

## Decision Report

Committee: Full Council

Meeting Date – 18 December 2024

Key Decision – Yes



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### Non-Domestic Rating Discretionary Rate Relief and Hardship Policy 2025/26

Chair of Committee: Cllr Liz Leyshon, Deputy Leader of the Council and Lead Member for Resources, Procurement and Performance

Executive Member(s): Cllr Liz Leyshon, Deputy Leader of the Council and Lead Member for Resources, Procurement and Performance

Local Member(s) and Division(s) affected: ALL

Executive Director: Maria G Christofi, Interim Chief Finance Officer (Section 151 Officer)

#### Executive Summary

A review of the Non-Domestic Rating Discretionary Rate Relief and Hardship policy to preclude Private Schools from being able to be awarded a relief is required following confirmation from Central Government that the removal of mandatory rates relief for Private Schools is to come into effect from 01 April 2025. The review is to ensure that the aims / objectives of the scheme are not adversely affected by this change in legislation and that any applications made continue to be made in the spirit of the intentions of the policy.

Current policy regarding Localism and Hardship Relief agreed by Full Council allows a discretionary payment of up to 100% per hereditament per annum to be made where specified criteria is met, 50 % of which is borne by Central Government, 50% of which is borne by the Local Authority. This policy is designed to assist those businesses in exceptional circumstances only.

A review is also required as Central Government:

1. Is continuing relief for the Retail, Hospitality and Leisure sectors for 2025/26 but reducing the relief from 75% to 40%.
2. Has confirmed the end of Local Newspaper Relief from 01 April 2025.

Full Council is recommended to amend the Non-Domestic Rating Discretionary Rate Relief and Hardship policy for 2025/26 to:

1. Preclude Private Schools not entitled to mandatory rates relief from claiming a discretionary rates relief, top-up or discount
2. Reduce the relief award offer to the Retail, Hospitality and Leisure sector from 75% to 40%
3. Remove the Local Newspaper Relief from the policy

## **Recommendations**

Full Council agree to:

1. Approve that the Non-Domestic Rating Discretionary Rate Relief and Hardship policy is amended to prevent Private Schools from applying for assistance in anticipation of the changes to the Local Government Finance Act 1988. The recommended wording is to be found in Appendix D of the policy and states:

‘The ratepayer must not fall within the definition of a Private School. For business rates purposes, ‘Private Schools’ are defined by HM Treasury as schools at which full time education is provided for pupils of compulsory school age where fees are payable.’

2. Delegate authority to the Council’s Section 151 Officer in consultation with the Monitoring Officer to make any additional amendments as necessary to ensure the wording aligns with that Act once such amendments come into force.

3. Approve to reduce the relief percentage within the policy for Retail, Hospitality and Leisure sector for 2025/26 from 75% to 40% as a result of changes to Central Government policy.

4. Approve to end Local Newspaper Relief in line with Central Government policy

## **Reasons for Proposals**

Central Government is legislating for the removal of mandatory rate relief provision to Private Schools. The recommendation being made is as a response to this change in legislation to ensure that those schools affected do not restrict their loss of relief at a cost to the Local Authority and to ensure the policy remains compliant with its intentions.

Central Government is also legislating for relief given to the Retail, Hospitality and Leisure Sector to continue for 2025/26 but reducing the relief from 75% to 40%, which requires the policy to be amended to reflect this change.

Central Government is also legislating for ending Local Newspaper Relief for 2025/26 and this requires reflecting in the policy.

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## Main report and supporting information



### Background and purpose of report

#### *Business Rates for Private Schools*

1. The powers relating to the granting of mandatory and discretionary relief are given to the Council under the Local Government Finance Act 1988.
2. Somerset Council adopted a Non-Domestic Rating Discretionary Rates Relief and Hardship Policy in November 2022. A link to the meeting documents can be found here: [Meeting of SCC County Council on Wednesday, 23rd November, 2022, 10.00 am - Modern Council \(somerset.gov.uk\)](#) See agenda item 6, Paper D.
3. This policy was further amended via an Urgent Decision report in February 2023 following Government introducing two further types of relief post November 2022 – The Retail, Hospitality & Leisure Relief and The Supporting Small Business Relief Scheme, both in effect from the financial year 2023/24. This decision can be found at **Appendix 2**.
4. Sections 43 and 45 of the Local Government Finance Act 1988 allows mandatory relief of 80% to be granted on premises where the ratepayer is a charity or trustees for a charity and the premises are wholly or mainly used for charitable purposes.
5. HM Treasury published a Technical Note on 29 July 2024 that gave details on the removal of mandatory charitable rates relief for Private Schools that hold a charitable status. This technical note can be viewed here: [29 07 24 - Technical Note - DIGITAL.pdf](#)
6. The Government confirmed in the Autumn statement of 30 October 2024 that they will be legislating the proposed policy change through a Local Government Finance Bill led by the Ministry of Housing, Communities and Local Government (MHCLG) which will amend the Local Government Finance Act 1988. Details can be found at [Autumn Budget 2024 – HC 295](#), page 130, paragraph 5.69.
7. The Government recognises though that some pupils have special education needs (SEN) that can only be met through attendance at a Private School. In the Autumn statement, the Government announced that Private Schools which are “wholly or mainly” concerned with providing full time education to pupils with an Education, Health and Care Plan (EHCP) will remain eligible for business rates charitable relief.
8. It will be down to the educational provider to evidence that they are ‘wholly or mainly’ concerned with providing full time education to pupils with an EHCP. To

assist with this, work will be carried out with the Education Services team to support applications for being classified under this criteria.

9. Following notification of this change, work has been carried out by the Revenues service to identify the following:
  - The number of Private School hereditaments in Somerset affected as a result of the policy change
  - The collectable business rate charges in respect of affected Private School hereditaments in Somerset, both before and after the legislated changes
  - The amount of the chargeable balance in respect of affected Private School hereditaments in Somerset, both before and after the legislated changes
  - The Private School hereditaments, and how many of these provide support for students with an EHCP.
10. It was identified with the assistance of Somerset Council's Education Services that there are a maximum of 23 Private School hereditaments affected by the proposed changes, dependent on whether they are subsequently classed as 'wholly or mainly' providing full time education to pupils with an EHCP.
11. Although some of these Private Schools provide education to pupils with an EHCP, it is not known at this stage how many could be classified as "wholly or mainly" concerned with providing full time education to pupils with an EHCP. This is because this level of data is not held in the IT systems.
12. All identified Private Schools will be written to that are potentially affected by the mandatory rate relief changes to notify them of the effects of the changes and to invite them to make representation if they believe they should continue to receive mandatory rate relief in line with the new legislation. Cases will be processed on an individual basis where representation is made that they wholly or mainly provide full time education to pupils with an EHCP to establish if mandatory rate relief can continue to be granted or not.
13. There are a number of Independent and Non-Maintained schools (INMS) which are not subject to Business Rates and so have not been included as part of this report.
14. Of the total collectable charge collected, 50% is sent to Government, 49% is retained by Somerset Council, with the remaining 1% being given to the Fire Authority.
15. 50% of the new collectable income as a result of the removal of mandatory rates for Private Schools totals approximately £1.7m, which is an increase of approximately £1.36m collectable income. The amount retained by Somerset Council would equate to £1.68m, an increase of approximately £1.3m.

16. As a result of the removal of the mandatory rates relief for private school hereditaments, there is the potential for Private Schools to make an application for discretionary rates relief from the Council under Somerset Council's current Non-Domestic Rating Discretionary Rate Relief and Hardship Policy.
17. All non-mandatory reliefs under the policy must be applied for. None are automatically awarded. Details of how applications can be made can be found in the policy, **Appendix 1**, specifically on pages 7 and 8, section 5.
18. The policy had previously been written to exclude schools from all discretionary rates relief, except for under Appendix D of the policy – Discretionary Relief - Localism Act 2011. As such, the wording of Appendix D of the current policy allows for applications from all schools to be made.
19. Under the Discretionary Relief – Localism Act 2011, it is possible for the Council to award up to 100% relief in respect of any hereditament under a localised scheme. The relief awarded would initially last for a 12-month period, with reviews of the relief occurring every 12 months.
20. It is important to note that 50% of any relief awarded post 1 April 2023 under the Localism Act 2011 would be borne through the Council's own funds and so would be a cost to the Council. This is in line with the regulations of the Local Government Finance Act 1992.
21. Whilst there is no indication, nor is it expected, that affected Private Schools will apply for discretionary rates relief, the scheme as stated does currently allow for such applications to be made. The recommendation is to amend the policy to be clear that applications for discretionary rates relief from affected Private Schools cannot be made following the removal of mandatory rates relief from 01 April 2025.
22. If the policy is not amended, this may:
  - Increase unnecessary applications requiring a considerable amount of work by the Revenues team to process and decide the applications
  - Increase volumes of unnecessary work arising as a result of applications being declined e.g. appeals against decisions being made
  - Increase Council's expenditure should applications be accepted and paid

#### *Retail, Hospitality and Leisure Sector Relief*

23. In addition, and further to the policy change regarding mandatory rate relief for Private Schools, Central Government has legislated for reliefs to continue to be granted under this policy for the Retail, Hospitality and Leisure sector for 2025/26.
24. The relief awarded to the Retail, Hospitality and Leisure sector continues to be funded by Central Government. The Council is responsible only for

administering the reliefs and awarding them to qualifying businesses. There is no cost to the Council. For context, in 2024/25, Somerset Council has so far paid out approximately £22.7m through Retail, Hospitality and Leisure Sector Relief.

25. The cap for financial help for businesses in this area remains at £0.110m per business. However, the relief award is reduced from 75% to 40% following the Autumn Statement of 30 October 2024.
26. Those businesses already in receipt of a Retail, Hospitality and Leisure relief will not need to reapply for the relief in respect of 2025/26. The percentage of the award will automatically be amended on the IT systems and will be applied to the bill for 2025/26 for each qualifying business.

#### *Local Newspaper Relief*

27. Central Government has also confirmed the end of Local Newspaper Relief from 2025/26. This relief was previously fully funded by Central Government through a Section 31 grant and so was not a cost to the Council.
28. There are currently no Local Newspaper Reliefs paid by Somerset Council.
29. This relief has been removed from the Non-Domestic Rating Discretionary Rate Relief and Hardship Policy for 2025/26.
30. All of these changes have been reflected in the updated policy.

#### **Links to Council Plan and Medium-Term Financial Plan**

31. The Non-Domestic Rating Discretionary Rates Relief scheme provides key financial support to legislated organisations as well as those deemed to meet the required locally set criteria. This aligns with the Council's key priorities around being a healthy and caring, fairer and flourishing and resilient Somerset.

#### **Other options considered**

32. The alternative option considered was to make no change to the policy and for it to be carried forward into 2025/26 as was. However, given that the policy, if unchanged, worked against Government policy and would also potentially increase cost to the Council, this option was not considered suitable at this time.

#### **Key considerations for the Council**

#### **Scrutiny comments / recommendations:**

33. The Scrutiny Committee for Corporate and Resources was presented with this report for their meeting on 25 November 2024. The proposed changes were supported by the committee without any further recommendations.

## Consultation and feedback

34. No formal consultation has been undertaken as there is not a legislative requirement to do so. The change being proposed is an extension of existing criteria within the policy and so it is not fundamentally new. However, the report was presented to the Scrutiny Committee for Corporate and Resources on 25 November 2024 as detailed in paragraph 33 of this report.
35. The proposed change is also as a result of Government policy change, which is not due to come into effect until 01 April 2025.

## Financial and Risk Implications

### *Financial*

36. As shown in paragraphs 14 to 15 of this report, there will be additional income to be collected through Non-Domestic Rates as a result of mandatory rate relief being removed for affected private schools.

### *Risk*

37. There is minimal risk as a result to the change of this policy as the changes follows Central Government policy and legislation.
38. A risk exists of a challenge from Private Schools regarding their inability to be able to apply for discretionary rates relief. However, in practice, no applications are currently in payment to any school and the recommended change to this policy is an extension of the criteria already found elsewhere within the policy.

Current Risk Score:

<b>Likelihood</b>	<b>2</b>	<b>Impact</b>	<b>2</b>	<b>Risk Score</b>	<b>4</b>
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Projected risk score if recommended actions are agreed and delivered:

<b>Likelihood</b>	<b>1</b>	<b>Impact</b>	<b>2</b>	<b>Risk Score</b>	<b>2</b>
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## Legal and Procurement Implications

39. The recommendations made will meet the Council's legal obligations under Sections 47 and 49 of the Local Government Finance Act 1988.

## HR / Workforce Implications

40. The policy change being recommended has no HR/Workforce implications. This is because it is a financial decision for applications received from outside organisations.

## Equalities Implications

41. Consideration has been given to the obligations under the Public Sector Equality Duty in developing the proposed approach to Non-Domestic Rating Discretionary Rates Reliefs in the areas where the council has a discretion. Central Government have introduced exceptions to Private Schools which are “wholly or mainly” concerned with providing full time education to pupils with an Education, Health and Care Plan and so the change to this policy is expected to have no impact on this protected group. It has been assumed that Central Government has already carried out the relevant Equality Impact Assessments with. As the Central Government policy is being implemented with no local alteration, it has been confirmed that a local Equality Impact Assessment is not required.

### **Community Safety Implications**

42. There is unlikely to be any effect to the safety in the community as a result of this policy change. This is due to the type of organisations that are affected by this policy change and their ability/resilience to cope with the changes being recommended.

### **Climate Change and Sustainability Implications**

43. There are no climate change or sustainability implications as a result of the recommended change to the policy. This is because the recommended policy change is based on a change to qualifying criteria only.

44. No schools have previously applied for a Non-Domestic Rating Discretionary Rate Relief, and the recommended policy change is made to ensure that this remains to be the case.

### **Health and Safety Implications**

45. The recommendations and policy (including localism) is designed to support local (Somerset Based) charities and non-profit making organisations. The recommendations being made does not change the risk to any person in any capacity as it is a qualifying criteria change and discount change only.

### **Health and Wellbeing Implications**

46. The recommended policy changes are made to reflect the legislative changes being made by Central Government. As such, consideration to health and wellbeing has been considered by Central Government. when making their



legislative changes. Therefore, the recommended changes being made in this report follow Central Government’s considerations in this area.

## Social Value

47. The recommendation and policy (including localism) are designed to support local (Somerset based) charities and non-profit making organisations.
48. The S49 Hardship policy is designed to assist ratepayers who are clearly suffering hardship.

## Background Papers

49. [Meeting of SCC County Council on Wednesday, 23rd November, 2022, 10.00 am - Modern Council \(somerset.gov.uk\)](#) See agenda item 6, Paper D.
50. [Autumn Budget 2024 – HC 295](#)
51. [29 07 24 - Technical Note - DIGITAL.pdf](#)

## Appendices

- Appendix 1 – Non-Domestic Rating Discretionary Rate Relief and Hardship Policy 2025/26
- Appendix 2 – Key Decision of Monday 20<sup>th</sup> February 2023, authorising the inclusion of Retail, Hospitality and Leisure relief in the Non-Domestic Rating Discretionary Rate Relief and Hardship Policy

## Report assurance checklist ahead of report publication (for Audit, Executive, Full Council and Scrutiny Committees)

	Officer Name	Date Completed
Legal & Governance Implications	Jill Byron	06/12/2024
Finance & Procurement	Nicola Hix	06/12/2024
Workforce (*)	Dawn Bettridge	N/A
Asset Management (*)	Simon Lewis	N/A
Executive Director	Maria G. Christofi	04/12/2024
Executive Lead Member	Cllr Liz Leyshon	05/12/2024
<b>Consulted:</b>	Councillor Name	
Local Division Members	List local members	N/A
Opposition Spokesperson(s)	Cllr Diogo Rodrigues	06/12/2024
Relevant Scrutiny Chair(s)	Cllr Bob Filmer	06/12/2024

Note:

Directors may nominate additional officers to act on their behalf

(\*) – these areas only need to be consulted on proposals if the proposals have workforce or asset management implications

Reports will not be published if assurance checklist has not been adequately completed – report author to liaise with Democratic Services well ahead of publication deadlines