

Newcastle City Council Discretionary Rate Relief Scheme

Section 1: Introduction

As part of its role in the administration of National Non Domestic Rates (NNDR), or business rates, the Council can exercise its discretion to provide reductions to the amounts of business rates that are due to be paid by businesses and non-profit making organisations.

Changes to local government finance now mean that the income from business rates more directly impacts on the Council's financial position. As part of the Central Government funding process for local authorities, councils now retain 50% of all business rates income collected and fund 50% of all rates relief awarded. Under the previous scheme, business rates income was paid into the government's central pool and redistributed back out to local authorities based on a formula grant.

Business rates relief is defined by type and level. The level of charitable relief is mandatory and is prescribed at 80% and the level of discretionary reliefs introduced in the Pre-budget Statements and Autumn Statements is prescribed by the government. This means that if the council awards a type of relief detailed in these statements it has no discretion over the level or amount of relief given. Appendix A lists these reliefs.

Otherwise, the council is entitled through this scheme to determine different levels of discretionary relief according to the nature and circumstances of individual organisations.

This scheme outlines the Council's approach to the discretionary rate relief awarded to businesses and non-profit making organisations. The approach recognises the impact on both the Council's wider financial position and council tax payers and on the organisations and businesses that may apply for reliefs and their role in supporting Newcastle residents and developing the city.

Section 2: Principles for awarding Discretionary Rate Relief

The scheme will support organisations whose aims and objectives are consistent with the council's vision and values, and it will ensure that rate reliefs awarded are fully in accordance with the council's and council taxpayers' interests.

Vision, values and priorities.

Our Vision

We believe that that it is by working together that we make a difference to the lives and prospects of people who live, work and learn in Newcastle. That is why our overall vision is to be a cooperative council.

Our Values

Being a cooperative council means that all of us who work for the council must understand how a cooperative council should behave. That's why we have a clear set

of values which inform not just what we do, but also how we do it. Our values will inform the approach we take to decision making, the way we work with our partners and the way we develop and deliver services to the people of Newcastle. In all that it does Newcastle City Council will be:-

- Fair – tackling inequality and promoting rights, responsibilities and respect.
- Co-operative - strongest when we work together in the interest of us all.
- Liberating - unlocking the power of people to realise the potential in their communities and in themselves.
- Accountable - putting the people we serve at the heart of what we do.
- Forward thinking – acting today to build a better tomorrow.
- Confident - proud to stand up for Newcastle and the North East.
- Leading – bringing people together to make a difference

Our Priorities

The council has four very clear priorities for how we will focus our efforts and resources to make a positive difference to the city. These are:

- A working city - creating good quality jobs and helping local people develop the skills to do them.
- Decent neighbourhoods - working with local communities to look after each other and the environment.
- Tackling inequalities - tackling discrimination and inequalities which prevent people from fulfilling their true potential.
- A fit for purpose council - a council which leads by enabling others to achieve

Section 3: Financial criteria

The Council has the power to grant discretionary rate relief of up to 100% of the rates due to other non-profit making organisations. The relief could be given to properties used by non-profit making organisations for recreational, charitable, philanthropic or religious purposes or in connection with education, social welfare, science, literature or the fine arts.

For all types of relief the council will adopt a set of general financial criteria, which it will expect to be included in all applications. When assessing whether to award discretionary relief, the council must consider the importance of the organisation to the local community.

If available, two years most recent accounts are required to support each application. This information will be used to establish the overall financial position, stability and financial need of the organisation.

Failure to provide such or failure to agree suitable alternative arrangements with the Corporate Revenues & Exchequer Manager will result in the application being deferred for 30 working days, after which the application will be deemed to be withdrawn if the required information has not been received or satisfactory alternative arrangements made.

Accounts must be specific to the organisation's operations as it is the local benefit that is being assessed. Group accounts from organisations that cover areas outside Newcastle upon Tyne will not be accepted. A separate breakdown of local income and expenditure should be provided.

The accounts are one of the key factors taken into consideration and information will be drawn from the audited balance sheet provided in support of applications. The level of reserves in proportion to the total rate liability, other grant funding and surpluses will be taken into consideration, as will an organisations level of indebtedness (including details of creditors and debtors).

Backdating of relief is wholly at the discretion of the council, and will be used only in exceptional circumstances.

The council may ask for additional information as it sees fit.

The principle consideration is that any relief is in best interests of the taxpayers of Newcastle City Council, as the Council must bear a percentage of the cost of any relief granted.

All organisations in receipt of Discretionary and or Mandatory Rate Relief must satisfy the criteria set out in the Local Government Finance Act 1988 (as amended).

Section 4: Small properties and Small Business Rate Relief (SBRR)

This type of relief is applied to business rate charges for small properties. Central Government defines a small property as that which has a rateable value of less than £15,000. Small Business Rate Relief should be self-financing as larger businesses pay a levy to fund the relief for smaller businesses. If the total levy is smaller than the total relief Central government will fund 50% of the net cost. The level of Small Business Rate relief can change each financial year.

It is not a discretionary relief but it may be more cost effective to apply this relief than to apply discretionary relief in the short term as the minimum level of funding from Central government will be 50%. It is not possible to apply both SBRR and discretionary rate relief.

Small Business Rate Relief is applied where:

- One non-domestic property is occupied
- its rateable value is less than £15,000

The level of small business rates relief is shown in the table below:-

Small Business Rates Relief	Level
Relief for properties with a rateable value of less than £12,000	100%
Relief for properties with a rateable value between £12,001 and £17,999 tapered	100% - 0%

Small Business Rate Relief is can also be applied where:

If the property has a rateable value between £12,001 and £50,000 business rates are calculated using the small business multiplier instead of the standard one. This is the case even if the ratepayer owns multiple properties.

The council will apply Small Business Rate Relief where appropriate.

Section 6: Awarding Discretionary Rate Relief

Reliefs introduced in the Pre-Budget Statements and Autumn Statements will be awarded in accordance with the guidance issued by the Department for Communities and Local Government and in accordance with the principles for awarding Discretionary Rate Relief which are detailed in this scheme.

Discretionary Rate Relief will only be awarded for properties that are occupied. Unoccupied property rates will be applied in accordance with the Local Government Finance Act (1988) as amended.

The new Discretionary Rate Relief scheme will apply one, or a combination of, the following options to qualifying organisations as described in the Local Government Finance Act 1988 (as amended).

Where possible, organisations that have not previously applied for relief will be encouraged to, so that all qualifying organisations receive the same level of relief.

Small Business Rate Relief (SBRR)

1. SBRR will be awarded where possible

Where an organisation occupies only one property and that property has a rateable value of less than £12,000 the council will apply Small Business Rate Relief (SBRR) rather than charitable or discretionary rate relief.

Where an organisation occupies only one property and that property has a rateable between £12,001 and £14,999 the council will apply Small Business Rate Relief if the level of Small Business Rate Relief is higher than the charitable or discretionary rate relief option.

2. 80% charitable relief to non-profit making community organisations

Where an organisation is a community organisation, a tenants association, a community group taking occupation through the asset transfer scheme, or an arts group that has taken occupation through the Empty Shops Scheme, the organisation will be treated as though it is a registered charity and awarded the prescribed 80% mandatory rates relief if it fulfils the council's criteria.

3. 20% 'top-up' to non-profit making community organisations

Registered charities and not for profit making organisations will be expected to fund the remaining 20% of business rates that is not covered within the mandatory element. Members will only consider requests for additional reliefs in exceptional cases on their merits, balancing the additional cost against the benefits to the achievement of the Councils objectives and any approvals could be on a time limited basis.

Section 7: Administration

The Council will consider applications for discretionary rate relief that satisfy the above criteria on a case by case basis.

Applications from occupiers of small properties with rateable values of less than £18,000 will be considered by the Revenues, Benefits & Exchequer Service Manager and applications for larger properties with rateable values of more than £17,999 will be considered by a panel of Elected Members.

Applications for retail rate relief from occupiers of properties with rateable values of less than £50,000 will be considered by the Revenues, Benefits & Exchequer Service Manager

The council will issue a notification to confirm the award start and end dates to allow the council the flexibility to review renew or cancel the award at the expiration date.

Section 8: Reporting

Discretionary Rate Relief awarded will be added to the existing Discretionary Rate Schedule and reported to the Audit Committee on a quarterly basis. The Discretionary Rate Relief schedule is signed off annually by the Director of Resources

The cumulative total will be added to the summary of any reports that are presented to the Local Tax and Revenues panel for consideration.

Section 9: Discretionary Rate Relief Budget

The cost will be reviewed every financial year.

Section 10: Scheme Review

This scheme will be reviewed on an annual basis or sooner if there is a change in legislation that would affect its operation.

Full guidance on current reliefs awarded under section 47 is provided at www.newcastle.gov.uk/rates/business-rates-reliefs-and-exemptions

Pre-Budget and Autumn Statement Discretionary Rate Reliefs

Rate Reliefs introduced in the Pre-Budget Statements and Autumn Statements will be awarded in accordance with the guidance issued by the Department for Communities and Local Government and in accordance with the principles for awarding Discretionary Rate Relief which are detailed in this scheme

Full guidance on current reliefs awarded under section 47 is provided at www.newcastle.gov.uk/rates/business-rates-reliefs-and-exemptions

- **Shared workspaces**

Shared workspaces typically provide flexible and affordable access to workspace for small and medium sized enterprises micro-businesses and sole traders, and generally lend themselves to collaboration opportunities and peer to peer learning supporting growth and jobs in local economies

The council will consider applications for relief for shared spaces and makerspaces where there is a clear benefit to the local economy, such as where shared spaces create economic growth, jobs and providing support to new businesses.

- **Rural Rate Relief**

Rural rate relief may be awarded if a business is in a rural area with a population below 3,000. You get between 50% and 100% off your business rates.

Rural rate relief may apply if a business is:

- the only village shop or post office with a rateable value of up to £8,500
- the only public house or petrol station with a rateable value of up to £12,500

The council will consider applications to:

- top up the mandatory 50% relief to 100%
- give relief to other rural retail businesses of up to 100% (for properties with a rateable value under £16,500)

- **Childcare providers**

Childcare providers may be provided relief where there is a clear community benefit, such as where it would help with narrowing the gap, school readiness, or maternal employment. Childcare providers may also be eligible for charity relief or Small Business Rate Relief

- **Cash Machines**

Rate relief may be applied where there is a clear community benefit, such as where cash machine providers commit to introduce extra cash machines or reduce charges on existing machines.

New Discretionary Rate Reliefs from 1 April 2017

Local Newspaper Relief

General Explanation

This is a temporary relief for 2017-18 and 2018-19 and the Government is not changing the legislation around the reliefs available to these properties. Central Government will reimburse local authorities that use their discretionary relief powers (under section 47(3)) of the Local Government Finance Act 1988 to grant relief in line with the eligibility criteria set out in this guidance.

The Council will be compensated by Central Government through a grant under section 31 of the Local Government Act 2003.

Eligibility criteria

The scheme will provide a £1,500 relief for office space occupied by local newspapers up to a maximum of one discount per local newspaper title and per hereditament, for two years from 1 April 2017.

Local Newspapers

The relief is to be specifically for local newspapers and by that, the Council means what would be considered a “traditional local newspaper.” The relief will not be available to magazines.

Office Space

The hereditament **must** be occupied by a local newspaper and wholly or mainly used as office premises for journalists and reporters.

Amount of Relief

The amount of relief is limited to a maximum of one discount per newspaper title (e.g. per newspaper name) **AND** per hereditament. As with all discretionary rate relief, any grant will be subject to State Aid limits as defined within section 6 of this policy.

Local Newspaper Relief – the Council’s policy for granting discretionary relief.

The Council has decided to grant relief strictly in accordance with Central Government guidelines.

Supporting Small Businesses Relief

General Explanation

Central Government has increased the thresholds for Small Business Rate Relief from 1 April 2017 to £12,000 for the 100% relief and £15,000 for the tapered relief. They have also allowed rural rate relief to be granted up to 100% using S47 of the Local Government Finance Act 1988 as a top up to the mandatory level of 50%, albeit that the rateable value limits have not been changes in respect of rural hereditaments (see section D of this policy). Unfortunately, despite these changes, some small businesses and businesses in rural areas may lose their entitlement to the relief due to increases in Rateable Value through the revaluation on 1st April 2017.

The transitional relief scheme (provided under the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016 No. 1265) does not provide support in respect of changes in reliefs. Therefore, those ratepayers who have lost some or all of their small business or rural rate relief may face large percentage increases in bills from 1 April 2017.

In view of this, Central Government announced that a new scheme of relief would be made available to those ratepayers facing large increases as a result of the loss of small business or rural rate relief due to the revaluation. All authorities are encouraged to grant the relief in accordance with the guidelines laid down by Central Government and if granted strictly in accordance with guidance, the Council will be compensated by Central Government through a grant under section 31 of the Local Government Act 2003.

The relief is to be known as the ‘Supporting Small Businesses Scheme’

Who is eligible for the relief and how much relief will be available?

The Supporting Small Businesses relief will help those ratepayers who as a result of the change in their rateable value at the revaluation are losing some or all of their small business or rural rate relief and, as a result, are facing large increases in their bills.

To support these ratepayers, the Supporting Small Businesses relief will ensure that the increase per year in the bills of these ratepayers is limited **to the greater of:**

- a. a percentage increase per annum. of 5%, 7.5%, 10%, 15% and 15% 2017/18 to 2021/22 all plus inflation. (Unlike the transitional relief scheme under the Chargeable Amount regulations), for the first year of the scheme the percentage increase is taken against the bill for 31 March 2017 after small business rate relief or rural rate relief;

or

- b. a cash value of £600 per year (£50 per month).

This cash minimum increase ensures that those ratepayers paying nothing or very small amounts in 2016/17 after small business rate relief are brought into paying something.

In the first year of the scheme, this means all ratepayers losing some or all of their small business rate relief or rural rate relief will see the increase in their bill capped at £600. The cash minimum increase is £600 per year thereafter. This means that ratepayers who in 2016/17 paid nothing under small business rate relief and are losing all of their entitlement to relief (i.e. moving from £6,000 rateable value or less to more than £15,000) would under this scheme be paying £3,000 in year 5.

The Government has also decided that those on the Supporting Small Businesses relief scheme whose 2017 rateable values are £51,000 or more will not be liable to pay the supplement (1.3p) to fund small business rate relief while they are eligible for the Supporting Small Businesses relief scheme.

Ratepayers will remain in the Supporting Small Businesses relief scheme for either 5 years or until they reach the bill they would have paid without the scheme (this would be the charge payable as their true rates payable or the charge calculated under the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016).

A change of ratepayer will not affect eligibility for the Supporting Small Businesses relief scheme **but** eligibility will be lost if the property falls vacant or becomes occupied by a charity or Community Amateur Sports Club.

The rules for state aid (as detailed in section 6 of this policy) shall apply when considering Supporting Small Businesses Relief.

Recalculation of relief

The amount of relief awarded under the Supporting Small Businesses relief scheme will be recalculated in the event of a change of circumstances including the following:

- This could include, for example, a backdated change to the rateable value or the hereditament; or
- The awarding of another relief.

The Council will, in effect, calculate the award on a daily basis taking into account the above, and the relief will be re-calculated if the rateable value changes.

Other Reliefs

Hereditaments eligible for charity or Community Amateur Sports Club relief or hereditaments which are unoccupied are not eligible for Supporting Small Businesses Relief. Likewise, the same principle applies to properties for which a Section 44A certificate has been granted (apportionment of rateable values for partly occupied properties). The presence of a section 44A certificate will not further reduce the bill found under the Supporting Small Business scheme.

In accordance with Central Government guidelines, all other discretionary reliefs, will be considered **after** the application of Supporting Small Businesses relief.

Supporting Small Businesses Relief – the Council’s policy for granting discretionary relief.

The Council has decided to grant relief strictly in accordance with Central Government guidelines

Public House Relief

General Explanation

This is a temporary relief for 2017-18 and the Government is not changing the legislation around the reliefs available to premises. Central Government will reimburse local authorities that use their discretionary relief powers (under section 47(3)) of the Local Government Finance Act 1988) to grant £1000 relief in line with the eligibility criteria set out in guidance to be produced by Central Government

Central Government guidelines have been issued and it has been established that any amount granted will be reimbursed by a section 31 grant.

Eligibility criteria

The Council's policy, in line with Central Government requirements, will provide a relief of £1,000 relief for one year only (1st April 2017 to 31st March 2018) for all eligible public houses who have a rateable value of less than £100,000 on 1st April 2017.

The definition of a 'Public House' means any premises as defined in the Licensing Act 2003, which has a premises license authorising sale by retail of alcohol for consumption on the premises. In addition, 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.

It will be for the Council to decide whether any premises falls within the definition given in the above paragraph. No relief shall be given where the premises are unoccupied. Any property that is defined by the Valuation Office Agency as 'CL' and 'Public House & premises' will be eligible for this relief.

Extension of Public House Relief for one year

Public House Relief will be extended to 31st March 2019

Other Reliefs

Pubic House relief will be granted after applying any other mandatory reliefs and reductions

Public House Relief – the Council's policy for granting discretionary relief.

The Council has decided to grant relief strictly in accordance with Central Government guidelines.

Discretionary Business Rates Relief Scheme

General Explanation

In March 2017, Central Government announced that it would make available a discretionary fund of £300 million over four years from 2017-18 to support those businesses that face the steepest increases in their business rates bills as a result of the revaluation. Government determined that Councils would be best placed to determine how this fund should be targeted and administered to support those businesses and locations within their area that are in the greatest need.

Every authority within England is to be provided with a share of a £300 million fund to support their local businesses. This is to be administered through billing authorities' discretionary relief powers under section 47 of the Local Government Act 1988.

Government also believes that local authorities are best placed to judge the particular circumstances of local ratepayers and direct the funding where it is most needed to support local economies.

The funding is not provided equally over the four-year period but in the following approximate proportions:

Year 1 (2017/18) 58%

Year 2 (2018/19) 28%

Year 3 (2019/20) 12%

Year 4 (2020/21) 2%

Councils will be compensated for any relief granted under section 31 of the Local Government Act 2003. The Government is unclear at this stage as to whether any underspend can be 'vired' from one year to the next although their initial guidance is that any underspend will be returned to Treasury¹.

A key criteria of reimbursement will be that all Billing Authorities will consult with major precepting authorities when formulating their schemes.

The financial effects to the Council of the Discretionary Business Rates Relief Scheme are shown in the following table

¹ DCLG Letter 27th April 2017 – Discretionary Rates Relief Scheme – Payment of Section 31 grant to reimburse cost of relief

Amount of discretionary fund awarded (£000s) – Newcastle City Council			
2017-18	2018-19	2019-20	2020-21
668	324	134	19

Consultation

The Council has consulted with the major preceptors in relation to this scheme and has taken their comments into account when determining the eligibility criteria.

The grant determination encourages consultation with ‘relevant authorities’. Relevant authorities for the purposes of this scheme means:

- a. Any major precepting authority; and
- b. Any combined authority.

State Aid

The rules relating to State Aid (as defined within section 6 of this policy) apply. The Council will ensure full compliance in this area to ensure that relief can be given to the most deserving ratepayers.

Decisions by the Council

Decisions by the Council are made directly in line with the Scheme of Delegation as outlined within section 7 of this policy. Any decision to award relief under this scheme will follow the core principles of the Council’s discretionary relief policy as defined by section 3.8.

It should be noted that whilst the funding from Central Government for Discretionary Business Rate Relief Scheme is limited, the decision of the Council whether to award any relief under this scheme **will not take account** of the level of any funding.

Discretionary Business Rate Relief Scheme– the Council’s policy for granting discretionary relief.

The application of relief under this scheme

The Council will look to simplify the process wherever possible by automatically applying this relief to businesses that satisfy the qualifying criteria. It will encourage any ratepayers to apply for the relief if it appears that the relief has not been applied when the criteria has been met. It expects ratepayers to provide such information as is required by the Council to support their application.

The Council has decided that relief under the scheme will be awarded using the following criteria:

- a. The scheme is designed to assist ratepayers who have suffered significant increases in rate liability due to the revaluation and the subsequent increase to their rateable value;
 - i. In assessing any potential entitlement to an award under this scheme, the Council will adopt the government’s existing transitional arrangements contained within The Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016 and apply the additional relief where appropriate.
- b. Relief will be awarded where the calculation in (a.i) above will result in an increase of more than 7.5% for properties with a rateable value between £20,001 and £100,000 and more than 10% for properties with a rateable value between £100,001 and £200,000;
- c. The capped increase will be adjusted for inflation based on the RPI at September 2016;
- d. Relief will only be given to premises which are liable for occupied rates. No relief within this scheme will be granted for unoccupied premises;
- e. Relief will only be granted to ratepayers who were in occupation at 31st March 2017 and in occupation on 1st April 2017 and for each day subsequently.
- f. Ratepayers taking up occupation after the 1st April 2017 will **not** be eligible for relief on the basis that new ratepayers would not have suffered from increases due to a revaluation;
- g. Relief will be targeted to shops, cafes, restaurants, hotels and drinking establishments. Other types of non-excluded businesses where only **one property in the UK** is occupied will also be considered;

h. Relief will **not** be awarded where:

- i. mandatory relief is awarded; or
- ii. properties are used for the provision or supply of education or medical services including all NHS facilities, doctors, dentists, osteopaths, chiropractors; or
- iii. properties are used by government and public sector bodies such as law courts, fire stations; or
- iv. properties are used for activities that are not considered to be in line with the council's vision, values and priorities; or
- v. where the ratepayer has applied for a reduction under S44a of the Local Government Finance Act 1988; or
- vi. the hereditament has an increase in Rateable Value after the 1st April 2017 which increases the rate charge above the 1st April 2017 value.

Amount of Relief

The amount of relief is tapered and will be calculated as follows:

2017/18: Award = Additional relief required to cap the increases calculated in (l.15a above)

2018/19: Award = 50% of the relief awarded in 2017/18

2019/20: Award = 50% of the relief awarded in 2018/19

2020/21: Award = 10% of the relief awarded in 2019/20

Variation and amendment of relief under the scheme

As with all reliefs, the amount of relief awarded under the Discretionary Businesses Rates relief scheme will be recalculated in the event of a change of circumstances. This will include, for example, a backdated change to the rateable value or the hereditament. This change of circumstances could arise during the year in question or during a later year.

The council reserves the right to vary the above capped increase to utilise all of the available government funding.

Variation to DRR relief under the scheme awarded during 2017-2018

- a) Additional one-off payment to pubs that qualified for pub relief but that are still having financial difficulties.
- b) Additional one-off payment to new occupiers within the area identified as the Accelerated Development Zone.

- c) Relief awarded where the calculation in (a.1.) above will result in an increase of more than 7.5% for properties with a rateable value between £20,001 and £100,000 and more than 7.5% for properties with a rateable value between £100,001 and £200,000;

The Non-Domestic Rating (Discretionary Relief) Regulations 1989 (S.I. 1989/1059) requires the Council to provide ratepayers with at least one year's notice in writing before any decision to revoke or vary a decision so as to increase the amount the ratepayer has to pay takes effect. Such a revocation or variation of a decision can only take effect at the end of a financial year. But within these regulations, the Council may still make decisions which are conditional upon eligibility criteria or rules for calculating relief which allow the amount of relief to be amended within the year to reflect changing circumstances.
