

Report of: Business Manager, Revenues and Benefits

Title: Business Rates – Schemes for Relief

Ward: all

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Key Decision: No

Lead Member: Councillor Alex Hollingsworth

Scrutiny responsibility: Finance and Performance

RECOMMENDATIONS

That the Board agrees the proposed scheme for the application of mandatory, hardship and discretionary relief for Business Rates.

1. Summary

The Local Government Finance Act 1988 sets out a scheme of Discretionary and Mandatory relief that Councils apply to National Non-Domestic Rates (NNDR, or 'Business Rates').

The Council's Constitution gives delegated authority to the Revenues and Benefits Business manager to deal with demands and notices, liabilities, reliefs and exemptions, and in particular Non Domestic Rates, to recommend guidelines for the granting of discretionary rate relief, partially occupied properties and hardship relief to the executive Board and administer the scheme in accordance with the approved guidelines.

This report contains the guidelines for approval.

Any reduction or cessation of relief can only be done at the end of a financial year and the Council must give at least twelve months notice. It is for this reason this report is presented now.

2. The Act and Possible Relief

2.1 Mandatory Relief

Charities and registered Community Amateur Sports Clubs are entitled to Mandatory Relief from rates.

Section 43 of the Local Government Finance Act 1988, gives billing authorities the provision to award Mandatory Relief of 80% providing the following conditions are satisfied.

- i) The property must be wholly or mainly used for Charitable purposes and the institution or organisation must be established for charitable purposes only (whether of that charity or of that and other charities).
- ii) The occupiers of the non – domestic property are registered charities or trustees for a charity under the Charity Act 1993 or exempt from Charitable status.
- iii) In the case of charity shops, use of the premises must be wholly or mainly for the sale of goods donated to the charity and the proceeds of the sale (after deductions for expenses) applied for the purposes of the charity.

Mandatory Relief for charities and similar organisations at 80% of rates payable is fully centrally funded and billing authorities are not required to pay the amount awarded into the national rate pool. The Council may ‘top-up’ the relief awarded to 100% by granting Discretionary Relief.

2.2 Discretionary Relief

Section 47 of the Local Government Finance Act 1988, gives the billing authority the power to award Discretionary Relief providing one or more of the following conditions are satisfied.

- i) The property is occupied by an organisation not established or conducted for profit and is mainly used for charitable purposes (whether of that charity or of that and other charities).
- ii) The property is mainly used for philanthropic, religious, educational, social welfare, science, literature or fine arts purposes.
- iii) The property is used for recreation where the occupier is a non-profit club, society or other organisation.
- iv) The property is not an *excepted hereditament*. An excepted hereditament is one in which all or part is occupied by a billing or precepting authority.

The Council is required take into account the contribution the organisation makes to the local community and should be satisfied that the organisation is working to meet an identifiable social need.

2.2 Hardship Relief

Section 49 of the Local Government Finance Act 1988 gives the Council the authority to grant Hardship Relief to remit or reduce the payment of rates for any ratepayer. The billing authority should be satisfied that the ratepayer would sustain hardship if it did not award Hardship Relief and it is reasonable to grant the relief having regard to the interests of its council taxpayers. We should consider carefully each application, on its merits, and should not be fettered by setting 'hard and fast' rules about the level of any relief awarded. Whilst there is no definition of hardship in the legislation, the Council is required to bear the following guidance in mind:

1. The Government only reimburses Oxford City Council with 75% of the relief granted, the remaining 25% being met by Oxford City Council's Council Taxpayers. This should be taken into account when deciding who will qualify. The award of hardship relief should be the exception rather than the rule
2. All relevant factors affecting a ratepayer's ability to meet the rates liability should be taken into account. These may not solely be confined to financial hardship;
3. The interests of council taxpayers may be broader than direct financial interests. For example, where employment prospects in the area would be worsened by a company going out of business or the amenities of an area might be reduced by, for instance, the only provider of a service in the area;
4. Where the granting of relief would have an adverse effect on the financial interests of council taxpayers, the case for reduction or remission of rates payable may, on balance, outweigh the cost to taxpayers
5. Hardship Relief is not intended to give assistance in cases where bad business practise or improvidence has caused the business to suffer
6. Hardship Relief should provide short-term relief to a business suffering acute financial short-term difficulties.
7. Ratepayers should have evidence of a recovery plan showing how current trading difficulties are to be overcome
8. Financial details i.e. two years financial Balance Sheets and Profit and Loss Accounts, preferably audited, together with the current years trading to date, must be provided.

In recent years requests for hardship have been rare. Executive Board turned down a request in 2004.

3. Current Practice

The Council does not have an agreed policy on the granting of discretionary or Hardship Relief.

The position has been taken that the Council does not apply discretionary relief to those premises receiving the 80% mandatory relief. In this way the maximum relief offered is 80% (i.e. the mandatory rate).

There are a number of organisations that have been granted discretionary relief up to 80% as they meet the criteria in para 2.2 above. These tend to be Sports Clubs such as Bowls clubs across the city.

There is no policy to support these decisions and in order to formalise the application of relief there is a need to review the position with many of these organisations benefiting from Discretionary relief.

Financial implications for The Council

The financial implications of granting relief to a ratepayer are detailed in the following table:-

Type of Relief	Maximum Relief	Cost to Pool	Cost to General Fund
Charity	Mandatory 80%	100%	NIL
Discretionary	100%	25%	75%
Hardship	up to 100%	75%	25%

The cost to the Council of discretionary relief is approximately £35,000 per annum.

Any reduction or cessation of relief can only be done at the end of a financial year and the Council must give at least twelve months notice. It is for this reason this report is presented now.

4. Proposals

It is proposed to review all recipients of discretionary relief. Sports Clubs will still be eligible for relief by applying for mandatory relief as Registered Community Amateur Sports Clubs and we are in the process of informing them of this.

Applications for discretionary relief will be considered under the policy set out in Appendix 1.

Applications for Hardship relief have possible broad economic impacts on the City. For this reason it is proposed that applications for Hardship relief should

be considered by members at Executive Board using the guidance set out in para 2.2 above.

5. Recommendations

That the Board agrees the proposed scheme for the application of mandatory and discretionary relief for Business Rates as set out in Appendix 1 and that

1. Applications for mandatory and discretionary relief be considered at Officer level as set out in the Constitution
2. Applications for Hardship relief be considered by Executive Board using the criteria set out in paragraph 2.2

This report has been seen and approved by

**Sarah Fogden, Business Manager, Financial and Asset Management
Councillor Paskins, Portfolio Holder for Social Inclusion
Councillor Hollingsworth.**

The report has been seen, but not approved, by the Business Manager, Legal and Democratic Services, who will make any comment orally at Committee.