail to meet certain criteria. In turn, losing CASC status would also lose their entitlement to mandatory relief from rates. The council supports 11 clubs through this relief, such as tennis and golf clubs. These assets to the community may now have to pay 500% more rates. Accordingly this draft policy proposes to extend the rate relief to these organisations that received rate relief for a further two years, giving the organisations time to adjust and for the council to review the impact of the changes to business rates funding. It is proposed that the rate relief should apply in 2016/17 and 2017/18 at 80% relief. Only those clubs

that were CASCs in 2015/16 and were ratepayers on 31/3/2016 would be eligible for this discount.

- 2.7 Finally there is no clear hardship policy. Without a policy and the ability to consider individual circumstances the authority could be challenged on not correctly applying their discretion. The council has not awarded any relief of this nature for some years. Until 2013/14 the council would have borne the cost of this relief. But since the implementation of the retention scheme the council only bears 30%. This is a justifiable reason to award the relief, but the financial burden is reduced considerably.
- 2.8 All relief awarded is a financial burden on the rates yield. The council share of the rates collected is currently 30%. Any relief awarded therefore is limited to this amount, with the GLA and government absorbing the other 70%. As the 30% relief is a cost to the local taxpayer, it is essential that due regard be paid to the benefits of supporting a business, as opposed to that being additional income to the council's general fund.
- 2.9 The council's basis for supporting business rate payers is clear. It has the discretion to remit all or part of a ratepayer's debt if it is satisfied that a ratepayer would suffer hardship if it did not do so, and it is reasonable to do so having regard to the interests of the local taxpayers. However hardship should not be confused with competition and this should not be a tool to influence market forces.
- 2.10 A draft Hardship Policy proposed by this paper is included in the Appendix 1.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 There remains the option to not change the current scheme. However this is not recommended as there is limited transparency to the way in which ratepayers can access the relief scheme. In respect of the hardship policy, there isn't a documented policy. This could leave the council open to a challenge

4. POST DECISION IMPLEMENTATION

- 4.1 Following the Committee's decision to accept the draft proposals, the Council will consult residents and business rate payers. The consultation will run in conjunction with the budget consultation for 8 weeks.
- 4.2 The consultation will seek opinion on the policy and invite further comment.
- 4.3 The results of the consultation and evaluation will be reported to the Committee in February 2016, seeking to confirm the policy for implementation from 1 April 2016.
- 4.4 Once the revised policy is in place a process of reviewing current rate relief will take place.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 The Council's Corporate Plan 2015-20 states that the council, working with local, regional and national partners, will strive to ensure that Barnet is a place:

- of opportunity, where people can further their quality of life
- where people are helped to help themselves, recognising that prevention is better than cure
- where responsibility is shared, fairly
- where services are delivered efficiently to get value for money for the taxpayer.

5.1.2 The council provides support for business and made a commitment to make Barnet the best place in London to be a small business. The Entrepreneurial Barnet strategy outlines the council's vision to make Barnet 'the best place in London to be a small business' and support for the economy to grow.

5.1.3 The Discretionary Rate Relief policy will help meet these objectives by offering increased opportunities for charities or non-profit making organisations relief from rates, providing that they are offering services to the local taxpayers.

5.1.4 Community and Amateur Sports Clubs will continue to be supported and these organisations will assist the council in promoting well-being and preparing residents for a healthy life.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 The proposed policy is subject to consultation and final approval at a subsequent committee.

5.2.2 In 2015/16 Business Rates is due to generate £108m on behalf of the government, the GLA and Barnet. This is distributed 50%, 20% and 30% respectively. The overall amount of relief already being award in 2015/16 is:

Relief	Forecast award in 2015/16	Forecast no. of ratepayers in 2015/16
Discretionary Relief awarded to Charities as a top up (20%)	£871,728	111
Discretionary Relief awarded to not for profit organisations (up to 100%)	£103,968	29
Relief for Community and Amateur Sports Clubs (20%)	£208,736	11

Table 1 – Forecast amount of relief in 2015/16

5.2.3 It is not envisaged that the financial envelope of the relief being awarded would significantly change. The Discretionary Relief awarded to charities, £871,728 would remain the same. Discretionary Relief for not-for-profit

organisations may pose a risk of increasing as new organisations emerge. However the conditions attached to these would have to demonstrate a community benefit.

5.2.4 The Barnet share of these reliefs is just 30%, so a £1 benefit to the ratepayer, comes at just a 30p cost to the council.

5.3 Social Value

5.3.1 The Public Services (Social Value) Act 2013 requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits. Before commencing a procurement process, commissioners should think about whether the services they are going to buy, or the way they are going to buy them, could secure these benefits for their area or stakeholders.

5.3.2 The council can offer a range of business rates reliefs, which can act as useful policy tools to support small businesses by giving them the space they need to establish themselves, or to enable groups who have a community focus to minimise their costs and remain viable.

5.4 Legal and Constitutional References

5.4.1 The Local Government Finance Act 1988 s.47 provides the statutory authority to provide discretionary rate relief, and s.49 provides for a hardship relief.

5.4.2 The Localism Act 2011 gives authorities the ability to give local discounts, by amending s.47 of the Local Government Finance Act 1988.

5.4.3 The Councils Constitution Responsibilities for Functions Annex A sets out the terms of the Policy and Resources Committee including responsibility for

- ensuring “Effective Use of Resources and Value for Money
- the overall strategic direction of the Council including - Local Taxation, Billing, Collection and Recovery.

5.5 Risk Management

5.5.1 Government plans for business rate retention are only beginning to emerge and it will be sometime before this is more certain. Due to the uncertainty, a review of the cost of business rates and its benefits to the ratepayer, and the cost of reliefs to the council will be undertaken.

5.5.2 The cost to the council is currently 30% of the benefit to the ratepayer but this cost may increase over time. The value of the amount of relief may increase in the short term due to the simplicity of the term, but it is not expected that the conditions extend the eligibility to many more ratepayers.

5.5.3 For this reason, it is important that the council continues to be prudent with its use of relief, and conducts monthly forecasting to predict the value of the rating income.

5.6 Equalities and Diversity

The 2010 Equality Act outlines the provisions of the Public Sector Equalities Duty which requires Public Bodies **to have due regard** to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010
- advance equality of opportunity between people from different groups
- foster good relations between people from different groups

The broad purpose of this duty is to integrate considerations of equality into day business and keep them under review in decision making, the design of policies and the delivery of services.

Whilst any relief is a cost to the taxpayer there is a balance between the loss of income and the benefits to the community which will affect all residents equally. A preliminary assessment indicates that there is no equalities impact as defined by the Act, on this decision.

5.7 Consultation and Engagement

5.7.1 Consultation with the public and businesses will commence in December 2015 along with the consultation with ratepayers on the budget. The open consultation will be available on the engage.barnet.gov.uk.

5.7.2 The consultation will seek views on the draft policy and invite comment.

5.8 Insight

5.8.1 The proposal uses evidence of best practice and guidance such as benching marking with other authorities,

6. BACKGROUND PAPERS

<http://barnet.moderngov.co.uk/Data/Cabinet/200609041900/Agenda/Document.pdf>