



Monitoring SSSDC National Non Domestic Rates Discretionary relief policy

Report and Findings of the Overview and Scrutiny Task and
Finish Group

February 2017

Chair's forward

An Overview and Scrutiny Task and Finish group commenced in July 2016 to review the effectiveness of the South Somerset National Non Domestic Rate (NNDR) commonly referred to as Business Rates Discretionary Relief policy that was revised in 2013/14 and came into effect on 1st April 2015. This policy was created with extensive input from an Overview and Scrutiny Task and Finish group and it was a recommendation from this group that monitoring is undertaken to measure the impact and success of the policy.

The key aims of the original group were to ensure the revised policy:

- Met with the needs of the Council Plan and related strategies to support the Council's objectives for South Somerset and to support the essential and widely varied voluntary and non-profit making organisations that make South Somerset a great place to live and work in.
- Provided transparency and accountability in the decisions made, recognising that a proportion of the assistance given through Discretionary Rate Relief is paid by the local taxpayer and as such the Council has a duty to ensure public funds are spent wisely.
- Is accessible and not too complex for both the applicant and officers to administer;
- Effectively utilise relevant expertise and skill across SSDC.
- Has adequate measures to provide stability to the recipients of NNDR relief.
- Has adequate flexibility and could evolve i.e. to meet new requirements, to ensure that it keeps up with any changes Council objectives, and to allocate annual awards.
- Take into account the financial risks of applying the new policy.

The following report provides an overview of the monitoring work of the Task and Finish group, its findings and recommendations.

I would like to take this opportunity to thank the members who conducted this review and the officers who supported us throughout the process.

Sue Steele

Scrutiny Committee Chair

Task and Finish group Members:

Sue Steele

Review Chair

Mike Beech
Michael Lewis
David Norris
Sue Osborne
Alan Smith

Officer Support

James Gilgrist
Sharon Jones
Helen Morris
Ian Potter
Ashley Smalley
Jo Gale

Economic Development Officer
Revenues Team Leader
Revenues Team Leader
Revenues and Benefits Manager
Revenues Monitoring Officer
Scrutiny Manger

The Work of the Task and Finish Group

The Task and Finish Group explored the following areas with Revenues Officers to assess the effectiveness of the policy:

- Have the ambitions of the original Task and Finish group been met?
- Is the policy helping to achieve the principles that the Task and Finish group set as a basis for the policy? (The principles that formed the basis of the policy are detailed in appendix 1).
- Relevant data to ascertain if the policy and associated processes are effective for applicants and recipients and are appropriate in terms of resource and cost.
- Identify any external changes or pressures that may impact on the deliverability and intentions/outcomes of the policy.

Is the policy fit for purpose/achieving the ambitions and principles of the original Task and Finish Group?

In response to member questions Revenues Officers reported:

- The administration of the scheme has been manageable; no additional resource has been required and is likely to be less time consuming going forward.
- Now the policy is so clearly defined, there is greater acceptance when people do not qualify for the discretionary relief and therefore less challenges progressing to management level.
- A very small number of appeals have come forward and in most cases this has been due to people misinterpreting the scheme, assuming they could qualify for more relief as it is titled discretionary relief.
- Reviewing the scheme now annually will be much less time consuming for staff.
- Although not a priority of the scheme design, the relief awarded has decreased, this is reassuring in terms of minimising financial risk to SSDC.

Have there been any unforeseen issues or consequences for SSDC, business organisations, charities etc. as a result of the revised policy?

Revenues officers explained the wording around the criteria for museums was tightened up to reflect members' intentions of this being specifically for small museums during 2015 (now only awarded where the Rateable Value is below £50,000). This year they had received representations on behalf of rural Post Offices.

Members reviewed the impact on Rural Post Offices and questioned if it was fair that they should pay a 10% NNDR charge when compared to other business and organisations it could be argued that they are restricted as to how they can make a business more profitable

compared with those in urban areas who may qualify for 100% Small Business Rate relief from April 2017 following a change in the rules.

The Task and Finish group discussed the original intention of the policy and how it was agreed originally that the scheme should reflect in many ways the principles of the Council Tax Reduction scheme, an example – Everyone should contribute something. Members agreed the value of the rates left to be paid once the Mandatory and Discretionary reliefs totalling 90% had been applied was easily affordable in most cases and that the information that had been presented by the rural Post Offices highlighted that they're being impacted upon by many different issues, in particular the post office re-organisation. Members also commented on how many services people used to use post offices for are now available on-line.

Members concluded no changes should be made to the policy at this time. This decision has been superseded by the changes brought about by the Autumn Statement – detailed later in this report.

How accessible/easy are the processes applicants need to go through to apply for the relief and the methods of administrating the policy for staff?

The Revenues Officers informed the group:

- New application forms were designed and implemented to ensure all the information necessary to determine the level of discretionary relief was provided at the earliest opportunity.
- No issues/complaints have been raised with regard to the process and planned enhancement.
- Where we need to assess if there is a true financial need for the support, the Finance team review the accounts/books. (costs for this needs to be monitored moving forward).
- That the next phase of work is to get the application forms accessible on-line

What does the NNDR collection rate information and arrears data show throughout the period when the changes to the policy have been introduced?

The Revenues Officers reported:

- There isn't any evidence of ratepayers falling into arrears due to the revision of the policy. (Some summons were issued but this was as result of people not contacting SSDC and submitting their applications and evidence to qualify for awards too late).
- The collection rate has improved since 2014/15

Year	Collection Rate
2014/15	95.44%
2015/16	97.03%
2016/17 estimated projection	98.00%

Future or external changes or pressures that may impact on the deliverability and intentions/outcomes of the policy

Revenue Officers sought clarification where the award of 20% discretionary relief for Sole Rural pubs has been awarded because they can demonstrate they are making significant efforts to help the business succeed, if this should be given for a maximum length of time or if it is based purely on the continued efforts. Members confirmed the maximum award period should be three years and there should be new evidence provided each year to demonstrate what efforts and new approaches/ideas are being trialled.

Proposed change to raise the threshold for Small Business Rate relief (SBR) from £6000 to a maximum of £15,000 - Small Business Rate relief was proposed to be changing with effect from 1st April 2017; currently businesses occupying premises with a Rateable Value (RV) up to £6,000 can qualify for 100% relief where they meet the qualifying criteria. This upper RV limit is being increased to £12,000 and those businesses with an RV of between £12,001 and £15,000 will get a tapered relief, again where they meet the qualifying criteria.

Members with Revenues Officers reviewed the impact this will have /how it could be seen to cause unfairness across the district by recipients of Mandatory Rural relief (this applies to the Sole post office, Petrol Station and General store in what has been identified as a Rural settlement RV up to £8,500) and charitable relief. (Village Halls, Community Centres and meeting rooms, Scout Guide and Youth Organisations, Pre – Schools/Play groups and nurseries with a charitable status, Charity office where charity service is actually being provided, Sports Clubs, CASC's, Museum, Heritage, Arts centre and Theatres)

The officer's spoke of their concern that much has been publicised to suggest Small Business will not have to pay rates and this without the lack of detail will cause confusion for Rural Business and charities etc.

Members agreed they needed to consider if the SSDC discretionary relief scheme should be revised to take into account the proposed changes to SBR and requested the revenues team identify those cases where receiving Mandatory Rural relief as opposed to SBR could leave them worse off than a similar business not in a rural settlement or an organisation who is not a charity.

Revenues officers provided an overview of the impact of the changes to the Small Business Rate Relief. During the overview and through subsequent discussion the following points were made:

- Due to the hierarchy of the Rating relief system, those businesses and organisations that qualify for a mandatory Charitable or Rural rate relief will not benefit from this change, this includes cafés, halls, and rural shops, pubs, post offices and petrol filling stations.
- If the SSDC Discretionary rate relief policy is left as it is now with effect from 1 April 2017 a small pub, café, post office shop or filling station etc. with an RV up to £12000 that is in a rural settlement will have to pay some business rates of between 10% and 50% of their annual charge. Those same types of business in an urban area (not classed as a rural settlement) will not pay any business rates where they meet the qualifying criteria for Small Business Rate relief.

- If the SSDC Discretionary rate relief policy is left as it is now with effect from 1 April 2017 a café or a hall etc. that is run by a charity with an RV up to £12,000 would have to pay between 10% and 20% business rates. Those cafés and halls etc. that are not being run as a charity will not pay any business rates where they meet the qualifying criteria for Small Business Rate relief.
- This is only applicable to small charities who only have 1 property or if they have more than one, whose total RV of all properties is still below £12,000.
- Based on the Draft RV list which is as at 30th September 2016 118 properties would be unable to qualify for the 100% SBR despite having an RV below £12000 due to receiving a mandatory charity or rural rate relief.
- If members wanted to amend the SSDC policy to prevent those businesses, organisations or charities in receipt of a mandatory or charity relief being disadvantaged an additional £74,000 of discretionary relief would need to be awarded.
- Of the additional relief that would need to be provided 40% of the cost would fall to SSDC, 10% to Somerset County Council and 50% to central Government.
- The additional cost is the equivalent to approximately 50 pence per household paying Council Tax, unless the money could be found from a grant.
- Under rate retention the full cost of NNDR reliefs would fall to SSDC, full rate retention is planned to come in to force in 2019/20.
- The revised NNDR relief scheme members agreed in 2014 was based on some principles, everyone should contribute something (with only a couple of exceptions) and that the discretionary relief should only provide support to those that need it and encourage self-sustainability, if the scheme is altered these original principles will not stand.
- Looking at the Council Plan should we be looking to protect our rural services and if so does that mean ensuring they receive the same relief as their competitors who are not in rural settlements?
- Longer term business rates could be more valuable/cost effective supporting employment, community value and health and wellbeing.
- Looking at pubs there are 61 across the district all of which are privately owned that have a RV below £12,000 of these 15 are in a rural settlement and would therefore not get the 100% relief in the form of Small Business Rates relief. To top the mandatory reliefs up to provide a 100% would be approximately between £25,000 and £30,000.
- The RV of pubs is worked out differently from other businesses, with regard to pubs they look at sales and how well the business is doing, not the floor space, and the use to which it is put.

- With many businesses receiving additional relief it could be an excellent opportunity for a form of intervention from ED with the Growth Hub and partners to encourage those small businesses to take up some business advice and consider how best to use this additional money. James Gilgrist has offered to consult his colleague Mike Bartlett – Business Support Officer on how to take this forward.

All members present agreed unanimously to recommend the policy was amended to provide those business, organisations and charities that have an RV below £12,000 and are in receipt of a mandatory rural or charitable relief a top up equivalent to Small Business Rate Relief where they would meet the qualifying criteria for that relief. This was necessary to prevent inequality across the district, avoiding rural businesses and Charitable Organisations being disadvantaged.

Following the Autumn statement and the change to grant a 100% Rural rate relief from 1 April 2017 members now recommend that the policy is amended so charities that have an RV below £12,000 and are in receipt of Mandatory Charitable relief receive a top up equivalent to Small Business Rate Relief where they would meet the qualifying criteria for that relief.

Summary of Recommendations

1. The policy is amended so charities that have an RV below £12,000 and are in receipt of Mandatory Charitable relief receive a top up equivalent to Small Business Rate Relief where they would meet the qualifying criteria for that relief from 1 April 2017 onwards.
2. Economic Development Business Support officers examine how to potentially capitalise on the enhancement of small business rate relief with the Growth Hub and partners to encourage those small businesses to consider some business advice to further develop and grow their business.
3. The policy is reviewed annually to ensure it is achieving its objectives, specifically access the impact of the changes recommended in this report and the costs attributed to assessing the financial need for discretionary relief.

Appendix 1 Principles that underpin the SSDC NNDR Discretionary Relief policy

1. Provide assistance only when there is evidence of financial need.

The Group took into account that in most cases the ability to pay is not considered and therefore it is questionable as to whether public funds are being used in the best way. It was also agreed that awards of relief should be proportionate to income. The recipient in some cases should demonstrate that appropriate effort was being made to make the business/group sustainable.

2. The policy should support business, charities, organisations and groups that help to retain services in rural areas.

It was agreed that SSDC should support retaining services in rural areas to prevent the potential detrimental effects of rural isolation on business organisations, charities and communities. The Group outlined the importance of enabling services to be locally accessible to residents especially in areas with limited public transport.

3. Help and encourage business, charities, organisations, groups and communities to become self-reliant.

The Task and Finish Group concluded that for some recipients there was an expectation and a dependency on the local authority for NDR Reliefs. Many of these businesses and Groups could become more self-reliant with some advice and assistance. Any recipient should demonstrate that appropriate effort was being made to make the business/group sustainable.

4. Awarding discretionary relief should not distort competition

The Task and Finish Group agreed that it was important to maintain competition on the high street, and there should not be an unfair advantage given to some over others. The Task and Finish Group did take into consideration the advantages of charity shops in that they have filled empty shops, their recycling agenda, and that they have created employment. However, they do currently create a distortion in competition because of their ability over other shops to considerably lower their overheads through NDR Relief. It was also noted that Charity Shops receive 80% mandatory relief at present and it was agreed that this support is sufficient without additional support from SSDC's taxpayers.

5. Every business/ organisation should contribute something towards the provision of local services.

The policy should be fair for all persons liable to pay NDR and considers the interest and needs of the residents/tax payers of South Somerset. This principle also brings businesses, organisations, and charities in line with the principle agreed as part of the Council Tax Reduction Scheme that every household should contribute to the cost of local services.